NPF MICROFINANCE BANK PLC

RC. 220824

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2023

Contents

Corporate Information

Directors:	Mr. Damilola Samuel Adegbuyi*	Chairman
	Mr. Habeeb Amuda Yusuf **	Managing Director
	Mr. John Kwabe Tizhe	Executive Director
	Mrs. Olamide Mojisola Akin- Balogun***	Executive Director
	Mr. Said Umar Fagge	Non-Executive Director
	Mr. Oyeyemi Adesoye Oyediran psc, fsi****	Non-Executive Director
	Mrs. Lydia Ameh Enemona*****	Non-Executive Director
	Mr. Idrisu Dabban Dauda psc, fdc, mnim ******	Non-Executive Director
	Mr. Mutalib Atanda Akinlade, MBA, FCA*******	Non-Executive (Independent) Director
	Mr. Aduojo Friday Abah Esq.********	Non-Executive (Independent) Director
	Barr. Felix Sunday Chukwurah *********	Non-Executive Director

**Appointed on the 1 February 2024 and made Chairman of the Board on 13 June 2024*
*** Appointed Managing Director on 13 June 2024*
****Appointed Executive Director Finance & Administration on 1 February 2024*
*****Appointed on 26 September 2023 to replace Mr. Bello Makwashi*
******Appointed on 26 September 2023 to replace Mr. Uzairu Abdulahi*
*******Appointed on 1 February 2024*
********Appointed on 1 February 2024*
*********Appointed on 1 February 2024*
**********Appointed on 19 July 2024*

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:
Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba Mbadiwe Avenue,
Victoria Island,
Lagos, Nigeria.

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 Limited
Samuel Asabia House
35 Marina
Lagos, Nigeria.

Registrars:	Cardinal Stone Registrars Limited 335/337, Herbert Macaulay Way Yaba, Lagos
Tax Identification Number:	00122558-0001

DIRECTORS' REPORT

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 2023.

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 2023 are as follows:

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Profit before tax	1,614,377	1,324,166
Income tax expense	(594,947)	(441,998)
Profit after tax	1,019,430	882,168
Total comprehensive income	1,011,632	883,816
Basic and diluted earnings per share (kobo)	17	15

3) DIVIDENDS

The Board of Directors recommended a cash dividend of 12 kobo per share (issued and paid-up shares) for the year ended 31 December 2023 (31 December 2022: 10 kobo). This is subject to approval at the Annual General Meeting.

Payment of dividends is subject to withholding tax at a rate of 10% in the hand of recipients.

DIRECTORS' REPORT - Continued

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. Bello Makwashi**	Non-Executive Director	28 April 2022
Mr. Usman Isa Baba ***	Non-Executive Director	28 May 2019
Mr. Abdulrahman Satumari ****	Non-Executive (Independent) Director	28 June 2018
Mr. Salihu Argungu Hashimu (Esq.) *****	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
Mrs. Lydia Enemona Ameh	Non-Executive Director	26 September 2023
Mr. Oyeyemi Oyediran	Non-Executive Director	26 September 2023
Mr. Said Garba Fagge	Non-Executive Director	26 January 2023

**Exited the Board on 31 January 2024*
*** Exited the Board on 21 September on 2023*
****Exited the Board on 31 January 2024*
*****Exited the Board on 31 January 2024*
******Exited the Board on 13 June 2024*
*******Exited the Board on 31 January 2024*
********Exited the Board on 10 August on 2023*
*********Retired on 21 July 2024*
**********Retired on 2 April 2024*

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 2023		31 December 2022	
NAME OF DIRECTOR	DIRECT (units)	INDIRECT (units)	DIRECT (units)	INDIRECT (units)
Mr. Azubuko Joel Udah (Esq.)	4,444,444	-	4,444,444	-
Mr. Abdulrahman Satumari	-	-	-	-
Mr. Usman Isa Baba	5,096,178	-	5,096,178	-
Mr. Salihu Argungu Hashimu (Esq)	528,004	-	528,004	-
Mrs. Rakiya Edota Shehu	-	-	-	-
Mr. Bello Makwashi *	-	3,761,322,655	-	4,035,879,917
Mr. Said Garba Fagge		"		"
Mr. Oyeyemi Oyediran		"		"
Mr. Uzairu Abdullahi**	-	936,149,939	-	936,149,939
Mrs. Lydia Enemona Ameh		"		"
Mr. Akinwunmi M. Lawal	5,637,250	-	5,637,250	-
Mr. John K. Tizhe	1,917,487	-	1,917,487	-
Mr. Francis C. Nelson	2,663,268	-	2,663,268	-

DIRECTORS' REPORT - Continued

*Mr. Bello Makwashi was replaced by Mr. Oyeyemi Oyediran. Mr. Oyeyemi Oyediran and Mr. Said Garba Fagge represents the interest of the Nigerian Police Cooperative Society Limited, which owns 3,761,322,655 (31 December 2022: 4,035,879,917) ordinary shares of 50k each in the issued share capital of the Bank for the year under review.

**Mr. Uzairu Abdullahi was replaced by Mrs. Lydia Enemona Ameh and she represents the interest of the Nigeria Police Welfare Insurance Cooperative Society Limited which owns 936,149,939 (31 December 2023: 936,149,939) 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 2023. The Directors' interest in shares remained the same as at the date the 2023 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 2023.

7) CHANGES TO THE BOARD

The Board of Directors at its meeting held on 26 September 2023 appointed Mr. Oyeyemi Oyediran and Mrs.Lydia Enemona Ameh as a Non-Executive Directors to fill the vacancy created by the redeployment of Mr. Bello Makwashi from the Police Cooperative Multipurpose Society Ltd and similarly Mr. Uzairu Abdullahi from Nigeria Police Welfare Insurance Cooperative Society Limited respectively .
T6

In the current year, on 1 February 2024, Mr. Idrisu Dabban Dauda, Mr. Damilola Samuel Adegbuyi, Mr. Mutalib Atanda Akinlade and Mr. Aduojo Friday Abah Esq, and Mrs. Olamide Mojisola Akin-Balogun were appointed as Directors in the Bank. Mr. Damilola Samuel Adegbuyi was subsequently appointed as Chairman of the Board on the 13th of June 2024 with the exit of Mr. Salihu Argungu Hashimu (Esq.) who had ealier taken over from Mr. Azubuko Joel Udah (Esq.) on 1 Febraury 2024. Mr. Habeeb Amuda Yusuf was appointed Managing Director on 13 June 2024 to replace Mr. Akinwunmi M. Lawal who retired on 21st of July 2024. In addition Barr. Felix Sunday Chukwurah was appointed Non-Executive Director on 19th July 2024 to replace Mr Hashimu Argungu Salihu.

All the newly appointed directors 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.

8) SUBSTANTIAL INTEREST IN SHARES

According to the Register of Members as at 31 December 2023, the following shareholders of the Bank held more than 5% of the issued ordinary share capital of the Company:

	31 December 2023		31 December 2022	
Shareholder	**No. of Shares**	**Shareholding (%)**	**No. of Shares**	**Shareholding (%)**
Nigeria Police Co-operative Society Limited	3,761,322,655	62.76	4,035,879,917	67.34
NPF Welfare Insurance Scheme	936,149,939	15.62	936,149,939	15.62

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 17% as at 31 December 2023 (31 December 2022: 16%) .

DIRECTORS' REPORT - Continued

9) ANALYSIS OF SHAREHOLDING

The shareholding structure of the Bank is as stated below:

Range		Holders	%	Units
From	To			
1	5000	4,456	0.12	7,180,555
5001	10000	1,005	0.12	7,172,784
10001	50000	1,834	0.66	39,683,081
50001	100000	409	0.48	28,626,832
100001	500000	846	3.35	200,893,691
500001	1000000	133	1.49	89,278,621
1000001	50000000	170	10.78	646,181,985
50000001	5992954557	6	83	4973937008
		8,859	**100**	**5,992,954,557**

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**

DIRECTORS' REPORT - Continued

10) 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	2,696,829	0.50	PUBLIC OFFER/RIGHTS ISSUES
2022	-	3, 000,000	2,696,829	2,996,477	0.50	BONUS 1:9
2023	-	3, 000,000	2,996,477		0.50	.

11) PROPERTY AND EQUIPMENT

Information relating to changes in the Bank's property and equipment is given in Note 21 of the financial statements.

12) 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 ₦711,923 (31 December 2022: ₦1,758,000) during the year. This comprises contributions to educational organisations amongst others as listed below:

DIRECTORS' REPORT - Continued

Donations made during the year ended 31 December 2023 are as follows:

	₦
Pacelli School for the Blind, Lagos	100,000
Police Children Schools (Akure, Challenge, Initoro, Epe, Idimu, Ikeja, Enugu, etc)	310,000
Nigeria Police Widows Association, Lagos	20,000
NPF Educational Research and Planning	15,000
Police College, Ikeja	50,000
Police Secondary Schools (Akure, Abeokuta)	140,000
Orphanage Home	76,923
	711,923

The following donations were made during the year ended 31 December 2022.

	₦
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

13) FRAUD AND FORGERIES

	Nature of Fraud	No. of Incidence		Fraud Amount (₦)		Actual Loss to the Bank (₦)	
		2023	2022	2023	2022	2023	2022
	Perpetrated by staff	3	2	4,204,580	2,863,835	1,832,080	-
	ATM Electronic Fraud	-	-	-	-	-	-
	Total	3	2	4,204,580	2,863,835	1,832,080	-

Perpetrated by staff
The sum of ₦2,372,500 has been recovered from the fraud perpetrated by staff. This represents 56.4% recovery of the total fraud amount.

14) 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 2023 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

15) 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

DIRECTORS' REPORT - Continued

possible, be identical with those of other employees. The Bank did not employ any physically challengd person during the year.

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

The Bank recognises training of its human resources as an investment which adds value to the business. We are therefore committed to continuos development of our workforce through courses and seminars organised internally and externally. Individual needs of each employees are considered in organising training courses. Members of staff are also encourged and assisted finacially to embark on certifications which will improve them academically and professionally. 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 businness 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.

16) 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.

17) 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-discrimatory 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 2023 were as follows:

	Number			Percentage	
	Male	**Female**	**Total**	**Male**	**Female**
Employees (2023)	291	229	520	56%	44%
Employees (2022)	313	244	557	56%	44%
Top Management (2023)	22	16	38	58%	42%
Top Management (2022)	23	16	39	59%	41%
Board					
Executive Directors (2023)	3	-	3	100%	0%
Executive Directors (2022)	3	-	3	100%	0%
Non -Executive Directors (2023)	7	1	8	88%	12%
Non -Executive Directors (2022)	7	1	8	88%	12%

DIRECTORS' REPORT - Continued

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

	31 December 2023			31 December 2022		
GRADE LEVEL	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Manager (M)	5	5	10	4	10	14
Senior Manager (SM)	8	6	14	10	4	14
Assistant General Manager (AGM)	7	2	9	4	-	4
Deputy General Manager (DGM)	1	-	1	3	-	3
General Manager (GM)	3	1	4	2	2	4
TOTAL	**24**	**14**	**38**	**23**	**16**	**39**

ii) Analysis of Directors by gender:

	31 December 2023			31 December 2022		
	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**

18z) INDEPENDENT AUDITOR

The appointment of the External Auditors, Deloitte & Touche, was approved on 22 June 2023, at the 29th Annual General Meeting of the Bank in accordance with Section 401(1) of the Companies and Allied Matters Act, 2020. The appointment took effect on 1 June 2023.

BY ORDER OF THE BOARD

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

19 August 2024

CORPORATE GOVERNANCE REPORT

INTRODUCTION

NPF Microfinance Bank Plc ("the Bank”) is committed to the highest standards of corporate governance and proactively institutionalize 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 behavioral 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 recognizes 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 continous basis. The Board also sets the Bank's values and standards and ensures that its obligations to its shareholders and others are understood and met.

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.

CORPORATE GOVERNANCE REPORT - Continued

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	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.	Monthly/Annually
Performance Incentive	This is awarded based on the performance of the Bank and individual Directors.	Annually
Directors' fees	Annual Payments approved at the Annual General Meeting	Half yearly
Sitting allowances	Allowances paid for attending board and board committee meetings	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 eight (8) times in the year under review. Attendance at the Board meetings during the year were as follows:

No	Members	Designation	26-Jan	22-Mar	18-May	21-Jun	27-Jul	18-Sep	26-Sep	25-Oct
1	Mr. Azubuko Joel Udah (Esq.)	Chairman	P	P	P	P	P	P	P	P
2	Mr. Salihu Argunu Hashimu	Non-Executive Director	P	P	P	P	P	P	P	P
3	Mr. Abdulrahman Satumari	Non-Executive Director (Independent)	P	P	P	P	P	P	P	P
4	Mr. Usman Isa Baba	Non-Executive Director	P	P	P	P	P	P	P	P
5	Mrs. Rakiya Edota Shehu	Non-Executive Director (Independent)	P	P	P	P	P	P	P	P
7	Mr. Bello Makwashi*	Non-Executive Director	P	A	P	A	P	P	N/A	N/A
9	Mr. Uzairu Abdullahi **	Non-Executive Director	P	P	A	A	P	P	N/A	N/A
10	Mr. Akinwunmi M. Lawal	Managing Director	P	P	P	P	P	P	P	P
11	Mr. John K. Tizhe	Executive Director	P	P	P	P	P	P	P	A
12	Mr. Francis C. Nelson	Executive Director	P	P	P	P	P	P	P	P
13	Mr. Said Fagge***	Non-Executive Director	N/A	A	P	A	P	P	P	P
14	Mr. Oyeyemi Oyediran****	Non-Executive Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P
15	Mrs. Lydia Enemona Ameh*****	Non-Executive Director	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P

P= Present
A=Absent
N/A= Ceased to be a member/Not a member
* Exited the Board on 21 September 2023
** Exited the Board on 10 August 2023
*** Appointed on 26 January 2023

CORPORATE GOVERNANCE REPORT - Continued

**** Appointed on 26 September 2023
***** Appointed on 26 September 2023

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

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

In compliance with the requirement of the Central Bank of Nigeria (CBN) Code of Corporate Governance, the Board commissioned Financial Institutions Training Centre (FITC) to carry out Board evaluation for the financial year ended 31 December 2023.

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
Financial Institutions Training Centre (FITC)	Achieving Board Effectiveness through Effective Leadership
Financial Institutions Training Centre (FITC)	Building a High Performing Board
MLDC	Advance Risk Based AML/CFT Workshop
Institute of Directors	The Chair & CEO
Institute of Directors	Advanced Company Direction Programme
The Executive Minds	Strategic Leadership for Success in a Digital Age
Audit Committee Institute	Audit Oversight of Cyber Security
Securities and Exchange Commission	Workshop on Internal Control over Financial Reporting
International Executive Education	Strategic Bank Management
Triscon Energy LTD	Training on Code of Business Conduct and Fraud Control Policy for Board of Directors

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

CORPORATE GOVERNANCE REPORT - Continued

BOARD COMMITTEES

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 six (6) times in 2023 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	5-Jan	24-Jan	17-May	15-Aug	18-Oct	20-Nov
1	Mrs. Rakiya Edota Shehu	Chairman	P	P	P	P	P	P
2	Mr. Usman Isa Baba	Member	P	P	P	P	P	P
3	Mr. Uzairu Abdullahi*	Member	P	A	P	N/A	N/A	N/A
4	Mr. Akinwunmi Lawal	Member	P	P	P	A	P	P
5	Mr. Francis C. Nelson	Member	P	P	P	P	P	P
6	Mr. Said Fagge**	Member	N/A	N/A	P	N/A	P	P
7	Mrs. Lydia Ameh***	Member	N/A	N/A	N/A	N/A	P	P

* Exited the Board on 10 August 2023
** Appointed 26 January 2023
*** Appointed 26 September 2023

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.

CORPORATE GOVERNANCE REPORT - Continued

- 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 two (2) times during the 2023 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	23-Jan	19-Oct
1	Mr. Bello Makwashi *	Chairman	P	N/A
2	Mr. Abdulrahman Satumari	Member	P	P
3	Mr. Usman Isa Baba	Member	P	P
4	Mr. Salihu Argungu Hashimu	Member	P	P
5	Mr. Akinwunmi Lawal	Member	P	P
6	Mr. John Tizhe	Member	P	P
7	Mr. Oyeyemi Oyediran**	Member	N/A	P

* Exited the Board on 21 September 2023
** Appointed 26 September 2023 and subsequently made Chairman of the commitee

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;

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

The Committee met six (6) times in the 2023 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	19-Jan	20-Mar	15-Jun	18-Jun	25-Sep	23-Oct
1	Mr. Abdulrahman Satumari	Chairman	P	P	P	P	P	P
2	Mr. Salihu Argungu Hashimu	Member	P	P	P	P	P	P
3	Mrs. Rakiya Edota Shehu	Member	P	P	P	P	P	P
4	Mr. Usman Isa Baba	Member	P	P	P	P	P	P
5	Mr. Fagge Said*	Member	A	A	P	P	P	P
6	Mr. Uzairu Abdullahi**	Member	A	P	P	P	N/A	N/A
7	Mrs. Lydia Ameh Enemona***	Member	N/A	N/A	N/A	N/A	N/A	P

*Appointed on 26 January 2023
** Exited the Board on 10 August 2023
*** Appointed 26 September 2023

CORPORATE GOVERNANCE REPORT - Continued

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;
. 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 five (5) times in the 2023 financial year. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	14-Mar	14-Jun	17-Aug	24-Oct	8-Dec
1	Mr. Abdulrahman Satumari	Chairman	P	P	P	P	P
2	Mrs. Rakiya Edota Shehu	Member	P	P	P	P	P
3	Mr. Salihu Argungu Hashimu	Member	P	P	P	A	A
4	Mr. Uzairu Abdullahi*	Member	P	P	NA	N/A	N/A
5	Mr. Bello Makwashi**	Member	N/A	P	A	N/A	N/A
6	Mrs. Lydia Ameh Enemona***	Member	N/A	N/A	N/A	P	P
7	Mr. Oyediran Oyeyemi Adesoye****	Member	N/A	N/A	N/A	P	P

*Exited the Board on 10 August 2023
**Exited the Board on 21 September 2023
***Appointed 26 September 2023
****Appointed 26 September 2023

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 mainatin credit risk within the Board's approved limit.
. Oversight responsibility of marketing reports/activities of the Bank as presented by management and providing updates on same to the Board.
. Maximise recovery rate through quality resolutions.
. Annually review the lending policies and present them to the Board for approval.
. Approve lending, investment decisions, credit products and new processes.

CORPORATE GOVERNANCE REPORT - Continued

. 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	20-Oct
1	Mr. Usman Isa Baba	Chairman	P	P
2	Mr. Salihu Argungu Hashimu	Member	P	P
3	Mr. Said Fagge*	Member	N/A	P
4	Mr. Oyediran Adesoye**	Chairman	N/A	A
5	Mr. Bello Makwashi***	Member	A	N/A
6	Mr. John K. Tizhe	Member	P	P

*Appointed 26 January 2023
**Appointed 26 September 2023
***Exited the Board on 21 September 2023

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 five (5) times in 2023 financial year. Membership of the Committee and attendance at its meetings during the year were as follows.

No.	Members	Designation	20-Jan	21-Mar	15-May	16-Aug	17-Oct
1	Mr. Timothy Adesiyan	Chairman	P	P	P	P	P
2	Alhaji Abdulquadri Sanni	Member	P	P	P	P	P
3	Mrs. Esther Osijo	Member	P	P	P	P	P
4	Mr. Oyeyemi Oyediran	Member	N/A	N/A	N/A	N/A	A
5	Mr. Abdulrahman Satumari	Member	P	P	P	P	P
6	Mr. Bello Makwashi *	Member	P	P	P	A	N/A

* Exited the Board on 21 September 2023

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

CORPORATE GOVERNANCE REPORT - Continued

- Staff Committee
- IT Steering and Business Development Committee
- Credit/Investment & Capital Management Committee
- Information Security Steering Committee
- Sustainability Committee
- Business Continuity Management

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 is expected to meet 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, the Chairman is the Managing Director. The convener of the meeting is the Head, Enterprise Risk Management.

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 monitor 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 bench marks. 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 committee is expected to meet monthly, the members of the committee are all senior management staff and the Chairman is the Managing Director or any one assigned by him to oversee the meeting, the Head, Enterprise Risk Management is the meeting convener.

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, as well as the Head office. It is required to review the budget expenditure performance during the financial year. The committee is expected to meet once in a quarter.

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 committee is expected to meet once in a quarter and whenever the need arises.

IT Steering and Business Development Committee
This Committee is responsible for 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 committee is expected to meet once in a quarter.

Credit/Investment & Capital Management 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. The is also responsible for advising management on investment and Capital Management. The committee is expected to meet monthly and whenever the need arises.

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 Security 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 Security Officer. It is responsible for documentation and reporting to various regulatory agencies to Identify

compliance. The committee is expected to meet once in a quarter. The membership is determined by regulatory standards.

Sustainability Committee
This is the committee saddled with responsibility to ensure that all the activities of the bank are carried out Inline with the Sustainability Banking policies and procedures, they are to ensure that the annual reports are publishes in line with the regulatory standards. The committee are required to meet at least once in a quarter to coordinate and comply information for the report with the other staff who are Sustainability Team members.

Business Continuity Management
The Business Continuity Management Committee is to ensure that the bank's business continues when there is crisis or disaster, it is to ensure that the recovery time objective of the bank is within the tolerable ratio for business not to be disrupted at any point in time. The committee is expected to meet once in a quarter and when the need arises.

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.

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.

CORPORATE GOVERNANCE REPORT - Continued

SHAREHOLDERS' MEETING

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

19 August 2024

Statement of Directors' responsibilities

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, 2023, 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.

Going Concern
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.

The financial statements of the Bank for the year ended 31 December 2023 were approved by the directors on 19 August 2024.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Habeeb A. Yusuf*	**CP Samuel Damilola Adegbuyi (Rtd)***
Managing Director/Chief Executive Officer	*Chairman*
19 August 2024	19 August 2024

** The Bank obtained waiver from the Financial Reporting Council of Nigeria (FRCN) to enable the Managing Director and the Board Chairman sign the financial statements.*

Statement of Corporate Responsibility

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 2023 as follows:

a) That we have reviewed the audited financial statements of the Bank for the year ended 31 December 2023.

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 2023.

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 2023.

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.
   iii. There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.

Mr. Habeeb A. Yusuf*
Managing Director
19 August 2024

Mrs. Olamide M. Akin-Balogun
FRC/2015/ICAN/00000011044
19 August 2024

** The Bank obtained waiver from the Financial Reporting Council of Nigeria (FRCN) to enable the Managing Director and the Board Chairman sign the financial statements.*

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 2023 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 2023 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 2023 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 ₦141,729,000 was outstanding as at 31 December 2023 (31 December 2022: ₦157,119,000) of which none was non-performing (31 December 2022: Nil) (see note 28(b)(ii)) to the financial statements).

- We ascertained that the accounting and reporting policies of the Bank for the year ended 31 December 2023 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
FRC/2023/PRO/AUDITCOM/002/00000003745
Chairman, Audit Committee
19 August 2024

Other members of the Audit Committee:

Alhaji Abdulquadri Sanni
Mrs. Esther Osijo
Mr. Mutalib Atanda Akinlade
Mr. Said Umar Fagge
Mrs. O.J. Idemudia (Company Secretary) acted as Secretary to the Committee

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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** set out on pages 29 to 117, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of NPF Microfinance Bank Plc as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting standards issued by the International Accounting Standards Board, the requirements of Companies and Allied Matters Act 2020, and in compliance with the relevant provisions of the Financial Reporting Council of Nigeria (Amended) Act 2023, the Banks and Other Financial Institutions Act 2020, Central Bank of Nigeria Regulatory and Supervisory framework for Microfinance Banks in Nigeria and relevant Central Bank of Nigeria 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 the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including Internal Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of the financial statements in Nigeria.

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 which, 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, therefore, we do not provide a separate opinion on these matters.

The following key audit matter applies to the audit of these financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment of loans and advances	
The assessment of impairment of loans and advances to customers involves significant judgment. The Bank adopts a forward-looking Expected Credit Loss (ECL) model for the assessment of impairment on loans and advances. The ECL is calculated based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the Expected Interest Rate (EIR). The mechanics of the ECL calculations involves establishing the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). The impairment provision computation is further analyzed into the following stages: Stage 1: The Bank calculates the twelve months ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. These expected twelve-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. • Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the long term ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. • Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%. Since loan impairment assessment involves judgment and assumptions, and in view of the significance of the amount as at 31 December 2023, gross loans and advances to customers amounted to N22.99 billion, representing 48% of total assets, and impairment allowance for loans and advances to customers amounted to N1.44 billion), impairment of loans and advances is considered a key audit matter. Relevant disclosures are included in notes 18 to the financial statements.	**Procedures** Our audit procedures to assess the adequacy of the loan loss impairment in line with IFRS 9 included a review of the Bank's business Model to test the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions into the IFRS 9 impairment models. • We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring and loan impairment assessment, including testing of relevant data quality and • We ascertained that impairment allowances made during the year are in line with general impairment requirement of International Financial Reporting Standard (IFRS) 9. • We obtained the entity's credit policy document and reviewed the basis, assumptions and estimates used to computing the default loss rate. • We ascertained that the entity's outstanding loan balance categorization agrees with the entity's loan loss policy. (e.g. default days, default loss rate and the movement between stages 2 and 3 general impairment matrix) • Using the default loss rate, we recomputed the expected credit loss and compared with the entity's computation and obtain explanation for variances noted.

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Other Matters

The audited financial statements for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements which was signed on 17 April 2023. We do not express an opinion or any other form of assurance on the 2022 audited financial statements as a whole.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "NPF Microfinance Bank Plc Annual Report and Financial Statements for the year ended 31 December 2023", which includes the Directors' Report, Corporate Governance Report, Statement of Directors Responsibilities, the Statutory Audit Committee Report and Other National Disclosures as required by the Financial Reporting Council of Nigeria, which we obtained prior to the date of this auditor's Report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's 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.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies and Allied Matters Act, 2020, Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act, 2023 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 judgement 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 the 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 will reasonably be expected to outweigh the public interest benefit of such communication.

Deloitte.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

The Companies and Allied Matters Act, 2020 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit

ii In our opinion, proper books of account have been kept by the Bank, and

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

iv. Details of insider-related credits and other balances are disclosed in note 28 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/I/2004.

Contraventions

During the year, the Bank contravened certain sections of the Central Bank of Nigeria's Regulations, the Nigeria Stock Exchange Regulations, and the Securities and Exchange Commission's Rule and Regulations during the year. Other details on contraventions are as disclosed in note 29.

The Bank obtained waiver from the Financial Reporting Council of Nigeria (FRCN) to enable the Managing Director and the Board Chairman sign the financial statements.

Joshua Ojo
FRC/2013/ICAN/00000000849
For: Deloitte and Touché
Chartered Accountants
Lagos, Nigeria
17 September 2024

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

In thousands of naira	Note	31-Dec-2023	Restated* 31-Dec-2022
ASSETS			
Cash and cash equivalents	16	17,487,783	6,499,404
Investment securities*	19	1,869,183	1,228,981
Loans and advances to customers*	18	21,552,344	23,498,147
Pledged assets*	17	1,889,342	1,480,126
Other assets	20	558,619	413,758
Property and equipment	21	1,531,263	1,356,632
Intangible asset	22	2,047	18,617
TOTAL ASSETS		**44,890,581**	**34,495,665**
LIABILITIES			
Deposits from customers	23	26,939,651	18,765,262
Current tax liabilities*	15(b)	676,470	401,054
Other liabilities*	25	4,166,778	2,213,595
Borrowings*	24	2,065,020	2,413,159
Deferred tax liabilities*	15(c)	52,462	124,730
TOTAL LIABILITIES		**33,900,381**	**23,917,800**
CAPITAL AND RESERVES			
Share capital	26	2,996,477	2,996,477
Share premium	27(a)	4,166,786	4,166,786
Retained earnings	27(b)	1,851,312	1,207,473
Fair value reserve	27(c)	(13,147)	(5,349)
Statutory reserve	27(d)	1,988,772	1,733,915
Regulatory risk reserve	27(e)	-	478,563
TOTAL EQUITY		**10,990,200**	**10,577,865**
TOTAL LIABILITIES AND EQUITY		**44,890,581**	**34,495,665**

**Refer to note 36 for changes to the presentation of the comparative figures*

The financial statements were approved by the Board of Directors on 19 August 2024 and signed on its behalf by:

CP Samuel Damilola Adegbuyi (Rtd)
Chairman

Mr. Habeeb A. Yusuf
Managing Director/Chief Executive Officer

Additionally certified by:

Mrs. Olamide M. Akin-Balogun
Chief Financial Officer
FRC/2015/ICAN/00000011044

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of naira	Note	31-Dec-2023	Restated* 31-Dec-2022
Gross earnings		10,300,216	7,153,510
Interest income calculated using the effective interest method	8	9,353,656	6,319,818
Interest expense	9	(963,224)	(768,024)
Net interest income		8,390,432	5,551,794
Fee and commission income*	10	938,104	832,908
Revenue		9,328,536	6,384,702
Other income*	11	8,456	784
Net impairment loss on financial instruments	12	(864,063)	(143,257)
Personnel expenses	13	(3,355,786)	(2,566,131)
Other operating expenses*	14	(3,104,150)	(2,059,170)
Depreciation of property and equipment	21	(380,477)	(266,712)
Amortisation of intangible assets	22	(18,139)	(26,050)
Profit before tax		1,614,377	1,324,166
Income tax expense	15(a)	(594,947)	(441,998)
Profit for the year		**1,019,430**	**882,168**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investment at fair value through OCI	19(a)	(7,798)	1,648
Other comprehensive income for the year		**(7,798)**	**1,648**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,011,632**	**883,816**
Basic and diluted earnings per share (kobo)	32	**17**	**15**

**Refer to note 36 for changes to the presentation of the comparative figures*

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

STATEMENT OF CHANGES IN EQUITY

In thousands of naira	Share Capital	Share Premium	Retained Earnings	Fair Value Reserve	Statutory Reserve	Regulatory Risk Reserve	Total
Balance at 1 January 2023	2,996,477	4,166,786	1,207,471	(5,349)	1,733,915	478,563	10,577,865
Total comprehensive income							
Profit for the year	-	-	1,019,430	-	-	-	1,019,430
Other comprehensive loss							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	(7,798)	-	-	(7,798)
Loss on derecognition of equity investments	-	-	-	22,999	-	-	22,999
Total other comprehensive loss	-	-	-	(7,798)	-	-	(7,798)
Total comprehensive income	-	-	1,019,430	(7,798)	-	-	1,011,632
Transfer to statutory reserve (see note 27(d))	-	-	(254,857)	-	254,857	-	-
Transfer from regulatory risk reserve (see note 6(c)(ii))	-	-	478,563	-	-	(478,563)	-
Contributions by and distributions to equity holders							
Dividend paid (see note 33)	-	-	(599,295)	-	-	-	(599,295)
Increase in share capital	-	-	-	-	-	-	-
Total contributions and distributions	-	-	(599,295)	-	-	-	(599,295)
Balance at 31 December 2023	**2,996,477**	**4,166,786**	**1,851,312**	**(13,147)**	**1,988,772**	**-**	**10,990,202**

FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of naira	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 period	-	-	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 27(d))	-	-	(220,542)	-	220,542	-	-
Transfer to regulatory risk reserve (see note 6(c)(ii))	-	-	(55,436)	-	-	55,436	-
Contributions by and distributions to equity holders							
Dividend paid (see note 33)	-	-	(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**

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

STATEMENT OF CASH FLOWS

In thousands of naira	Note	31-Dec-	Restated* 31-Dec-
Cash flows from operating activities			
Profit before tax		1,614,377	1,324,166
Adjustments for:			
Depreciation of property and equipment	21	380,477	266,712
Amortization of intangible assets	22	18,139	26,050
Net impairment loss on loans and advances to customers	12	861,653	85,765
Net impairment loss on pledged assets	12	4,623	15,125
Net impairment loss on other assets	12	(63,957)	41,554
Net impairment (gain)/ loss on investment securities	12	(139)	169
Interest income	8	(9,353,656)	(6,319,818)
Payment of interest on lease liability	25(d)(i)	(9,142)	(2,630)
Interest expense	9	963,224	768,024
Profit on sale of property and equipment	11	(8,456)	(767)
Gain on derecognition of lease liability	11	-	-
		(5,592,857)	(3,795,650)
Changes in:			
- pledged assets	34(b)	(408,698)	(647,256)
- loans and advances to customers	34(c)	1,502,400	(5,822,623)
- other assets	34(d)	(1,090,891)	4,183,321
- deposits from customers	34(e)	8,161,147	2,474,283
- other liabilities	34(f)	1,969,645	(4,736,627)
		4,540,746	(8,344,552)
Interest received	34(h)	9,337,706	6,127,591
Interest paid*	34(i)	(1,351,973)	(825,496)
Tax paid	15(b)	(391,799)	(319,937)
VAT paid	25	(20,923)	(12,167)
Net cash generated/(used in) from operating activities		**12,113,758**	**(3,374,561)**
Cash flows from investing activities			
Acquisition of property and equipment	34(a)(ii)	(547,019)	(456,681)
Acquisition of intangible assets	22	(1,569)	-
Payment for new leased properties*	34(j)	(8,090)	(21,837)
Proceeds from disposal of property and equipment	34(a)(i)	8,456	767
Dividends received	11	-	17
Net cash flows (used in) investing activities		**(548,222)**	**(477,734)**
Cash flows from financing activities			
Repayment of principal on borrowings	24(b)	(1,348,011)	(2,022,164)
Payment of principal on lease liability	25(d)(i)	(66,370)	(49,261)
Additions to borrowings	24(b)	1,500,000	1,850,000
Dividend paid	33	(599,295)	(539,366)
Proceeds from increase in share capital	26	-	1,853,149
Addition to share premium	27(a)	-	2,649,301
Net cash (used in)/generated from financing activities		**(513,676)**	**3,741,659**
Net increase in cash and cash equivalents		**11,051,860**	**(110,636)**
Cash and cash equivalents as at 1 January		6,499,403	6,610,039
Cash and cash equivalents as at 31 December	16	**17,551,263**	**6,499,403**

Refer to note 36 for changes to the presentation of the comparative figures

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

NOTES TO THE 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 Adoption of new and revised Standards

Change in accounting policies
New and amended IFRS Accounting Standards that are effective for the current year.

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

i. IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)
The Bank has adopted IFRS 17 and the related amendments for the first time in the current year. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Bank does not have any contracts that meet the definition of an insurance contract under IFRS 17.

ii. Amendment to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies
The Bank has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. 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 supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

iii. Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Bank has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

iv. Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules

The Bank has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

v. Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Bank has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

3 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 _____ August 2024.

(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 going concern 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 6.

(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.

4 Material 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.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 4(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.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.
Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss (FVTPL) are presented in net income and from other financial instruments at FVTPL.

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

(b) Fees and commission

Fees and commission is measured based on the consideration specified in a contract with a customer. The bank recognises this income when it disburses loans and accepts deposits from its customers.
Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.
Other fees and commission income, including loan account servicing fees, investment management fees, etc. are recognised as the related services are performed.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

(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

The Bank assesses whether a contract is, or contains, a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The incremental borrowing rate depends on the term and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Bank and the lease does not benefit from a guarantee from the Bank.

NOTES TO THE FINANCIAL STATEMENTS

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments (including in-substance fixed payments), less any lease incentives received;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees; and
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
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The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or nonlease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

(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 levy is computed on profit before tax)

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 income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statement of financial position. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising' on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and labilities are offset when there is a legally enforceable right to offset current tax assets against current tax liablities and when the deferred income taxes asset and liabilities relate to income taxes Ievied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprebensive income or directly in equity, respectively."
Deferred income tax assets and labilities are offset when there is a legally enforceable right to offset current tax assets against current tax liablities and when the deferred income taxes asset and liabilities relate to income taxes Ievied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprebensive income or directly in equity, respectively.

(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.

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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.

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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.

(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;

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- 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
In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are generally short-term, highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

(l) Investment Securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities designated as at FVOCI.

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

(m) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

(p) Deposits and borrowings

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

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, Subsequently, they are measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

(q) Other assets

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

Other receivables comprise staff cash advance and sundry debtors which are carried at cost less lifetime ECL impairment.

Inventories comprise stock of debit cards, stock of credit cards, stock of cheques, stock of office stationeries, stock of micr cheques, non micr cheques, and stock of adhensive stamp. Inventories are stated at lower of cost and net realisable value. Cost of inventories also include all other cost incurred in bringing the items to their present location and condition.

(r) Provisions and other liabilities

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

(s) Contingent liabilities

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

(t) Expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

(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 and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the group in respect of services provided by employees up to the reporting date.

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

Standards not yet effective	**Summary of the requirements and impact assessment**	**Effective date**
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Bank has anticipate that the application of these amendments may have no impact on the Bank's consolidated financial statements in future periods.	The effective date of this amendment has been deferred indefinitely by the IASB.

NOTES TO THE FINANCIAL STATEMENTS

Amendments to IAS 1 *Presentation of Financial Statements* : Classification of Liabilities as Current or Non-current	The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The Bank anticipate that the application of these amendments may not have significant impact on the Bank's consolidated financial statements in future periods.	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

Amendments to IAS 1 *Presentation of Financial Statements*: Non-current Liabilities with Covenants	The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early. The Bank anticipate that the application of these amendments may not have significant impact on the Bank's consolidated financial statements in future periods.	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

Amendments to IAS 7 *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures*—Supplier Finance Arrangements	The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements: • The terms and conditions of the arrangements • The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements • The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers • Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement • Liquidity risk information The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The Bank do not expect that the application of these amendments will have a material impact on the financial statements of the Bank in future periods.	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

Amendment to IFRS 16 *Leases*: Lease Liability in a Sale and Leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15, is a lease liability. The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.	1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

5 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.

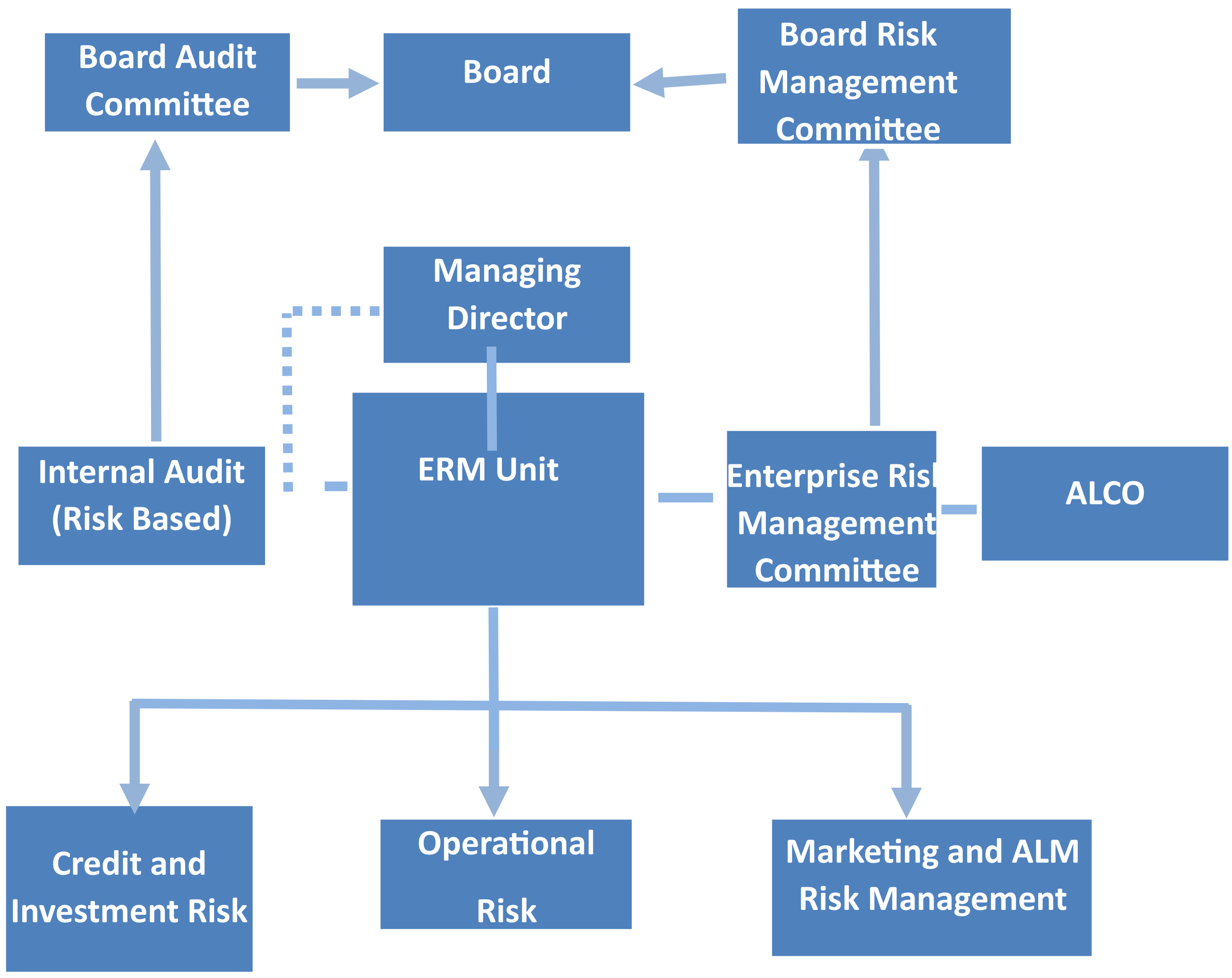
The Board also oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Board is assisted in its oversight role by the Board Risk Management Committee, which undertakes 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:

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

- 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.

The Bank employs a range of quantitative indicators to monitor the risk profile. Specific limits have been set in line with the Bank's risk appetite."

(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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 ₦10,000,000
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.

NOTES TO THE FINANCIAL STATEMENTS

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
		31 December 2023			
Loan and advances to customers at amortised cost					
Grades 1-6: Strong	0-0.59	21,925,039	-	-	21,925,039
Grades 7-9: Satisfactory	0.60-11.34	-	185,407	-	185,407
Grade 10: Higher risk	11.35-99.99	-	-	-	-
Grade 11-12: Credit-impaired	100	-	-	955,336	955,336
Gross carrying amount		21,925,039	185,407	955,336	23,065,782
Loss allowance		(636,169)	(17,467)	(859,802)	(1,513,438)
Carrying amount		**21,288,870**	**167,940**	**95,534**	**21,552,344**

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
		31 December 2022			
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**

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
		31 December 2023			
Debt investment securities at amortised cost					
Grades 1-6: Strong	0-0.59	1,368,207	-	-	1,368,207
Loss allowance		(80)	-	-	(80)
Carrying amount		1,368,127	-	-	1,368,127
Equity investment at FVOCI					
Grades 1-6: Strong	0-0.59	1,056	-	-	1,056
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		1,056	-	-	1,056
Loss allowance		-	-	-	-
Carrying amount - fair value		**1,056**	**-**	**-**	**1,056**

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
		31 December 2022			
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**

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.

NOTES TO THE FINANCIAL STATEMENTS

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).

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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 4(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 2023 are set out below.

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

		2023	2024
Crude oil price (USD per barrel)	Average	82.90	84.15
	Upturn	77.80	79.60
	Downturn	75.60	76.00
Inflation rate (in %)	Average	22.00	16.00
	Upturn	25.00	19.00
	Downturn	29.00	13.00

NOTES TO THE FINANCIAL STATEMENTS

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

		2023	2022
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 2023 were as follows:

December 2023	Base	Downturn	Upturn
Loan portfolio, Investment Securities and Placement with financial institutions	50%	30%	20%

December 2022	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.

NOTES TO THE FINANCIAL STATEMENTS

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 2023	Crude oil price	Inflation rate
Central economic assumptions		
2-year average	72.01%	14.82
Peak	82.90%	16.49
Upside economic assumptions		
2-year average	75.00%	13.94
Peak	78.00%	15.10
Downside economic assumptions		
2-year average	72.00%	15.46
Trough	75.60%	13.00

As at 31 December 2022	Crude oil price	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 collateralized 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-23**	**31-Dec-22**
Credit-impaired loans and advances to customers at 1 January	787,253	721,635
Change in ECL allowance	329,331	77,338
Classified as credit-impaired during the year	-	26,700
Transferred to not-credit-impaired during the year	(60,219)	(38,420)
Recoveries of amounts previously written off	-	-
Write off	(101,029)	-
Credit-impaired loans and advances to customers at 31 December	955,336	787,253

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.

NOTES TO THE FINANCIAL STATEMENTS

(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 4(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 2023 was approximately ₦1,446 billion (31 December 2022: ₦686 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-23**	**31-Dec-22**
Cash and cash equivalents	16	17,487,783	6,499,404
Investment securities at amortised cost	19	1,368,127	1,220,127
Loans and advances to customers	18	21,552,344	23,498,147
Pledged assets	17	1,889,342	1,480,126
Other assets (excluding prepayments and inventories)	20	70,605	93,772
		42,368,201	32,791,576

NOTES TO THE FINANCIAL STATEMENTS

(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 2023			31 December 2022		
In thousands of naira	Deposit with banks	Loans and advances to customers	Total	Deposit with banks	Loans and advances to customers	Total
South South	2,919,143	3,188,438	6,107,581	1,063,936	3,300,668	4,364,604
South West	2,445,002	5,745,576	8,190,578	891,127	6,645,431	7,536,558
South East	2,912,620	2,666,756	5,579,376	1,061,559	2,760,623	3,822,182
North Central	3,014,121	5,267,132	8,281,253	1,200,862	5,452,529	6,653,391
North West	3,212,317	3,692,215	6,904,532	1,130,628	3,822,177	4,952,805
North East	2,856,522	2,505,665	5,362,187	1,041,113	2,202,295	3,243,408
	17,359,725	23,065,782	40,425,507	6,389,225	24,183,723	30,572,948

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 2023 and 31 December 2022 respectively.

	31 December 2023			31 December 2022		
	Deposit with banks	Loans and advances to customers	Total	Deposit with banks	Loans and advances to customers	Total
12 months ECL	17,359,725	21,925,039	39,284,764	6,389,225	23,154,883	29,544,108
Lifetime ECL not credit impaired	-	185,407	185,407	-	241,588	241,588
Lifetime ECL credit impaired	-	955,336	955,336	-	787,252	787,252
Gross amount	17,359,725	23,065,782	40,425,507	6,389,225	24,183,723	30,572,948
ECL impairment	(63,477)	(1,513,438)	(1,576,915)	(1,594)	(685,576)	(687,170)
Carrying amount	17,296,248	21,552,344	38,848,592	6,387,631	23,498,147	29,885,778

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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 2023				31 December 2022			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage3	Total
Cash and cash equivalents								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	17,551,260	-	-	17,551,260	6,500,998	-	-	6,500,998
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	**17,551,260**	**-**	**-**	**17,551,260**	**6,500,998**	**-**	**-**	**6,500,998**
Loss allowance	(63,477)	-	-	(63,477)	(1,594)	-	-	(1,594)
Carrying amount	**17,487,783**	**-**	**-**	**17,487,783**	**6,499,404**	**-**	**-**	**6,499,404**

	31 December 2023				31 December 2022			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage 3	Total
Pledged assets								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	1,909,826	-	-	1,909,826	1,495,987	-	-	1,495,987
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	1,909,826	-	-	1,909,826	1,495,987	-	-	1,495,987
Loss allowance	(20,484)	-	-	(20,484)	(15,861)	-	-	(15,861)
Carrying amount	1,889,342	-	-	1,889,342	1,480,126	-	-	1,480,126

NOTES TO THE FINANCIAL STATEMENTS

	31 December 2023				31 December 2022			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage3	Total
Loans and advances								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	21,925,039	185,407	955,336	23,065,782	23,154,883	241,588	787,252	24,183,723
Gross carrying amount	**21,925,039**	**185,407**	**955,336**	**23,065,782**	**23,154,883**	**241,588**	**787,252**	**24,183,723**
Loss allowance	(568,931)	(17,467)	(859,802)	(1,446,200)	(98,418)	(56,687)	(530,471)	(685,576)
Carrying amount	**21,356,108**	**167,940**	**95,534**	**21,619,582**	**23,056,465**	**184,901**	**256,781**	**23,498,147**

	31 December 2023				31 December 2022			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage3	Total
Investment securities								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	1,368,207	-	-	1,368,207	1,220,346	-	-	1,220,346
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	1,368,207	-	-	1,368,207	1,220,346	-	-	1,220,346
Loss allowance	(80)	-	-	(80)	(219)	-	-	(219)
Carrying amount	1,368,127	-	-	1,368,127	1,220,127	-	-	1,220,127

NOTES TO THE FINANCIAL STATEMENTS

	31 December 2023				31 December 2022			
In thousands of naira	**Stage 1**	**Stage 2**	**Stage3**	**Total**	**Stage 1**	**Stage 2**	**Stage3**	**Total**
Other receivables								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	163,312	163,312	-	-	250,436	250,436
Gross carrying amount	-	-	163,312	163,312	-	-	250,436	250,436
Loss allowance	-	-	(92,707)	(92,707)	-	-	(156,665)	(156,665)
Carrying amount	-	-	70,605	70,605	-	-	93,772	93,771

NOTES TO THE FINANCIAL STATEMENTS

(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 2023**				**31 December 2022**			
	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	1,594	-	-	1,594	950	-	-	950
Net measurement on loss allowance (see note 12)	61,883	-	-	61,883	644	-	-	644
Balance at 31 December	63,477	-	-	63,477	1,594	-	-	1,594

In thousands of naira **Pledged assets**	**31 December 2023**				**31 December 2022**			
	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	15,861	-	-	15,861	736	-	-	736
Net measurement on loss allowance (see note 12)	4,623	-	-	4,623	15,125	-	-	15,125
Balance at 31 December	20,484	-	-	20,484	15,861	-	-	15,861

NOTES TO THE FINANCIAL STATEMENTS

In thousands of naira	31 December 2023				31 December 2022			
Loan and advances to customers	**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	98,418	56,687	530,471	685,576	207,343	10,177	382,291	599,811
Net measurement on loss allowance (see note 12)	470,513	(39,220)	430,360	861,653	(108,925)	46,510	148,180	85,765
Write-offs during the year	-	-	(101,029)	(101,029)	-	-	-	-
Balance at 31 December	568,931	17,467	859,802	1,446,200	98,418	56,687	530,471	685,576

In thousands of naira	31 December 2023				31 December 2022			
Investment securities at amortised cost	**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	219	-	-	219	50	-	-	50
Net measurement on loss allowance (see note 12)	(139)	-	-	(139)	169	-	-	169
Balance at 31 December	80	-	-	80	219	-	-	219

In thousands of naira	31 December 2023				31 December 2022			
Other assets	**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	-	-	156,664	156,664	-	-	115,110	115,110
Net measurement on loss allowance (see note 12)	-	-	(63,957)	(63,957)	-	-	41,554	41,554
Balance at 31 December	-	-	92,707	92,707	-	-	156,664	156,664

NOTES TO THE FINANCIAL STATEMENTS

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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 2023

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Contractual Maturity Analysis: Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Non-derivative financial assets							
Cash and cash equivalents	16	17,487,783	17,584,797	17,584,797	-	-	-
Pledged assets	17	1,889,342	1,940,755	20,000	189,054	1,731,701	-
Loans and advances to customers	18	21,552,344	22,920,918	7,334,694	5,730,229	6,465,703	3,390,291
Investment securities	19	1,368,127	1,241,775	1,241,775	-	-	-
Other receivables	20	70,605	20,197	-	20,197	-	-
		42,368,201	43,708,442	26,181,266	5,939,480	8,197,404	3,390,291
Non-derivative financial liabilities							
Deposits from customers	23	26,939,651	(27,020,470)	(10,808,188)	(9,457,164)	(6,755,117)	-
Other liabilities	25	2,008,872	(2,008,872)	(89,674)	(230,898)	(302,808)	(1,385,492)
Lease liability	25	140,033	(142,274)	(5,847)	(8,793)	(25,692)	101,823
Borrowings	24	2,065,020	(2,035,510)	(375,000)	(375,000)	(437,500)	(848,010)
		31,153,576	(31,207,126)	(11,278,709)	(10,071,855)	(7,521,117)	(2,131,679)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Contractual Maturity Analysis: Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Non-derivative financial assets							
Cash and cash equivalents	16	6,499,404	6,500,998	6,500,998	-	-	-
Pledged assets	17	1,480,126	1,463,378	20,000	189,054	1,254,324	-
Loans and advances to customers	18	23,498,147	25,572,068	6,645,119	5,142,158	7,513,711	6,271,080
Investment securities	19	1,220,127	1,226,356	1,226,356	-	-	-
Other receivables	20	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	23	18,765,262	(18,787,780)	(16,920,154)	(463,801)	(1,381,307)	(22,518)
Other liabilities	25	2,008,872	(2,008,872)	-	-	4,501	(2,013,373)
Lease liability	25	156,495	(167,595)	(80,803)	-	(8,694)	(78,098)
Borrowings	24	2,413,159	(2,712,937)	(605,866)	(532,920)	(762,460)	(811,691)
		23,343,788	(23,677,184)	(17,606,823)	(996,721)	(2,147,961)	(2,925,680)

NOTES TO THE FINANCIAL STATEMENTS

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	**2023**	**2022**
At 31 December	**72%**	**41%**
Average for the period	**46%**	**44%**
Maximum for the period	**59%**	**46%**
Minimum for the period	**41%**	**41%**

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

31 December 2023

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Contractual cash flows: Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Assets							
Cash and cash equivalents	16	17,487,783	17,584,797	17,584,797	-	-	-
Pledged assets	17	1,889,342	1,940,755	20,000	189,054	1,731,701	-
Investment securities	19	1,368,127	1,241,775	1,241,775	-	-	-
Loans and advances to customers	18	21,552,344	22,920,918	7,334,694	5,730,229	6,465,703	3,390,291
Other assets	20	70,605	70,605	-	-	-	-
		42,368,201	43,758,850	26,181,266	5,919,283	8,197,404	3,390,291
Liabilities							
Deposits from customers	23	26,939,651	(27,020,470)	(10,808,188)	(9,457,164)	(6,755,117)	-
Other liabilities	25	2,008,872	(2,008,872)	-	-	-	-
Lease liability	25	140,033	(142,274)	(5,847)	(8,793)	(25,812)	(101,823)
Borrowings	24	2,065,020	(2,035,510)	375,000	375,000	437,500	(848,010)
		31,153,576	(31,207,126)	(10,439,035)	(9,090,957)	(6,343,429)	(949,833)
		11,214,625	12,551,724	15,742,231	(3,171,674)	1,853,975	2,440,459

31 December 2022

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Contractual cash flows: Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Assets							
Cash and cash equivalents	16	6,499,404	6,500,998	6,500,998	-	-	-
Pledged assets	17	1,480,126	1,463,378	20,000	189,054	1,254,324	-
Investment securities	19	1,220,127	1,226,356	1,226,356	-	-	-
Loans and advances to customers	18	23,498,147	25,572,068	6,645,119	5,142,158	7,513,711	6,271,080
Other assets	20	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	23	18,765,262	(18,787,780)	(16,920,154)	(463,801)	(1,381,307)	(22,518)
Other liabilities	25	2,008,872	(2,008,872)	-	-	4,501	(2,013,373)
Lease liability	25	156,495	(142,274)	(5,847)	(8,793)	(25,812)	(101,823)
Borrowings	24	2,413,159	(2,712,937)	(605,866)	(532,920)	(762,460)	(811,691)
		23,343,788	(23,651,863)	(17,531,867)	(1,005,514)	(2,165,078)	(2,929,404)
		9,447,788	11,361,372	(2,888,959)	4,325,698	6,602,957	3,321,676

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

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

In thousands of naira	31-Dec-23	31-Dec-22
Increase in interest rate by 200 basis points (+2%)	720,141	574,101
Decrease in interest rate by 200 basis point (-2%)	(720,141)	(574,101)

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

NOTES TO THE FINANCIAL STATEMENTS

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-23**	**31-Dec-22**
Tier 1 capital			
Ordinary share capital	26	2,996,477	2,996,477
Share premium	27(a)	4,166,786	4,166,786
Retained earnings	27(b)	1,841,328	1,207,473
Fair value reserve	27(c)	(13,147)	(5,349)
Statutory reserves	27(d)	1,985,444	1,733,915
		10,976,888	10,099,302
Less: regulatory deduction			
Intangible assets	22	(2,047)	(18,617)
Eligible Tier 1 capital		10,974,841	10,080,685
Total regulatory capital		10,974,841	10,080,685
Risk-weighted assets		**25,891,324**	**26,812,160**
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		**42%**	**38%**
Total tier 1 capital as a percentage of total risk-weighted assets		**42%**	**38%**

NOTES TO THE FINANCIAL STATEMENTS

Computation of Risk Weighted Assets of On-balance Sheet Exposure (2023)

Exposure Details	Gross	Credit	Net	Risk	RWA
Cash & cash equivalents	17,487,783	-	17,487,783	0	0
Pledged assets	1,889,342	-	1,889,342	20	377,868
Loan & advances to customers	21,552,344	-	21,552,344	100	21,552,344
Investment securities	1,869,183	-	1,869,183	100	1,869,183
Other assets	558,619	-	558,619	100	558,619
Property, plant & equipment	1,531,263	-	1,531,263	100	1,531,263
Intangible assets	2,047	-	2,047	100	2,047
	44,890,581				**25,891,324**

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

Exposure Details	Gross	Credit	Net	Risk	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**

NOTES TO THE FINANCIAL STATEMENTS

6 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 5(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 4(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.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2023 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 5(b)(i): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.
- Note 31: recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. Accounting policies on contingencies is contained in note 4(s) of the financial statements.

These disclosures supplement the commentary on financial risk management (see note 5).

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 4(h)(vi).

NOTES TO THE FINANCIAL STATEMENTS

Financial instruments not measured at fair value

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

31 December 2023

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	16	-	17,601,918	-	17,601,918	17,487,783
Pledged assets*	17	1,648,760	24,206	-	1,672,966	1,889,342
Loans and advances to customers	18	-	-	22,920,918	22,920,918	21,552,344
Investment securities at amortised cost	19	-	1,368,207	-	1,368,207	1,368,127
Other receivables	20	-	-	163,312	-	70,605
		1,648,760	18,994,331	23,084,230	43,564,009	42,368,201
LIABILITIES						
Deposits from customers	23	-	26,939,651	-	26,939,651	26,939,651
Other liabilities*	25	-	-	2,008,872	2,008,872	2,008,872
Borrowings	24	-	2,065,020	-	2,065,020	2,065,020
		-	29,004,671	2,008,872	31,013,543	31,013,543

31 December 2022

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	16	-	6,611,177	-	6,611,177	6,499,404
Pledged assets	17	1,304,372	20,000	-	1,324,372	1,480,126
Loans and advances to customers	18	-	-	25,572,068	25,572,068	23,498,147
Investment securities at amortised cost	19	-	1,220,346	-	1,220,346	1,220,127
		1,304,372	7,851,523	25,572,068	34,727,963	32,697,804
LIABILITIES						
Deposits from customers	23	-	18,765,262	-	18,765,262	18,765,262
Borrowings	24	-	2,413,159	-	2,413,159	2,413,159
		-	21,178,421	-	21,178,421	21,178,421

Cash and cash equivalents

Cash and cash equivalents are cash deposits in banks and short term deposits (placements) with financial institutions. The fair value of cash deposits and placements are deemed to different from the carrying value due to the accrued interest as at the reporting date.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 impairment of property and equipment, and other non-financial assets
Management is required to make judgements concerning the cause, timing, and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

(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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023, the Bank maintained a Regulatory Risk Reserve of ₦Nil (31 December 2022: ₦478,563,000). The Bank has complied with the CBN requirements of the Prudential Guidelines as follows:

Prudential adjustments for the year ended 31 December 2023

In thousands of naira	Note	₦'000
Impairment assessment under IFRS		
Loan and advances:		
Stage 1	18(c)	568,931
Stage 2	18(c)	17,467
Stage 3	18(c)	859,802
Total impairment allowances on loans (a)		**1,446,200**

Provision per CBN Prudential Guideline	**%**	**Gross Exposure**	**Total**
Specific provision:			
- Pass and watch	5	140,300	7,015
- Sub-standard	20	44,080	8,816
- Doubtful	50	32,502	16,251
- Lost	100	396,461	396,461
Total specific provision			428,543
Collective provision	2	14,277,350	285,547
Total regulatory impairment based on prudential guidelines (b)			**714,090**
Required balance in regulatory risk reserves (c = b - a)			**(732,110)**
Movement in regulatory risk reserves			
Balance, 1 January 2023			478,563
Transfer from regulatory risk reserves			(478,563)
Balance, 31 December 2023			**-**

The Bank's provision for total impairment on loans in line with the Revised Prudential Guidelines for the year ended 31st December 2023 was lower than the IFRS impairment charge as indicated above, hence, the transfer from regulatory risk reserve during the year.

Prudential adjustments for the year ended 31 December 2022

In thousands of naira	Note	₦'000
Impairment assessment under IFRS		
Loan and advances:		
Stage 1	18(c)	98,418
Stage 2	18(c)	56,687
Stage 3	18(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**

7 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 2023

In thousands of naira	**Note**	**FVOCI - equity instruments**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	16	-	17,487,783	17,487,783	17,601,918
Pledged assets*	17	-	1,889,342	1,889,342	1,672,966
Loans and advances to customers	18	-	21,552,344	21,552,344	22,920,918
Investment securities	19	1,056	1,368,127	1,369,183	1,369,263
Other assets	20	-	70,605	70,605	70,605
		1,056	**42,368,201**	**42,369,257**	**43,635,670**
Deposits from customers	23	-	26,939,651	26,939,651	26,939,651
Other liabilities	25	-	4,166,778	4,166,778	4,166,778
Borrowings	24	-	2,065,020	2,065,020	2,065,020
		-	**33,171,449**	**33,171,449**	**33,171,449**

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

In thousands of naira	**Note**	**FVOCI - equity instruments**	**Amortised cost**	**Total carrying amount**	**Fair value**
Cash and cash equivalents	16	-	6,499,404	6,499,404	6,611,177
Pledged assets*	17	-	1,480,126	1,480,126	1,324,372
Loans and advances to customers	18	-	23,498,147	23,498,147	25,572,068
Investment securities	19	8,854	1,220,127	1,228,981	1,229,200
Other assets	20	-	93,772	93,772	250,435
		8,854	**32,791,576**	**32,800,430**	**34,987,252**
Deposits from customers	23	-	18,765,262	18,765,262	18,765,262
Other liabilities	25	-	2,008,872	2,008,872	2,008,872
Borrowings	24	-	2,413,159	2,413,159	2,413,159
		-	**23,187,293**	**23,187,293**	**23,187,293**

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.

8 Interest income

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Loans and advances	8,629,993	6,062,153
Treasury bills	102,924	73,455
Call accounts	554,085	148,415
Pledged assets	49,862	-
Money market placement	16,792	35,795
Total interest income calculated using the effective interest method	9,353,656	6,319,818

9 Interest expense

Term deposits	718,755	381,364
Current deposits	34,846	32,015
Savings deposits	47,168	38,707
Borrowings (see note 24(b))	143,477	296,778
Lease liabilities (see note 25(c))	18,978	19,160
Total interest expense	963,224	768,024

Total interest expense reported above relates to financial liabilities measured at amortised cost using the applicable effective interest rates.

NOTES TO THE FINANCIAL STATEMENTS

10 Fees and commission income*

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Credit-related fees and commission	568,079	585,274
Deposit-related fees and commission	370,025	247,634
	938,104	832,908

(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-2023**	**31-Dec-2022**
Loan management fee	183,740	231,922
Loan commitment fee	245,906	224,683
Insurance fee	118,904	107,034
Credit search fee	19,530	21,635
	568,080	585,274
Admin and management fee	107,540	65,901
Account maintenance fee	157,265	95,913
Service fees and charges (see (iii) below)***	105,220	85,820
	370,025	247,634
	938,105	832,908

*** The value presented as service fees and charges credit-related fees and commission was reported in the prior year financial statements as part of "Other income". Considering the nature of the income (see note iii) and in line with the requirements of IAS 1.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the accounting policy for fees and commissions in the scope of IFRS 9, see note 4(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.

(iii) 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 Other income

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Profit on disposal of property and equipment	8,456	767
Dividend income	-	17
	8,456	784

12 Impairment loss/(write-back) on financial instruments

Impairment loss on loans and advances to customers (see note 18(c))	861,653	85,765
Impairment loss/(write-back) on investment securities at amortised cost (see note 19(c))	(139)	169
Impairment loss on other assets (see note 20(e))	(63,957)	41,554
Impairment loss on cash and cash equivalent (see note 16(b))	61,883	644
Impairment loss on pledged assets (see note 17(b))	4,623	15,125
	864,063	143,257

13 Personnel expenses

Wages and salaries	3,239,976	2,467,473
Post-employment benefits:		
Defined contribution plan - pension cost	115,810	98,658
	3,355,786	2,566,131

NOTES TO THE FINANCIAL STATEMENTS

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

	31-Dec-2023	31-Dec-2022
Executive Directors	3	3
Management	121	109
Non-management	397	445
	521	557

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

	31-Dec-2023	31-Dec-2022
Less than N500,000	-	1
₦500,001 - ₦1,000,000	8	19
₦1,000,001 - ₦2,500,000	313	365
₦2,500,001 - ₦3,500,000	55	54
₦3,500,001 - ₦4,500,001	45	34
₦4,500,0001 - ₦5,500,000	35	41
₦5,500,001 and above	65	43
	521	**557**

(b) 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-2023	31-Dec-2022
Directors' fees	22,917	25,000
Sitting allowances	70,451	58,050
Other Directors' expenses	262,619	209,311
Total non-executive Directors' remuneration (see note 14(a))	355,987	292,361
Executive compensation (see note 28(b)(i))	115,576	86,646
	471,563	379,007

NOTES TO THE FINANCIAL STATEMENTS

14 Other operating expenses

In thousands of naira	31-Dec-2023	31-Dec-2022
Repairs and maintenance cost	348,428	221,410
Vehicle and generator running cost	276,163	188,810
Office expenses	206,065	272,642
Computer expenses	532,119	247,017
Travel expenses	118,164	101,127
AGM expenses	16,318	11,064
Year-end expenses	179,784	107,641
Directors' remuneration	355,987	292,361
Statutory committee members expenses	8,343	8,970
Bank charges	39,840	20,054
Marketing/publicity expenses	208,121	229,195
Professional fees	137,262	46,460
Subscription fees	13,126	6,413
Charges and levies	134,429	9,720
Insurance cost	72,812	59,111
NDIC premium	52,489	75,390
Electricity expenses	38,983	26,792
Recruitment expenses	2,628	18,264
Legal expenses	32,017	20,051
SMS alerts	86,919	58,880
Audit fees *(see note (i) below)*	65,800	25,155
Corporate social responsibility	-	1,000
Donations	712	1,758
Loan recovery expenses	685	2,084
Fines/penalty	1,796	648
Stamp duties	2,648	1,919
Bad debts written off	162,072	895
Share listing expenses	4,651	3,352
Fraud, forgery and theft	5,789	987
	3,104,150	2,059,170

(i) The auditors of the Bank did not offer any other services apart from the statutory audit related activities during the period.

NOTES TO THE FINANCIAL STATEMENTS

	In thousands of naira	31-Dec-2023	31-Dec-2022
15	**Income taxes**		
(a)	**Amounts recognized in profit or loss**		
	Current tax expense		
	Company income tax	575,533	334,444
	Education tax	71,421	37,575
	National Information Technology Development Agency (NITDA) levy	16,144	13,242
	Nigeria Police Trust Fund (NPTF) levy	81	66
	National Agency for Science and Engineering Infrastructure (NASENI) levy	4,036	3,311
		667,215	388,638
	Deferred tax expense		
	Origination and reversal of temporary differences (see note (c))	(72,268)	53,360
	Tax expense	594,947	441,998
(b)	**Movement in current tax liabilities**		
	Balance at 1 January	401,054	332,353
	Income tax expense (see note (a) above)	667,215	388,638
	Tax paid	(391,799)	(319,937)
	Balance at 31 December	676,470	401,054

(c) Movement in deferred tax balances

31 December 2023

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	188,724	47,184	-	**235,908**
Impairment allowance	(73,142)	(156,516)	-	**(229,658)**
Others	9,147	37,067	-	**46,213**
Deferred tax liabilities	19,433	72,267	-	**52,463**

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**

NOTES TO THE FINANCIAL STATEMENTS

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

In thousands of naira	**31-Dec-2023** Gross amount	**31-Dec-2023** Tax effect	**31-Dec-2022** Gross amount	**31-Dec-2022** Tax effect
Property and equipment	1,340,166	235,908	1,108,127	188,724
Impairment allowance	(223,727)	(229,658)	(223,727)	(73,142)
Others	53,111	46,213	110,627	9,147
	1,169,549	52,463	995,027	124,730

(d) Reconciliation of effective tax rate

In thousands of naira

	31-Dec-2023		**31-Dec-2022**	
Profit before tax	%	**1,614,377**	%	**1,324,166**
Tax using the Bank's domestic tax rate	30	484,313	30	397,250
Non-deductible expenses	7	116,162	2	31,392
Tax-exempt items	(6)	(97,210)	(3)	(36,368)
Tertiary Education Tax	4	71,421	3	33,105
NITDA Levy	1	16,144	1	13,242
Nigeria Police Trust Fund (NPTF) levy	0	81	0	66
NASENI Levy	0	4,036	0	3,311
	37	**594,947**	33	**441,998**

16 Cash and cash equivalents

	In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
(a)	Cash and cash equivalent comprise:		
	Cash on hand:		
	Cash on hand	114,135	111,773
	Held-to-maturity Treasury Bills:		
	Treasury Bills	77,400	-
		191,535	111,773
	Deposits with banks:		
	Current account balances with other banks	5,719,403	3,088,254
	Money market placements	11,640,322	3,300,971
	Cash and cash equivalents for cash flow purposes:	17,551,260	6,500,998
	Impairment allowance (see note (b))	(63,477)	(1,594)
	Cash and cash equivalents	17,487,783	6,499,404
(b)	Movement in impairment allowance:		
	Balance at 1 January	1,594	950
	Impairment loss (see note 12)	61,883	644
		63,477	1,594

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

NOTES TO THE FINANCIAL STATEMENTS

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.

17 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-2023**	**31-Dec-2022**
Underlying transaction	***Counterparty***	***Asset description***		
DBN concessionary loan	Development Bank of Nigeria	Treasury Bills	611,823	546,578
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	225,203	225,203
NIBSS Platform	Zenith Bank Plc	Fixed placement	1,048,594	704,206
ATM Transactions	Sterling Bank Plc	Call placement	20,000	20,000
NIBSS Platform	First Bank of Nigeria plc	Fixed placement	4,206	-
			1,909,826	1,495,987
Impairment allowance (see note (b) below)			(20,484)	(15,861)
			1,889,342	1,480,126
Current			1,889,342	1,480,126
Non-current			-	-
			1,889,342	**1,480,126**

(b) Movement in impairment allowance:

	31-Dec-2023	31-Dec-2022
Balance at 1 January	15,861	736
Impairment loss (see note 12)	4,623	15,125
	20,484	15,861

18 Loans and advances to customers

(a) Loans and advances to customers comprise:

	31-Dec-2023	31-Dec-2022
Loan and advances to customers at amortised cost	21,552,344	23,498,147
Current	18,162,053	17,227,067
Non-current	3,390,291	6,271,080
	21,552,344	23,498,147

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

In thousands of naira	**31 December 2023**			**31 December 2022**		
	Gross Amount	**ECL Allowance**	**Carrying Amount**	**Gross Amount**	**ECL Allowance**	**Carrying Amount**
Term loans	21,957,861	(251,715)	21,706,146	23,114,841	(255,623)	22,859,218
Overdrafts	1,040,683	(1,194,485)	(153,802)	1,068,882	(429,953)	638,929
	22,998,544	(1,446,200)	21,552,344	24,183,723	(685,576)	23,498,147

NOTES TO THE FINANCIAL STATEMENTS

(c) Movement in allowances for impairment

	31 December 2023				31 December 2022			
In thousands of naira	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	98,418	56,687	530,471	685,576	207,343	10,177	382,291	599,811
Additional allowance during the year (see note 12)	470,513	(39,220)	430,360	861,653	(108,925)	46,510	148,180	85,765
Write-offs during the year	-	-	(101,029)	(101,029)	-	-	-	-
Balance at the end of the year	568,931	17,467	859,802	1,446,200	98,418	56,687	530,471	685,576

19 Investment securities

Investment securities comprise:

(a) Investment securities measured at FVTOCI:

	31-Dec-2023	31-Dec-2022
Equity securities:		
Listed equities	1,056	1,326
Unlisted equities	-	7,528
	1,056	8,854

The Bank has designated these equity investment securities at FVTOCI. They are held to be disposed off in the nearest future. The balance in unlisted equity investments were fully impaired during the year ended 31 December 2023 (31 December 2022: nil), and there were no transfers to profit or loss account of any cumulative gain or loss within equity relating to these investments (31 December 2022: nil). The change in fair value on these investments were as follows:

In thousands of naira	31-Dec-2023	31-Dec-2022
Balance at beginning of the year		
Listed equities	1,326	1,079
Unlisted equities	7,528	6,127
	8,854	7,206
Balance at end of the year		
Listed equities	1,056	1,326
Unlisted equities	-	7,528
	1,056	8,854
Fair value gain/(loss)	(7,798)	1,648
Loss on derecognition of equity investments	22,999	-
(b) Investment securities at amortised cost		
Treasury bills	1,368,207	1,220,346
ECL impairment	(80)	(219)
	1,368,127	1,220,127
Government Bond	500,000	-
Total investment securities	1,869,183	1,228,981
Total investment securities for cashflow purpose	1,369,263	1,229,200
Current	1,869,183	1,228,981
Non-current	-	-
	1,869,183	1,228,981

(c) Movement in impairment allowance

Balance at the begining of the year	219	50
Impairment loss/(writeback) during the year (see note 12)	(139)	169
Balance at the end of the year	80	219

NOTES TO THE FINANCIAL STATEMENTS

20 Other assets

In thousands of naira	31-Dec-2023	31-Dec-2022
Other financial assets:		
Other receivables (see note (c) below)	163,312	250,436
Impairment allowance (see note (d) below)	(92,707)	(156,665)
	70,605	93,772
Non financial assets:		
Prepayments (see note (a) below)	324,326	187,989
Inventories (see note (b) below)	163,688	131,997
	488,014	319,986
	558,619	413,758
Current	344,317	346,207
Non-current	214,302	67,551
	558,619	413,758

(a) Prepayments comprise the following:

Prepaid insurance	52,066	30,279
Prepaid staff benefits	214,301	67,551
Other prepaid expense (see note (i) below)	57,959	90,159
	324,326	187,989

(i) *Other prepaid expense comprise:*

Prepayment of computer maintenance cost	30,274	-
Prepayment of SMS and USSD cost	27,685	90,159
	57,959	90,159

(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-2023	31-Dec-2022
Stock (see note (i) below)	155,166	131,676
Assets under construction	8,522	321
	163,688	131,997

NOTES TO THE FINANCIAL STATEMENTS

		31-Dec-2023	31-Dec-2022
(i)	*The amount in stock comprise:*		
	Stock of cheques	109	336
	Stock of office stationeries	23,888	21,641
	Stock of micr cheques	26,128	26,303
	Stock of non-micr cheques	32,685	10,674
	Stock of ATM cards	18,087	28,841
	Stock of credit cards	36,330	37,776
	Stock of adhesive stamps	17,939	6,105
		155,166	131,676

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

(d) Movement in impairment allowances:

In thousands of naira	31-Dec-2023	31-Dec-2022
Balance at the beginning of the year	156,664	115,110
Impairment loss during the year (see note 11)	(63,957)	41,554
Balance at the end of the year	92,707	156,664

NOTES TO THE FINANCIAL STATEMENTS

21 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 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	615,803
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	554,393	433,934	2,754,702
Balance as at 1 January 2023	510,775	52,118	387,232	194,601	621,649	554,394	433,934	2,754,702
Additions during the year	-	-	8,090	53,276	285,431	178,103	30,209	555,109
Disposals	-	-	-	(462)	(85,468)	(5,022)	(3,139)	(94,091)
Write-off	-	-	-	-	-	(629)	-	(629)
Balance at 31 December 2023	510,775	52,118	395,322	247,415	821,613	726,845	461,004	3,215,091

	Buildings	Freehold Land	Right-of-Use Asset	Furniture and Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Total
Accumulated Depreciation:								
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
Balance at 1 January 2023	71,755	-	138,727	105,486	512,461	344,924	224,718	1,398,070
Charge for the year	10,355	-	65,498	30,436	100,153	111,423	62,613	380,477
Disposals	-	-	-	(462)	(85,468)	(5,022)	(3,139)	(94,091)
Write-off	-	-	-	-	-	(629)	-	(629)
Balance at 31 December 2023	82,110	-	204,225	135,460	527,147	450,695	284,192	1,683,828
Carrying amount as at 1 January 2022	397,928	52,118	150,976	58,101	87,659	125,936	134,824	1,007,542
Carrying amount: 31 December 2022	439,020	52,118	248,505	89,115	109,188	209,470	209,216	1,356,632
Carrying amount: 31 December 2023	428,665	52,118	191,097	111,956	294,467	276,150	176,811	1,531,263

There was no impairment loss on all classes' property and equipment during the year (31 December 2022: Nil).

There were no property and equipment pledged as securities for liabilities (31 December 2022: Nil).

There were no contractual commitments for the acquisition of property and equipment (31 December 2022: 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.

NOTES TO THE FINANCIAL STATEMENTS

22 Intangible asset

In thousands of naira	**301-Dec-2023**	**31-Dec-2022**
Computer software		
Cost:		
Balance at beginning of the year	94,493	94,493
Addition during the year	1,569	-
Balance at end of the year	96,062	94,493
Accumulated Amortisation:		
Balance at start of the year	75,876	49,826
Charge for the year	18,139	26,050
Balance at end of the year	94,015	75,876
Carrying amount at end of the year	2,047	18,617

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.

23 Deposits from customers

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Current deposits	16,850,778	8,768,281
Savings deposits	5,641,250	5,282,209
Term deposits	4,043,111	3,729,943
Sundry deposits	404,512	984,829
	26,939,651	**18,765,262**

24 Borrowings

	In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
(a)	Borrowings comprise:		
	DBN concessionary loan (see note (i) below)	2,065,020	2,397,501
	CBN housing microfinance loan	-	15,658
		2,065,020	2,413,159

NOTES TO THE FINANCIAL STATEMENTS

(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-2023	Outstanding Amount (₦'million) 31-Dec-2022	Rate (%)	Tenor
29 March 2021	390	-	86	12.04	2 years
30 April 2021	245	-	80	12.04	2 years
17 June 2021	600	-	103	12.50	2 years
25 August 2021	320	-	106	12.50	2 years
4 December 2021	300	-	111	12.50	2 years
21 December 2021	370	-	151	12.50	2 years
10 August 2022	1,000	384	979	14.00	2 years
29 September 2022	400	128	336	14.50	2 years
29 November 2022	450	155	446	17.50	2 years
04 August 2023	500	443	-	18.50	2 years
19 September 2023	1,000	955	-	18.50	2 years
	5,575	**2,065**	**2,398**		

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 2023.

(b) The movement in borrowings during the period was as follows:

In thousands of naira	31-Dec-2023	31-Dec-2022
Balance, beginning of the year	2,413,158	2,708,090
Additions during the year	1,500,000	1,850,000
Interest accrued during the year (see note 9)	143,477	296,778
Interest paid during the year	(456,055)	(419,546)
Principal repayment during the year	(1,348,011)	(2,022,164)
Balance at year end	2,252,569	2,413,158
Total repayment of borrowings (for cashflow purpose)	(1,804,066)	(2,441,710)

NOTES TO THE FINANCIAL STATEMENTS

25 Other liabilities

In thousands of naira	31-Dec-2023	31-Dec-2022
Financial liabilities:		
Accounts payable	46,184	6,388
Productivity bonus (see note (a))	557,382	365,255
Sundry creditors (see note (b))	290,584	105,824
Accruals	211,540	70,451
Settlement accounts (see note (c))	2,600,164	1,131,451
Other payables	232,351	328,720
Unearned income	783	783
Deposit for shares	152	-
	3,939,140	2,008,872
Lease liability (see note (d))	140,033	156,495
Non-financial liabilities:		
Withholding tax payable	66,682	36,061
VAT payable	20,923	12,167
	4,166,778	2,213,595
Current	4,026,745	2,057,100
Non-current	140,033	156,495
	4,166,778	2,213,595

(a) This amount represents accrual made at the end of the period for payment of productivity bonus to employees of the Bank. It is linked to the performance of the Bank.

(b) This amount represents provision for leave allowance to staff and profit sharing unpaid as at year end.

(c) 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.

(d)(i) The movement in lease liabilities during the year is as follows:

In thousands of naira	31-Dec-2023	Audited 31-Dec-2022
Opening balance	156,495	51,941
Addition to lease liabilities	-	137,285
Interest expense on lease liabilities (see note 9)	18,978	19,160
Interest payment	(9,142)	(2,630)
Principal payment	(66,370)	(49,261)
	99,961	156,495
Maturity analysis- contractual undiscounted cashflows		
Less than one year	38,210	21,591
Between one and five years	101,823	134,904
	140,033	156,495

NOTES TO THE FINANCIAL STATEMENTS

ii Amounts recognised in profit or loss

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Interest expense on lease liabilities (see note 9)	18,978	19,160
Expense relating to short term leases (see note 14)	-	-

iii Amounts recognised in statement of cashflows

Interest payment on lease liability	(9,142)	(2,630)
Principal payment on lease liability	(49,261)	(49,261)
Total cash outflow for leases	(58,403)	(51,891)

iv Extension options

Some property leases contain extension options exerciseable by the Bank up to one year before the end of the non-cancellable contract period. Where applicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exerciseable only by the Bank and not by the lessors. The Bank assesses at the lease 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 ₦140 million during the year (31 December 2022: ₦137 million) with respect to leases in which the Bank is reasonably certain to exercise its extension option.

26 Share capital

	31-Dec-2023	**31-Dec-2022**
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**	**2,996,477**

The movement in share capital is as shown below:

Balance at the beginning of the year	2,996,477	1,143,328
Recapitalisation during the year	-	1,853,149
Balance	**2,996,477**	**2,996,477**

27 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-2023**	**31-Dec-2022**
Balance, beginning of the year	4,166,786	1,517,485
Addition to share premium during the year	-	2,649,301
Balance at year end	4,166,786	4,166,786

NOTES TO THE FINANCIAL STATEMENTS

(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-2023**	**31-Dec-2022**
Balance, beginning of the year	1,733,915	1,513,373
Transfer to statutory reserve during the year	254,857	220,542
Balance at year end	1,988,772	1,733,915

(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 6(c)(ii)).

28 Related party transactions

(a) Parent and ultimate controlling party

As at the year ended 31 December 2023, 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-2023**	**31-Dec-2022**
Salaries and other short-term benefits (see note 13(b))	115,576	86,646
Retirement benefits	-	-
	115,576	**86,646**

NOTES TO THE FINANCIAL STATEMENTS

(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-2023**	**31-Dec-2022**
At start of the year	157,119	41,924
Granted during the year	-	132,000
Repayment during the year	(15,390)	(16,805)
At end of the year	141,729	157,119
Impairment	-	-
Interest earned	3,002	902

Other loans granted to key management personnel were performing as at 31 December 2023 (31 December 2022: Performing).

NOTES TO THE FINANCIAL STATEMENTS

Loans and advances outstanding:
The amounts granted and their balances as at 31 December 2023 were as follows:

In thousands of naira

Name	*Relationship*	*Facility type*	*Amount granted*	*31 Dec. 2023*	*31 Dec. 2022*	*Status*	*Security*
Mr. Akinwunmi Lawal	Managing Director	Housing loan	116,736	80,887	87,143	Performing	Secured
Mr. Francis Nelson	Executive Director	Housing loan	94,027	53,080	60,172	Performing	Secured
Mr. John Tizhe	Executive Director	Housing loan	16,227	7,762	9,804	Performing	Secured
			226,990	**141,729**	**157,119**		

(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-2023**	**31-Dec-2022**
Mr Joel Udah	Chairman	Current deposit	21	11
Mr Joel Udah	Chairman	Savings deposit	70	210
Mr Joel Udah	Chairman	Corporate deposit	7	298
Mr Joel Udah	Chairman	Term deposit	2	50,519
Mr Lawal Akinwunmi	Managing Director	Current deposit	704	1,830
Mr Lawal Akinwunmi	Managing Director	Savings deposit	561	3,889
Mr Lawal Akinwunmi	Managing Director	Term deposit	-	5,105
Mr Francis Nelson	Executive Director	Current deposit	-	778
Mr Francis Nelson	Executive Director	Savings deposit	17	17
Mr John Kwabe Tizhe	Executive Director	Current deposit	268	984
Mr John Kwabe Tizhe	Executive Director	Savings deposit	1,986	551
Mr John Kwabe Tizhe	Executive Director	Term deposit	10,143	-
Mr Hashimu Argungu	Non-Executive	Current deposit	64	114
Mr Abdurahman Satumari	Non-Executive	Current deposit	2,129	2,623
Mr Abdurahman Satumari	Non-Executive	Fixed deposit	301,725	295,615
Mrs Rakiya Edota Shehu	Non-Executive	Current deposit	5,043	9,105
Mr Isa Usman Baba	Non-Executive	Current deposit	500	754
Uzairu Abdullahi	Non-Executive	Current deposit	-	10,890
Uzairu Abdullahi	Non-Executive	Savings deposit		2
Bello Makwashi	Non-Executive	Current deposit	-	13,229
Mr Oyediran Oyeyemi	Non-Executive	Savings deposit	4,336	-
Mr Said Fagge	Non-Executive	Savings deposit	5	-
Mrs Ameh Lydia	Non-Executive	Current deposit	1,061	-
			328,642	396,524

(b) Deposits of other related parties

Included in deposits is an amount of ₦2,018 million (31 December 2022: ₦942 million), representing deposits from major shareholders. The balances as at 31 December 2023 were as follows:

In thousands of naira

Name of company/individual	*Relationship*	*Type of deposit*	**31-Dec-2023**	**31-Dec-2022**
NPF Cooperative Society Limited	Major shareholder	Current deposit	8,280	13,926
NPF Cooperative Society Limited	Major shareholder	Term deposit	611,310	307,445
NPF Welfare Insurance Scheme	Major shareholder	Term deposit	408,152	382,798
NPF Welfare Insurance Scheme	Major shareholder	Current deposit	990,708	238,293
			2,018,449	**942,462**

(c) Transaction with related parties

The former 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.

NOTES TO THE FINANCIAL STATEMENTS

29 Compliance with banking and other regulations

During the year ended 31 December 2023, the Bank paid a penalty of ₦1,800,000.00 (31 December 2022: ₦647,500.00).

Penalty paid during the year ended 31 December 2023 are as follows:

In thousands of naira	₦
Penalty in favour of Nigeria Exchange Limited (NGX) for late filing of year 2022 audited financial statements	1800

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

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

30 Events after the reporting period

There were no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2023 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

31 Contingencies

Litigation and claims
The Bank in its ordinary course of business was involved in 16 cases as at 31 December 2023 (31 December 2022: 42 cases) 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 2022: Five (5)). 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 ₦964 million (31 December 2022: ₦648 million).

32 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-2023	31-Dec-2022
Net profit attributable to shareholders (in thousands of naira)	1,019,430	882,168
Number of shares in issue (in thousands)	5,992,954	5,992,954
Weighted average number of shares in issue (in thousands)	5,992,954	5,992,954
Basic earnings per share (kobo)	17	15

33 Dividend per share

Dividend proposed	719,155	599,295
Number of shares issued and ranking for dividend	5,992,954	5,992,954
Proposed dividend per share (kobo)	12	10
Final dividend per share proposed	12	10
Dividend paid during the year	599,295	539,366
Total dividend paid during the year	599,295	539,366
Dividend paid per (kobo)	10	10

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 12 kobo per share (31 December 2022: final; 10 kobo) from the retained earnings account as at 31 December 2023. 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 2023 and 31 December 2022 respectively.
Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

NOTES TO THE FINANCIAL STATEMENTS

34 Statement of cash flows notes

	In thousands of naira	31-Dec-2023	31-Dec-2022
(a)(i)	**Proceeds from disposal of property and equipment**		
	Cost of property and equipment disposed during the year (see note 21)	94,091	8,266
	Accumulated depreciation on property and equipment disposed (see note 21)	(94,091)	(8,266)
	Net book value of property and equipment disposed	-	-
	Profit on sales of property and equipment (see note 11)	8,456	767
	Proceeds from disposal of property and equipment	8,456	767
(ii)	**Acquisition of PPE**		
	PPE additions during the year (see note 21)	555,109	615,803
	Less ROU assets additions (see note 21)	(8,090)	(159,122)
		547,019	456,681
(b)	**Changes in pledged asset (see note 17)**		
	Balance at the beginning of the year	1,495,987	842,832
	Balance at the end of the year	1,909,826	1,495,987
		413,839	653,155
	Interest receivable (see note (h))	(5,141)	(5,899)
		408,698	647,256
(c)	**Loans and advances to customers (see note 18)**		
	Balance at beginning of the year	24,183,723	18,047,627
	Balance at year end	22,998,544	24,183,723
		(1,185,179)	6,136,096
	Interest receivable (see note (h))	(317,221)	(313,473)
		(1,502,400)	5,822,623
(d)	**Changes in other assets (see note 20)**		
	Balance at beginning of the year	(4,183,321)	4,753,743
	Balance at year end	(3,092,430)	570,422
		1,090,891	(4,183,321)
(e)	**Changes in deposit from customers (see note 23)**		
	Balance at beginning of the year	(18,765,262)	(16,278,901)
	Balance at year end	(26,939,651)	(18,765,262)
		(8,174,389)	(2,486,361)
	Interest payable (see note (i))	13,242	12,078
		(8,161,147)	(2,474,283)

NOTES TO THE FINANCIAL STATEMENTS

(f) Other liabilities (see note 25)

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Balance at beginning of the year	(2,213,595)	(6,845,668)
Balance at year end	(4,166,778)	(2,213,595)
	(1,953,183)	4,632,073
Lease liabilities at beginning of the year	(156,495)	(51,941)
Lease liabilities at at year end	140,033	156,495
	(1,969,645)	4,736,627

(g) Investment securities at amortised cost (see note 19)

Balance at beginning of the year	1,229,200	1,005,004
Movement	140,063	224,196
Balance at year end	1,369,263	1,229,200
Explained by:		
Fair value loss	7,798	(1,648)
Interest income (see note 7)	(102,924)	(73,455)
	(140,063)	(224,196)

(h) Interest received

Interest income (see note 8)	9,353,656	6,319,818
Interest receivable on loans - prior year (see note 35(c))	313,473	121,246
Interest receivable on pledged assets - prior year (see note 35(b))	5,899	5,899
Interest receivable on treasury bills - prior year	2,004	2,004
Interest receivable on loans (see note 35(c))	(317,221)	(313,473)
Interest receivable on pledged assets (see note 35(b))	(5,141)	(5,899)
Interest receivable on treasury bills	(14,963)	(2,004)
Interest received	9,337,706	6,127,591

(i) Interest paid

Interest expense on liabilities (see note 9)	(963,224)	(768,024)
Interest payable on deposit - prior year (see note 35(e))	(12,078)	(10,914)
Interest payable on borrowings - prior year	(680,846)	(756,012)
Interest payable on deposits (see note 35(e))	13,242	12,078
Interest payable on borrowings	281,097	680,846
Lease interest paid (see note 25(c))	(9,142)	(2,630)
Lease interest payable (see note 9)	18,978	19,160
Interest paid	(1,351,973)	(825,496)

(j) Right of use assets

Balance at beginning of the year (see note 21)	248,505	150,976
Payment for properties leased during the year	8,090	21,837
Lease liabilities (see note 25(c))	-	137,285
Depreciation (see note 21)	(65,498)	(61,593)
Balance at year end (see note 21)	191,097	248,505

NOTES TO THE FINANCIAL STATEMENTS

35 Unclaimed dividends

Unclaimed dividends summed up to ₦170,358,112.68 as at 31 December 2023 (2022: ₦237,007,535.80). This amount is made up of ₦160,052,843.56 (2022: ₦144,667,874.53) invested with Stanbic IBTC Asset Management Limited in fixed income mutual funds and ₦10,305,269.12 (2022: ₦92,339,661.27) in the custody of Cardinal Stone Registrars Limited.

The investment balance of ₦160,052,843.56 (2022: ₦144,667,874.53) is analysed below:

In thousands of naira	**31-Dec-2023**	**31-Dec-2022**
Net investible balance 1 October - 31 December 2023	155,910	141,109
Net income earned	4,143	3,559
	160,053	**144,668**

NOTES TO THE FINANCIAL STATEMENTS

36 Changes to presentation of Comparative figures

The presentation of the comparative and prior year figures have been restated in line with IAS 1 (Presentation of financial statements), IAS 8 (Accounting policies, changes in accounting estimates and errors), IAS 7 (Statement of cashflows) and other financial reporting standards for a meaningful comparison or to correct prior year presentation errors. The details of these items are presented below:

(a) Statement of financial position
In the prior period the Bank incorrectly presented their order of liquidity with items that were less liquid being presented as more liquid, this has been restated in the current period to reflect the appropriate order. The changes including the following:

ASSETS		**LIABILITIES**	
As previously presented	**Restated presentation**	**As previously presented**	**Restated presentation**
Cash and cash equivalents	Cash and cash equivalents	Deposits from customers	Deposits from customers
Pledged assets	Investment securities*	Borrowings	Current tax liabilities*
Loans and advances to customers	Loans and advances to customers*	Current tax liabilities	Other liabilities*
Investment securities	Pledged assets*	Deferred tax liabilities	Borrowings*
Other assets	Other assets	Other liabilities	Deferred tax liabilities*
Property and equipment	Property and equipment		
Intangible asset	Intangible asset		

Presentation of "Investment securities" and "Loans and advances" before "Pledged assets" as the maturity of items classified as pledged assets are less liquid and agreed to mature much later than the investment securities and loans and advances.

The borrowings which include instruments with maturity over one year has now been presented after current tax liabilities and other liabilities as they are both considered less liquid due to their nature. Deferred tax liabilities which is likely less liquid when compared to other account balances has now been presented as last on the ordering of liabilities.

The borrowings which include instruments with maturity over one year has now been presented after current tax liabilities and other liabilities as they are both considered less liquid due to their nature. Deferred tax liabilities which is likely less liquid when compared to other account balances has now been presented as last on the ordering of liabilities.

(b) Changes to statement of comprehensive Income

See below an extract of the changes made to the prior year statements

	Notes	**As previously stated N'000**	**Changes or correction N'000**	**Restated amount N'000**
Fees and commission income	(i)	747,088	85,820	832,908
Other income	(i)	86,604	(85,820)	784
Administrative and general expenses	(ii)	(2,059,170)	2,059,170	-
Other operating expenses	(ii)	-	(2,059,170)	(2,059,170)

(i) In the prior year, the bank had incorrectly included revenue in the other income line below the revenue line. The amount, N85.8m relates to income from "service fees and charges", this value has now been presented as part of "fees and commission'' based on the nature of the revenue in line with IAS 1 and IFRS 15.

(ii) Additionally, the bank had incorrectly presented expenses in their statement of comprehensive income on a mixed basis (function and nature basis), while IAS 1 requires an entity to present the expenses on one basis. Administrative and general expenses which represents a presentation by function has now been renamed to "other operating expenses" in the restated financial statements to conform with the existing basis of presentation of all other expenses presented in the financial statements.

(c) Changes to the statement of cashflows
See below an extract of the changes made to the prior year statements

	Notes	**As previously stated N'000**	**Changes or correction N'000**	**Restated amount N'000**
Operating activities				
Interest paid	(i)	(405,950)	(419,546)	(825,496)
Investing activities				
Payment for new leased properties	(ii)	-	(21,837)	(21,837)
Financing activities				
Repayment of interest on borrowings	(i)	(419,546)	419,546	-
Payment for new leased properties	(ii)	(21,837)	21,837	-

NOTES TO THE FINANCIAL STATEMENTS

(i) During the current period management has determined that to present more relevant and reliable information for the users of the financial statements, the interest paid on borrowings included under financing activities should be reclassified to operating activities to align with the Statement of Comprehensive income where it forms part of the net interest income.

(ii) Initial lease payments made on newly leased properties has been reclassified to investing activities which better represents the nature of the underlying cash flow.

OTHER NATIONAL DISCLOSURES

OTHER NATIONAL DISCLOSURES:
VALUE ADDED STATEMENT

	31-Dec-2023		31-Dec-2022	
	₦'000	%	₦'000	%
Gross earnings	10,300,216		7,153,510	
Net impairment loss on financial instruments	(864,063)		(143,257)	
	9,436,153		7,010,253	
Bought-in-materials and services - local	(3,104,150)		(2,059,170)	
Value added	**6,332,003**	**100**	**4,951,083**	**100**
Distribution of value added:				
To employees				
- As salaries and other benefits	3,355,786	53	2,566,131	52
To providers of finance				
- As interests	963,224	15	768,024	16
To the Government				
- As taxes	648,261	10	441,998	9
Retained in the business				
- Asset replacement (depreciation and amortisation)	398,616	6	292,762	6
- Profit to augment reserves	966,116	16	882,168	18
Value added	**6,332,003**	**100**	**4,951,083**	**100**

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

OTHER NATIONAL DISCLOSURES:
FINANCIAL SUMMARY AS AT

In thousands of naira	Note	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash and cash equivalents	16	17,487,783	6,499,404	6,610,039	5,677,888	3,128,104
Investment securities*	19	1,869,183	1,228,981	1,004,954	966,360	893,534
Loans and advances to customers*	18	21,552,344	23,498,147	17,447,816	16,667,615	13,776,931
Pledged assets*	17	1,889,342	1,480,126	842,096	564,246	467,486
Other assets	20	558,619	413,758	5,010,232	270,761	386,272
Property and equipment	21	1,531,263	1,356,632	1,007,541	902,412	897,484
Intangible asset	22	2,047	18,617	44,667	47,693	33,906
TOTAL ASSETS		**44,890,581**	**34,495,665**	**31,967,345**	**25,096,975**	**19,583,717**
LIABILITIES						
Deposits from customers	23	26,939,651	18,765,262	16,278,901	14,838,805	11,327,058
Current tax liabilities*	15(b)	676,470	401,054	332,353	257,107	230,511
Other liabilities*	25	4,166,778	2,213,595	6,845,666	1,452,300	665,907
Borrowings*	24	2,065,020	2,413,159	2,708,090	2,995,809	1,965,665
Deferred tax liabilities*	15(c)	52,462	124,730	71,370	71,370	66,637
TOTAL LIABILITIES		**33,900,380**	**23,917,800**	**26,236,380**	**19,615,391**	**14,255,778**
CAPITAL AND RESERVES						
Share capital	26	2,996,477	2,996,477	1,143,328	1,143,328	1,143,328
Share premium	27(a)	4,166,786	4,166,786	1,517,485	1,517,485	1,517,485
Retained earnings	27(b)	1,851,314	1,207,473	1,140,649	1,127,458	986,184
Fair value reserve	27(c)	(13,147)	(5,349)	(6,997)	(6,217)	(2,777)
Statutory reserve	26(d)	1,988,772	1,733,915	1,513,373	1,424,936	1,348,133
Regulatory risk reserve	26(e)	-	478,563	423,127	274,594	335,586
TOTAL EQUITY		**10,990,202**	**10,577,865**	**5,730,965**	**5,481,584**	**5,327,939**
TOTAL LIABILITIES AND EQUITY		**44,890,581**	**34,495,665**	**31,967,345**	**25,096,975**	**19,583,717**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
Gross income		10,300,216	7,153,510	5,770,055	4,658,831	4,447,812
Profit before taxation		1,614,377	1,324,166	1,030,575	867,012	1,007,997
Profit after taxation		1,019,430	882,168	707,493	614,417	796,425
Dividend	33	599,295	539,366	457,332	457,332	114,333
Basic and diluted earnings per share (kobo)	32	17	15	31	27	35
Dividend per share (kobo)	33	12	10	20	20	5
Net assets per share (kobo)		182	177	251	240	233

*Refer to note 36 for changes to the presentation of the comparative figures