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IPODO – IKEJA MICROFINANCE BANK LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

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For the year ended 31 December 2019

Corporate information

For the year ended 31 December 2019

Registration number:	RC. 204857
Banking licence number:	00430
Corporate and postal address:	3, Obafemi Awolowo Way Ikeja, Lagos State
Directors:	Oluwaseun Bakare (Chairman) Pastor Amos O Adebayo Mrs. I. F. Anibire Mr. Oluwafemi A Salako Mr. Olorunleke D Ojo (Managing Director)
Company secretary:	Mr. O.F. Sunmola M.A (Lancs) FCIS, PACA Ikeja Lagos
Auditor:	Messrs. Olatunbosun Ajuwon & Co (Chartered Accountants) Plot 40, Meiran Road, Off Abeokuta Expressway, Ojokoro, Lagos State Nigeria
Bankers:	Acess Bank Plc Ecobank Nigeria Limited Fidelity Bank Plc
Supervisory bodies:	Central Bank of Nigeria Nigeria Deposit Insurance Corporation

Directors' report

For the year ended 31 December 2019

The directors are pleased to present the annual report on the affairs of Ipodo-Ikeja MFB Limited ("the Bank"), together with the financial statements and the auditor's report thereon, for the year ended 31 December 2019.

1 Legal form

The bank was incorporated in Nigeria under the Companies and Allied Matters Act 1990 on 30th September,1992 as Ipodo-Ikeja Community Bank Ltd, and was granted license to carry on the Community banking business. In 2007, upon receiving approval from the Central Bank of Nigeria after meeting all the necessary requirements to operate as Microfinance Bank,it transformed to Ipodo-Ikeja Microfinance Bank Ltd. The change of name was consequently registered with the Corporate Affairs Commissions. As the scope of operation has grown beyond Ipodo community and with deployment of extensive use of technologyto further grow and widen its operations, it became imperative to rebrand with fitting brand identity, and with the approval of the Central Bank of Nigeria and the Corporate Affairs Commission, the banks name was changed to Moneytronics Microfinance Bank Ltd in February 2020.

2 Principal activities

The principal activity of the bank remain the provision of Microfinance banking business and other financial services that are in line with the Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria. As such, there has not been any material change in the nature of business from the previous period.

3 Operating results

Gross earnings of the bank increased by 30% and Profit before Tax (PBT) increased by 132%. The summary of the bank's operating results for the year under review are as follows:

	2019	2018	% Change
	₦	₦	
Gross earnings	65,936,138	50,526,106	30%
Profit before tax	8,184,106	6,538,129	25%
Profit after tax	5,810,938	4,249,784	
Appropriation			
Transfer to Statutory Reserve	1,452,735	1,062,446	
Transfer to Bonus Issue Reserve	1,374,800	2,500,000	
Transfer to Retained Earnings	2,983,404	687,338	
Earnings per share - basic and diluted (Kobo)	21	17	

4 Bonus

The directors are proposing for distribution as Scrip/bonus issues, the total sum of One Million three hundred and seventy five thousand Naira(N1.375Million). The distribution shall be on prorata based on shareholding as at 31 December 2019.

5 Share capital

Authorized and Paid-Up Share Capital

In line with CBN directive to Microfinance banks to increase their share capital, the Directors following the resolution at the last Annual General Meeting have obtained the approval of the Central Bank of Nigeria and the Corporate Affairs Commission to increase the Authorised share capital of the bank to Two Hundred and Fifty Million Naira (N250 Million).

Directors' report- continued

Following the resolution passed at the last Annual General Meeting empowering the Directors to solicit for the additional capital through Rights issue, a right issue of eleven Shares for every eight shares held at the Nominal Value of N1:00 each was offered to all existing shareholders in January 2020. This brought in additional capital in excess of Thirty three Million Naira, at its conclusion.

The Bonus share being proposed now by the Directors is to enable the bank meet the provision of Section 103 of the Company and Allied Matters Act which states that the Issued share capital must be at the least 25% of the Authorized Share capital within six months of the approval by the Corporate Affairs Commission.

6 Directors' shareholdings

Name	Designation	2019 Amount	2019 %	2018 Amount	2018 %
		₦		₦	
Alhaji M.A Adelakun	Pioneer Chairman	-	-	10,032,745	40.10
Mrs. A.A Akinkuade	Non-Executive Director	-	-	3,128,262	12.50
Mrs. I. Funmilayo Anibire	Non-Executive Director	-	-	1,949,339	7.80
Mrs. Oluwakemi Omidiji	Non-Executive Director	-	-	1,512,202	6.10
Mr. Olorunleke Ojo	Managing Director	-	-	-	-
Mr. Oluwaseun A. Bakare	Chairman	4,319,012	15.7	-	-
Mr. Amos O. Adebayo	Non-Executive Director	1,864,259	6.8	-	-
Mr. Olufemi Salako	Non-Executive Director	3,404,259	12.4	-	-
Total		**9,587,530**	**34.9**	**16,622,548**	**66.5**

7 Changes on the Board

In the course of the financial year that ended 31st December 2019; there were certain changes on the Board.

Alhaji M.A Adelakun, the Pioneer Chairman, retired from the Board activities on 28th February 2019 and with the two existing vacancies on the Board, Mr. Oluwaseun A. Bakare, Pastor Amos O. Adebayo and Mr. O.A. Salako were appointed to the Board on 28th February 2019. Mr. O. A. Bakare was consequently appointed chairman in May, 2019.
The appointments to the Board were ratified by the Shareholders at the 26th Annual General Meeting held on 6th November 2019.

The Central Bank of Nigeria (CBN) and the Corporate Affairs Commission (CAC) had also approved the changes in the Board.

8 Change in corporate office

Among the key transformation which your bank witnessed during the year is the relocation of the Registered Corporate office of the bank. This is in line with the resolution at the last Annual General Meeting. In January 2020 the bank moved to an ultra-modern Corporate Office at 7, Ajao Road, Off Adeniyi Jones , Ikeja. The new office is more befitting and will enable the bank fulfill its obligations to its stakeholders better.

9 Directors' interest in contracts

For the purpose of Sections 277 (1) and (3) of Companies and Allied Matters Act (CAMA), all contracts with related parties during the period were conducted at arm's length.

10 Acquisation of own share

The Shares of the bank are held in accordance with the Articles of Association of the Bank. The Bank has no beneficial interest in any of its share.

Directors' report- continued

11 Property and equipment

Information relating to the changes in property and equipment during the period is given in note 20 to the financial statements. In the opinion of the directors, the market value of the bank's property and equipment is not less than the value shown in the financial statements (2018: Nil).

12 Analysis of shareholdings

a Interest in Ordinary shares of the bank

We present below the analysis from the Register of Shareholders

	2019		2018	
Particulars	**Amount**	**%**	**Amount**	**%**
	₦		**₦**	
Directors	9,587,530	34.87	16,622,588	66.50
Companies	58,117	0.20	1,576,162	6.30
Individuals	17,850,353	64.92	6,797,250	27.20
Total	**27,496,000**	**100**	**24,996,000**	**100**

b Pattern of Shareholdings

The shareholding patterns of the bank are as follows:

	31 December 2019				31 December 2018			
	No of Shareholders	**%**	**No. of Share holding**	**%**	**No of Shareholders**	**%**	**No. of Share holding**	**%**
1-10,000	392	85.8	1,044,058	3.8	433	80.6	893,034	3.6
10,000-50,000	44	9.6	826,249	3.0	69	12.8	1,346,691	5.4
50,001-100,000	6	1.3	521,641	1.9	12	2.2	895,822	3.6
100,001-500,000	-				16	3.0	3,533,726	14.1
500,001-1,000,000	1	0.2	556,522	2.0	3	0.6	1,857,053	7.4
1,000,001-5,000,000	14	3.1	2.4547,530	89.3	3	0.6	6,436,929	25.8
Over 5,000,000	-	-	-	-	1	0.2	10,032,745	40.1
Total	**457**	**100**	**2,948,470**	**100**	**537**	**100**	**24,996,000**	**100**

13 The Board and Governance Structure

a Composition of the Board

The Board of Directors consists of persons or diverse disciplines and skills with business experiences, integrity as well as adequate knowledge of Microfinance banking business. The Board is composed of a Non-Executive Director as Chairman;, three other Non-executive Directors and one Executive Director who is the Managing Director. The composition is in line with the Central Bank of Nigeria's Code of Corporate Governance for Microfinance banks in Nigeria. All the Directors are approved by the Central Bank of Nigeria and the Corporate Affairs Commission.

The Board is guided by a Charter which is in full compliance with the Code of Corporate Governance for Microfinance banks in Nigeria, instituted by the CBN. It undertakes its oversight functions through three organs/committees. Each committee also has a charter detailing their terms of reference. The committees are:

(i)Corporate Governance and Nominations
(ii)Audit, Risk Management as Compliance
(iii) Credit and Business Development.

Directors' report- continued

b **The Board and Board Committee meetings**

The Board and each committee had their quarterly meeting in the year in line with the regulatory requirement.

The bank has other Standing Committees such as:

(i) Management Committee (Manco)
(ii) I.T. Steering Committee
(iii) Credit Review Committee

Each of these committees met regularly during the year in compliance with Regulatory Guidelines and Board Policies.

c **Whistle Blowing Policy**

In line with the provision of the CBN code of Corporate Governance for Microfinance bank in Nigeria, the bank operates a whistle blowing policy and have internal code of conduct for employees which all number of 8 set supposed and CBN code of Director for Non-bank financial institution which all directors have all signee.

14 Director renumeration

The Bank ensures that the Board's Remuneration complies with the Provision of the CBN Code of Corporate Governance for Microfinance Banks in Nigeria. The detailed compliance is as follows:-

• Basic Salary-Only the MD who is an Executive Director receive Basic salary and Allowances
• Sitting Allowance -No sitting allowance was paid for Board and for Board Committee meetings.
• Directors Fees-This will be paid after the General Meeting.

15 Supervisory Infractions

The bank was penalized by CBN for supervisory infractions and appropriate penalties were paid.

16 Fraud and Forgeries

There was no fraud and forgeries in the year.

17 Disclosure of Customer Compliants in the Financial Statements

There was no customer complaint that was not resolved during the year, neither was there any payment due to any customer in lieu of staff negligence.

18 Human Resources

i. Employment Policy

As a matter of policy, there is no discrimination in the employment, Training and career development of all categories of people in terms of Gender, race, ethnic origin, tribe, religion or creed except where otherwise stated by law. Ours is an equal opportunity company. In furtherance of this policy, the company is committed to:
(a) Giving every employee a sense of belonging by operating competitive and fair performance and reward system.
(b) Assisting and encouraging every employee to develop their ability to the maximum, not only in their chosen career, but also in other identified areas of interest within their capabilities and to pay careful attention to their work and progress
(c) Encouraging employees to be good citizens by being law abiding, and participating in civil and social activities in their private time
(d) Encouraging employees to develop and maintain healthy habits.

The bank's policy prohibits discrimination against disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment continues and appropriate training arranged to ensure that they fit into the banks working environment.

Directors' report- continued

ii Health, Safety and Welfare at work

The Bank enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly.Fire prevention and fire-fighting equipment are installed in strategic locations within the bank's premises, while occasional fire drills are conducted to create awareness amongst staff.

The bank operates a contributory pension plan in line with the Pension Reform Act.

iii Welfare

The bank implements a number of programs to ensure that our employees enjoy work-life balance. Employees are obliged to strictly observe their annual vacation when it becomes due. The company believes this will provide them opportunity to refresh and be re-invigorated to perform better. Work is organized to enable employees of the company work within the official business hour to enable them catch up with their social life and family obligations. Employees are obliged to adhere to leave schedules to promote work life balance.

iv Employee training and development

The Bank ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed to communicate with employees with an appropriate two-way feedback mechanism.
In accordance with the bank's policy of continuous development, training facilities are provided in well-equipped training centers. In addition, employees of the Bank are nominated to attend both locally and internationally organized training programs. These are complemented by on-the-job training.

v Gender Analysis

The average numbers of employees of the bank during the period by gender and levels are as follows:

(a) Analysis of total employee

	31 December 2019					
	Male	**%**	**Female**	**%**	**Total**	**%**
Management	3	11.0	4	16.0	7	27.0
Other Staff	8	31.0	11	42.0	19	73.0
Total	**11**	**42**	**15**	**58**	**26**	**100**

	31 December 2018					
	Male	**%**	**Female**	**%**	**Total**	**%**
Management	3	9.0	4	13.0	7	22.0
Other Staff	13	41.0	12	37.0	25	78.0
Total	**16**	**50**	**16**	**58**	**32**	**100**

(b) Analysis of Board and Top Management Staff

	31 December 2019					
	Male	**%**	**Female**	**%**	**Total**	**%**
Board member	4	33.0	1	8.3	5	41.6
Top management	3	25.0	4	33.0	7	58.3
Total	**7**	**58**	**5**	**58**	**12**	**100**

Directors' report- continued

	31 December 2018					
	Male	**%**	**Female**	**%**	**Total**	**%**
Management	2	16.7	3	25.0	5	41.1
Other Staff	3	41.0	4	33.3	7	58.3
Total	**5**	**58**	**7**	**58**	**12**	**99**

(c)Further Analysis of Board Top Management and Directors

	31 December 2019					
	Male	**%**	**Female**	**%**	**Total**	**%**
Director	3	10.0	1	3.3	4	13.3
Managing Director	1	3.3	-	-	1	3.3
Managing Executor M.D	2	6.7	4	3.3	6	20.0
Staff	8	26.7	11	36.7	19	63.4
Total	**14**	**47**	**16**	**43**	**30**	**100**

	31 December 2018					
	Male	**%**	**Female**	**%**	**Total**	**%**
Director	1	-	3	8.0	4	11.0
Managing Director	1	3.0	-	-	1	23.0
Managing Executor M.D	2	6.0	4	11.0	6	17.0
Staff	13	36.0	12	33.0	25	69.0
Total	**17**	**45**	**19**	**52**	**36**	**120**

19 Auditor

The auditors, Messrs Olatunbosun Ajuwon & Co having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors. In accordance with Section 357 (2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the auditors will be re-appointed at the next annual general meeting without any resolution being passed.

By The Order of the Board.
Oladimeji F. Sunmola M.A. (lancs) FCIS, PACA
Company Secretary
March 2020

Statement of Directors’ responsibilities in relation to the financial statements
For the year ended 31 December 2019

The directors accept responsibility for the preparation of the financial statements that give a true and fair view of the financial position of the Bank at the end of the financial period and the financial results for the year ended, in accordance with International Financial Reporting Standards (IFRS) and in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, No. 6, 2011, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, Central Bank of Nigeria Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria and relevant Central Bank of Nigeria circulars.

The directors further accept responsibility for:
- keeping proper accounting records that disclose with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
- establishing appropriate and adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- preparing the Bank's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors have made an 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 years ahead.

Based on the foregoing, the directors have a reasonable expectation that the Bank has adequate resources to continue operations for the foreseeable future. Thus, the directors continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Oluwaseun A. Bakare	Mr. Olorunleke Ojo
Chairman	Managing Director
25 March 2020	25 March 2020

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	2019 ₦	2018 ₦
Gross earnings		**65,936,138**	**50,526,106**
Interest income calculated using effective interest method	8	54,783,683	33,818,801
Interest expense	8	(289,198)	(555,870)
Net interest income		**54,494,485**	**33,262,931**
Fees and commission income	9	11,011,111	16,395,025
Other operating income	10	141,344	312,280
Total operating income		**65,646,940**	**49,970,236**
Credit loss expense on financial assets	11	(15,362,661)	(3,328,401)
Net operating income		**50,284,279**	**46,641,835**
Personnel expenses	12	(20,319,196)	(20,247,026)
Depreciation of property and equipment	20	(1,937,225)	(1,536,317)
Amortisation of intangible assets	21	(267,143)	-
Other operating expenses	13	(19,576,609)	(18,320,363)
Total operating expenses		**(42,100,173)**	**(40,103,706)**
Profit before tax		**8,184,106**	**6,538,129**
Income tax expense	14(a)	(2,373,168)	(2,288,345)
Profit for the year		**5,810,938**	**4,249,784**
Other comprehensive income, net of tax		-	-
Total comprehensive income for the period, net of tax		**5,810,938**	**4,249,784**
Profit attributable to:			
Equity holders of the Bank		5,810,938	4,249,784
Profit for the period		**5,810,938**	**4,249,784**
Total comprehensive income attributable to:			
Equity holders of the Bank		5,810,938	4,249,784
Total comprehensive income for the period		**5,810,938**	**4,249,784**
Earnings per share - basic and diluted (Kobo)	15	**21**	**17**

The accompanying notes on pages 15 to 65 form an integral part of these financial statements.

Statement of financial position

As at 31 December 2019

	Notes	2019 ₦	2018 ₦
ASSETS			
Cash and bank balances	16	46,172,730	79,828,904
Loans and advances to customers	17	55,380,357	35,533,272
Equity instruments at fair value through other comprehensive	18	35,000	-
Debt instruments at amortised cost	18	5,147,307	-
Financial investments – available-for-sale	18	-	35,000
Financial investments- held-to-maturity	18	-	4,500,000
Prepayments and other assets	19	19,378,326	3,195,048
Property and equipment	20	19,492,728	5,313,814
Intangible assets	21	2,404,282	-
TOTAL ASSETS		**148,010,730**	**128,406,038**
LIABILITIES			
Deposits from customers	22	80,088,092	53,824,415
Current tax liabilities	14(c)	4,661,513	2,288,345
Other liabilities	23	5,069,957	7,375,569
TOTAL LIABILITIES		**89,819,562**	**63,488,329**
EQUITY			
Share capital	24(a)	27,496,000	24,996,000
Statutory reserve	24(b)	24,521,427	23,068,692
Share premium	24(c)	107,000	107,000
Bonus issue	24(d)	1,374,800	2,500,000
Regulatory risk reserve	24(e)	-	-
Retained earnings	24(f)	4,691,942	14,246,017
TOTAL EQUITY		**58,191,168**	**64,917,709**
TOTAL LIABILITIES AND EQUITY		**148,010,730**	**128,406,038**

The financial statements and notes on pages 15 to 65 were approved by the Board of Directors on 25 March 2020 and signed on its behalf by:

Chairman	**Managing Director**	**Ag. Head of Finance/Admin**
Mr. Oluwaseun A. Bakare	**Mr. Olorunleke Ojo**	**Ms. Ibironke Ibikunle**

Statement of changes in equity

For the year ended 31 December 2019

	Share capital	Statutory reserve	Share premium	Bonus issue	Regulatory risk reserve	Retained earnings	Total equity
	₦	₦	₦	₦	₦	₦	₦
Balance at 1 January 2019	24,996,000	23,068,692	107,000	2,500,000	-	14,246,017	64,810,709
Impact of adopting IFRS 9 (Note 3.5)			-			(12,537,479)	(12,537,479)
Restated opening balance under IFRS 9	**24,996,000**	**23,068,692**	**107,000**	**2,500,000**	**-**	**1,708,538**	**52,273,230**
Total comprehensive income for the period:							
Profit for the period	-	-	-	-	-	5,810,938	5,810,938
Other comprehensive income	-	-	-				
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**5,810,938**	**5,810,938**
Additional capital	2,500,000			(2,500,000)	-	-	-
Transfers between reserves	-	1,452,735	-	1,374,800	-	(2,827,535)	-
Balance at 31 December 2019	**27,496,000**	**24,521,427**	**107,000**	**1,374,800**	**-**	**4,691,942**	**58,084,168**
Balance at 1 January 2018	24,511,351	22,006,246	107,000	484,649	-	13,558,679	60,560,925
Total comprehensive income for the period:							
Profit for the period	-	-	-	-	-	4,249,784	4,249,784
Other comprehensive income							
Total comprehensive income for the period:	**-**	**-**	**-**		**-**	**4,249,784**	**4,249,784**
Transfers between reserves	-	1,062,446	-	2,500,000	-	(3,562,446)	-
Balance at 31 December 2018	**24,996,000**	**23,068,692**	**107,000**	**2,500,000**	**-**	**14,246,017**	**64,810,709**

The accompanying notes on pages 15 to 65 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2019

	Notes	2019 ₦	2018 ₦
Cash flows from operating activities			
Profit before tax		5,810,938	6,538,129
Adjustments for non cash items:			
Depreciation of property and equipment	20	1,937,225	1,536,317
Amortization of intangible assets	21	267,143	-
Impairment charge on financial assets	11	15,362,661	3,328,401
		23,377,967	11,402,847
Net (increase)/decrease in loans and advances to customers		(75,295,650)	4,138,722
Net increase in prepayments and other assets		16,183,278	876,332
Net increase in deposits from customers		26,263,677	12,940,283
Net (decrease)/increase in other liabilities		(218,577)	(186,297)
		(9,689,305)	29,171,887
Income tax paid	14(c)	-	(3,377,738)
Net cash generated from operating activities		(9,689,305)	25,794,149
Cash flows from investing activities			
Net increase in debt instruments at amortised cost		(5,147,307)	-
Net increase in financial assets - held to maturity		-	(4,500,000)
Acquisition of property and equipment	20	(16,148,137)	(2,741,000)
Acquisition of intangible assets	21	(2,671,425)	-
Net cash used in investing activities		(23,966,869)	(7,241,000)
Cash flows from financing activities		-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		(33,656,174)	18,553,149
Cash and cash equivalents at beginning of year		79,828,904	61,275,755
Cash and cash equivalents at end of year	25	46,172,730	79,828,904

The accompanying notes on pages 15 to 65 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2019

1 Corporate information
Ipodo Ikeja microfinance Bank formerly known as Ipodo Community Bank (Nig.) Ltd, was incorporated as a Private Limited Company in September, 1992. The Bank commenced operation on 15 January, 1993.

The Bank has its registered office located at 3, Obafemi Awolowo Way, Ikeja, Lagos and is primarily involved in the provision of consumer finance and other microfinance banking services.

2 Significant accounting policies

Basis of preparation
These financial statements are prepared on the historical cost basis except for quoted equity measured at fair value.

Statement of compliance
The Bank's financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, the Financial Reporting Council of Nigeria Act, No. 6 2011, Banks and Other Financial Institutions Act of Nigeria, CAP B3, Laws of the Federation of Nigeria 2004, Central Bank of Nigeria (CBN) Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria and relevant CBN circulars.

Functional and presentation currency
These financial statements are presented in Nigerian Naira, which is the Bank’s functional and presentation currency.

Presentation of financial statements
The Bank presents its statement of financial position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Note 26.

3.1 Changes in accounting policies and disclosures

New and amended standards and interpretations
In these financial statements, the Bank has applied IFRS 9 and IFRS 7R (Revised) effective for annual periods beginning on or after 1 January 2019, for the first time. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim financial statements of the Bank.

IFRS 9 Financial instruments
IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

The Bank has not restated comparative information for 2018 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2018 is reported under IAS 39 and is not comparable to the information presented for 2019. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2019 and are disclosed in Note 3.4.

Notes to the financial statements

For the period ended 31 December 2019

3 Significant Accounting Policies- Continued

3.1 New and amended standards and interpretations- Continued

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables) have been replaced by:

• Debt instruments at amortised cost
• Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
• Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
• Financial assets FVPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the profit or loss.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

IFRS 7 Revised (IFRS 7R)

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition

Notes to the financial statements
For the period ended 31 December 2019

3 Significant Accounting Policies- Continued

3.2 Summary of significant accounting policies

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

a Foreign currency translation

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (functional currency).

Foreign currency transactions are translated into the functional currency of the Bank at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

b Recognition of interest income

Banking activities

Revenue is derived substantially from the business of provision of consumer finance and other microfinance banking services and comprises interest income and fee and commission income. Revenue shall be measured at the fair value of the consideration received or receivable.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. Interest income on interest bearing financial assets measured at amortised cost under IFRS 9, similarly to interest bearing financial assets classified as held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest and similar income in the income statement.

Interest income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures (as outlined in Note 4.2) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Notes to the financial statements
For the period ended 31 December 2019

c Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

d Other operating income

Other operating income comprises sundry income and gain on disposal of property and equipment. Other operating income are recognised when the services are provided or the right to receive income is established.

e Income tax

Income tax expense comprises current and deferred tax. Current tax is determined for current period transactions and events, and deferred tax is determined for future tax consequences. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax for the Bank is the expected tax payable on taxable profit for the year determined in accordance with the Companies Income Tax Act, CAP 60, Laws of the Federal Republic of Nigeria 1990, using tax rates enacted or substantively enacted at the reporting date. In line with Nigerian tax laws, company income tax is currently computed at the rate of 30% of taxable profit of the Bank. Taxable profit is calculated by adjusting accounting profit or loss for items of income or expense not allowable for tax purposes. Where this results in a taxable loss, the Bank is assessed on minimum tax. Education tax is calculated at 2% of assessable profit.

f Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and deposit from customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises deposit from customers when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Other receivables are measured at the transaction price.

Measurement categories of financial assets and liabilities

From 1 January 2019, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at:

•Amortised cost
•Fair value through OCI (without recycling)

Before 1 January 2019, the Bank classified its financial assets as loans and receivables and held-to-maturity.

Financial liabilities, are measured at amortised cost.

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

Financial instruments - Continued

Financial assets and liabilities

Loans and advances to customers, financial investments at amortised cost
Before 1 January 2019, loans and advances to customers, included non–derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

• That the Bank intended to sell immediately or in the near term
• That the Bank, upon initial recognition, designated as at FVPL or as available-for-sale
• For which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration, which were designated as available-for-sale.

From 1 January 2019, the Bank only measures loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:
• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis,but at a higher level of aggregated portfolios and is based on observable factors such as:

•How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
•The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
•How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
•The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the financial statements-continued
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

Financial instruments - Continued

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Deposit from customer and other borrowed funds
After initial measurement, deposit from customers and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR.

Equity instruments at FVOCI (Policy applicable from 1 January 2019)
Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Held-to-maturity financial investments (Policy applicable before 1 January 2018)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Where the Bank is to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in Other Comprehensive Income.

Available-for-sale (AFS) financial investments (Policy applicable before 1 January 2018)
AFS financial investments include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised in Other comprehensive income credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss in finance costs.

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

Derecognition of financial assets and liabilities

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:
•The Bank has transferred its contractual rights to receive cash flows from the financial asset
Or
• It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
•The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
•The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
•The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
•The Bank has transferred substantially all the risks and rewards of the asset
Or
•The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Notes to the financial statements-continued
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of financial assets (Policy applicable from 1 January 2019)

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank’s loan loss impairment method by replacing IAS 39’s incurred loss approach with a forward-looking ECL approach. From 1 January 2019, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLsare calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

•Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs.Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
•Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
•Stage 3: Loans considered credit-impaired.The bank records an allowance for the LTECLs

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

The calculation of ECLs

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:
•PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
•EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
•LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upturn and downturn). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the amount that the Bank can recover from the outstanding loan amount.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

The mechanics of the ECL method are summarized below:

•Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to aforecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

•Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. 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 (as defined in Note12.3.3.1), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:
• GDP growth
• Inflation rates
• Crude oil prices

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Impairment - Policy applicable before 1 January 2019

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Bank of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Criteria that will be used by the Bank in determining whether there is objective evidence that financial assets are impaired include;

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

Financial assets carried at amortised cost

The Bank first assesses whether there is objective evidence of impairment individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. Nonperforming loans include those loans for which the Bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 30 days or more.

The impairment of non-performing loans takes into account past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses.

When a loan carried at amortised cost has been identified as individually impaired, the carrying amount of the loan is reduced to an amount equal to the present value of its estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset’s original effective interest rate. The carrying amount of the loan is reduced through the use of a specific credit impairment account and the loss is recognised as net impairment loss on financial assets in statement of profit or loss and other comprehensive income.

Offsetting financial instruments - policy applicable for current and comparative periods

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and intends either to settle 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 IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

Write-offs

The Bank’s accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

g Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include notes and coins in hand, treasury bills maturing within three months, operating account balances with other banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Bank Overdrafts are repayable on demand and essential in the Company's cash management. However, they are not included as part of cash and cash equivalents for the purpose of the statement of cash flow.

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

h Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

• Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date.
The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

• Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

• Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

i Property, equipment and right-of-use assets

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Bank premises	10 years
Office equipment	10 years
Furniture and fittings	10 years
Motor vehicles	5 years
Generator plant	5 years
Computer equipment	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j Intangible assets

Purchased software

Software acquired by the Bank is measured at cost less accumulated amortisation and 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 expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three (3) years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

De-recognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

k Impairment of non-financial assets

The carrying amounts of the Bank’s non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

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

The Bank bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss. For other assets, 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.

l Deposits and other borrowed funds

Deposits and other borrowed funds are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement 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 other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

m Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

n Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Bank operates a defined contribution pension scheme guided by the provisions of the Pension Reform Act 2014. Employees are entitled to join the scheme on commencement of employment. Under the Act, both employer and employee are required to make a minimum of 10% and 8%, respectively, of the employee's monthly emoluments. The definition of 'monthly emoluments' has been expanded to mean the total emolument as defined in the employee's contract of employment provided it is not less than the total of the employee's basic salary, housing and transport allowance.

Employee contributions are funded through payroll deductions while the Bank's contribution is expensed in profit or loss. Contributions under this scheme are remitted to the individual employee's pension fund administrator.

The Act also provides that an employer can take full responsibility for the contribution. In that case, the contribution shall not be less than 20% of the employee's monthly emolument. In addition, a Bank Life Insurance Policy must be maintained in favour of the employee for a minimum of thrice the employee's annual total emoluments.

Short-term employee benefits

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

o Share capital and reserves

Share issue costs

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Fair value reserves which comprises:

The cumulative net change in fair value of equity instruments at FVOCI.

Dividend on ordinary shares

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

Notes to the financial statements
For the period ended 31 December 2019

3 Summary of significant accounting policies-Continued

Share premium
Premiums from the issue of shares are reported in share premium.

Regulatory Risk Reserves
The Central Bank of Nigeria (CBN), the apex regulatory body in the Nigerian banking sector, requires the Bank to create a reserve for the difference between impairment charge determined in line with the principles of IFRS and impairment charge determined in line with the prudential guidelines issued by the CBN. This reserve is not available for distribution to shareholders.

Retained earnings
Retained earnings represents the total net profit incurred since its inception.

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

q Leases (Policy applicable before 1 January 2019)
The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Bank as a lessee
Leases that do not transfer to the Bank substantially all of the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Leases (Policy applicable as of 1 January 2019)
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee
The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within property, equipment and right-of-use assets and are subject to impairment in line with the Bank’s policy as described in Impairment of non-financial assets.

Notes to the financial statements
For the period ended 31 December 2019

3.3 Standards issued but not yet effective Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Bank.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Bank's financial statements.

3.4 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.
These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding
the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

Notes to the financial statements
For the period ended 31 December 2019

3.4 Significant accounting judgements, estimates and assumptions-continued

• The Bank’s internal credit grading model, which assigns PDs to the individual grades
• The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
• The segmentation of financial assets when their ECL is assessed on a collective basis
• Development of ECL models, including the various formulas and the choice of inputs
• Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank’s policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Going concern
The Bank’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Notes to the financial statements

For the year ended 31 December 2019

3.5 Transition disclosures

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2019 is, as follows:

		IAS 39 measurement		**Re-measurement**			**IFRS 9**
	Notes	**Category**	**Amount**	**Reclassification**	**ECL**	**Amount**	**Category**
			₦	**₦**	**₦**	**₦**	
Financial assets							
Cash and bank balances		Loans and receivables	79,828,904	-	-	79,828,904	Amortised cost
Loans and advances to customers		Loans and receivables	35,533,272	-	(12,537,479)	22,995,793	Amortised cost
Available-for-sale		Available-for-sale	35,000	(35,000)	-	-	Fair value through other comprehensive income
Fair value through other comprehensive income		N/A	-	35,000	-	35,000	
Debt instruments at amortised cost		N/A	-	4,500,000	-	4,500,000	Amortised cost
From: Financial assets- held to maturity	A	Held to maturity	4,500,000	(4,500,000)	-	-	
Total assets			**119,897,176**	**-**	**(12,537,479)**	**107,359,697**	

Notes to the financial statements
For the year ended 31 December 2019

3.4 Transition disclosures- Continued

	IAS 39 measurement					IFRS 9
	Notes	**Category**	**Amount**	**Reclassification**	**Amount**	**Category**
			₦	**₦**	**₦**	
Financial liabilities						
Deposits from customers		Other financial liabilities	53,824,415	-	53,824,415	Amortised cost
Other liabilities		Other financial liabilities	7,375,569		7,375,569	Amortised cost
			61,199,984	**-**	**61,199,984**	
Total liabilities			**61,199,984**	**-**	**61,199,984**	

A As of 1 January 2019, the Bank did not have any debt instruments that did not meet the SPPI criterion within its held-to-maturity portfolio. Therefore, it elected to classify all of these instruments as debt instruments measured at amortised cost.

The impact of transition to IFRS 9 on reserves and accumulated losses is, as follows:

	Reserves and accumulated losses
	₦
Regulatory risk reserve	**-**
Closing balance under IAS 39 (31 December 2018)	-
Transfer to accumulated losses	-
Opening balance under IFRS 9 (1 January 2019)	**-**

Notes to the financial statements
For the year ended 31 December 2019

3.4 Transition disclosures- Continued

	Reserves and accumulated losses
	₦
Retained earnings	
Closing balance under IAS 39 (31 December 2018)	14,246,017
Excess charges from IFRS 9 ECL computation (see below)	(12,537,479)
Transfer from regulatory risk reserve	-
Deferred tax in relation to the above	-
Opening balance under IFRS 9 (1 January 2019)	**1,708,538**
Total change in equity due to adopting IFRS 9	**(12,537,479)**

The following table reconciles the aggregate opening allowance for impairment under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Notes 17.

	Allowance for impairment under IAS 39 at 31 December 2018	Re-measurement	ECLs under IFRS 9 at 1 January 2019
	₦	₦	₦
Impairment allowance for:			
Loans and receivables and held to maturity securities per IAS 39 / financial assets at amortised cost under IFRS 9	18,558,401	12,537,479	31,095,880
	18,558,401	**12,537,479**	**31,095,880**

Notes to the financial statements
For the year ended 31 December 2019

4 Financial risk management

4.1 Introduction

4.1.1 Introduction and risk profile
Ipodo-Ikeja MFB Limited ("the Bank") has an established risk governance structure and an experienced risk management team.Whilst risk is inherent in the Bank’s activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Bank’s continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non–trading risks. It is also subject to country risk and various operating and business risks.

4.1.2 Risk management structure
The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has appointed the Supervisory Board which is responsible for monitoring the overall risk process within the Bank and fulfils the responsibilities of the audit committee.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with and reports to the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business group has its own unit which is responsible for the control of risks, including monitoring the actual risk of exposures against authorised limits and the assessment of risks of new products and structured transactions. It is the Bank’s policy that this unit also ensures the complete capture of the risks in its risk measurement and reporting systems. The Bank’s policy also requires that exceptions are reported on a daily
basis, where necessary, to the Risk Committee, and the relevant actions are taken to address exceptions and any areas of weakness.

The Bank’s Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank’s policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank’s compliance with them. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Supervisory Board.

Notes to the financial statements

For the year ended 31 December 2019

4 Financial risk management - Continued

4.1.3 Risk measurement and reporting systems

The Bank’s risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank’s policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all of the businesses is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

At all levels of the Bank’s operations, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up–to–date information.

It is the Bank’s policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank’s continuous training and development emphasises that employees are made aware of the Bank’s risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank’s risk appetite limits. Compliance breaches and internal audit findings are important elements of employees’ annual ratings and remuneration reviews.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank’s performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Bank’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Bank to manage risk concentrations at both the relationship and industry levels.

Notes to the financial statements

For the year ended 31 December 2019

4 Financial risk management - Continued

4.2 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit risk department of the Bank's independent Risk Controlling Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. Credit risk consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager, as well as the business with tools like credit risk systems, policies, models and reporting.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Impairment assessment (Policy applicable from 1 January 2019)

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

Definition of default and cure

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.
As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank

It is the Bank's policy to consider a financial instrument as 'cured' and therefore-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Bank's internal rating and PD estimation process

The Bank's independent Credit Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Notes to the financial statements

For the year ended 31 December 2019

4 Financial risk management - Continued

4.2 Credit risk

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of S&P Rating Agency, and assigns the internal rating, as shown in the table below.

Loans to customers

Loans to customers comprises unsecured personal loans. These products are rated by an automated scorecard tool. Key inputs into the models are:
-use of customers demographics such as age, employment status, changes in personal income/salary levels, customer stability such as time at address and employment, and financial history from data held at the credit bureau and other financial institutions.

Exposure at Default

The exposure at default(EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

Notes to the financial statements

For the year ended 31 December 2019

4 Financial risk management - Continued

Loss given default

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product types) as well as borrower characteristics.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considered an exposures to have significantly increased in credit risk in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained under definition of default as significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3.3.6 Summary of significant accounting policies and in Note 5 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Bank obtains the data used from third party sources (Central Bank of Nigeria, Nigerian Stock Exchange) and a team of expert within its credit risk department verifies the accuracy of inputs to the Bank' ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Bank's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2018 and 31 December 2019.

Notes to the financial statements
For the period ended 31 December 2019

4 Financial risk management - Continued

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for “Subsequent years” represent a long-term average and so are the same for each scenario.

31 December 2019

Key drivers	ECL Scenario	Assigned probabilities	2020
		%	%
GDP growth %			
	Upside	10	13
	Base case	82	15
	Downside	8	17
Inflation rate %			
	Upside	10	15
	Base case	82	16
	Downside	8	17
Crude oil price%			
	Upside	10	61
	Base case	82	54
	Downside	8	50

1 January 2019

Key drivers	ECL Scenario	Assigned probabilities	2019
		%	%
GDP growth %			
	Upside	10	15
	Base case	81	17
	Downside	9	19
Inflation rate %			
	Upside	10	10
	Base case	81	15
	Downside	9	16
Crude oil price%			
	Upside	10	59
	Base case	81	52
	Downside	9	48

Notes to the financial statements
For the period ended 31 December 2019

4 Financial risk management - Continued

The following tables outline the impact of multiple scenarios on the allowance:

31 Decembe 2019	SME loans	Micro loans	Staff loans	FAAN loans	Total
	₦	₦	₦	₦	₦
Upside (19.3%)	-	2,559,478	115,690	1,270,685	3,945,853
Base (61.4%)	-	20,902,406	944,805	10,377,265	32,224,476
Downside (19.3%)	-	2,132,899	96,409	1,058,905	3,288,213
Total	-	**25,594,783**	**1,156,904**	**12,706,855**	**39,458,542**

1 January 2019	SME loans	Micro loans	Staff loans	FAAN loans	Total
	₦	₦	₦	₦	₦
Upside (14.58%)	53,645	1,993,941	132,702	1,036,528	3,216,816
Base (56.25%)	420,221	15,619,207	1,039,491	8,119,466	25,198,385
Downside (29.17%)	44,704	1,661,618	110,584	863,773	2,680,679
Total	**518,570**	**19,274,766**	**1,282,777**	**10,019,767**	**31,095,880**

Exposure to credit risk

The Bank's financial assets are unsecured and are not covered by any collateral. The carrying amount of financial assets therefore represents the maximum credit exposure. Details of the Bank's financial assets are shown in Note 7.

An analysis of credit risk exposure relating to financial assets is shown below;

	Notes	2019 ₦	2018 ₦
Cash and bank balances	16	46,172,730	79,828,904
Loans and advances to customers	17	55,380,357	35,533,272
fair value through	18	35,000	-
Debt instruments at amortised cost	18	5,147,307	-
Financial investments – available-for-sale	18	-	35,000
Financial investments- held-to-maturity	19	-	4,500,000
Total		**106,735,394**	**119,897,176**

Notes to the financial statements

For the period ended 31 December 2019

4 Financial risk management - Continued

Determination of regulatory risk reserves

Provisions under Prudential Guidelines are determined using the time based provisioning regime prescribed by the Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks in Nigeria. This is at variance with the expected credit loss model required by IFRS under 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.

(a) Impairment for loans recognised in the statement of profit or loss is determined based on the requirements of IFRS. However, the IFRS impairment is compared with provisions determined under prudential guidelines and the expected impact/changes is recognised in general reserves as follows:

- If prudential provisions is greater than IFRS impairment; the excess provision resulting therefrom is transferred from the retained earnings/accumulated losses account to a "regulatory risk reserve".
- If prudential provisions is less than IFRS impairment; IFRS determined impairment is charged to the statement of profit or loss. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings/accumulated losses account.

(b) The regulatory risk reserve is considered a non-distributable reserve and is classified under Tier 1 as part of the core capital. The Bank has complied with the requirements of the guidelines as follows:

Statement of prudential adjustments	**Note**	**2019** ₦	**2018** ₦
IFRS-based impairments and credit losses:			
Individual impairment allowances on loans to customers	17	27,587,080	16,584,971
Collective impairment allowances on loans to customers	17	11,871,462	14,510,909
Total IFRS impairment allowances by the Bank (a)		**39,458,542**	**31,095,880**
Prudential provisions and credit losses:			
Specific provision on loans to customers		517,518	18,254,983
General provision on loans to customers		20,230,656	303,418
Total regulatory impairment based on prudential guidelines (b)		**20,748,174**	**18,558,401**
Required balance in regulatory risk reserves (c = b - a), where b>a		-	-

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank is not expose to any type of market risk.

Notes to the financial statements

For the period ended 31 December 2019

4 Financial risk management - Continued

4.4 Liquidity risk

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk.

The Assets and Liability Committee (ALCO) is responsible for managing the Bank’s liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Bank. The treasury department of the bank is responsible for working with other departments within the Bank to ensure the liquidity risk strategy is executed

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month. The ratios during the year were, as follows:

Liquidity ratio

Advances to deposit ratios

	2019	**2018**
Year-end		
Maximum		
Minimum		
Average		

The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Stress Testing

In accordance with the Bank’s policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Additionally stress testing is performed for a combination of both the market and specific stress factors relating to the Bank.
Liquidity mismatch reporting and stress testing results are reported regularly and reviewed by the Risk Management Committee and periodically reviewed by the Asset and Liability Committee (ALCO), Executive Committee and Risk Committee.

Notes to the financial statements

For the period ended 31 December 2019

4 Financial risk management - Continued

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank’s financial assets and the undiscounted cash flows of its financial liabilities as at 31 December.

31 December 2019

	Note	Carrying amount	< 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total
		₦	₦	₦	₦	₦	₦
Financial assets							
Cash and bank balances	16	46,172,730	46,172,730				
Loans and advances to customers	17	55,380,357					
Equity instruments at fair value through other comprehensive income	18	35,000					
Debt instruments at amortised cost	18	5,147,307	5,147,307				
		106,735,394	51,320,037	-	-	-	-
Financial liabilities							
Deposits from customers	22	80,088,092	80,088,092				
Other liabilities							
		80,088,092	80,088,092	-	-	-	-
Gap (asset - liabilities)			(28,768,055)	-	-	-	-

31 December 2018

	Note	Carrying amount	< 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Total
Financial assets							
Cash and bank balances	16	79,828,904	79,828,904				
Loans and advances to customers	17	35,533,272					
Financial investments – available-for-sale	18	35,000					
Financial investments- held-to-maturity	18	4,500,000	4,500,000				
		119,897,176	84,328,904	-	-	-	-
Financial liabilities							
Deposits from customers	22	53,824,415	53,824,415				
		53,824,415	53,824,415	-	-	-	-
Gap (asset - liabilities)			30,504,489	-	-	-	-

Notes to the financial statements
For the period ended 31 December 2019

4 Financial risk management - Continued

From the above table, the Bank's expected cash flows on the financial assets do not vary significantly from the contractual cash flows.

As part of the management of its liquidity risk, the Bank holds liquid assets comprising of cash and cash equivalents and financial assets to meet its liquidity requirements.

4.5 Fair value measurements

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. Instruments included in Level 1 comprise primarily quoted equity and debt investments classified as trading securities or available for sale.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Inputs that are unobservable. This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market date (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes investment in unquoted securities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with the determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The Bank total loan portfolio mature within 12 months while all other financial assets and liabilities have maturity of less than 12 months and the carrying amounts approximate the fair values.
The Bank's loans and advances and deposit liabilities are classified as level 2 in the fair value hierarchy.

Notes to the financial statements
For the period ended 31 December 2019

4 Financial risk management - Continued

4.6 Operational risks

Operational risk is the risk of loss resulting from inadequate or fatal internal processes, people and systems, or from external events. This definition includes legal and compliance risk, but excludes strategy/business and reputation risk. During the period ended 31 December 2019, no significant operational losses have occurred.

Operational risk management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks. It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Bank’s global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management. This framework includes:

- recognized ownership of the risk by the businesses;
- oversight by independent risk management; and
- independent review by Corporate Audit.

The goal is to keep operational risk at appropriate levels relative to the characteristics of our businesses, the markets in which we operate, our capital and liquidity, and the competitive, economic and regulatory environment. Notwithstanding these controls, the Bank incurs operational losses.

Our operational risk strategy seeks to minimise the impact that operational risk can have on shareholders’ value. The Bank’s strategy is to:

- Reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings;
- Minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Bank’s long term growth, cash flow management and balance sheet protection; and
- Eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

4.8 Capital management

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The board of directors seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and advantages afforded by a sound capital position.

The Bank is required to hold a minimum capital level determined by its regulator. The Bank is directly supervised by the Central Bank of Nigeria (CBN). CBN sets and monitors capital requirements for the Bank. In implementing current capital requirements, CBN also requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets. Capital adequacy and use of regulatory capital are monitored regularly by management, to ensure compliance with the requirement of the Revised Regulatory and Supervisory Guidelines for Microfinance Banks in Nigeria.

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 CBN regulations, a minimum ratio of 10% is to be maintained.

Notes to the financial statements
For the period ended 31 December 2019

4 Financial risk management - Continued

The table below shows the computation of the Bank's capital adequacy ratio for the period ended 31 December 2019 as well as the 31 December 2018 comparatives. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	Note	2019 ₦	2018 ₦
Tier 1 capital			
Share capital	24(a)	27,496,000	24,996,000
Statutory reserve	24(b)	24,521,427	23,068,692
Share premium	24(c)	107,000	107,000
Retained earnings	24(f)	4,691,942	14,246,017
		56,816,368	**62,417,709**
Less intangible assets:			
Intangible assets	21	2,404,282	
Total qualifying Tier 1 capital		**59,220,650**	**62,417,709**
Total regulatory capital		**59,220,650**	**62,417,709**
Risk-weighted assets			
On-statement of financial position		55,380,357	35,533,272
Total risk-weighted assets		**55,380,357**	**35,533,272**
Total regulatory capital expressed as a percentage of total risk-weighted assets		**106.93%**	**175.66%**

The Bank did not have any qualifying Tier 2 capital during the period ended 31 December 2019 (31 December 2018: Nil). The Bank meets CBN's minimum capital adequacy requirement.

Notes to the financial statements
For the period ended 31 December 2019

7 Classification of financial assets and liabilities

Accounting classification measurement basis and fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values:

31 December 2019	**Notes**	**Financial assets at FVOCI**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**	**Fair value Hierarchy**
			₦	**₦**	**₦**	**₦**	
Cash and bank balances	16	-	46,172,730	-	46,172,730	46,172,730	-
Loans and advances to customers	17	-	55,380,357	-	55,380,357	-	2
Equity instrument at fair value through other comprehensive income	18	35,000	-	-	35,000	35,000	1
Debt instruments at amortised cost	18	-	5,147,307	-	5,147,307		2
Other assets	19	-		-	-		
Total financial assets		**35,000**	**106,700,394**	**-**	**106,735,394**	**46,207,730**	
Deposits from customers	22	-	-	80,088,092	80,088,092	-	2
Other liabilities	23	-	-		-	-	2
Total financial liabilities		**-**	**-**	**80,088,092**	**80,088,092**	**-**	

31 December 2018	**Notes**	**Financial assets at AFS**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total carrying amount**	**Fair value**	**Fair value Hierarchy**
Cash and bank balances	16	-	79,828,904	-	79,828,904	79,828,904	-
Loans and advances to customers	17	-	35,533,272	-	35,533,272	5,396,000	2
Financial investments – available-for-sale	18	35,000	-	-	-	35,000	1
Financial investments- held-to-maturity	18	-	4,500,000	-			
Other receivables	19	-	-	-	-	-	-
Total financial assets		**35,000**	**119,862,176**	**-**	**115,362,176**	**85,259,904**	
Deposits from customers	22	-	-	53,824,415	53,824,415	5,398,633	2
Other liabilities	23	-	-	7,375,569	7,375,569	7,375,569	-
Total financial liabilities		**-**	**-**	**61,199,984**	**61,199,984**	**12,774,202**	

Loans and advances are carried at amortized cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Financial assets held to maturity represent short term instruments issued by the Central Bank of Nigeria. The estimated fair value of treasury bills and bonds at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand and short term borrowings is the amount payable at the reporting date.

Notes to the financial statements

For the period ended 31 December 2019

8 Net interest income

	2019	2018
	₦	₦
Interest income		
Interest on loans and advances	48,682,950	28,344,484
Interest on fixed deposit	5,029,772	4,995,714
Interest on Treasury Bills	1,070,961	478,603
	54,783,683	**33,818,801**
Interest expense		
Term deposits	39,345	15,357
Savings	249,853	540,513
	289,198	**555,870**
Net interest income	**54,494,485**	**33,262,931**

There was no interest income on loans and advances for the period ended 31 December 2019 relating to impaired financial assets (31 December 2018: Nil).

9 Fees and commission income

	2019	2018
	₦	₦
Current account maintenance	1,439,800	2,844,767
Management fees	3,797,046	2,646,846
Sales of forms	-	765,367
Loans and Overdraft monitoring fees	231,500	2,639,976
Sales of GSM items	-	40,439
Daily Contribution	4,721,165	6,345,830
Account reactivation	16,100	24,400
Cheque book, Teller and Pass Book	187,600	400,200
Search Fee	617,900	687,200
	11,011,111	**16,395,025**

10 Other operating income

	2019	2018
	₦	₦
Sundry Income	141,344	280,500
Income on Asset disposal	-	44,857
Diminution in Investment		(13,077)
	141,344	**312,280**

11 Credit loss expense on financial assets

The table below shows the ECL charges on financial instruments for the period ended 31 December 2019 recorded in the profit or loss:

	Notes	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
		₦	₦	₦	₦
Loans and advances to customers	17	1,348,251	3,530,870	10,483,540	15,362,661
Debt instruments measured at amortised costs	18	-	-	-	-
Total impairment loss		**1,348,251**	**3,530,870**	**10,483,540**	**15,362,661**

Notes to the financial statements

For the period ended 31 December 2019

11 Credit loss expense on financial assets- Continued

The table below shows the impairment charges recorded in profit or loss under IAS 39 for the period ended 31 December 2018:

	₦
Impairment charge on loans and advances	
- individual impairment (see note 17(a)(i))	998,520
Impairment charge on loans and advances	
- collective impairment (see note 17(a)(ii))	2,329,881
Impairment charge on financial assets	3,328,401
Write-off on loans and advances	-
	3,328,401

12 Personnel expenses

	2019	2018
	₦	₦
Staff salaries and wages, housing & others	17,045,304	15,457,663
Director’s Remuneration	960,000	1,920,000
Medical & Staff Welfare	572,835	391,500
Staff Training and Development	493,500	1,225,000
Staff Pension Contribution	1,247,557	1,252,863
	20,319,196	**20,247,026**

Notes to the financial statements

For the period ended 31 December 2019

13 Other operating expenses

	2019	2018
	₦	₦
Commercial Premises Permit	40,500	56,190
Rents	2,159,466	1,249,805
Office & Equipment Maintenance	788,600	290,700
Subscription	312,000	171,000
Electrical Repairs	-	128,070
Transport and Travelling	515,770	825,700
Printing and stationery	758,682	902,207
Christmas and end of the year expenses	2,012,203	1,200,000
Entertainment & General Office	1,497,710	931,130
Advertising and Public Relations	-	501,120
Insurance and NDIC	419,337	342,170
Fuels & Oil for Generator	710,400	507,300
Professional fees & others	1,493,772	87,000
Security	542,000	549,000
Bank Charges	721,584	597,839
Air Condition Repairs	20,500	30,000
Audit Fees	226,667	400,000
Debt Recovery Cost	235,207	1,136,876
Computer Consumables	-	121,800
Loan Expenses	346,284	-
Gifts and Donation	339,070	99,300
Daily contribution Cost	2,160,954	3,625,692
Generator Equipment maintenance	51,500	72,300
Computer System Maintenance	270,700	100,000
Motor Vehicle	869,300	799,450
Secretarial/Filling Fees	805,350	2,866,980
Electricity	355,050	190,000
Penalties	479,885	-
Telephone & Communication/ Internet	763,622	294,034
Annual/Extra-Ordinary general meeting	680,495	244,700
	19,576,609	**18,320,363**

14 Income tax

(a) Recognised in profit or loss

	2019	2018
	₦	₦
Current tax		
Company income tax	2,224,845	1,961,439
Education tax	148,323	326,906
	2,373,168	**2,288,345**

(b) Reconciliation of effective tax rate

		2019	2018
		₦	₦
Profit before income tax		8,184,106	6,538,129
Income tax using the domestic income tax rate	30%	2,455,232	1,961,439
Tax effect of adjustments of taxable income			
Tax exempt income	(3%)	(230,387)	0
Education tax	2%	148,323	326,906
Income tax expense recognised in profit or loss	**29%**	**2,373,168**	**2,288,345**

Notes to the financial statements

For the period ended 31 December 2019

14 Income tax-Continued

(c) Current income tax payable

The movement in current income tax payable account during the period is as follows;

	2019	2018
	₦	₦
Balance, beginning of the year	2,288,345	3,377,738
Charge for the period (see Note 14(a) above)	2,373,168	2,288,345
Payments during the period	-	(3,377,738)
Balance, end of the period	**4,661,513**	**2,288,345**

15 Earnings per share

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the period. The calculation of basic earnings per share as at 31 December 2019 and 2018 was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue as at period end:

(a(i)) ***Number of ordinary shares***

	2019	2018
	₦	₦
Total number of ordinary shares in issue	27,496,000	24,996,000
Weighted average of ordinary shares in issue	27,496,000	24,996,000

(a(ii)) ***Profit attributable to ordinary shareholders***

	2019	2018
	₦	₦
Profit for the period attributable to equity holders	5,810,938	4,249,784
Basic earnings per share (Kobo)	**21**	**17**

The Bank does not have any dilutive potential ordinary shares. Therefore, basic earnings per share and diluted earnings per share are the same for the Bank.

16 Cash and bank balances

	2019	2018
	₦	₦
Cash on hand	2,528,726	2,161,160
Cash at banks	13,115,527	16,951,839
Placements with banks	302,046	60,715,905
Money market placement	30,226,431	-
	46,172,730	**79,828,904**

Money market placements are made from periods ranging from one day to 30 days, depending on the immediate cash requirements of the Bank. The average interest rate is 12.5% (31 December 2018: 15.8%). The carrying amounts disclosed above reasonably approximate fair value as at reporting date.

Notes to the financial statements

For the period ended 31 December 2019

17 Loans and advances to customers

	2019	2018
	₦	₦
Micro loans	73,727,963	46,015,735
Staff loans and advances	2,159,241	2,435,411
Personal loans	25,951,694	24,776,184
Small & Medium Enterprise loans	-	1,033,220
Gross loans	101,838,898	74,260,550
Less: Allowance for ECL/impairment losses	(46,458,541)	(18,558,401)
Less: Interest in Suspense	-	(20,168,877)
Carrying amount	**55,380,357**	**35,533,272**

(a) **Impairment allowance on loans and advances to customers**

Micro loan

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 4.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.2.

	2019				2018
Internal rating grade	**Stage 1 individual**	**Stage 2 individual**	**Stage 3**	**Total**	**Total**
	₦	₦	₦	₦	₦
Performing					
Hign grade	14,897,651	5,462,503	-	20,360,154	24,393,992
Standard grade	-	-	-	-	-
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non- performing					
Individually impaired			53,367,809	53,367,809	21,621,742
Total	**14,897,651**	**5,462,503**	**53,367,809**	**73,727,963**	**46,015,735**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to micro loans is as follows:

	Stage 1 individual	**Stage 2 individual**	**Stage 3**	**Total**
	₦	₦	₦	₦
Gross carrying amount as at 1 January 2018	21,629,461	2,764,532	21,621,742	46,015,735
New assets originated	31,750,002	-	-	31,750,002
Assets derecognized or repaid	(2,946,173)	(348,958)	(742,643)	(4,037,774)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(15,724,224)	15,724,224	-	-
Transfers to Stage 3	-	(12,677,295)	12,677,295	-
Amounts written off	-	-	-	-
At 31 December 2018	**34,709,066**	**5,462,503**	**33,556,394**	**73,727,963**

Notes to the financial statements

For the period ended 31 December 2019

17 Loans and advances to customers- continued

	Stage 1 individual ₦	Stage 2 individual ₦	Stage 3 ₦	Total ₦
ECL allowance as at 1 January 2019 under IFRS 9	7,385,081	895,234	10,994,452	19,274,767
New assets originated	9,387,717	-	-	9,387,717
Assets derecognized or repaid (excluding write offs)	(29,084)	(692,903)	(2,091,754)	(2,813,740)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(2,358,634)	2,358,634	-	-
Transfers to Stage 3	-	(1,901,594)	1,901,594	-
Impact of year end ECL of exposures transferred between stages during the year	-	235,863	190,159	426,022
Unwind of discount through credit loss expenses	(210,257)	(106,678)	6,636,951	6,320,016
At 31 December 2019	**14,174,824**	**788,556**	**17,631,402**	**32,594,782**

The contractual amount oustanding on Micro loans that have been written off by the Bank as at 31 December 2019 and that were still subject to enforcement activity was nil (31 December 2018: nil).
The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

Staff loans and advances

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 4.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.2.

	31 December 2019				31 December 2018
Internal rating grade	**Stage 1 individual ₦**	**Stage 2 individual ₦**	**Stage 3 ₦**	**Total ₦**	**Total ₦**
Performing					
Hign grade	142,741	-	-	142,741	1,245,379
Standard grade	-	-	-	-	
Sub-standard grade	-	-	-	-	
Past due but not impaired	-	-	-	-	
Non- performing					1,190,032
Individually impaired	-	-	**2,016,500**	2,016,500	
Total	**142,741**	-	**2,016,500**	**2,159,241**	**2,435,411**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Staff loans and advances is, as follows:

	Stage 1 individual ₦	Stage 2 individual ₦	Stage 3 ₦	Total ₦
Gross carrying amount as at 1 January 2019	935,229	310,150	1,190,032	2,435,411
New assets originated	1,938,587	-	-	1,938,587
Assets derecognized or repaid	(1,006,851)	(357,079)	(850,827)	(2,214,757)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,724,224)	1,724,224	-	-
Transfers to Stage 3	-	(1,677,295)	1,677,295	-
Amounts written off	-	-	-	-
At 31 December 2019	**142,742**	-	**2,016,500**	**2,159,241**

Notes to the financial statements

For the period ended 31 December 2019

17 Loans and advances to customers- continued

	Stage 1 individual ₦	Stage 2 individual ₦	Stage 3 ₦	Total ₦
ECL allowance as at 1 January 2019 under IFRS 9	486,785	160,915	635,076	1,282,776
New assets originated	387,717	-	-	387,717
Assets derecognized or repaid (excluding write offs)	(129,084)	(32,903)	(276,754)	(438,741)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(258,634)	258,634	-	-
Transfers to Stage 3	-	(251,594)	251,594	-
Impact of year end ECL of exposures transferred between stages during the year	-	25,863	25,159	51,022
Unwind of discount through credit loss expenses	(409,974)	(160,915)	445,016	(125,873)
At 31 December 2019	**76,811**	**-**	**1,080,093**	**1,156,904**

The contractual amount oustanding on staff loan and advances that have been written off by the Bank as at 31 December 2019 and that were still subject to enforcement activity was nil (31 December 2018: nil).
The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

Personal loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 4.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.2.

	31 December 2019				31 December 2018
Internal rating grade	**Stage 1 individual ₦**	**Stage 2 individual ₦**	**Stage 3 ₦**	**Total ₦**	**Total ₦**
Performing					
Hign grade	6,230,049	2,698,240	-	8,928,290	15,214,662
Standard grade	-	-	-	-	-
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non- performing					
Individually impaired	-	-	17,023,404	17,023,404	9,561,522
Total	**6,230,049**	**2,698,240**	**17,023,404**	**25,951,694**	**24,776,184**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to staff loans is, as follows:

	Stage 1 individual ₦	Stage 2 individual ₦	Stage 3 ₦	Total ₦
Gross carrying amount as at 1 January 2019	14,306,422	908,240	9,561,522	24,776,184
New assets originated	3,938,587	-	-	3,938,587
Assets derecognized or repaid (excluding write offs)	(2,290,736)	(256,929)	(215,413)	(2,763,078)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(9,724,224)	9,724,224	-	-
Transfers to Stage 3		(7,677,295)	7,677,295	-
Amounts written off	-	-	-	-
At 31 December 2019	**6,230,050**	**2,698,240**	**17,023,404**	**25,951,694**

Notes to the financial statements

For the period ended 31 December 2019

17 Loans and advances to customers-Continued

	Stage 1 individual	Stage 2 individual	Stage 3	Total
ECL allowance as at 1 January 2019 under IFRS 9	4,824,136	240,188	4,955,443	10,019,767
New assets originated	1,575,435	-	-	1,575,435
Assets derecognized or repaid (excluding write offs)	(116,801)	(452,903)	(1,266,754)	(1,836,458)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,458,634)	1,458,634	-	-
Transfers to Stage 3	-	(1,151,594)	1,151,594	-
through credit loss	(2,031,518)	798,463	3,920,143	2,687,088
Impact of year end ECL of -	-	145,863	115,159	261,022
At 30 September 2018	**2,792,618**	**1,038,651**	**8,875,585**	**12,706,854**

The contractual amount oustanding on personal loans that have been written off by the Bank as at 31 December 2019 and that were still subject to enforcement activity was nil (31 December 2018: nil).
The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

Impaiment allowance as at 31 December 2018

An analysis of the allowance for impairment losses under IAS 39 for loans and advances, for the year to 31 December 2018 is, as follows;

Individual and collective impairment

	31 December 2018 ₦
Balance, beginning of year	15,230,000
Impairment charge for the year	3,328,401
Balance, end of year	18,558,401

Classification by maturity

	2019 ₦	2018 ₦
0 - 30 days	11,872,000	7,866,000
31 - 60 days	26,505,898	14,249,550
61 - 90 days	23,640,000	23,160,000
Above 90 days	39,821,000	28,985,000
	101,838,898	**74,260,550**

18 Financial investments

Below is an analysis of the Bank's financial investments:

		2019 ₦	2018 ₦
18a	***Debt instruments at amortised cost***		
	Treasury bills with Central Bank of Nigeria	5,147,307	-
	Total debt instruments at amortised cost	**5,147,307**	**-**
18b	***Financial investments- held -to-maturity***		
	Treasury bills with Central Bank of Nigeria	-	4,500,000
	Total financial investments- held -to-maturity	**-**	**4,500,000**

Notes to the financial statements

For the period ended 31 December 2019

18 Financial investments: continued

		2019	2018
		₦	₦
18c	***Equity instruments at fair value through other comprehensive income***		
	Quoted equity investment	35,000	-
	Total Equity instruments measured at FVOCI	**35,000**	**-**
18d	**Financial investments – Available-for-sale**		
	Quoted equity investment	-	35,000
	Total Available-for-sale investments	**-**	**35,000**

Impairment losses on financial investments suject to impairment assessment

Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 4.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 4.2

	31 December 2019			
Internal rating grade	**Stage 1 individual ₦**	**Stage 2 individual ₦**	**Stage 3 ₦**	**Total ₦**
Performing				
Hign grade	5,147,307	-	-	5,147,307
Standard grade	-	-	-	-
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				
Individually impaired	-	-	-	-
Total	**5,147,307**	**-**	**-**	**5,147,307**

An analysis of changes in the gross carrying amount and the corresponding ECL is, as follows:

	Stage 1 individual ₦	**Stage 2 individual ₦**	**Stage 3 ₦**	**Total ₦**
Gross carrying amount as at 1 January 2019	4,500,000	-	-	4,500,000
New assets originated	5,147,307	-	-	5,147,307
Assets derecognized or matured (excluding write offs)	(4,500,000)	-	-	(4,500,000)
At 31 December 2019	**5,147,307**	**-**	**-**	**5,147,307**

	Stage 1 individual ₦	**Stage 2 individual ₦**	**Stage 3 ₦**	**Total ₦**
ECL allowance as at 1 January 2019 under IFRS 9	-	-	-	-
New assets originated	-	-	-	-
Assets derecognized or repaid (excluding write offs)	-	-	-	-
At 31 December 2019	**-**	**-**	**-**	**-**

Notes to the financial statements

For the period ended 31 December 2019

19 Prepayments and other assets

	2019 ₦	2018 ₦
Prepayments (19a)	15,143,150	552,934
Stationery stock	1,177,778	1,199,962
ATM Card Stocks	1,425,246	-
Micro cheque stock Account	-	1,189,400
Savings passbook	64,825	69,845
Cheque book stock	1,209,632	52,483
Computer Maintenance	20,494	42,000
Teller stock	-	88,424
E-Payment Account	337,201	-
	19,378,326	**3,195,048**

a Prepayments comprises unamortised payments for rent on office premises, computer maintenance, Office equipment and maintenance, etc.

Notes to the financial statements

For the period ended 31 December 2019

20 Property and equipment

	Computer Accessories	Office equipment	Furniture & fittings	Motor vehicles	Leasehold	Generator	Total
	₦	₦	₦	₦	₦	₦	₦
Cost							
Balance at 1 January 2018	2,798,900	1,958,500	4,542,100	956,700	1,753,390	802,700	12,812,290
Additions	187,500	67,000	41,000	1,895,500	-	550,000	2,741,000
Disposal	-	-	(111,020)	(956,700)	-	-	(1,067,720)
Balance at 31 December 2018	**2,986,400**	**2,025,500**	**4,472,080**	**1,895,500**	**1,753,390**	**1,352,700**	**14,485,570**
Additions	1,590,338	5,460,250	433,250		8,439,299	225,000	16,148,137
Balance at 31 December 2019	**4,576,738**	**7,485,750**	**4,905,330**	**1,895,500**	**10,192,689**	**1,577,700**	**30,633,707**
Accumulated depreciation and impairment losses							
Balance at 1 January 2018	2,678,500	864,885	2,844,890	744,009	816,915	753,960	8,703,159
Charge for the period	61,580	202,550	447,208	379,100	175,339	270,540	1,536,317
Disposal	-	-	(111,020)	(956,700)	-	-	(1,067,720)
Balance at 31 December 2018	**2,740,080**	**1,067,435**	**3,181,078**	**166,409**	**992,254**	**1,024,500**	**9,171,756**
Charge for the year	473,909	409,920	330,824	379,100	145,567	197,905.00	1,937,225
Balance at 31 December 2019	**3,213,989**	**1,477,355**	**3,511,902**	**545,509**	**1,137,821**	**1,222,405**	**11,108,981**
Net Book Value							
31 December 2019	**1,362,749**	**6,006,397**	**1,393,428**	**1,349,991**	**9,054,868**	**325,295**	**19,492,728**
31 December 2018	**246,320**	**958,065**	**1,291,002**	**1,729,091**	**761,136**	**328,200**	**5,313,814**

The Bank has no capital committed or leased assets included in the above property and equipment as at period end (31 December 2018: nil).

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (31 December 2018: nil).

There are no restrictions on title and no assets pledged as securities for liabilities. None of the assets were idle during the period. (31 December 2018: Nil)

Notes to the financial statements

For the period ended 31 December 2019

21 Intangible assets

	2019 ₦	2018 ₦
Purchased Software		
Cost		
Balance, beginning of year	-	-
Additions	2,671,425	-
Balance as at year end	**2,671,425**	-
Amortization		
Balance, beginning of year	-	-
Amortisation for the year	267,143	-
Balance as at year end	**267,143**	-
Balance, end of period	**2,404,282**	-

22 Deposits from customers

	2019 ₦	2018 ₦
Analysis by Product:		
Esusu	3,017,805	3,307,110
Demand	34,074,133	25,809,530
Savings and Target	19,236,881	23,929,149
Time and Term Deposits	22,853,485	254,481
Staff	905,788	524,145
	80,088,092	**53,824,415**

Maturity profile of deposit liabilities		
1 – 30 days	44,097,092	42,515,000
31 – 60 days	24,273,000	778,415
61 – 90 days	1,794,000	2,193,000
90 or more days	9,924,000	8,338,000
	80,088,092	**53,824,415**

23 Other liabilities

	2019 ₦	2018 ₦
Accrued Expenses and Rates	216,667	200,000
Deposit for Shares	6,000	6,000
Others	33,213	6,108
Dividend	-	383,514
Directors, Remuneration	960,000	960,000
P.A.Y.E.	2,322	7
Staff Security	337,276	289,276
Provision for end of year	757,110	-
VAT	15,314	-
WHT	19,724	-
Interest in advanced on Treasury	-	12,205
Daily contribution in transit	85,965	85,965
Filling Fee	-	2,812,500
Bank draft	425,986	425,986
NSITF & Pension Fund	1,414,744	1,654,431
Business registration Received in Advance	7,300	7,300
Group Collateral	307,400	252,650
Dividend payable	480,936	279,627
	5,069,957	**7,375,569**

Notes to the financial statements

For the period ended 31 December 2019

24 Capital and reserves

(a) Share capital

		2019 ₦	2018 ₦
(i)	Authorised : 250,000,000 (31 December 2018: 25,000,000) ordinary shares of N1 each	250,000,000	25,000,000
(ii)	Issued and fully paid - 24,996,000 (31 December 2018: 24,996,000) ordinary	24,996,000	24,996,000
	Bonus Issued	2,500,000	-
		27,496,000	**24,996,000**

(b) Statutory reserve:

	2019 ₦	2018 ₦
Movement in statutory reserve during the period is as follows;		
Balance at beginning of year	23,068,692	22,006,246
Transfer from retained earnings	1,452,735	1,062,446
Balance at end of period	**24,521,427**	**23,068,692**

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial Institutions Act of 1991 (amended), an appropriation of 25% of profit after tax is transfereed to the statutory reserve

(c) Share premium:

	2019 ₦	2018 ₦
Movement in share premium during the period is as follows;		
Balance at beginning/end of year	**107,000**	**107,000**

(d) Bonus issue:

	2019 ₦	2018 ₦
Movement in bonus issue during the period is as follows;		
Balance at beginning/end of year	**1,374,800**	**2,500,000**

(e) Regulatory risk reserve

The regulatory risk reserve warehouses the difference between impairment on loans and advances computed based on the Central Bank of Nigeria prudential guidelines and the expected credit loss model used in calculating impairment under IFRS. For the period ended 31 December 2019, the total IFRS impairment exceeded the total regulatory charge by ₦18.7million (31 December 2018: ₦12.5million), hence, no amount has been transferred to regulatory risk reserve (31 December 2018: ₦nil).

(f) Retained earnings

Retained earnings are the carried forward recognised profit plus current period profit attributable to shareholders.

Notes to the financial statements

For the period ended 31 December 2019

25 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include notes and coins in hand, placement with banks maturing within three months, operating account balances with other banks and highly liquid financial assets with original maturities of three months or less.

	2019	2018
	₦	₦
Cash on hand	2,528,726	2,161,160
Cash at banks	13,115,527	16,951,839
Placements with banks	302,046	60,715,905
Money market placement	30,226,431	-
	46,172,730	**19,112,999**

26 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2019

In thousands of Naira	Within 12 months	After 12 months	Total
Cash and bank balances	46,172,730	-	46,172,730
Loans and advances to customers	55,380,357	-	55,380,357
Equity instruments at fair value through other comprehensive income	-	35,000	35,000
Debt instruments at amortised cost	5,147,307	-	5,147,307
Prepayments and other assets	12,753,050	6,625,276	19,378,326
Property and equipment	-	19,492,728	19,492,728
Intangible assets	-	2,404,282	2,404,282
TOTAL ASSETS	**119,453,444**	**28,557,286**	**148,010,730**
LIABILITIES			
Deposits from customers	80,088,092	-	80,088,092
Current tax liabilities	4,661,513	-	4,661,513
Other liabilities	5,069,957	-	5,069,957
TOTAL LIABILITIES	**89,819,562**	**-**	**89,819,562**
NET	**29,633,882**	**28,557,286**	**58,191,168**

Notes to the financial statements

For the period ended 31 December 2019

26 Maturity analysis of assets and liabilities-Continued

As at 31 December 2018

In thousands of Naira	Within 12 months	After 12 months	Total
Cash and bank balances	79,828,904	-	79,828,904
Loans and advances to customers	35,533,272	-	35,533,272
Financial investments – available-for-sale	-	35,000	35,000
Financial investments- held-to-maturity	4,500,000	-	4,500,000
Prepayments and other assets	3,195,048	35,243	3,230,291
Property and equipment	-	5,313,814	5,313,814
TOTAL ASSETS	**123,057,224**	**5,384,057**	**128,441,281**
LIABILITIES			
Deposits from customers	53,824,415	-	53,824,415
Current tax liabilities	2,288,345	-	2,288,345
Other liabilities	7,375,569	-	7,375,569
TOTAL LIABILITIES	**63,488,329**	**-**	**63,488,329**
NET	**59,568,895**	**5,384,057**	**64,952,952**

27 Claims, litigations and contingencies

There were no claims, litigations and contingent liabilities as at Financial Position date (2018: Nil)

28 Operating lease commitments – Bank as lessee

The Bank has entered into commercial leases for premises. These leases have an average life of between one and three years with an option to renew annually included in the contracts.

Future minimum lease payments under non–cancellable operating leases as at 31 December 2019 are as follows;

	2019	2018
After one year but not more than five years	6,500,000	-

29 Events after the reporting period

In the first quarter of 2020, there was a COVID-19 outbreak which has spread globally. The outbreak has been declared a Public Health Emergency of International concern by the World Health Organisation (WHO) in March 2020. As at the date of this report, several cases have been confirmed in Nigeria by the Nigeria Centre for Disease Control.

The disease has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activity.

In the light of these recent developments and its underlying impact, the Bank has put in place measures to cushion the effects of COVID-19 pandemic together with other potential adverse macro-economic factors which will have an impact on the future results and financial position of the Bank.

Management has also considered the potential implications of this outbreak and have put in place measures to mitigate against a significant impairment of the carrying value of assets. The management is confident that there are no plans to cease banking operation.

Notes to the financial statements

For the period ended 31 December 2019

30 Contraventions

During the period, the Bank pays penalty relating to regulatory contravention of N479,000 (2018: Nil).

31 Frauds and forgeries

There were no fraud and forgery during the year under review (2018: Nil).

32 Related parties

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

(a) Transactions with key management personnel

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors (and its committees) to be key management personnel for the purposes of IAS 24 Related Party Disclosures and enters into transactions, arrangements and agreements involving directors and their business associates, or close family members, in the ordinary course of business under the same commercial and market terms, interest and commission rates that apply to non-related parties.

Key management personnel engaged in the following transactions with the Bank during the period:

(i) *Deposit liabilities*

Deposit liabilities relating to key management personnel and their related persons and entities as at end of period is as follows:

	2019	**2018**
	₦	**₦**
Deposits as at end of period		
Interest expense during the period		

(ii) *Compensation*

Aggregate remuneration to key management personnel during the period is as follows:

	2019	**2018**
	₦	**₦**
Executive directors		
Short term employer's benefit (see Note 12(c) above)		
Post-employment: Defined contribution		
Total compensation to key management personnel	-	-

Statement of value added

For the year ended 31 December 2019

	2019		2018	
	₦	**%**	**₦**	**%**
Gross earnings	65,936,138	215	50,526,106	178
Less:				
Interest expense	(289,198)	(1)	(555,870)	(2)
Impairment loss on financial assets	(15,362,661)	(50)	(3,328,401)	(12)
	50,284,279	164	46,641,835	165
Bought in materials and services - Local	(19,576,609)	(64)	(18,320,363)	(65)
Value added	**30,707,670**	**100**	**28,321,472**	**100**
Distribution				
Employees				
- Employees as wages, salaries and pensions	20,319,196	65	20,247,026	72
Government				
- Income tax expense	2,373,168	8	2,288,345	8
Retained in business:				
- Repalcement of property and equipment (Depreciation and amortisation)	2,204,368	8	1,536,317	5
- Profit for the year including statutory and regulatory risk reserves	5,810,938	19	4,249,784	15
Value added	**30,707,670**	**100**	**28,321,472**	**100**

Value added is the wealth created by the efforts of the Bank and its employees. The above statement shows the allocation of the wealth among the employees, shareholders, government and amount re-invested for creation of further wealth.

Five-year financial summary

Statement of financial position

	2019	2018	2017	2016	2015
	₦	₦	₦	₦	₦
Assets					
Cash and bank balances	46,172,730	79,828,904	61,275,755	65,641,342	46,467,317
Loans and advances to customers	55,380,357	35,533,272	43,000,395	45,413,208	24,723,100
Equity instruments at fair value through other comprehensive income	35,000	-	-	-	-
Debt instruments at amortised cost	5,147,307	-	-	-	-
Financial investments – available-for-sale	-	35,000	65,625	69,825	69,825
Financial investments- held-to-maturity	-	4,500,000	-	-	5,000,000
Prepayments and other assets	19,378,326	3,195,048	4,071,380	5,031,574	5,720,905
Property and equipment	19,492,728	5,313,814	4,109,131	3,832,250	5,307,899
Intangible assets	2,404,282	-	-	-	-
Total assets	**148,010,730**	**128,406,038**	**112,522,286**	**119,988,199**	**87,289,046**
Deposits from customers	80,088,092	53,824,415	40,884,132	53,512,749	37,414,782
Current tax liabilities	4,661,513	2,288,345	3,377,738	6,192,588	3,152,092
Other liabilities	5,069,957	7,375,569	7,592,492	2,874,126	2,472,685
Total liabilities	**89,819,562**	**63,488,329**	**51,854,362**	**62,579,463**	**43,039,559**
Share capital	27,496,000	24,996,000	24,511,351	24,511,351	24,511,351
Statutory reserve	24,521,427	23,068,692	22,006,245	20,211,822	13,632,197
Share premium	107,000	107,000	107,000	107,000	107,000
Bonus issue	1,374,800	2,500,000	484,649	-	-
Regulatory risk reserve	-	-	-	-	-
Retained earnings	4,691,942	14,246,017	13,558,679	12,578,563	5,998,939
Total equity	**58,191,168**	**64,917,709**	**60,667,924**	**57,408,736**	**44,249,487**
TOTAL LIABILITIES AND EQUITY	**148,010,730**	**128,406,038**	**112,522,286**	**119,988,199**	**87,289,046**

Statement of profit or loss and other comprehensive income

	2019	2018	2017	2016	2015
	₦	₦	₦	₦	₦
Gross earnings	**65,936,138**	**50,526,106**	**52,568,595**	**48,413,226**	**33,855,603**
Profit before income tax	8,184,106	6,538,129	10,555,431	19,351,837	9,850,288
Income tax	(2,373,168)	(2,288,345)	(3,377,738)	(6,192,588)	(3,152,092)
Profit after tax	**5,810,938**	**4,249,784**	**7,177,693**	**13,159,249**	**6,698,196**
Other comprehensive income	-	-	-	-	-
Total comprehensive profit	**5,810,938**	**4,249,784**	**7,177,693**	**13,159,249**	**6,698,196**
Earnings/(loss)per share - Kobo	**21**	**17**	**29**	**54**	**27**