RC:618784

**INFINITY**

**MICROFINANCE BANK LTD**

*...my trusted growth partner*

**580, Ikorodu Road, Kosofe Bus-Stop, Mile 12, Lagos**

Telephone: 01-7737641, 039883828, 08159091601, 08159091603
08159091609, 08159091611, 08159091655


**BRANCHES:** AGEGE/AJAH//ALAGBADO//BARIGA//EGBEDA//IKEJA//IKORODU//IKOTUN//ILE EPO//KETU//LAGOS ISLAND//OSHODI//OWODE ONIRIN//YABA AJEGUNLE//MUSHIN//ODONGUNYAN


infinitymicrofinancebankng.com



TDOJ Consult 08023448954, 08068398403


# INFINITY

## MICROFINANCE BANK LTD

RC:618784

*...my trusted growth partner*

# Annual Report & Financial Statements

2018

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

| | | | |
|---|---|---|---|
| 20 | Personnel expenses | | |
| | Wages and salaries | 222,588,531 | 190,427,397 |
| | Contributions to defined contribution plans | 6,533,415 | 5,018,520 |
| | Other staff costs | 38,717,311 | 20,712,840 |
| | | **267,839,258** | **216,158,757** |
| 21 | Other operating expenses | | |
| | Directors' emoluments | 3,990,000 | 2,970,000 |
| | Auditors' remuneration | 1,500,000 | 1,500,000 |
| | Others | 132,070,139 | 130,130,294 |
| | | **137,560,139** | **134,600,294** |

22 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:

Weighted average number of ordinary shares

| | Dec-18 | Dec-17 |
|---|---|---|
| | N | N |
| Issued ordinary shares at beginning of the year | 110,905,670 | 110,905,670 |
| Weighted effect of shares issued during the year | - | - |
| | 110,905,670 | 110,905,670 |
| Weighted average number of ordinary shares at end of the year | 221,811,340 | 221,811,340 |
| **Profit attributable to ordinary shareholders** | | |
| Profit for the year attributable to equity holders | **113,778,538** | **121,336,624** |
| **Earnings per share (kobo)** | **51.30** | **54.68** |

23 **EMPLOYEES**

The average number of full time persons employed by the Bank during the year was as follows:

| | | |
|---|---|---|
| Management staff | 11 | 9 |
| Senior staff | 22 | 17 |
| Junior staff | 206 | 179 |
| | 239 | 205 |

The number of employees of the Bank, other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits/allowances) in the following ranges:

| | | |
|---|---|---|
| Below N1milliom | 181 | 155 |
| N1, 000, 001 - N1, 500, 000 | 29 | 25 |
| N1, 500, 001 - N2, 500, 000 | 18 | 15 |
| N2, 500, 001 - N3, 500, 000 | 11 | 10 |
| | 239 | 205 |

24 **Directors' Emolument**

Remuneration paid to directors (excluding pension contributions and certain benefits/allowances) of the Bank was as follows: The emoluments of all directors fell in between N500,000 to N1,000,000

25 **Litigations and Claims**

The Bank had no litigations and claims during the year.

26 **Contingent Liabilities and Commitments**

There were no contingent assets and liabilities as at 31 December 2018

27 **Related Parties-Transactions with Key Management Personnel**

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the senior management staff and directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Infinity Microfinance Bank. There were no transactions with key management personnel and their immediate relatives during the year.





## DIRECTORS

**Mrs Clara Oloniniyi**

**Pastor Tope Oloniniyi**

**Dr. Samson Amedu**

**Pastor Bimbo Josiah Ajayi**

**Chief Godwin Okafor**

**Mr. Jide Diya**

**Chief Peter K. Asu** FCA
**Chairman, Board of Directors**

Infinity Microfinance Bank Ltd
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## NOTES TO THE FINANCIAL STATEMENTS CONTD.

| | | | |
|---|---|---|---|
| 5a | **Loans and receivables** | | |
| | Gross amount | 1,158,620,987 | 902,794,979 |
| | Impairment: | | |
| | Specific: | (11,036,897) | (8,538,866) |
| | Collective: | (21,227,092) | (19,958,420) |
| | Total Impairment | (32,263,989) | (28,497,287) |
| | **Net amount** | **1,126,356,998** | **874,297,693** |
| | **Movement of Loan Impairment** | | |
| | Balance b/f | 28,497,287 | 21,996,880 |
| | Charge for the Year | 3,766,702 | 6,500,407 |
| | Impairment for the year | 32,263,989 | 28,497,287 |
| | **Loan by Type:** | | |
| | Micro loans and advances | 772,101,062 | 741,020,875 |
| | Small and medium enterprise loans | 384,195,963 | 147,641,828 |
| | Micro Lease Loan | 1,210,530 | 4,547,291 |
| | Hire purchase | - | 1,031,117 |
| | Other loans | - | 7,639,399 |
| | Staff loans | 1,113,432 | 914,470 |
| | | **1,158,620,987** | **902,794,979** |
| | **By performance:** | | |
| | Performing | 1,103,689,704 | 853,886,623 |
| | Pass and watch | 20,172,109 | 21,396,558 |
| | Substandard | 9,848,273 | 3,843,270 |
| | Doubtful | 13,324,138 | 2,711,089 |
| | Lost | 11,586,763 | 20,957,439 |
| | | **1,158,620,987** | **902,794,979** |
| | **By Maturity profile:** | | |
| | Under 1 month | 488,851,210 | 645,384,429 |
| | 1 to 3 months | 265,507,968 | 100,132,328 |
| | 3 to 6 months | 238,987,132 | 147,642,509 |
| | 6 to 12 months | 90,056,264 | 8,603,981 |
| | **Over 12 months** | 75,218,413 | 1,031,732 |
| | | **1,158,620,987** | **902,794,979** |

| | | | |
|---|---|---|---|
| 5b | Movement in loans and advances | **2018** | **2017** |
| | | **N** | **N** |
| | Opening Net loans | 874,297,693 | 759,912,199 |
| | Advances during the year -net | 284,323,294 | 122,855,494 |
| | | 1,158,620,987 | 882,797,693 |
| | Less Impairment during the Year | (3,766,702) | (6,500,407) |
| | Net Loans and advances | **1,154,854,285** | **74,297,693** |
| 6 | Available for sale financial assets | | |
| | | **2018** | **2017** |
| | Equities | 11,957,629.45 | 11,957,629.45 |
| | Impairment | (6,715,289.00) | (7,461,689.00) |
| | | **5,242,340.45** | **4,495,940.45** |
| 7 | Held to maturity securities | | |
| | Treasury bills | 78,211,000.00 | 55,000,000.00 |
| | Less: specific allowance impairment - | | |
| | | 78,211,000.00 | 55,000,000.00 |
| 8 | Other assets | | |
| | Prepayments | 35,269,115.96 | 18,702,684.51 |
| | Other receivables | 43,291,762.69 | 310,000.00 |
| | | **78,560,878.65** | **19,012,684.51** |

**Mrs Clara OLONINIYI** MCIB, FICA
**Managing Director/CEO**

Infinity Microfinance Bank Ltd
Annual Report & Financial Statements 2018

## VALUE ADDED STATEMENT

| | 2018 N | % | 2017 N | % |
|---|---|---|---|---|
| Gross interest income | 447,880,677 | | 436,097,268 | |
| Other income | 137,353,600 | | 87,588,332 | |
| Bought in materials and services | | | | |
| Interest expense | (35,007,912) | | (17,432,307) | |
| Other expenses | (132,454,387) | | (130,603,406) | |
| **Value added** | **417,771,977** | **100** | **375,649,887** | **100** |
| **Distribution to employees** | | | | |
| Employee cost | 267,839,258 | 64.11 | 216,158,757 | 57.54 |
| **To government** | | | | |
| Corporate income tax | 10,000,000 | 2.39 | 12,000,325 | 3.19 |
| **To shareholders** | | | | |
| Dividend paid during the year | 8,872,454 | 2.12 | 8,872,454 | 2.36 |
| **The future** | | | | |
| Depreciation/ amortisation | 17,281,728 | 4.14 | 17,281,728 | 4.60 |
| Transfer to retained earnings and reserves | 113,778,538 | 27.23 | 121,336,624 | 32.30 |
| **Value added** | **417,771,977** | **100** | **375,649,887** | **100** |

## FIVE-YEAR FINANCIAL SUMMARY

| | 2018 N | 2017 N | 2016 N | 2015 N | 2014 N |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 197,657,925 | 238,554,975 | 154,763,542 | 204,025,155 | 123,766,689 |
| Financial assets held for trading | | | | | |
| Loans and advances | 1,126,356,998 | 874,297,693 | 759,912,199 | 682,939,019 | 523,729,545 |
| Investment Securities: | | | | | |
| - Available-for-sale securities | 5,242,340 | 4,495,940 | 4,495,940 | 7,860,479 | 7,906,059 |
| - Held to maturity securities | 78,211,000 | 55,000,000 | 65,000,000 | 20,000,000 | 17,500,000 |
| Other assets | 78,560,879 | 19,012,685 | 18,065,000 | 8,508,204 | 5,750,849 |
| Property and equipment | 84,684,244 | 77,829,346 | 78,678,434 | 32,565,438 | 29,515,676 |
| **Total assets** | **1,570,713,386** | **1,269,190,638** | **1,080,915,115** | **955,898,295** | **708,168,818** |
| **Liabilities:** | | | | | |
| Deposit liabilities | 642,860,016 | 505,600,953 | 381,699,050 | 340,407,141 | 267,716,774 |
| Current tax liabilities | 18,510,688 | 17,142,918 | 12,516,558 | 2,391,558 | 4,177,295 |
| Term loans | 164,249,567 | 112,224,567 | 140,799,567 | 188,791,667 | 99,533,333 |
| Other liabilities | 24,852,638 | 22,654,507 | 43,171,428 | 21,619,635 | 14,789,190 |
| **Total liabilities** | **850,472,908** | **657,622,945** | **578,186,603** | **553,210,001** | **386,216,592** |
| **Net assets** | **720,240,478** | **611,567,693** | **502,728,513** | **402,688,294** | **321,952,226** |
| **Equity:** | | | | | |
| Share capital | 110,905,670 | 110,905,670 | 110,905,670 | 110,905,670 | 83,179,252 |
| Retained earnings | 344,575,587 | 253,891,821 | 187,344,812 | 101,067,678 | 58,921,158 |
| Other reserves | 264,759,221 | 246,770,202 | 204,478,031 | 190,714,946 | 179,851,816 |
| Total equity attributable to equity holders of the company | **720,240,478** | **611,567,693** | **502,728,513** | **402,688,294** | **321,952,226** |
| **Gross earning** | **585,234,276** | **523,685,600** | **491,828,227** | **388,590,340** | **347,107,963** |
| **Profit before taxation** | **123,778,538** | **133,336,949** | **120,979,678** | **100,450,622** | **119,031,975** |
| Taxation | (10,000,000) | (12,000,325) | (10,875,000) | (13,500,000) | (5,350,000) |
| Profit after taxation | 113,778,538 | 121,336,624 | 110,104,678 | 86,950,622 | 113,681,975 |
| Earnings per share | 51 | 54.70 | 49.64 | 39.20 | 68.34 |

**Chinedu Ezeani** ESQ
**Company Secretary**

Infinity Microfinance Bank Ltd
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| Classification | Percentage Provided |
|---|---|
| Performing | 1% |
| Pass and Watch | 5% |
| Substandard | 20% |
| Doubtful | 50% |
| Lost | 100% |

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Regulatory Risk Reserve". Where the IAS 39 impairment is greater,
no appropriation is made and the amount of the IAS 39 impairment is recognised in the Statement of Comprehensive Income.

In subsequent periods, reversals or additional appropriations between the "Regulatory Risk Reserve" and Retained Earnings to maintain total provisions at the levels expected by the Regulator.

**3.36 Earnings per share**
The Bank presents ordinary basic earnings per share for its ordinary shares. Basic earnings per share are 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 year.
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.

**3.37 Operational Risk Management**
**Capital management**
Regulatory capital
The Central Bank of Nigeria sets and monitors capital requirements for all microfinance banks in Nigeria. The central bank of Nigeria prescribes the minimum capital requirement for microfinance banks operating within Nigeria.

In implementing current capital requirements, Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

**Capital Adequacy Ratio**
The capital adequacy ratio is the quotient of the capital base of the Bank and its risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

**3.07 Current Tax**

Current tax is the expected tax payable on taxable income for the year determined in accordance with the Companies Income tax Act (CITA), using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

**3.08 Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided for using the balance sheet or liability method. Deferred tax is not recognised for the following temporary differences:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future; and
- Differences arising from investment property measured at fair value whose carrying amount will be recovered through use Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

**3.09 Financial Assets and Liabilities**

All financial assets and liabilities are recognised in the statement of financial position and measured in accordance with their assigned IAS 39 category.
The Bank allocates financial assets to the following categories; held-to-maturity; financial assets at fair value through profit and loss; available for sale; and loans and receivables.

The Bank's holding of financial liabilities consist only of financial liabilities carried at amortised cost. Financial liabilities are derecognized when extinguished. Financial liabilities on the statement of financial position include, "Deposit liabilities and Term loans" and payable balances included in "Other liabilities".

**Recognition**

Management determines the classification of its financial instruments at initial recognition. All financial instruments are initially recognised at fair value. Transaction costs are included in the amounts initially recognised except for financial assets at fair value through profit and loss, where transactions are recognised immediately in income statement.





## Statement of Changes in Equity, 2018

| | Share Capital | Share premium | Fair<br>Statutory reserve | Regulatory<br>value reserves | Risk reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2018 | 110,905,670 | 3,448,652 | 204,330,526 | - | 38,991,024 | 253,891,821 | 611,567,693 |
| **Total comprehensive income for the year** | | | | | - | | |
| Profit or loss | | | 14,222,317 | | | 99,556,220 | 113,778,537 |
| Adjustment in property investment | | | | - | - | | |
| Taxation areas | | - | | | | | |
| Additional Provision for investment value | | | | | - | | |
| Additional impairment transfer to Regulatory Risk Reserve . | | | | | 3,766,702 | | 3,766,702 |
| Dividend payment | | | | | | (8,872,454) | (8,872,454) |
| Balance at 31 December 2018 | **110,905,670** | **3,448,652** | **218,552,843** | - | **42,757,726** | **344,575,587** | **720,240,478** |

## Statement of Changes in Equity, 2017

| | Share Capital | Share premium | Fair<br>Statutory reserve | Regulatory<br>value reserves | Risk reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | 110,905,670 | 3,448,652 | 189,163,448 | - | 11,865,931 | 187,344,812 | 502,728,513 |
| **Total comprehensive income for the year** | | | | | - | | |
| Profit or loss | | | 15,167,078 | | | 106,169,546 | 121,336,624 |
| Adjustment in property investment | | | | - | - | | |
| Taxation areas | | | | | | (3,624,990) | (3,624,990) |
| Additional Provision for investment value | | | | | - | | |
| Additional impairment transfer to Regulatory Risk Reserve . | | | | | 27,125,093 | 27,125,093) | 27,125,093 |
| Dividend payment | | | | | | (8,872,454) | (8,872,454) |
| **Balance at 31 December 2017** | **110,905,670** | **3,448,652** | **204,330,526** | **-** | **38,991,024** | **253,891,821** | **11,567,693** |

## Statement of Cash flows

| | tNote | 2018 N'000 | 2017 N'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit for the period: | | 123,778,538 | 133,336,949 |
| Tax expense | | (10,000,000) | (12,000,325) |
| Profit after tax | | 113,778,538 | 121,336,624 |
| **Adjustments for:** | | | |
| Depreciation of property and equipment | | 17,281,728 | 15,656,886 |
| Other Adjustment | | 4,997,156 | 15,396,579 |
| Impairment on financial assets | | (3,766,702) | 27,125,093 |
| Impairment on available for sale securities | | - | - |
| | | **132,290,719** | **179,515,182** |
| **Changes in assets/liabilities** | | | |
| Financial assets held for trading | | | |
| Loans and advances | | (252,059,306) | (114,385,494) |
| Available-for-sale securities | | (746,400) | - |
| Held to maturity securities | | (23,211,000) | 10,000,000 |
| Other assets | | (59,548,194) | (947,685) |
| Deposit liabilities | | 137,259,063 | 123,901,903 |
| Current Tax Liabilities | | 1,367,770 | 4,626,360 |
| Term loans | | 52,025,000 | (28,575,000) |
| Other liabilities | | 2,198,131 | (20,516,922) |
| **Net cash (used in) / from operating activities before tax** | | **(10,424,217)** | **153,618,346** |
| Tax Paid | | (12,000,325) | (12,516,558) |
| **Net cash (used in) / from operating activities after tax** | | **(22,424,542)** | **141,101,788** |
| **Cash flows from investing activities:** | | | |
| Purchase of property and equipment | | (27,344,961) | (69,807,798) |
| **Net cash (used in) / from investing activities** | | **(27,344,961)** | **(69,807,798)** |
| **Cash flows from financing activities:** | | | |
| Taxation Arrears | | - | 3,624,990 |
| Dividends paid | | 8,872,454 | 8,872,454 |
| **Net cash (used in)/from financing activities** | | **8,872,454** | **12,497,444** |
| Net increase in cash and cash equivalents | | (40,897,049) | 83,791,434 |
| Cash and cash equivalents at beginning of year | | 238,554,975 | 154,763,542 |
| **Cash and cash equivalents at end of year** | | **197,657,926** | **238,554,976** |





## NOTES TO THE FINANCIAL STATEMENTS CONTD.

**Subsequent measurement**

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification. Financial assets categories and their subsequent measurement are:

**Held-to-maturity**

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale. Where the Bank sells more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in equity.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

Interest on held-to-maturity investments is included in profit or loss and reported as 'Interest income'. In the case of impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in profit or loss as 'Net impairment loss on financial assets'. Held-to-maturity investments are government and corporate bonds.

**3.10 Financial assets and liabilities held at fair value through profit and loss**

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognized in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except non-derivative financial assets, other than those designated at fair value through profit or loss on initial recognition (i.e. trading) may be reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.
- Financial assets may be designated at fair value through profit or loss when:

The Board Finance & Establishment Committee The Board Finance Committee considers plans, budget, business models, strategies and the audited accounts of the Microfinance Bank. It also considers staff matters in respect of senior officers of the Microfinance Bank from Managers grade and above.

**Committee's Terms of Reference**

- Review of all matters relating to staff welfare, including remuneration of staff, and Executive Management;
- Consideration of all large scale procurement to be made by the Bank;
- Review of contracts award for significant expenditures;
- Consideration of promotions of Senior Management staff of the Bank; and
- Any other matter that may be referred to it by the Board.

**The Board IT Steering Committee**

The Board IT committee oversee the IT infrastructure of the Bank and formulate policies that will guarantee business continuity and availability of link among others.

**Committee's Terms of Reference**

- Develop the short, medium and long term IT plans for the Bank.
- Ensure compliance with regulatory standards.
- Engineer the proper assimilation of the Bank on IT backbone

**Executive Committee (EXCO)**

The Executive Committee (EXCO) is made up of the Managing Director as chairman and other top management staff of the Microfinance Bank. The committee meets regularly to deliberate and take policy decision on the management of the Microfinance Bank. It is primarily responsible for the implementation of strategies approved by the Board and ensuring efficient deployment of Infinity Microfinance Bank's resources.

**Management Committees**

These are standing committees made up of senior management of the Infinity Microfinance Bank. The committees ensure that policies by the Board and the regulatory bodies are complied with and also provide inputs into the various Board Committees in addition to ensuring the effective implementation of risk policies.

The management committees include: Management Credit Committee, Asset and Liabilities Management Committees and Disciplinary Committee.





**3.16 Offsetting**

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

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 by accounting standards, or for gains and losses arising from a bank of similar transactions such as in the Bank's trading activity.

**3.17 Sale and repurchase agreements**

Securities sold subject to linked repurchase agreements are reclassified in the financial statements as "Pledged assets" when the transferee has the right by contract or custom to sell or re-pledge the collateral. The liability to the counterparty is included in deposit from banks, or other deposits, as appropriate. Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and amortized over the life of the repurchase agreement using the effective interest method.

**3.18 Derecognition of financial instruments**

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria.

Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The Bank writes off certain receivables and investment securities when they are deemed to be uncollectible.

**3.19 Cash and cash equivalents**

Cash and cash equivalents include notes and coins in hand, unrestricted balances held with central bank, operating accounts with banks and highly liquid financial assets with original maturities of three months or less from the acquisition date, which 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A bank of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

### 3.11 Available-for-sale

Financial assets classified by the Bank as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised through other comprehensive income as a component of equity (Fair value reserve) until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated are recycled from equity through other comprehensive income to the income statement.

Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in income statement when the Bank's right to receive payment has been established

### 3.12 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Bank as at fair value through profit or loss or available-for-sale.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

Interest on loans is included in profit or loss and reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit or loss as 'Net impairment loss on financial assets'.

### 3.13 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### 3.14 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The best evidence of the fair value of a financial





## Statement of Comprehensive Income

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Interest income | 17 | 447,880,677 | 436,097,268 |
| Interest expense | 18 | (35,007,912) | (17,432,307) |
| Net interest income | | 412,872,765 | 418,664,962 |
| Fee and commission income | 19 | 137,353,600 | 87,588,332 |
| Operating income | | 550,226,364 | 506,253,294 |
| Impairment loss on financial assets | 5ii | (3,766,702) | (6,500,407) |
| Depreciation expenses | 9ii | (17,281,728) | (15,656,886) |
| Personnel expenses | 20 | (267,839,258) | (216,158,757) |
| Other operating expenses | 21 | (137,560,139) | (134,600,294) |
| **Profit before income tax** | | **123,778,538** | **133,336,949** |
| Taxation | | (10,000,000) | (12,000,325) |
| **Profit for the year** | | **113,778,538** | **121,336,624** |
| Other comprehensive income, net of income tax | | | |
| Fair value gains/(losses) on available for sale investments | | | |
| Other comprehensive income for the year, net of tax | | | |
| **Total comprehensive income for the year** | 22 | **113,778,538** | **121,336,624** |
| **Earnings per share - basic (kobo)** | | 51.30 | 54.70 |

*The accompanying notes form an integral part of these consolidated financial statements.*

## STATEMENT OF FINANCIAL POSITION

| Assets | Notes | 2018<br>N'000 | 2017<br>N'000 |
|---|---|---|---|
| Cash and cash equivalents | 4 | 197,657,925 | 238,554,975 |
| Financial assets held for trading | | | |
| Loans and advances | 5 | 1,126,356,998 | 874,297,693 |
| Investment Securities: | | | |
| - Available-for-sale securities | 6 | 5,242,340 | 4,495,940 |
| - Held to maturity securities | 7 | 78,211,000 | 55,000,000 |
| Other assets | 8 | 78,560,879 | 19,012,685 |
| Property Plant and equipment | 9 | 84,684,244 | 77,829,346 |
| **Total assets** | | **1,570,713,386** | **1,269,190,638** |
| **Liabilities:** | | | |
| Deposit liabilities | 10 | 642,860,016 | 505,600,953 |
| Current tax liabilities | 11 | 18,510,688 | 17,142,918 |
| Term loans | 12 | 164,249,567 | 112,224,567 |
| Other liabilities | 13 | 24,852,638 | 22,654,507 |
| **Total liabilities** | | **850,472,908** | **657,622,945** |
| **Net assets** | | **720,240,478** | **611,567,693** |
| **Equity:** | | | |
| Share capital | 14 | 110,905,670 | 110,905,670 |
| Retained earnings | 15 | 344,575,587 | 253,891,821 |
| Other reserves | 16 | 264,759,221 | 246,770,202 |
| **Total equity attributable to equity holders of the Company** | | **720,240,478** | **611,567,693** |

Signed on behalf of the Board of Directors on February 14 , 2019

**Mr Gabriel O. Adewunmi**
Chief Finance Officer
FRC NO.: FRC/2014/CIBN/00000007238

**Mrs . Clara Oloniniyi**
Managing Director/ CEO
FRC NO.: FRC/2016/CIBN/00000014739

**Chief Peter K.Asu**
Chairman
FRC No. FRC/2013/ICAN/00000001380





## NOTES TO THE FINANCIAL STATEMENTS CONTD.

instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from
observable markets.

Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price
quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants. Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting the price.

### 3.15 Impairment of financial assets

**Assets carried at amortised cost**

The Bank assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or bank of financial assets is impaired. A financial asset or a bank of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or bank of financial assets that can be reliably estimated. Objective evidence that financial assets (including equity securities) are impaired may include;

- Default or delinquency by a borrower;
- 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.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are banked on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for banks of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 3.34 Contingencies

**Contingent asset**

Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent assets is not recognised in the statement financial position but is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement.

**Contingent Liability**

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made. Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

Commissions and fees charged for services rendered are recognised in the accounting period in which the services were rendered. Revenue is recognised on a straight line basis over the specified period.

### 3.35 Share capital and reserves

**Share issue costs**

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

**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.

**Statutory Reserve**

In compliance with regulations of the Central Bank of Nigeria, an appropriation of 15% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital. For the purposes of making this appropriation, 'Profit for the year' as reported in the statement of comprehensive income is used. The appropriation is reported in the statement of changes in equity.

**Regulatory risk reserve**

In compliance with the Prudential Guidelines for Licensed Banks, the Bank assesses qualifying financial assets using the guidance under the Prudential Guidelines. These apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendants provision as per the table below based on objective criteria.





## STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the provision of sections 334 and 335 of the Companies and Allied Matters Act 2004, Sections 24 and 28 of the Banks and Other Financial Institutions Act 1991 and the CBN Regulatory and Supervisory Framework for Microfinance Banks, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Microfinance Bank and the profit or loss for the year.

**These responsibilities include ensuring that;**

Appropriate internal controls are established both to safeguard the assets of the Microfinance Bank procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities.

The Microfinance Bank keeps accounting records, which disclose with reasonable accuracy the financial position of the Microfinance Bank and ensures that the financial statements comply with the requirements of the Statements of Accounting Standards applicable in Nigeria, Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria and the Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks.

The Microfinance Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

It is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Microfinance bank will not continue in business.

**Property, Plant & Equipment**

Information relating to changes in Property, Plant & Equipment is given in Note 9 to the financial statements.

**Employment of disabled persons**

The Microfinance Bank has no disabled persons in its employment.
However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Microfinance Bank continues and that appropriate training is arranged. It is the policy of the Microfinance Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

**Health, Safety and Welfare at work**

The Microfinance Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.

**Employee involvement and training**

The Microfinance Bank policy with regards to employee involvement and training is to encourage participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Microfinance Bank provides opportunities where employees deliberate on issues affecting the Microfinance Bank and employee interests, with a view to making inputs to decisions thereon. The Microfinance Bank places a high premium on the development of its manpower. Consequently, the Microfinance Bank sponsored its employees for various training courses in the period under review.

**Auditors**

Messrs Olu Aladejebi & Co. auditors to the bank, have indicated their willingness to continue in office, in accordance with section 357 (2) of the Companies and Allied Matters Act, 2004.

Company Secretary
By Order of the Board
February 14, 2019

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. The carrying amount of the asset is reduced through the use of an allowance account.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable

To the extent a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Future cash flows in a bank of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

**Available-for-sale financial assets**
Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred.

Where an available-for-sale asset, which has been measured at fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.





OLU ALADEJEBI & CO
(Chartered Accountants)

## INDEPENDENT AUDITOR'S REPORT
**To the Members of Infinity Microfinance Bank Limited**

**Report on the Financial Statements**
We have audited the accompanying financial statements of Infinity Microfinance Bank Limited ("the Microfinance Bank") which comprise the statements of financial position as at 31 December, 2018, the statements of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2018, summary of significant accounting policies and other explanatory information, as set out on pages 22-56

**Directors' Responsibility for the Financial Statements**
The Directors are responsible for the preparation of financial statements that gives a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, Supervisory and Regulatory Framework for Microfinance Banks in Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

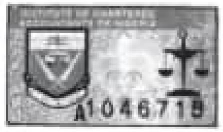
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements give a true and fair view of the financial position of Infinity Microfinance Bank Limited as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004, the Banks and Other Financial Institutions Act of Nigeria, Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks in Nigeria and relevant Central Bank of Nigeria circular.
Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act CAP C20 LFN 2004.
In our opinion, proper books of account have been kept by Infinity Microfinance Bank Limited, so far as appears from our examination of those books and the Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of accounts.

**Contraventions**
The Bank did not contravene any Section relating to Bank Loans during the Financial Year.

**Olufemi Aladejebi**
**FRC NO.: FRC/2013/ICAN/00000001813**
**Olu Aladejebi & Co.**
**(Chartered Accountants)**
Lagos, Nigeria
February 14, 2019



### 3.20 Intangible asset

**Software**

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life.

Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. 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

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 since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years.
Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

De-recognition

An item of intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

### 3.21 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. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (bank of units) on a pro rata basis.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer





### The Board Audit Committee

The Board Audit Committee was set up to further strengthen internal control in the Bank, in compliance with Companies and Allied Matters Act, CAP20, LFN 2004. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that an effective system of financial and internal control is in place within the Microfinance Bank.

### Committee's Terms of Reference

To meet with the independent Auditors, Chief Financial Officer, Internal Auditor and any other Bank executive both individually and/or together, as the Committee deems appropriate at such times as the Committee shall determine to discuss:

- The terms of engagement for the independent auditors, the scope of the audit, and the procedures to be used; the Bank's quarterly and audited annual financial statements, including any related notes, the Bank's specific disclosures and discussion under "Managements Control Report and the independent auditors' report, in advance of publication;
- The performance and results of the external and internal audits, including the independent auditors' management letter, and management's responses thereto;
- The effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports;

To actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and to take appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence; to periodically evaluate the independent auditor's qualifications and performance including a review of the lead partner, taking into account the opinion of management and the internal auditor;

To review critical accounting policies and financial statement presentation; to discuss with management and the independent auditors significant financial reporting issues and judgments made in preparation of the financial statements including the effect of alternative accounting methods; to review major changes in accounting policies.

To report to the entire Board at such times as the Committee shall determine.

### The Board Risk Management Committee

The committee assist the Board in fulfilling its oversight responsibility relating to establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements in the Bank. In addition, it oversees the establishment of a formal written policy on the overall risk management system. The committee evaluates the Bank's risk policies on a periodic basis to accommodate major changes in internal and external environment.

### Committee's Terms of Reference

- The primary responsibility of the Committee is to ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors.
- Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;
- Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk;
- Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.
- To report to the entire Board at such times as the Committee and Board shall determine, but not less than twice a year.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time

## STATEMENT OF CORPORATE GOVERNANCE

### Introduction
The Board of Directors has commenced proper implementation of Corporate Governance principle in the operations of Infinity Microfinance Bank. The Directors have also endorsed compliance with the provision of the Microfinance Bank's code of Corporate Governance, which has incorporated most of the provisions of the Central Bank of Nigeria (CBN) Code on Corporate Governance for Banks in Nigeria.

### The Board
The Board is composed of 6 members, including the Chairman, who is a Non-Executive Director, the Managing Director and 4 Non-Executive Directors.

The Board has four committees. These are the Credit Committee, Audit Committee, Risk Management Committee, Finance and Establishment committee. In addition to the Board Committees there are regular meetings by various Management Committees.

### Responsibility
The Board reviews corporate performance, authorises and monitor strategic decisions whilst ensuring regulatory compliance and safeguarding the interest of the shareholders. The Board is committed to ensuring that the Microfinance Bank is managed in a manner that will fulfil the shareholders aspirations and expectation. The Board has provided leadership for achieving the strategic objectives of the Microfinance Bank.

Specifically, the responsibilities of Infinity Microfinance Bank Limited Board of Directors are:
- Determining the Microfinance Bank's objectives and strategies as well as plans to achieve them;
- Determining the terms of reference and procedures of the Board Committees, including reviewing and approving the reports of such committees where appropriate;
- Considering and approving the annual budget, monitoring performance, and ensuring that Infinity Microfinance Bank is a going concern;
- Ensuring that effective risk management process exists and is maintained;
- Retaining responsibility for systems of financial, operational and internal control and regulatory compliance, as well as ensuring that statutory reporting of these is adequate.

### Chairman and Chief Executive
In line with best practice and the provision of both the CBN and the Microfinance Bank Codes of Corporate Governance, the responsibilities of the Chairman and the Managing Director are separated. While the Chairman is responsible for the leadership of the Board and creating the conditions for overall Board and individual Director's effectiveness, the Managing Director is responsible for the overall performance of the Microfinance Bank, including responsibilities for ensuring day to day management and control.

### Standing Committees
The Board discharges its responsibilities through a number of standing committees whose charter are reviewed from time to time. The committees consist of:

### The Board Credit Committee
This Committee was set up to assist the Board of Directors in the discharge of its responsibility to exercise due care, diligence and skill in overseeing, directing and reviewing the management of the credit portfolio of the Bank. The committee consider loan application above specified limits and which has been approved by EXCO credit committee. It also serves as a catalyst for credit policy changes going from EXCO credit committee to Board for consideration. The committee also reviews the loan portfolio of the Bank.

### Committee's Terms of Reference
- To recommend criteria by which the Board of Directors can evaluate the credit facilities presented from various
- customers and review the credit portfolio of the Bank.
  To consider all credit facilities above Management approval limit.
- To establish and periodically review the Bank's credit portfolio in order to align organizational strategies, goals, and performance.
- To make recommendations to the Board of Directors with respect to credit facilities based upon performance and other factors as deemed appropriate.
- To recommend to the Board of Directors, as appropriate, new credit proposals, restructure plans, and amendments to existing plans.
- To report to the entire Board at such times as the Committee and Board shall determine, but not less than every quarter.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.
- To recommend non-performing credits for write-off by the Board.





## NOTES TO THE FINANCIAL STATEMENTS CONTD.

exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

### 3.22 Provisions
Provisions are liabilities that are uncertain in amount and timing. A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in provision due to passage of time is recognised in 'Interest expense'. Provisions recognised by the Bank relates to legal claim against it that are highly probable.

### 3.33 Employee Benefits
**Short-term benefits**
Short-term employee benefit obligations are measured on an undiscounted basis and 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.

**Post-employment benefits**
**Defined contribution plans**
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the period during which the employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2004. Employees' and the Bank's contributions to the scheme are 7.5% and 7.5% respectively of each employee's annual basic salary, transport and housing allowances. Employees' contributions to the scheme are funded through payroll deductions while obligations in respect of the Bank's contribution to the scheme are recognised as an expense in the profit and loss account on an annual basis.

The Bank also operates a defined contribution insurance scheme. Employees are entitled to join the scheme on confirmation of their employment. The employee and Bank contributions to the scheme are 5% and 12.5% respectively of the employee's annual basic salary, transport and housing allowance. Employees' contributions to the scheme are funded through payroll deductions while obligations in respect of the Bank's contribution are charged to the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

| | December 2018 | December 2017 |
|---|---|---|
| | N | N |
| **Tier 1 capital** | | |
| Ordinary share capital | 110,905,670 | 110,905,670 |
| Retained earnings | 344,575,587 | 253,891,821 |
| Statutory reserves | 218,552,843 | 204,330,526 |
| Share premium | 3,448,652 | 3,448,652 |
| **Total qualifying Tier 1 capital (A)** | **677,482,752** | **572,576,669** |
| **Tier 2 capital** | | |
| Fair value reserve for available for sale securities | - | - |
| Regulatory risk reserves | 42,757,726 | 38,991,024 |
| **Total qualifying Tier 1 capital (B)** | **42,757,726** | **38,991,024** |
| Total regulatory capital (C)=(A+B) | 720,240,478 | 611,567,693 |
| Risk-weighted assets (D) | 1,126,356,998 | 874,297,693 |
| Capital Adequacy ratio (CAR) = (C/D) | 64% | 70% |

**Use of estimates and judgments**

The Bank's management, in collaboration with the Audit Committee is responsible for the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management

**Key sources of estimation uncertainty**

**Allowances for credit losses**

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.15

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan





## DIRECTORS' REPORT

The Directors have the pleasure in presenting their reports on the affairs of Infinity Microfinance Bank Limited (the Microfinance Bank) together with the audited financial statements and auditor's report for the year ended 31 December, 2018.

**Legal Form and Principal Activity**

The Bank was licensed by Central Bank of Nigeria on 23 October 2007 to operate microfinance banking and provide microfinance services to customers through its Head Office and subsequently approved cash centres.

The Bank was incorporated on 09 August 2007 as private company limited by shares and commenced operations in November 2007.

The Microfinance Bank's principal activity is to carry on business as a microfinance bank, providing financial service to micro, small and medium scale enterprises and other low income people in Nigeria in the form of working capital and loans. The Microfinance bank is eligible to accept deposits from individuals, groups and private organizations and also raise finance in accordance with the CBN regulations and guidelines on micro finance banks.

**Directors Interest**

The interest of the Directors in the issued share capital of the bank is recorded in the register of shareholdings as at 31 December 2018 as follows:

| | **Number of ordinary shares held** | |
|---|---|---|
| | **Direct Holding** | **Indirect Holding** |
| Chief Peter K Asu | 8,762,667 | - |
| Mrs. Clara Oloniniyi | 14,154,666 | - |
| Chief Godwin Okafor | 51,394,667 | - |
| Mr. Samson Amedu | 6,800,000 | |
| Mr. Jide Diya | 5,066,667 | 82,821,334 |
| Mr. Bimbo Josiah Ajayi | - | 1,862,432 |
| Mr Tope Oloniniyi | - | 82,554,667 |

**Operating results**

The Microfinance Bank commenced operations immediately after being granted the license to operate as a microfinance bank. Highlights of the Microfinance Bank's results for the year under review are as follows:

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| | N | N |
| Profit for the year | 123,778,537 | 133,336,949 |
| Provision for tax | (10,000,000) | (12,000,325) |
| Retained profit | **113,778,537** | **121,336,624** |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 3.40 Financial assets and liabilities classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:
Details of the Bank's classification of financial assets and liabilities are given in note 5, 6, 7 and 8

### 3.41 Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

### 3.42 Determination of impairment of property and equipment, and intangible assets, excluding goodwill

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

### 3.43 Geographical segments

The Company operates in one geographical region; Nigeria and does not have a secondary reporting segment.

| 4. Cash and cash equivalents | 2018 | 2017 |
|---|---|---|
| | =N= | =N= |
| Cash in hand | 7,555,820 | 2,907,745 |
| Current accounts with banks in Nigeria | 88,970,170 | 84,200,980 |
| Money market placements | 101,131,935 | 151,446,250 |
| | **197,657,925** | **238,554,975** |
| **BALANCES HELD WITH OTHER BANKS** | | |
| First Bank Plc.-Current Account | 45,046,132 | 39,479,696 |
| Wema Bank Plc -Ojota | 5,628,132 | 8,146,345 |
| Guaranty Trust Bank Plc.-Lagos | 23,485,574 | 11,386,707 |
| Fidelity Bank Plc. | 8,030,365 | 5,265,485 |
| Polaris Bank .-Ikorodu | 1,562,467 | 10,303,012 |
| Zenith Bank Plc. | 1,547,775 | 6,863,043 |
| First City Monument Bank Plc. | 38,375 | 37,375 |
| Sterling Bank Plc. | 3,631,351 | 2,719,318 |
| | **88,970,170** | **84,200,980** |
| **PLACEMENTS** | | |
| Polaris Bank Plc. | - | 28,906,899 |
| Wema Bank | 70,000,000 | 80,000,000 |
| Zenith Bank Plc. | 31,131,935 | 20,000,000 |
| Sterling Bank Plc. | - | 22,539,351 |
| | **101,131,935** | **151,446,250** |





# CHAIRMAN'S STATEMENT

FOR YEAR ENDED 31 DECEMBER 2018

Distinguished shareholders, ladies and gentlemen, it is my pleasure to welcome you all to the Thirteenth Annual General Meeting of Infinity Microfinance Bank Limited and to present to you the Financial Statements of Infinity Microfinance Bank Limited for the year ended 31 December 2018.

The Nigerian economy grew by 1.81% year-on-year in the third quarter of 2018. This figure indicates an expansion in the economy for Q3 2018, compared to the 1.17% GDP growth rate of the corresponding quarter in the previous year. The GDP growth of 1.81%, is far below 3% annual population growth and this disparity remain a cause for concern due to its wider implications for welfare and poverty conditions in the country. Consequently, the marginal growth is far from translating significant improvement in welfare and quality of life and purchasing capacity of citizens. Despite the difficult operating environment that characterized the year 2018, our Bank was able to sustain positive trend during the year.

## OPERATING ENVIRONMENT

The Nigerian economy remained fragile with the high dependence on oil sector for revenue and foreign exchange earnings. Although oil revenues increased with recovering oil prices in 2018, the impact on the economy was subdued by the huge foreign exchange commitments to petroleum product importations and the inherent subsidy and high debt service obligations.
The economy was also weighed down by ongoing domestic concerns including the resurgence of Boko Haram attacks in the North East and the escalation of clashes between cattle herders and farmers which negatively impacted agricultural output in the worst hit areas. Consequently, GDP from the Agricultural sector grew by 1.91% in Q3 2018, down 1.16% from 3.07% in the same period in 2017.

The economic expansion of 1.81% in Q3 2018 relative to 1.17% was driven by a 2.3% growth in non-oil sector activities, including Information and Communications, Agriculture, Services and Trade sectors. The oil sector expanded 19.6% quarter-on-quarter but contracted 2.9% on a year-on-year basis primarily driven by lower oil production levels.

Data from the Organization of Petroleum Exporting Countries (OPEC) shows that oil prices are trending down at $54 p/bl on 22nd December 2018 from its peak of $88p/bl in the month of September and October 2018. If the trend is not reversed, the declining global oil price will likely distort FG's economic projections for 2019 which was based on the projected price of $60 p/bl. Inflation rate began to rise in August 2018 after 18 consecutive months of decline, with headline inflation of 11.26% in October 2018 compared to 15.13% in January 2018 and 18.7% in January 2017. The 2018 World Bank Ease of Doing Business report, ranked Nigeria 146 out of 190 countries. The report showed that the country took a step backwards from the 145th position it ranked in 2017.
The power situation continues to pose severe challenges to the private sector operators, impacting adversely on productivity.
High energy costs especially high expenditure on diesel, higher cost of and scarcity of gas, and payment demand by Discos for power that were not supplied are regular constraints that continue to take its toll on the bottom line of small and medium enterprises which constitute our target segment. In the same vein, basic amenities like good roads remained of great concern for movements and facilitation of commercial activities. Examples of such problematic road in Lagos is Apapa gridlock which has constituted great economic waste to business in the Lagos area and the economy.

Another major dimension of the 2018 operation environment is the gradual bracing up of the political environment for the 2019 general elections with campaigning and electioneering activities gaining momentum. This tempo is expected to rise until elections are over in first quarter 2019. There are widespread concerns on the state of the economy and what needs be done to stimulate its growth. It is safe to assume that irrespective of who emerges as President, the task ahead remains employment creation, security, economic growth, amongst others.

In its circular dated 22nd October 2018, the Central Bank of Nigeria announced the jerking up of the minimum share capital of Microfinance Banks in Nigeria for all categories of Microfinance Banks. The minimum share capital of Unit Microfinance Banks was increased from N20 Million to N100 million while the minimum share capital of State Microfinance, which Infinity Microfinance Bank belongs is increased from N100 million to One Billion Naira. The capital for National Microfinance Banks was also jerked up from N2 billion to N5 billion Naira. The New Capital requirements is with immediate effect for new microfinance Banks, but existing Microfinance Banks have a deadline of 1st April 2020 to meet the new requirements.

## BUSINESS ACTIVITIES DURING THE YEAR

The Nigerian economy officially recovered from recession in the second quarter 2017 and recorded a 1.9% growth in 2018. The Oil sector accounted for 10% of the GDP while the Agricultural and Service Sector accounts for 22% and 50% respectively. The Federal Government has also embarked on aggressive reflation of the economy through local debts which peaked at $73.2 bl USD by June 2018 and foreign debts which rose to $22.04 bl USD in June 2018 from $10.32 bl USD in June 2015.

Aggressive spending in major construction and infrastructural developments have helped to sustain the gradual recovery in 2018 though the small and medium enterprise sector faced major headwinds likelow disposable income for family expenditure, high cost of doing business, insecurity, dwindling demand and high unemployment rate of 23%, rising from 18.5% in 2017. As the year preceding the 2019 general election, local foreign investments are relatively conservative with cautious optimism that the elections will be credible and the transition to the new administration will be smooth. It is anticipated that the post-election government administration will come with possible reforms across key sectors of the economy, amid gaping infrastructural deficits, disturbing

## Content

### INDEX TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2018







## NOTES TO THE FINANCIAL STATEMENTS CONTD.

| | | | |
|---|---|---|---|
| 14 | **Capital and reserves** | | |
| | Share capital | | |
| (a) | Authorised : | | |
| | Ordinary shares of N1 each | 150,000,000 | 150,000,000 |
| (b) | Issued and fully paid - | | |
| | 221,811,340 Ordinary shares of 50k each. | 110,905,670 | 110,905,670 |
| | Balance, beginning of the year | 110,905,670 | 110,905,670 |
| | New issues during the year-Bonus | | |
| | Balance, end of the year | 110,905,670 | 110,905,670 |
| 15 | **RETAINED EARNINGS** | **2018** | **2017** |
| | Balance at 1 January | 253,891,821 | 187,344,812 |
| | Opening adjustment restatement | | |
| | Restated opening balance | 253,891,821 | 187,344,812 |
| | Total comprehensive income for the year | 99,556,220 | 121,336,624 |
| | Adjustment in property investment | - | - |
| | Transfer to statutory reserve | - | (15,167,078) |
| | Dividend paid | (8,872,454) | (8,872,454) |
| | Taxation Arrears | - | (3,624,990) |
| | Additional impairment transfer to Regulatory Risk Reserve . | - | (27,125,093) |
| | | 344,575,587 | 253,891,821 |
| 16 | **NOTE TO OTHER RESERVES** | | |
| | Share premium | 3,448,652 | 3,448,652 |
| | Statutory reserve | 218,552,843 | 204,330,526 |
| | Regulatory reserve | 42,757,726 | 38,991,024 |
| | | 264,759,221 | 246,770,202 |
| | **Total Equity** | 720,240,478 | 611,567,693 |
| 17 | **Interest income** | | |
| | Interest on loans | 406,766,474 | 337,122,812 |
| | Interest on deposit | 40,528,935 | 27,812,270 |
| | Interest on current accounts | 585,268 | 71,162,186 |
| | Total interests income. | 447,880,677 | 436,097,268 |
| 18 | **Interest Expense** | | |
| | Savings account | 632,541 | 130,878 |
| | Fixed deposit account | 8,954,548 | 5,352,403 |
| | Treasure account | - | 146,219 |
| | LASMI Fund | 4,700,000 | 4,700,000 |
| | BOI Fund | 416,667 | - |
| | CBN Fund(DBN) | 3,100,214 | 585,342 |
| | DBN Fund | 8,029,331 | |
| | Other accounts | 9,174,611 | 6,517,465 |
| | Total interest expense | 35,007,912 | 17,432,307 |
| | Net interest income | 412,872,765 | 418,664,962 |
| 19 | Fees and commission income | | |
| i | Commission and charges | 135,612,700 | 87,191,111 |
| ii | Income from investments | 1,162,550 | 42,221 |
| iii | Income from non financial services | 578,350 | 355,000 |
| | Total fees and commission income | 137,353,600 | 87,588,332 |
| 19ii | Income from investments (Breakdown) | | |
| | Dividend income on investment | 416,150 | 42,221 |
| | Write back on impairment | 746,400 | - |
| | | 1,162,550 | 42,221 |

poverty statistics, sharp rising population growth, rising fiscal deficit, calls for minimum wage adjustment, sub-national government insolvency, and faltering revenue base. It is also expected that Foreign Direct Investment will increase after the election as new government provide clearer roadmap for economic growth.
The micro and small business enterprise sector which is the focus of our business has been is undergoing structural reforms in the face of slow post-recession growth trajectory. Businesses are being aligned to reflect new trends which tends to be more disposed to services, commerce, agriculture value chain, e-commerce and export.

The competition landscape is also gradually been altered as the entry into the microfinance banking space is widening to include not only the non-bank local and corporate lenders but also the FinTechs companies offering a wide range of financial services to the retail and MSME segments by leveraging technology which to achieve a fair disruption of the retail banking. Another compelling threat however relates to the recent decision by the CBN to license Payment Service Banks (PSBs) to facilitate transactions in remittance services, micro-savings and withdrawal services in rural areas. The primary idea is to drive financial inclusion by leveraging the capacity of other entities, like the telcos with existing infrastructure in the areas not easily reached by bank networks.

Though the business environment was challenging in 2018, Infinity Microfinance Bank remained focused on her core business through our nineteen branches and agency offices in designated locations targeted at expanding our outreach at locations beyond our branch networks. We paid closer attention to the dynamics of lending risks and strengthened our risk management and audit system while the accounting and reporting system is standardized to meet the highest market standard. We are now settled in on our new Banking application having completed migration to the cloud based online real time Banking application in 2017.

## OPERATING RESULTS

Ladies and gentlemen, fellow shareholders, I am pleased to inform you that despite the unstable business environment under which we operated in 2018, our Bank recorded positive results in accordance with our tradition and trends in the past years.

Our gross earning recorded 15.6% increase from =N=506,253,294 for the year ended 31December 2017 compared to =N=585,234,276 for the year ended 31 December 2018. Likewise, the Total Assets grew by 24.1% from a sum of =N=1,265,982,303 for the year ended 31December 2017 compared to =N=1,570,713,386 for the year ended 31December 2018. Our Loan portfolio also grew from a total of =N=874,297,693 as at 31 December 2017 to =N=1,126,356,998 as at 31 December 2018 thereby recording an increase of 28.8%. On the profitability index, our Profit Before tax declined by 6.7% from =N=133,336,949 as at 31December 2017 to =N=123, 778,537 as at 31 December 2018 while the profit After Tax also reduced by 6.2% from =N= 121, 336, 624 as at 31 December 2017 to =N=113,778,537 as at 31December 2018.

This result would not be possible without the exceptional loyalty of our staff, management and customers which has been consistent over the years. We have reinforced our staff profile at all cadres during the year in order to prepare the Bank for greater efficiency and profitability in the long run. We shall continue to stick to our culture of excellent customer service, respect for the customer staff and other stakeholders at minimal cost.

In order to reward the support and confidence of the shareholders of our Bank, The Board of Directors has recommended a dividend of 4 kobo per share for every 50 kobo share of Infinity Microfinance Bank as at 31 December 2018. To effect these changes a special resolution has been proposed by the Board at the Annual General Meeting.

## FUTURE CHALLENGES AND OPPORTUNITIES

The Board of Directors' has approved the private offer of additional One Hundred Million Shares of Infinity Microfinance Bank at a valued price on or before December 2019. If the offer is successful, it will enable us to increase our shareholders fund from the over N700 million to excess of One Billion by April 2020 so that we can continue to operate as a State Microfinance Bank under the new CBN guidelines for Microfinance industry in Nigeria.
We believe the future holds much for the Nigeria economy as the country gradually makes its way out of recession for the second year running. The projected growth in GDP for 2019 is 2.9% and we believe the economy witness overall improvement in all the human indices in 2019 especially in the second half-year when the dust of the general elections must have been fully settled.

We foresee greater business opportunities for the future and we expect that the Naira will remain stable and foreign investments and funding will increase to further stimulate the economy while the inflation will be moderate.
Finally, I thank my colleagues on the Board of Directors for their dedication and invaluable contributions during the year 2018.

Thank you for listening.

**Chief Peter K. Asu**
**Chairman, Board of Directors**





loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

### 3.38 Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3.14 For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

### 3.39 Critical accounting judgments in applying the Bank's accounting policies

Critical accounting judgments made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3 The Bank measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using inputs that are not based on observable market data, i.e. unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument

The table below analyses financial instruments measured at fair value into the fair value hierarchy at the end of the reporting period:

| 31 December 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | N | N | N | N |
| Financial assets held for trading | | - | - | |
| Available for sale investment | 5,242,340 | - | - | 5,242,340 |
| **31 December 2017** | | | | |
| Financial assets held for trading | | | | |
| Available for sale investment | 4,495,940 | - | - | 7,906,059 |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

9 **PROPERTY PLANT AND EQUIPMENT**

| | Building | Plant & Machinery | "Furniture Fittings & Office Equipment" | "Computer Equipment" | "Motor Vehicles" | Total |
|---|---|---|---|---|---|---|
| **Cost:** | N | N | N | N | N | N |
| At 1 January 2018 | 59,077,362 | 3,069,450 | 21,447,798 | 11,976,398 | 21,957,500 | 117,528,508 |
| Additions | 2,350,000 | 2,997,161 | 2,355,800 | 6,441,000 | 13,201,000 | 27,344,961 |
| Disposal | - | (1,745,600) | (6,369,100) | (7,669,900) | (15,257,500) | (31,042,100) |
| | 61,427,362 | 4,321,011 | 17,434,498 | 10,747,498 | 19,901,000 | 113,831,369 |
| **Depreciation:** | | | | | | |
| At 1 January 2018 | 5,184,875 | 2,486,519 | 11,421,732 | 8,670,424 | 15,143,947 | 42,907,497 |
| Charge for the year | 4,343,783 | 793,803 | 4,093,387 | 2,691,609 | 5,359,146 | 17,281,728 |
| Eliminated on Disposals | - | (1,745,600) | (6,369,100) | (7,669,900) | (15,257,500) | (31,042,100) |
| Other adjustments | - | - | - | - | - | - |
| | 9,528,658 | 1,534,722 | 9,146,019 | 3,692,133 | 5,245,593 | 29,147,125 |
| **Net book value:** | | | | | | |
| **At 31 December 2018** | **51,898,704** | **2,786,289** | **8,288,479** | **7,055,365** | **14,655,407** | **84,684,244** |
| **At 31 December 2017** | **2,100,822** | **582,931** | **10,026,066** | **3,305,974** | **6,813,553** | **77,829,346** |

10 **Deposit liabilities**

| | 2018 | 2017 |
|---|---|---|
| Current | 20,344,197.51 | 6,151,201 |
| Savings | 541,059,266.27 | 446,196,534 |
| Time | 81,456,552.08 | 53,253,218 |
| | 642,860,015.86 | 505,600,953 |

11 **Taxation**

| | | |
|---|---|---|
| Current Tax liabilities | | |
| Statement of Financial Position | | |
| Balance brought forward | 17,142,918 | 12,516,558 |
| Tax Provision for the year | 7,325,187 | 11,650,325 |
| | 24,468,105 | 24,166,883 |
| Payment during the year | (5,957,417) | (7,023,965) |
| Balance carried forward | 18,510,688 | 17,142,918 |
| | | |
| Income Statement | | |
| Income tax | 10,000,000 | 12,000,325 |
| | 10,000,000 | 12,000,325 |

12 **Term loans**

| | | |
|---|---|---|
| Lagos State Government Funds | 58,099,567 | 58,099,567 |
| Federal Government Development Fund | 106,150,000 | 54,125,000 |
| | 164,249,567 | 112,224,567 |

13 **Other liabilities**

| | | |
|---|---|---|
| Account payable | 1,291,365 | 1,821,403 |
| Accrued expenses | 97,433 | 785,410 |
| Other accounts payable | 23,463,839 | 20,047,694 |
| | 24,852,638 | 22,654,507 |





## CORPORATE INFORMATION

| | | |
|---|---|---|
| **DIRECTORS:** | Chief Peter K. Asu | - Chairman |
| | Mrs. Clara Oloniniyi | - Managing Director/CEO |
| | Chief Godwin Okafor | |
| | Mr. Samson Amedu | |
| | Mr. Bimbo Josiah Ajayi | |
| | Mr. Tope Oloniniyi | |
| | Mr. Jide Diya | |
| **MANAGEMENT:** | Mrs. Clara Oloniniyi | - Managing Director/CEO |
| | Mr. Gabriel O. Adewunmi | - Head, Financial Control & Administration |
| | Mr. Segun Ogunniyi | - Head, Risk and Strategy |
| | Mr. Dayo Oyewunmi | - Head, Internal Control and Compliance |
| | Mr. Adegoke Adesola | - Head, Human Resources |
| | Mrs. Funke Adeyemi | - Head, Retail Banking |
| | Mr. Wilson Okiriwenwen | - Head, Information Technology |
| | Mr. Mutiu Oladele Salami | - Head, Finance and Accounts |
| | Mr. Aniekan Monde - Umo | - Head, Banking Operation |

**REGISTRATION NUMBER:** RC 625383

**LICENCE NUMBER:** 000041

**REGISTERED OFFICE:** 580, Ikorodu Road
Kosofe Bus Stop
Mile 12
Lagos

**CONSULTANTS:** MIP Financial Solutions Limited
3rd Floor, Law Union House
14 Hughes Avenue
Alagomeji, Yaba
Lagos

**COMPANY SECRETARY:** Chinedu Ezeani & Co.

**AUDITORS:** Olu Aladejebi & Co.
(Chartered Accountants)
4, Turton Street,
Sabo - Yaba
Lagos.

**BANKERS:**

| | |
|---|---|
| Guaranty Trust Bank Plc | First Bank of Nigeria Plc |
| Polaris Bank Plc | Wema Bank Plc |
| Sterling Bank Plc | Fidelity Bank Plc |
| Zenith Bank Plc | |

**FRC No.** FRC/2014/00000003862

## VISION STATEMENT

The Vision of the Bank is to be the preferred providers of Microfinance Services in Nigeria.

## MISSION STATEMENT

The MISSION of the Bank is to be the best growth partner to our select customers, keeping highly resourceful and motivated employees and creating highest values for our Shareholders and Communities.

## PRODUCTS & SERVICES

- DPA ACCT. - BLESS ACCT. - BETA GOLD ACCT. - INFINITY SAVING ACCT.
- E-NOW NOW SAVING ACCT. - INFINITY CURRENT ACCT. - LIBERTY ACCT.
- INFINITY CURRENT ACCT. - INFINITY GROUP LOAN - INFINITY DIAMOND ACCT. (IDA)
- LIBERTY ACCT. - E GO BETA+ ACCT. - I GO BUILD ACCT. (IGB)
- MICRO HEALTH - MICRO HOUSING - MICRO LOAN - MICRO LEASE
- OVERDRAFT - CAPACITY BUILDING - ADVISORY SERVICES
- e - BANKING & CARDS - AGENCY BANKING



### INFINITY MICROFINANCE BANK LIMITED
### STATEMENT OF FINANCIAL POSITION
### AS AT 31 DECEMBER, 2018

| | | 2018 | 2017 |
|---|---|---|---|
| Assets | Notes | N'000 | N'000 |
| Cash and cash equivalents | 4 | 197,657,925 | 238,554,975 |
| Financial assets held for trading | | | |
| Loans and advances | 5 | 1,126,356,998 | 874,297,693 |
| Investment Securities: | | | |
| - Available-for-sale securities | 6 | 5,242,340 | 4,495,940 |
| - Held to maturity securities | 7 | 78,211,000 | 5,000,000 |
| Other assets | 8 | 78,560,879 | 19,012,885 |
| Property Plant and equipment | 9 | 84,684,244 | 77,829,346 |
| **Total assets** | | 1,570,713,386 | 1,269,190,638 |
| **Liabilities:** | | | |
| Deposit liabilities | 10 | 642,860,016 | 505,600,953 |
| Current tax liabilities | 11 | 18,510,888 | 17,142,918 |
| Term loans | 12 | 164,249,567 | 112,224,567 |
| Other liabilities | 13 | 24,852,638 | 22,654,507 |
| **Total liabilities** | | 850,472,908 | 657,622,945 |
| **Net assets** | | 720,240,478 | 611,567,693 |
| Equity: | | | |
| Share capital | 14 | 110,905,670 | 110,905,670 |
| Retained earnings | 15 | 344,575,587 | 253,891,821 |
| Other reserves | 16 | 264,759,221 | 246,770,202 |
| **Total equity attributable to equity holders of the Company** | | 720,240,478 | 611,567,693 |

The Financial Statements were approved by the Board of Directors on February 14, 2019 and signed on its behalf by:

Chief Peter K. Asu - Chairman
FRC NO.: FRC/2013/ICAN/00000001380

Clara Oloninyi (Mrs.) Managing Director/CEO
FRC NO.: FRC/2016/CIBN/00000014739

Gabriel Oludotun Adewunmi (Chief Finance Officer)
FRC NO.: FRC/2014/CIBN/00000007238

### STATEMENT OF COMPREHENSIVE INCOME
### FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Interest income | 17 | 447,880,677 | 436,097,268 |
| Interest expense | 18 | (35,007,912) | (17,432,307) |
| Net interest income | | 412,872,765 | 418,664,962 |
| Fee and commission income | 19 | 137,353,600 | 87,588,332 |
| Operating income | | 550,226,364 | 506,253,294 |
| Impairment loss on financial assets | 5ii | (3,766,702) | (6,500,407) |
| Depreciation expenses | 9ii | (17,281,728) | (15,656,886) |
| Personnel expenses | 20 | (267,839,258) | (216,158,757) |
| Other operating expenses | 21 | (137,560,139) | (134,600,294) |
| **Profit before income tax** | | 123,778,537 | 133,336,949 |
| Taxation | | (10,000,000) | (12,000,325) |
| **Profit for the year** | | 113,778,537 | 121,336,624 |
| **Other comprehensive income, net of income tax** | | | |
| Fair value gains/(losses) on available for sale investments | | | |
| Other comprehensive income for the year, net of tax | | | |
| **Total comprehensive income for the year** | 22 | 113,778,537 | 121,336,624 |
| **Earnings per share - basic (kobo)** | | 51.30 | 54.70 |



INFINITY MICROFINANCE BANK LTD
RC:618784
...my trusted growth partner

### INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INFINITY MICROFINANCE BANK LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of Infinity Microfinance Bank Limited ("the Microfinance Bank"), which comprise the statement of financial position as at 31 December, 2018, the statement of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2018, summary of significant accounting policies and other explanatory information set out on pages 22 to 56.

**Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation of financial statements that gives a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, Supervisory and Regulatory Framework for Microfinance Banks in Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Infinity Microfinance Bank Limited as at 31 December, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard being Standards and Interpretations issued by International Accounting Standards Board adopted by the Financial Reporting Council of Nigeria and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2004, and the Banks and Other Financial Institutions Act, Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks in Nigeria and relevant Central Bank of Nigeria circular.

**Report on Other Legal and Regulatory Requirements**

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act 2004

In our opinion, proper books of account have been kept by Infinity Microfinance Bank Limited, so far as appears from our examination of those books and the Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of accounts.

**Contraventions**

The Bank did not contravene any Section relating to Bank Loans during the Financial Year.

Olufemi Aladejebi
FRC NO.: FRC/2013/ICAN/00000001813
Olu Aladejebi & Co.
(Chartered Accountants)
Lagos, Nigeria
February 14, 2019

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## NOTES TO THE FINANCIAL STATEMENTS

**1.0 Reporting entity**

The Bank was licensed by Central Bank of Nigeria on 23 October 2007 to operate microfinance banking and provide microfinance services to customers through its Head Office and subsequently approved cash centres.

The Bank was incorporated on 09 August 2007 as private company limited by shares and commenced operations in November 2007.

The Microfinance Bank's principal activity is to carry on business as a microfinance bank, providing financial service to micro, small and medium scale enterprises and other low income people in Nigeria in the form of working capital and loans. The Microfinance bank is eligible to accept deposits from individuals, groups and private organizations and also raise finance in accordance with the CBN regulations and guidelines on micro finance banks.

**Basis of preparation**

**1.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs, as issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria

The Financial statements were authorized for issue by the directors on February 14, 2019.

**1.2 Functional and presentation currency**

These financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest naira

**2.0 Basis of measurement**

These financial statements are prepared on the historical cost basis except those financial assets and financial liabilities that have been measured at fair value.

**2.1 Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 3.37

**3.01 Significant accounting policies**

Significant accounting policies are defined as those that are reflective of significant judgements and uncertainties, and potentially give rise to different results under different assumptions and conditions.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

These policies have been consistently applied to all years presented unless otherwise stated.





## NOTES TO THE FINANCIAL STATEMENTS CONTD.

**3.02 Interest**

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently except as stated below regarding impaired financial assets.

The calculation of the effective interest rate includes contractual fees paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include:

Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.

Interest on available-for-sale investment securities calculated on an effective interest basis

Once a financial asset or bank of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

**3.03 Fees and commission**

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

**3.04 Net trading income**

Net trading income comprises gains less losses related to financial assets held for trading or designated as fair value through profit or loss as well as financial liabilities at fair value through profit or loss, and includes all realised and unrealised fair value changes and foreign exchange differences.

**3.05 Dividends**

Dividend income is recognised when the right to receive income is established.

Dividends on held for trading financial assets are reflected as a component of net trading income, while dividend from other financial instruments at fair value through profit and loss are recognized as part of other operating income based on the underlying classification of the equity investment.

Dividend income on available-for-sale securities are recognised as a component of other operating income.

**3.06 Income Tax expense**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.