RC:618784

INFINITY

MICROFINANCE BANK LTD

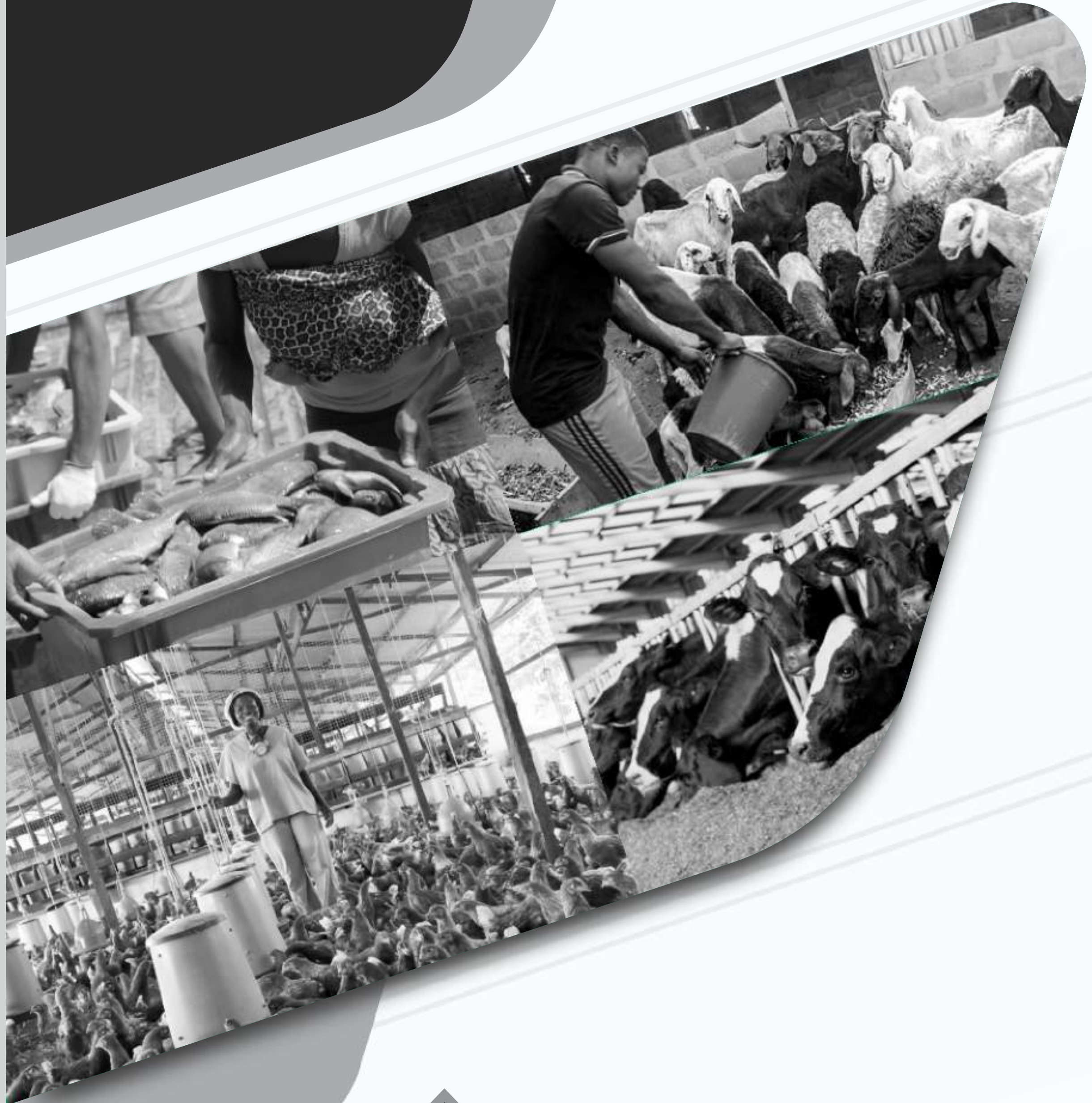
...my trusted growth partner

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



INFINITY

MICROFINANCE BANK LTD

RC:618784

...my trusted growth partner

Annual Report & Financial Statements 2019

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

FIVE-YEAR FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018	2017	2016	2015
Assets	**N**	**N**	**N**	**N**	**N**
Cash and cash equivalents	210,682,633	197,657,925	238,554,974	154,763,542	204,025,155
Financial assets held for trading					
Loans and advances	1,403,000,445	1,126,356,998	874,297,693	759,912,199	682,939,019
Investment Securities:					
- Available-for-sale securities	4,590,918	5,242,340	4,495,940	4,495,940	7,860,479
- Held to maturity securities	78,211,000	78,211,000	55,000,000	65,000,000	20,000,000
Other Investments	12,000,000	-	-	-	-
Other assets	59,879,995	78,560,879	19,012,685	18,065,000	8,508,204
Intangible Asset	-	-	-	-	-
Property and equipment	82,249,676	84,684,244	77,829,346	78,678,434	32,565,438
Total assets	**1,850,614,667**	**1,570,713,387**	**1,269,190,638**	**1,080,915,115**	**955,898,295**
Liabilities:					
Deposit liabilities	781,370,469	642,860,016	505,600,953	381,699,050	340,407,141
Current tax liabilities	18,011,294	18,510,688	17,142,918	12,516,558	2,391,558
Term loans	147,472,222	164,249,567	112,224,567	140,799,567	188,791,667
Other liabilities	46,452,773	24,852,638	22,654,507	43,171,428	21,619,635
Total liabilities	**993,306,759**	**850,472,908**	**657,622,945**	**578,186,603**	**553,210,001**
Net assets	**857,307,909**	**720,240,479**	**611,567,693**	**502,728,513**	**402,688,294**
Equity:					
Share capital	110,905,670	110,905,670	110,905,670	110,905,670	110,905,670
Retained earnings	450,218,532	344,575,587	253,891,821	187,344,812	101,067,678
Other reserves	296,183,707	264,759,221	246,770,202	204,478,031	190,714,946
Total equity attributable to equity holders of the company	**857,307,909**	**720,240,478**	**611,567,693**	**502,728,513**	**402,688,294**
Gross earning	**709,881,673**	**585,234,276**	**523,685,600**	**491,828,227**	**388,590,340**
Profit before taxation	**159,689,884**	**123,778,538**	**133,336,949**	**120,979,678**	**100,450,622**
Taxation	(13,750,000)	(10,000,000)	(12,000,325)	(10,875,000)	(13,500,000)
Profit after taxation	145,939,884	113,778,538	121,336,624	110,104,678	86,950,622
Earnings per share	66	51	54.70	49.64	39.20

27 Related Parties-Transactions with Key Management Personnel

The Banks'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 withkey management personnel and their immediate relatives during the year

	2019		2018	
	N	%	N	%
Gross interest income	552,083,424		447,880,677	
Other income	157,798,249		137,353,600	
Bought in materials and services				
Interest expense	(40,687,875)		(35,007,912)	
Other expenses	(154,291,703)		(132,454,387)	
Value added	**514,902,095**	**100**	**417,771,977**	**100**
Distribution to employees				
Employee cost	301,589,897	62.39	267,839,258	63.38
To government				
Corporate income tax	13,750,000	2.84	10,000,000	2.37
To shareholders				
Dividend paid during the year	-	0.00	8,872,454	2.10
The future				
Depreciation/ amortisation	22,094,195	4.57	22,094,195	5.23
Transfer to retained earnings and reserves	145,939,884	30.19	113,778,538	26.92
Value added	**483,373,977**	**100**	**422,584,444**	**100**

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
Assets	*Notes*	₦	₦
Cash and cash equivalents	4	210,682,633	197,657,925
Financial assets held for trading			
Loans and advances	5	1,403,000,445	1,126,356,998
Investment Securities:			
- Available-for-sale securities	6	4,590,918	5,242,340
- Held to maturity securities	7	78,211,000	78,211,000
Other Investment			
7ii		12,000,000	-
Other assets	8	59,879,995	78,560,879
Property Plant and equipment	9	82,249,676	84,684,244
Total assets		1,850,614,667	**1,570,713,387**
Liabilities:			
Deposit liabilities	10	781,370,469	642,860,016
Current tax liabilities	11	18,011,294	18,510,688
Term loans	12	147,472,222	164,249,567
Other liabilities	13	46,452,773	24,852,638
Total liabilities		**993,306,759**	**850,472,908**
Net assets		**857,307,909**	**720,240,479**
Equity:			
Share capital	14	110,905,670	110,905,670
Retained earnings	15	450,218,532	344,575,587
Other reserves	16	296,183,707	264,759,221
Total equity attributable to equity holders of the Company		**857,307,909**	**720,240,478**

Signed on behalf of the Board of Directors on February 14, 2020.

Pastor Bimbo Josiah-Ajayi
Chairman
FRC NO: FRC/ 2020/003/00000020435

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

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		N	N
Interest income	17	52,083,424	447,880,677
Interest expense	18	(40,687,875)	(35,007,912)
Net interest income		511,395,549	412,872,765
Fee and commission income	19	157,798,249	137,353,600
Operating income		669,193,798	550,226,364
Impairment loss on financial assets	5ii	2,552,942	(3,766,702)
Provision for other Known Losses		(25,119,000)	-
Depreciation expenses	9ii	(22,094,195)	(17,281,728)
Personnel expenses	20	(301,589,897)	(267,839,258)
Other operating expenses	21	(163,253,763)	(137,560,139)
Profit before income tax		159,689,884	123,778,538
Provision For Tax		(13,750,000)	(10,000,000)
Profit for the year		**145,939,884**	**113,778,538**
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	**145,939,884**	**113,778,538**
Earnings per share - basic (kobo)		65.79	51.30

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

OLU ALADEJEBI & CO
(Chartered Accountants)
12, Oweh Street, Jibowu-Yaba, Lagos. Tel: 01-8178948, 7762146, 0802 223 3883, 0806 505 5999
E-mail: aladejebi2000@yahoo.com, olufemi@olualadejebi.com website: www.olualadejebi.com

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, 2019, the statements of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2019, summary of significant accounting policies and other explanatory information, as set out on pages 23-70

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of Infinity Microfinance Bank Limited financial statements.

Loan loss impairment

The Bank implemented IFRS 9 "Financial Instruments" for the first time on 1 January 2019. IFRS 9 requires the bank to recognize impairment using the Expected Credit Loss (ECL) model. The ECL model is dependent on significant judgement and estimates by management in the measurement and determination of impairment on loans and advances and other financial instruments. Our focus on this area was premised on the significant judgement and subjectivity inherent or applied by management in the estimation of the level of impairment, and the size of this portfolio.

The ECL model is forward looking which incorporates industry and prevailing economic events and requires an application of historical financial data of the bank. All of these are combined to develop and apply relevant models to the portfolio of the bank. Loans and advances make up a significant portion of the total assets of Infinity Microfinance Bank with the total risk assets portfolio of N1.4 billion representing about 74% of the Bank's total assets. The total amount of impairment on loans and advances charged in the Statement of Profit or Loss for the year is about N23 million as stated in statement of Comprehensive Income.

The basis of the provisions is summarized in the accounting policies in the financial statements. Infinity Microfinance Bank Limited's impairment model addresses the three stages of credit classifications. Because of the significance of these estimates judgments and the size of loans and advances portfolio, economic conditions experienced in Nigeria during the year which affected the performance of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.

How the matter was addressed in the audit

Our audit procedures to assess the loan loss impairment included the following:

- Updated our understanding of the controls put in place by the management to identify impaired loans and provisions against those assets and determined whether these controls have been appropriately designed and implemented.
- We reviewed the appropriateness of the bank's determination of significant increase in credit risk and ensured compliance with IFRS 9 and Central Bank of Nigeria Regulation.
- We reviewed the transition adjustment recognized in opening retained earnings at 1 January 2019.
- On a sample basis, we reviewed loans for evidence of significant increase in credit risk with major focus on loans that were not reported as being impaired.
- We subjected the data used in the models to test as well as assessing the model's methodology.

Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan loss impairment determined was appropriate in the circumstances.

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 2019, 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, 2020

Mrs Clara OLONINIYI MCIB, FICA
Managing Director/CEO

19	**Fees and commission income**		
	Commission and charges	156,295,391	135,612,700
	Income from investments	-	1,162,550
	Income from non financial services	1,502,858	578,350
	Total fee and commission income	157,798,249	137,353,600
20	**Personnel expenses**		
	Wages and salaries	239,535,589	222,588,531
	Contributions to defined contribution plans	7,076,625	6,533,415
	Other staff costs	54,977,683	38,717,311
		301,589,897	**267,839,258**
21	**Other operating expenses**		
	Directors' emoluments	2,825,000	3,990,000
	Auditors' remuneration	1,500,000	1,500,000
	Others	158,928,763	132,070,139
		163,253,763	**137,560,139**

22 **Earnings per share**

Basic earnings per share
The calculation of basic earnings per share at 31 December 2019 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-19** **N**	**Dec-18** **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	145,939,884	113,778,538
Earnings per share (kobo)	65.79	51.30

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

Management staff	13	11
Senior staff	25	22
Junior staff	212	206
	250	239

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	173	181
N1, 000, 001 - N1, 500, 000	33	29
N1, 500, 001 - N2, 500, 000	31	18
N2, 500, 001 - N3, 500, 000	13	11
	250	239

24 **Directors' Emolument**

Remuneration paid to directors (excluding pension contributions and certain benefits/allowances) of the Bank was as follows:

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, 2019

		2019	2018
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
		2019	**2018**
15	**RETAINED EARNINGS**	**N**	**N**
	Balance at 1 January	344,575,587	253,891,821
	Opening adjustment restatement	(8,872,454)	
	Restated opening balance	335,703,133	253,891,821
	Total comprehensive income for the year	145,939,884	99,556,220
	Adjustment in property investment	-	-
	Transfer to statutory reserve	(18,242,486)	-
	Dividend paid	-	(8,872,454)
	Taxation Arrears	-	-
	Addittional Impairment transfer to Regulatory Risk Reserve .	(13,182,000)	-
		450,218,532	**344,575,587**
16	**NOTE TO OTHER RESERVES**		
	Share premium	3,448,652	3,448,652
	Statutory reserve	236,795,329	218,552,843
	Regulatory reserve	55,939,726	42,757,726
		296,183,707	**264,759,221**
	Total Equity	**746,402,239**	**609,334,808**
	Regulatory Risk Rerseve		
	As at 1 January Transfer from retained earning	42,757,726	
	Addition during the Year	13,182,000	
	As at December	**55,939,726**	**42,757,726**

This is a reserve that arose by comparing impairment of risk asset under IFRS and provisions for the risk asset using CBN prudential Guideline. Where the impairment under IFRS is lower than the provision amount under Prudential Guideline, the IFRS impairment figures is recognized in the profit or loss account. However, the difference between the IFRS impairment and the prudential guideline provisioning are transferred from the distributable reserve to non-distributable reserve

		2019	2018
17	**Interest income**		
	Interest on loans	525,502,955	406,766,474
	Interest on deposit	26,552,621	40,528,935
	Interest on current accounts	27,848	585,268
	Total Interests Income.	**552,083,424**	**447,880,677**
18	Interest Expense		
	Savings account	1,087,132	632,541
	Fixed deposit account	12,398,031	8,954,548
	LASMI Fund	4,729,863	4,700,000
	BOI Fund	708,333	416,667
	CBN Fund	-	3,100,214
	DBN Fund	9,236,490	8,029,331
	Other accounts	12,528,026	9,174,611
	Total interest expense	**40,687,875**	**35,007,912**
	Net Interest Income		**412,872,765**

Mrs Clara Oloniniyi

Dr. Samson Amedu

Pastor Bimbo Josiah Ajayi

Chief Godwin Okafor

Pastor Tope Oloniniyi

Mr. Jide Diya

Content

8 Other assets

Prepayments	35,313,413.75	35,269,115.96
Other receivables	49,685,580.61	43,291,762.69
	84,998,994.77	78,560,878.65
Provision other Loan Losses	(25,119,000.00)	-
	59,879,994.77	**78,560,878.65**

9 PROPERTY AND EQUIPMENT	**Building**	**Plant & Machinery**	**Furniture Fittings & Office Equipment**	**Equipment Computer**	**Motor Vehicles**	**Total**
Cost:	**N**	**N**	**N**	**N**	**N**	**N**
At 1 January 2019	61,427,362	4,321,011	17,434,498	10,747,498	19,901,000	113,831,369
Additions	-	5,238,500	2,651,626	4,999,500	3,000,000	15,889,626
Disposal	-	(1,229,850)	(4,481,522)	(1,617,000)		(7,328,372)
	61,427,362	**8,329,661**	**15,604,603**	**18,129,998**	**22,901,000**	**126,392,624**
Depreciation:						
At 1 January 2019	9,528,658	1,534,722	9,146,019	3,692,133	5,245,593	29,147,125
Charge for the year	6,142,735	2,154,329	3,795,461	4,963,920	5,037,750	22,094,195
Eliminated on Disposals	-	(1,229,850)	(4,481,522)	(1,387,000)	-	(7,098,372)
Other adjustments				-		-
	15,671,393	2,459,201	8,459,958	7,269,053	10,283,343	44,142,948
Net book value:						
At 31 December 2019	**45,755,969**	**5,870,460**	**7,144,645**	**10,860,945**	**12,617,657**	**82,249,676**
At 31 December 2018	**51,898,704**	**2,786,289**	**8,288,479**	**7,055,365**	**14,655,407**	**84,684,244**

10 Deposit liabilities

	2019	**2018**
	N	**N**
Current	51,773,941	20,344,197.51
Savings	527,790,286	541,059,266.27
Term	201,806,242	81,456,552.08
	781,370,469	**642,860,015.86**

11 Taxation

Current Tax liabilities

Statement of Financial Position		
Balance brought forward	18,510,688	17,142,918
Tax Provision for the year	5,659,118	7,325,187
	24,169,806	**24,468,105**
Payment during the year	(6,158,512)	(5,957,417)
Balance carried forward	**18,011,294**	**18,510,688**
Income Statement		
Income tax	13,750,000	10,000,000
	13,750,000	**10,000,000**

12 Term loans

Lagos State Government Funds	-	58,099,567
Federal Government Development Fund	147,472,222	106,150,000
	147,472,222	**164,249,567**

13 Other liabilities

Account payable	3,158,747	1,291,365
Accrued expenses	126,964	97,433
Other accounts payable	43,167,062	23,463,839
	46,452,773	**24,852,638**

5i	**Less Allowances for Impairement:**			
	Stage 1-12 Months ECL	11,003,270	11,567,491	
	Stage 2 - Life Time ECL Not Credited Impaired	1,589,610	1,346,227	
	Stage 3 - Non Performing Loans	17,118,167	19,350,271	
	Total Allowance	**29,711,047**	**32,263,989**	
	Net Loans and Advances	**1,403,000,445**	**1,126,356,998**	
		2019 N	**2018 N**	
5ii	**Movement of Loan Impairment**			
	Balance b/f	32,263,989	28,497,287	
	Charge for the Year	(2,552,942)	3,766,702	
	Impairment for the year	**29,711,047**	**32,263,989**	
	Breakdown of Movement			**Movement**
	Stage 1-12 Months ECL	11,003,270	11,567,491	(564,221)
	Stage 2 - Life Time ECL Not Credited Impaired	1,589,610	1,346,227	243,383
	Stage 3 - Non Performing Loans	17,118,167	19,350,271	(2,232,104)
	Total Allowance	**29,711,047**	**32,263,989**	**(2,552,942)**
	Loan by Type:			
	Micro loans and advances	1,155,911,632	772,101,062	
	Small and medium enterprise loans	266,821,293	384,195,963	
	Micro Lease Loan	4,667,673	1,210,530	
	Hire purchase	4,479,431	-	
	Staff loans	831,463	1,113,432	
		1,432,711,492	**1,158,620,987**	
	By Maturity profile:			
	Under 1 month	605,499,896	488,851,210	
	1 to 3 months	323,813,166	265,507,968	
	3 to 6 months	290,325,739	238,987,132	
	6 to 12 months	100,063,725	90,056,264	
	Over 12 months	113,008,966	75,218,413	
		1,432,711,492	**1,158,620,987**	
5b	**Movement in loans and advances**	**2019 N**	**2018 N**	
	Opening Net loans	1,158,620,987	874,297,693	
	Advances during the year -net	274,090,505	284,323,294	
		1,432,711,492	1,158,620,987	
	Impairment during the Year	-	-	
	Net Loans and advances	**1,432,711,492**	**1,158,620,987**	
6	**Available for sale financial assets**	**2019**	**2018**	
	Equities	11,957,629.45	11,957,629.45	
	Impairment	(7,366,710.96)	(6,715,289.00)	
		4,590,918.49	**5,242,340.45**	
7	**Held to maturity securities**			
	Treasury bills	78,211,000.00	78,211,000.00	
	Less: specific allowance impairment	-	-	
		78,211,000.00	78,211,000.00	
7ii	**Other Investments**			
	ISEC	12,000,000.00	-	
		12,000,000.00	-	

CORPORATE INFORMATION

DIRECTORS:	Pastor Bimbo Josiah-Ajayi	– Chairman
	Mrs. Clara Oloniniyi	– Managing Director/CEO
	Chief Godwin Okafor	
	Mr. Samson Amedu	
	Mr. Bimbo Josiah Ajayi	
	Mr Tope Oloniniyi	
MANAGEMENT:	Mrs. Clara Oloniniyi	– Managing Director/CEO
	Mr. Gabriel O. Adewunmi	– Head, Financial Control
ADMINISTRATION:	Mr. Segun Ogunniyi	– Head, Risk and Strategic
	Mr. Dayo Oyewunmi	– Head, Internal Audit and Compliance
	Mrs. Christy Adeyemo	– 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: First Bank of Nigeria Plc
Wema Bank Plc
Fidelity Bank Plc
Guaranty Trust Bank Plc
Polaris Bank Plc
Sterling Bank Plc
Zenith Bank Plc

FRC No. FRC/2014/00000003862

Pastor Bimbo Josiah-Ajayi

Chairman

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

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	N	**N**	**N**	**N**
Financial assets held for trading				
Available for sale investment	**4,590,91**	**-**	**-**	**4,590,91**
31 December 2018				
Financial assets held for trading				
Available for sale investment	**5,242,34**	**-**	**-**	**5,242,34**

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.

		2019	**2018**
		N	**N**
4	**Cash and cash equivalents**		
	Cash in hand	11,020,835	7,555,820
	Current accounts with banks in Nigeria	96,083,376	88,881,846
	Money market placements	103,578,422	101,131,935
	Prepaid Virtual Account	-	88,324
		210,682,633	197,657,925
		210,682,633	**197,657,925**
	BALANCES HELD WITH OTHER BANKS		
	First Bank Plc	11,420,329	45,046,132
	Wema Bank Plc -Ojota	3,170,064	5,628,132
	Guaranty Trust Bank Plc.-Lagos	65,682,798	23,485,574
	Fidelity Bank Plc.	5,662,965	8,030,365
	Polaris Bank .-Ikorodu	2,742,683	1,562,467
	Zenith Bank Plc.	1,974,926	1,547,775
	First City Monument Bank Plc.	38,375	38,375
	Sterling Bank Plc.	5,391,234	3,543,027
		96,083,376	**88,881,846**
	PLACEMENTS		
	Wema Bank	81,000,000	70,000,000
	Zenith Bank Plc.	22,578,422	31,131,935
		103,578,422	**101,131,935**
5	**Loans and receivables**		
	Stage 1-12 Months ECL	1,375,408,709	1,103,689,704
	Stage 2 - Life Time ECL Not Credited Impaired	31,792,196	20,172,109
	Stage 3 - Non Performing Loans	25,510,587	34,759,174
	Gross Loans and Advances	**1,432,711,492**	**1,158,620,987**

	December 2019	December 2018
	N	N
Tier 2 capital		
Fair value reserve for available for sale Securities		
Regulatory risk reserves	42,757,726	42,757,726
Total qualifying Tier 1 capital (B)	55,939,726	42,757,726
Total regulatory capital (C)=(A+B)	882,426,909	720,240,478
Risk-weighted assets (D)	1,403,000,445	1,126,356,998
Capital Adequacy ratio (CAR) = (C/D)	63%	64%

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 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:
ü 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:
ü Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
ü 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.
ü 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

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 2019.The year 2019 was characterized with election uncertainty connected with the Nigeria General elections, slow growth, unfavorable investment climate and broad macroeconomic instability.

Electioneering activities and post-election legal cases overshadowed business and economic activities in the first half of the year. The economy grew by 2.28% in Q3 2019 with a projection of 2.27% for the year. When this growth is compared to the population growth which was estimated to be 2.7%, it portends that the economy might have experienced lower per capita income and negative growth in the year 2019.
Also, according to the latest capital importation report released by the National Bureau of Statistics (NBS) $5.36 billion capital importation received in the third quarter represents a -7.78% contraction from the total amount ($5.82 billion) received within the second quarter (Q2). Meanwhile, year-on-year, capital inflows rose by 87.99%.

OPERATING ENVIRONMENT
While the government is significantly reliant on oil and gas for its revenue, the economy is getting more diversified, with manufacturing, banking and insurance, retail and agriculture making increasing contributions. However, each of these sectors are bogged down with structural problems like electricity shortage, official corruption, bureaucratic bottlenecks, poor infrastructures and insecurity especially the incidence of Boko Haram in the North eastern part of the country and kidnapping which has touched virtually every part of our nation.

The cumulative effect of all the challenges is low growth is too low to lift the bottom half of the population out of poverty. The weakness of the agriculture sector weakens prospects for the rural poor, while high food inflation adversely impacts the livelihoods of the urban poor. Despite expansion in some sectors, employment creation remains weak and insufficient to absorb the fast-growing labor force, resulting in high rate of unemployment (23% in 2018), with another 20% of the labor force underemployed. Furthermore, the insecurity in the North and the resulting displacement of people contribute to the high incidence of poverty in the North East.

In the Banking sector, the competitive landscape took a different turn with the successful completion of the Access-Diamond Bank merger as well as the licensing of two (2) new commercial banks; Globus Bank and Titan Trust Bank. In addition, the licensing of payment service banks (PSBs) and super agents together with activities of Fintech companies is deepening financial inclusion through the provision of diversified financial services as the operators stepped up the battle for retail customers. In the Microfinance subsector, the Central Bank of Nigeria has moved the deadline for the statutory recapitalization of the Microfinance banking operators from April 2020 to April 2021. As a state Microfinance Bank, we are expected to increase our minimum shareholders fund to Five Hundred Million (N500,000,000) by April 2020 and One (1) billion (N1,000,000,000) by April 2021.

The fiscal landscape of the Nigerian economy continued to struggle owing to a combined impact of low revenues and high cost of debt servicing. The monetary authorities however, focused on spurring growth through tightening policies. Due to the fact that forecasts for revenues are not being met by actual inflows, the Government had to trim her budget for 2019 to N8.6 trillion as against the N9.1 trillion approved by lawmakers. Out of a N500 billion cut, capital expenditure shed the largest chunk of N330 billion. Capital Expenditure eventually dropped to 27% of the budget with recurrent expenditure inching up to 73% of the budget.

With the closure of the land borders in Q3 2019, the expected increase in VAT, implementation of the new minimum wages, increment in other government taxes and expected hike in electricity tariffs could see headline inflation remain elevated going into 2020. These factors and others may keep average inflation around 12.5% in 2020.

The manufacturing sector might have benefited from the land border closure due to reduced pressure from cheaper smuggled goods but the prevalence of poor power supply, weaker demand and high cost of production remain the greatest hurdle the manufacturing sector is expected to cross for it to contribute more positively to economic growth in 2020.

BUSINESS ACTIVITIES DURING THE YEAR
During the year, the CBN's Monetary Policy Committee (MPC) also reiterated concerns about the continuous deployment of funds by banks into fixed income instruments at the expense of extending credit to the real sector. In a move to compel banks to increase private sector lending, the apex bank rolled out policies that changed the dynamics of the banking landscape and shaped the banking sector in 2019 and set the tone for banks going into 2020. The introduction of 65% Loan Deposit Ratio (LDR) is putting pressure on banks' ability to maintain minimum regulatory liquidity ratio of 30% and could bring about some unintended consequences.

President Buhari also introduced and signed the 2019 Finance Bill into law and thereby making it an act - after it successfully scaled through the scrutiny of the National Assembly in a bid to reform domestic tax laws to mirror global best practices. The objectives of the act include to promote fiscal equity, introduce tax incentives for infrastructure & capital market investments, support Micro, Small and

Medium Enterprise (MSMEs) and increase government revenue. The changes proposed in the act seek to make the tax system more dynamic and reflect the changes in the economy with upsides for investments especially in the MSME space.

Though Nigeria's Ease of Doing Business ranking improved by 39 places from 170 in 2015 to 131 in 2019 the remarkable feat, doing business in Nigeria remains a challenge and have not attracted as much capital as is expected. According to the NBS' Q3 2019 Capital Importation report, the progress in ease of doing business is yet to translate into increased capital inflow – especially Foreign Direct Investment (FDI) - as capital contracted relative to Q3 2019. While factors such as policy uncertainty and security can be fingered for this decline, emerging research also suggest that concerns around the sanctity of rule of law are greater factors that could rank above cost/ease of doing business and ease of access to regional and local markets.

Though the business environment was challenging in 2019, Infinity Microfinance Bank remained focused on her core business through our nineteen branches in designated locations targeted at expanding our outreach at locations beyond our branch networks. We have constantly retooled our workforce with cutting-edge training and development, thereby infusing the team with new skills, and hands when necessary. We are also gradually launching into the Digital Banking through our special products like Credit NowNow, Cash NowNow and *5353# Banking.

OPERATING RESULTS

Ladies and gentlemen, fellow shareholders, I am pleased to inform you that despite the unstable business environment under which we operated in 2019, our Bank recorded positive results in accordance with our tradition and trends in the past years.

Our gross earning recorded 21.3% increase from =N=585,234,276 for the year ended 31st December 2018 compared to =N=709,881,673 for the year ended 31st December 2019. Likewise, the Total Assets grew by 17.8% from a sum of =N=1,570,713,386 for the year ended 31st December 2018 compared to =N=1,850,614,667 for the year ended 31stDecember 2019. Our Loan portfolio also grew from a total of =N=1,126,356,998 as at 31st December 2018 to =N=1,403,000,445 as at 31st December 2019 thereby recording an increase of 24.6%. On the profitability index, our Profit Before tax increased by 29% from =N=123,778,537 as at 31st December 2018 to =N=159,689,884 as at 31st December 2019 while the profit After Tax increased by 28.3% from =N=113,778,537 as at 31st December 2018 to =N=145,939,884 as at 31st December 2019.

Our progressive result has been consistent over the years as we have always demonstrated our capacity to grow faster than the economy and our peers. This result will not be possible without exceptional loyalty of our staff, management and customers which has been consistent over the years. We shall continue to stick to our culture of excellent customer service, respect for the customer staff and other stakeholders while keeping our cost low by minimizing all wastages.

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 31st December 2019. To effect these changes a special resolution has been proposed by the Board at the Annual General Meeting.

FUTURE CHALLENGES AND OPPORTUNITIES

In 2019, The Board of Directors approved the private offer of additional One Hundred Million Shares of Infinity Microfinance Bank at 4.25 per share. The private offer was made in two tranches and the second tranche eventually closed in April 2020. The private placement was moderately successful. We thank our existing shareholders that invested in the Bank and welcome our new investors on Board. We believe that our new minimum capital base of One Billion Naira shall be fully met by 2020 half year ending 30th June 2020, ahead of 2021 April deadline.

The microfinance sector is of strategic importance to the economic revolution of Nigeria and we are confident that Nigeria has what it needs to grow beyond the current economic challenges it is currently facing. The projected growth in GDP for 2020 is 2.5% and we are positive that the economy is set to witness better improvement in all human indices in the year 2020 as the current government administration settles down to implement more reforms after the general elections of 2019 have been put behind and the economy witness more local and foreign investments.

Finally, I thank my colleagues on the Board of Directors for their dedication and invaluable contributions during the year 2019.

Thank you for listening.

Pastor Bimbo Josiah-Ajayi
Chairman, Board of Directors

3.14 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.ClassificationPercentage ProvidedPerforming1%Pass and Watch5%Substandard20%Doubtful50%Lost100%
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 IFRS 9 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 IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 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.

	December 2019	December 2018
	N	N
Tier 1 capital		
Ordinary share capital	110,905,670	110,905,670
Retained earnings	506,762,018	344,575,587
Statutory reserves	218,552,843	218,552,843
Share premium	3,448,652	3,448,652
Total qualifying		
Tier 1 capital (A)	**839,669,183**	**677,482,752**

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.

3.11 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.

3.12 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.

3.13 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.

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, 2019.

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 2019 as follows:

	Number of ordinary shares held	
	Direct Holding	Indirect Holding
Chief Peter K Asu	8,762,667	-
Mrs. Clara Oloniniyi	12,597,333	-
Chief Godwin Okafor	51,394,667	-
Mr. Samson Amedu	6,800,000	
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. 2019	31 Dec. 2018
	N	N
Profit for the year	159,689,884	123,778,537
Provision for tax	(13,750,000)	(10,000,000)
Retained profit	145,939,884	113,778,537

Chinedu Ezeani ESQ
Company Secretary

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.

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:

ü The initial recognition of goodwill;

ü 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;

ü Differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future; and

ü 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 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.

3.10 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.

h. Presentation of allowance for ECL in the statement of financial position
Loan allowances for ECL are presented in the statement of financial position as follows:
- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

I. Write-off
After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):
- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
  amount obtained from realization of credit collateral security leaves a balance of the debt; or it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs require endorsement by the Board Credit and Risk Committee, as defined by the Bank. Credit write-off approval is documented in writing and properly initialed by the Board Credit and Risk Committee.

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognized as income on a cash basis only.

3.0.1 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.

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.

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, 2020

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.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance. Loans that are more than 30 days past due are considered impaired.

e. Collateral valuation
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, landed properties and vehicles.

The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on periodic basis as deemed necessary. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

f. Collateral repossessed
The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its loan portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

g. Forborne and modified loans
The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off. This is explained in Note 2.1.5 above.

From 1 January 2019, when the loan has been renegotiated or modified but not de-recognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:
- All of its facilities has to be considered performing;
- The probation period required from the date the forborne contract was considered performing has passed (see above);

Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contract that is more than 180 days past due. If modifications are substantial, the loan is derecognized. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:
- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

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

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

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and downside). Each of these is associated with different PDs, EADs and LGDs, as set out in Note 4 in the financial statements. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.
Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.
The mechanics of the ECL method are summarized below:

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

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

c. Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

d. Purchased or originated credit impaired financial assets (POCI)
At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'creditimpaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- 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.

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

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.

original effective interest rate, is less than 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see below) and ECL are measured as follows:

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

Modification gain or loss shall be included as part of impairment charge for each financial year.

ii Financial liabilities
The Bank de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in income statement. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e. the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability

2.4.6 Impairment of financial assets
i. Policy applicable from 1 January 2019
a. Overview of the ECL principles
The Bank recognizes allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 4 in the pro-forma financial statements.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 4 in the financial statements.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credi tadjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).

In addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-months ECL (Stage 1).

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognized are not restated when reclassification occurs.
Financial liabilities are not reclassified after initial classification.
Financial assets under the amortized cost classification (i.e. business model whose objective is to collect the contractual cash flows) can still be held as such even when there are sales within the portfolio as long as the sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

However, if more than an infrequent number of such sales are made out of a portfolio and those sales are more than insignificant in value (either individually or in aggregate), the Bank will assess whether and how such sales are consistent with an objective of collecting contractual cash flows.
The Bank has defined the following factors which will be considered in concluding on the significance and frequency of sale:

- Definition of Insignificance: For financial assets within the hold to collect (HTC) portfolio, Inifinity's management considers the sale of assets within this portfolio as insignificant if the total sales constitute a value that is less than or equal to 20% of the current amortized cost portfolio in a year
- Definition of Infrequent: The Bank's definition of infrequent sale as it relates to financial instruments within the HTC portfolio will be based on the number of sales within a year. Infinity's management has decided that any sales not more than five times a year would be considered as an infrequent sale.
- Definition of Closeness to maturity: Infinity's management defines close to maturity as instruments with less than three months to maturity.

2.4.5 Modifications of financial assets and financial liabilities
i. Financial assets
If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in income statements as 'gains and losses arising from the de-recognition of financial assets measured at amortized cost'.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The amount arising from adjusting the gross carrying amount is recognized as a modification gain or loss in income statement as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria.

Qualitative criteria
Scenarios where modifications could lead to de-recognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- Extension of financial asset's tenor
- Reduction in repayment of principals and interest
- Capitalization of overdue repayments into a new principal amount
- Change in frequency of repayments i.e. change of monthly repayments to quarterly or yearly repayments
- Reduction of financial asset's tenor

On occurrence of any of the above factors, the Bank will perform a 10% test (see below) to determine whether or not the modification is substantial.

Scenarios where modification will not lead to de-recognition of existing financial assets are:

- Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria
- Bulk repayment of financial asset

Quantitative criteria
A modification would lead to de-recognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

A modification would not lead to de-recognition of existing financial asset if:
· the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the

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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, 2019, the statements of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2019, summary of significant accounting policies and other explanatory information, as set out on pages 23-70

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.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of Infinity Microfinance Bank Limited financial statements.

Loan loss impairment
The Bank implemented IFRS 9 "Financial Instruments" for the first time on 1 January 2019. IFRS 9 requires the bank to recognize impairment using the Expected Credit Loss (ECL) model. The ECL model is dependent on significant judgement and estimates by management in the measurement and determination of impairment on loans and advances and other financial instruments. Our focus on this area was premised on the significant judgement and subjectivity inherent or applied by management in the estimation of the level of impairment, and the size of this portfolio.

The ECL model is forward looking which incorporates industry and prevailing economic events and requires an application of historical financial data of the bank. All of these are combined to develop and apply relevant models to the portfolio of the bank. Loans and advances make up a significant portion of the total assets of Infinity Microfinance Bank with the total risk assets portfolio of N1.4 billion representing about 74% of the Bank's total assets. The total amount of impairment on loans and advances charged in the Statement of Profit or Loss for the year is about N23 million as stated in statement of Comprehensive Income.

The basis of the provisions is summarized in the accounting policies in the financial statements. Infinity Microfinance Bank Limited's impairment model addresses the three stages of credit classifications. Because of the significance of these estimates judgments and the size of loans and advances portfolio, economic conditions experienced in Nigeria during the year which affected the performance of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.

How the matter was addressed in the audit

Our audit procedures to assess the loan loss impairment included the following:

- Updated our understanding of the controls put in place by the management to identify impaired loans and provisions against those assets and determined whether these controls have been appropriately designed and implemented.
- We reviewed the appropriateness of the bank's determination of significant increase in credit risk and ensured compliance with IFRS 9 and Central Bank of Nigeria Regulation.
- We reviewed the transition adjustment recognized in opening retained earnings at 1 January 2019.
- On a sample basis, we reviewed loans for evidence of significant increase in credit risk with major focus on loans that were not reported as being impaired.
- We subjected the data used in the models to test as well as assessing the model's methodology.

Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan loss impairment determined was appropriate in the circumstances.

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 2019, 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.

OAladejebi

Olufemi Aladejebi
FRC NO.: FRC/2013/ICAN/00000001813
Olu Aladejebi & Co.
(Chartered Accountants)
Lagos, Nigeria
February 14, 2020

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in income statement when the asset is derecognized or impaired. Interest income from these financial assets is determined using the effective interest method and reported in income statement as 'Interest income'.

The amortized cost of a financial instrument is defined as the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the 'effective interest method' of any difference between that initial amount and the maturity amount, and minus any loss allowance. The effective interest method is a method of calculating the amortized cost of a financial instrument (or group of instruments) and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's net carrying amount.

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at
FVTPL:

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

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income statement and recognized in net gains on investment securities while the cumulative impairment loss recognized in the OCI and accumulated in equity will be reclassified and credited to income statement. Interest income from these financial assets is determined using the effective interest method and recognized in income statement as 'Interest income'.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortized cost. The expected credit loss model is described further below:

- Fair value through profit or loss (FVTPL): Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the income statement and reported as 'Net gains/(losses) from financial instruments held for trading in the period in which it arises. Interest income from these financial assets is recognized in income statement as 'Interest income'.

ii Equity instruments

The Bank subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by investment basis. Where the Bank's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to income statement.

Dividends from such investments continue to be recognized in income statement as dividend income when the company's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. Changes in the fair value of financial assets at fair value through profit or loss are recognized in Net gains/ (losses) from financial instruments held for trading.

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

2.4.4. Relassifications

i. Policy applicable after 1 January 2019

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and must be significant to the Bank's operations.

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognized are not restated when reclassification occurs.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets that are debt instruments. A change in the objective of the Bank's business occurs only when the Bank either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).

In the case of the new asset category for debt instruments measured at FVOCI, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortized cost. The Bank recognizes the impairment charge in income statement, with the corresponding amount recognized in other comprehensive income, with no reduction in the carrying amount in the statement of financial position.

Overall, impairment under IFRS 9 results in earlier recognition of credit losses than under IAS 39. For explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 4 in the financial statements

2.3 Classification and measurement of financial instruments

IAS 39
Measurement category Carrying
amountIFRS 9
Measurement
CategoryCarrying
amountFinancial Assets
N
NCash and cash equivalentsAmortised cost (Loans
and receivables)210,682,633Amortised cost210,682,633Loans and advancesAmortised cost (Loans
and receivables)1,432,711,492Amortised cost1,403,000,445 FGN Treasury BillAmortised cost 78,211,000Amortised cost78,211,000Equity InvestmentAmortised Cost (Shares)11,957,629Amortised cost4,590,918Other assetsAmortised cost (Loans
and receivables) 84,998,995 Amortised cost 59,879,994

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in own credit risk for financial liabilities measured at fair value through profit or loss.

Infinity Microfinance Bank does not have any financial liabilities measured at fair value through profit or loss.

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank applied the classification and measurement requirements for financial instruments under IFRS 9 'Financial Instruments' for the year ended 31 December 2019. The 2018 comparative period was not restated, and the requirements under IAS 39 'Financial Instruments: Recognition and Measurement' were applied. The key changes are in the classification and impairment requirements.

2.4.1 Recognition and initial measurement

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. The Bank uses trade date accounting for regular way contracts when recording financial assets transactions.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in income statement at initial recognition.

2.4.2 Classification of financial instruments

Policy applicable from 1 January 2019

The Bank classifies its financial assets under IFRS 9, into the following measurement categories:

- those to be measured at fair value either through other comprehensive income, or through profit or loss; and
- those to be measured at amortized cost.

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and interest – SPPI test).

The Bank also classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortized cost. Management determines the classification of the financial instruments at initial recognition.

Policy applicable prior to 1 January 2019

The Bank classifies its financial assets in the following categories: loans and receivables and held to maturity financial assets. Management determines the classification of financial assets and liabilities at the time of initial recognition and the classification is dependent on the nature and purpose of the financial assets.

2.4.3 Subsequent measurements

a. Financial assets - policy applicable from 1 January

i. Debt instruments

The subsequent measurement of financial assets depends on its initial classification:

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

		2019	2018
Assets	*Notes*	₦	₦
Cash and cash equivalents	4	210,682,633	197,657,925
Financial assets held for trading			
Loans and advances	5	1,403,000,445	1,126,356,998
Investment Securities:			
- Available-for-sale securities	6	4,590,918	5,242,340
- Held to maturity securities	7	78,211,000	78,211,000
Other Investment	7ii	12,000,000	-
Other assets	8	59,879,995	78,560,879
Property Plant and equipment	9	82,249,676	84,684,244
Total assets		1,850,614,667	**1,570,713,387**
Liabilities:			
Deposit liabilities	10	781,370,469	642,860,016
Current tax liabilities	11	18,011,294	18,510,688
Term loans	12	147,472,222	164,249,567
Other liabilities	13	46,452,773	24,852,638
Total liabilities		**993,306,759**	**850,472,908**
Net assets		**857,307,909**	**720,240,479**
Equity:			
Share capital	14	110,905,670	110,905,670
Retained earnings	15	450,218,532	344,575,587
Other reserves	16	296,183,707	264,759,221
Total equity attributable to equity holders of the Company		**857,307,909**	**720,240,478**

Signed on behalf of the Board of Directors on February 14, 2020.

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

Pastor Bimbo Josiah-Ajayi
Chairman
FRC NO: FRC/ 2020/003/00000020435

	Notes	2019	2018
		N	N
Interest income	17	52,083,424	447,880,677
Interest expense	18	(40,687,875)	(35,007,912)
Net interest income		511,395,549	412,872,765
Fee and commission income	19	157,798,249	137,353,600
Operating income		669,193,798	550,226,364
Impairment loss on financial assets	5ii	2,552,942	(3,766,702)
Provision for other Known Losses		(25,119,000)	-
Depreciation expenses	9ii	(22,094,195)	(17,281,728)
Personnel expenses	20	(301,589,897)	(267,839,258)
Other operating expenses	21	(163,253,763)	(137,560,139)
Profit before income tax		159,689,884	123,778,538
Provision For Tax		(13,750,000)	(10,000,000)
Profit for the year		**145,939,884**	**113,778,538**
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	**145,939,884**	**113,778,538**
Earnings per share - basic (kobo)		65.79	51.30

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

is achieved by both collecting contractual cash flows and selling financial assets.

- A new asset category for non-traded equity investments measured at FVOCI was introduced.
- Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

Classification of financial liabilities remained largely unchanged for the Bank. Financial liabilities continue to be measured at either amortized cost or FVTPL. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in income statement, under IFRS 9 fair value changes are generally presented as follows:

- The amount of changes in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in income statement.

Impairment of financial assets
IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss model under IAS 39. Key changes in the Bank's accounting policy for impairment of financial assets are listed below.
The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i. Stage 1: 12-months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

ii. Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

iii. Stage 3: Lifetime ECL - credit-impaired
Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit- the effective interest rate to the amortized cost rather than the gross carrying amount.
At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognized using an allowance for credit loss account.

The Bank considers its historical loss experience and adjusts this for current observable data.
In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss.

Notes to the financial statements
IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgment as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).

In addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-months ECL (Stage 1).

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

2.2 Changes in accounting policies

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below:

i. IFRS 9 Financial instruments

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading at FVOCI.

If a risk free and gilt edged debt instrument had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since initial recognition.

In accordance with the transition requirements for classification and measurement and impairment, the Bank has not restated comparative periods. As a consequence:

- Any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings (or another component of equity as appropriate).
- Financial assets are not reclassified in the statement of financial position for the comparative period.
- Allowance for impairment has not been restated in the comparative period.

The transition is a change in accounting policy, and disclosures required by IAS 8 are illustrated.

A comparative information in respect of the preceding period is not presented (i.e. 31 December 2018) as there is no impact of restatement for the year ended 31 December 2018.

Disclosure requirements arising from the consequential amendments to IFRS 7 upon adoption of IFRS 9 have not been presented in relation to the comparative period.

New accounting policies have been disclosed, and references to the old policies included, which are applied to the amounts presented in the comparative period.

Investments in financial assets are classified as either debt or equity investments in accordance with IAS 32 Financial Instruments: Presentation.

The Bank adopts the general expected credit loss (ECL) model for loans and advances to customers, other debt instruments measured at amortized cost, and debt instruments measured at fair value through other comprehensive income. ECL model is not applied to equity instruments.

The Bank applies the simplified approach in the recognition and measurement of impairment losses on contract assets and trade receivables that do not contain a significant financing component.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classifications of financial assets and financial liabilities

The Bank classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The following summarizes the key changes:

- The held-to-maturity and available-for-sale financial assets categories were removed.
- A new asset category measured at fair value through other comprehensive income (FVOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective

	Note	2019	2018
		N	N
Cash flows from operating activities:			
Profit for the period:		159,689,884	123,778,538
\Tax expense		(13,750,000)	(10,000,000)
Profit after tax		145,939,884	113,778,538
Adjustments for:			
Depreciation of property and equipment		22,094,195	17,281,728
Other Adjustment		(1,235,397)	4,997,156
Impairment on financial assets		2,552,942	(3,766,702)
		169,351,624	**132,290,719**
Changes in assets/liabilities			
Financial assets held for trading			
Loans and advances		(276,643,447)	(252,059,305)
Available-for-sale securities		651,422	(746,400)
Held to maturity securities		-	(23,211,000) \
Other Investments		(12,000,000)	
Other assets		18,680,884	(59,548,194)
Deposit liabilities		138,510,454	137,259,063
Current Tax Liabilities		(499,394)	1,367,770
Term loans		(16,777,344)	52,025,000
Other liabilities		21,600,136	2,198,131
Net cash (used in) / from operating activities before tax		**42,874,334**	**(10,424,217)**
Tax Paid		(10,000,000)	(12,000,325)
Net cash (used in) / from operating activities after tax		**32,874,334**	**(22,424,542)**
Cash flows from investing activities:			
Purchase of property and equipment		(19,849,626)	(27,344,961)
Net cash (used in) / from investing activities		**(19,849,626)**	**(27,344,961)**
Cash flows from financing activities:			
Taxation Arrears		-	
Dividends paid		-	8,872,454
Net cash (used in)/from financing activities		**-**	**8,872,454**
Net increase in cash and cash equivalents		13,024,708	(40,897,048)
Cash and cash equivalents at beginning of year		197,657,926	238,554,974
Cash and cash equivalents at end of year		**210,682,634**	**197,657,926**

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share Capital	Share premium	Statutory reserve	value reserves	Fair Risk reserves	Regulatory Retained earnings	Total
Balance at 1 January 2019	**110,905,670**	**3,448,652**	**218,552,843**	**-**	**42,757,726**	**344,575,588**	**720,240,479**
Total comprehensive income for the year							
Profit or loss			18,242,486			127,697,398	145,939,884
Adjustment in property investment							-
Taxation areas							-
Addittional Provision for investment value							-
Additional Impairment (Other Assets)							-
Addittional Impairment transfer to Regulatory Risk Reserve .					13,182,000	(13,182,000)	-
Dividend payment						(8,872,454)	(8,872,454)
Balance at 31 December 2019	**110,905,670**	**3,448,652**	**236,795,329**	**-**	**55,939,726**	**450,218,532**	**857,307,910**

Statement of Changes in Equity,2018

	Share Capital	Share premium	Statutory reserve	Fair value reserves	Regulatory 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			99,556,221	113,778,538
Adjustment in property investment						-	-
Taxation areas							-
Addittional Provision for investment value							-
Addittional 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**	**344,575,588**	**720,240,479**

FOR THE YEAR ENDED 31 DECEMBER 2019

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, 2020.

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.

1.3. Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

1.4 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

i. IFRS 9 Financial Instrument

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments that replaces IAS39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS9. IFRS9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS9 is effective for annual periods beginning on or after 1 January 2019, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39.

Furthermore, for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

Impairment

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances.
Hedge accounting
The Bank does not expect any impact as a result of applying IFRS 9.

ii. IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2019 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers.

However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.