

INFINITY MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020

PREPARED BY:
OLU ALADEJEBI & CO.
(CHARTERED ACCOUNTANTS)
4, Turton Street,
Sabo – Yaba,
Lagos.

INFINITY MICROFINANCE BANK LIMITED
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INFINITY MICROFINANCE BANK LIMITED

CORPORATE INFORMATION

DIRECTORS:

Pastor Bimbo Josiah-Ajayi – Chairman
Mr Gabriel Oludotun Adewunmi – Managing Director/CEO
Chief Godwin Okafor
Dr. Samson Amedu
Mr. Tope Oloniniyi
Mr. Jide Diya
Mrs. Kehide Olubi – Independent Director

ADMINISTRATION:

Mr Gabriel Oludotun Adewunmi – Managing Director/CEO
Mr. Segun Ogunniyi – Head, Research and Strategy
Mr. Johnson Adenowo – Head, Risk Management and Compliance
Mr. Dayo Oyewunmi – Head, Internal Audit and Investigation
Mrs. Christy Adeyemo – Head, Human Resources
Mr. Wilson Okiriwenwen – Head, Information Technology
Mr. Mutiu Oladele Salami – Head, Finance and Accounts
Mr. Aniekan Monde - Umo – Head, Banking Operation

REGISTRATION NUMBER: RC 618784

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

INFINITY MICROFINANCE BANK LIMITED

CHAIRMAN'S STATEMENT FOR YEAR ENDED 31 DECEMBER 2020

Distinguished shareholders, ladies and gentlemen, it is my pleasure to welcome you all to the Fourteenth 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 2020. The year 2020 was marred with grave uncertainties necessitated by Covid-19 global pandemic, economic recessions, disruptions of supply chains network, instability in the prices of crude oil, widespread poverty and broad macroeconomic instability.

GENERAL OUTLOOK

Like the global economy, the Nigerian economy officially fell back into recession in the third quarter of 2020. While the oil sector contracted due to the crash in the price of crude oil, the non-oil sector was affected by the lockdowns in place in most States of the country. The pandemic amplified the vulnerabilities of the Nigeria domestic economy. With the sharp fall in crude oil earnings, the fiscal deficit widened to record levels. The Central Bank of Nigeria (CBN) devalued the currency thrice, in recognition of the pressure on external reserves. Unemployment rose higher, while the shutdown of the borders and supply side challenges drove the inflation rate higher.

The recession experienced by Nigeria in the year 2020 was one of the worst recessions in several decades and a second recession in a space of 5 years. While the rate of unemployment reached a peak of 27.1 percent as at June 2020, the World Bank estimated that in 2020, about 8.6 million Nigerians would fall into poverty. Real per capita incomes, according to the Bank, are expected to fall to levels like those seen in the 1980s. The loss in real output due to the impact of COVID-19 and other disruptions in 2020 was estimated at N5.8 trillion, but up to N11.6 trillion in nominal terms. Apart from the direct output loss, there were significant job losses, income losses, erosion of monetary value of Naira, among others.

THE YEAR OF PANDEMIC & RECESSION

The global economy experienced drastic changes since the first cases of COVID-19 were reported in China in December 2019. The novelty of the virus is in the speed at which it spread prompted unprecedented levels of nationwide lockdown in virtually all countries across the world. In addition, the pandemic exposed fragilities in the global healthcare system, which was ill-equipped to cope with the surging number of infections. By March 2020, WHO had declared the virus a pandemic as over 100 countries had recorded cases of the virus, causing widespread shutdown of international travels, and a halting of all non-essential services.

Although the trajectory of economic growth had been improving in Nigeria since 2017, economic growth was still fragile and driven by only few sectors, as was the case leading up to the recession in 2016. Unfortunately, COVID-19 and other disruptions of 2020 appeared to reversed the gains achieved since 2017. When compared with countries like Indonesia, China, Singapore and Malaysia that have exponentially expanded their real income for decades, the Nigerian economy, in recent times, was never far from the realities of the 1980s.

The Nigerian economy have remained heavily dependent on the oil sector, which accounts for over 95 percent of export earnings and about 40 percent of government revenues as most as most of the efforts geared at promoting non-oil exports have not yielded much results. Manufactured goods accounted for 4.4% of total exports in the third quarter of 2020. Unfortunately, the crude oil industry was worse hit by the Covid-19 pandemic. Consistent decline in oil prices triggered by lower demand due to the implementation of lockdowns across countries led to several revisions of the benchmark crude oil price in the 2020 budget, which was later

pegged at US\$28 per barrel from US\$57 per barrel when the budget was passed in December 2019. Shortfall in oil revenue that followed was supported by a sharp increase in public debts which rose to N32.2 trillion as at September 2020 from N27.4 trillion in December 2019.

Another major highlight of 2020 was the implementation of land border closure which resulted in a decline in earnings from non oil exports. This policy decision reversed the few gains made in the last couple of years and further exacerbated the challenges facing the economy. In addition to a sharp and consecutive increase in prices of goods which saw inflation rate rose from 11 percent in August 2019 to 14.9 percent in November 2020. Many non-oil exporters that serviced neighbouring countries suffered losses. This was a huge cost to the economy. The closure had a heavy implication on businesses, both formal and informal players.

Incidentally, the pandemic also constituted a heavy strain on the ability of government to adequately cater for the needs of citizens and businesses in times of crisis. With the implementation of lockdowns and restrictions across major states, the government needed to step up in providing palliatives for affected citizens who were estranged from work and from making a living. Prior to the pandemic, the number of poor people in Nigeria stood at 83 million, according to the National Bureau of Statistics. Several factors such as inadequate data on affected citizens, ineffective delivery systems and mechanisms as well as issues relating to accountability and transparency limited the states' reach of affected citizens.

Despite the ambition of the current administration to lift 100 million people out of poverty in the next 10 years, the World Bank, in its Nigeria Development Update, noted that before COVID-19, about 2 million Nigerians were expected to fall into poverty in 2020. The institution further stated that with COVID-19, the recession is likely to push an additional 6.6 million Nigerians into poverty in 2020, bringing the total newly poor to 8.6 million. This, therefore, implies an increase in the total number of the poor populace in Nigeria to about 90 million in 2020

Already, the devastating impacts of the twin phenomenon of poverty and unemployment are being felt across several parts of the country as manifested in the level of insecurity - kidnappings, theft, and other social vices. The violence that followed the End SARS protests in late October of 2020 is a testament of the heightened aggravation of the young and agile citizens towards the ruling class, especially a section of the Police force considered exploitative and brutal. This implies that the conversation for achieving inclusive economic recovery has never been even more important.

OPERATING ENVIRONMENT DURING THE YEAR

After reporting the first case of Coronavirus case in Nigeria on 27th February 2020 in Lagos and in many more cases that followed, the Lagos State Government and indeed the Federal Government of Nigeria had to impose a lockdown in most States of the Federation in order to contain the spread of the disease. The entire Second Quarter of the year was a very difficult period for business and the citizenry as most businesses was under lock and key for the most part while the Covid-19 infection took its heaviest toll on the life and health of the citizenry.

Distinguished shareholders, you will recall that as the government and the business community was putting in the efforts to slow down the spread of the Covid-19 calamities and revitalize the business community, a fresh headwind christened End-SARS Protests took the center stage in the Country with Lagos State being the worst hit. The End-SARS protest, which engulfed major part of the third quarter degenerated major Nationwide civil unrest and rioting that led to loss of lives, properties and disruptions of socio- economic activities all over the country. The combined impacts of the Covid-19 Pandemic and the End-Sars protects with continued into the end of the year made the year 2020 one of the most difficult years in the last few decades.

While the entire business community was thrown into deep crisis during the year as a result of the Covid-19 Pandemic and the End-Sars Protests on one hand and the pre-existing precarious economic conditions of the nation on the other hand, the Small and Medium Enterprises, which is the sector we are focused on became the worse hit. Most small business owners in Nigeria ended the year counting the costs of this year's disruptive events which threw most several startups out of business. Most of the State Governments and several private sector players stepped up efforts to help individuals and businesses affected by the Covid-19 and End-SARS protests to recover by launching a number of relief grants for persons worst affected by the crisis. The year 2020 goes down as probably the worst ever, for most SMEs in Nigeria in recent time.

The Nigerian Government through the CBN has taken a number of far reaching measures to combat the challenges posed by the Covid-19 Pandemic and other accompanying economic challenges. Some of the measures include NGN100 billion to support the health sector, NGN2 trillion to the manufacturing sector, and NGN1.5 trillion to impacted industries in the real sector. Others include NGN50 billion targeted credit facility through NIRSAL Microfinance Bank for households and MSMEs. Regulatory forbearance was also introduced to restructure loans in impacted sectors.

On 12 November 2020, President Muhammadu Buhari assented to the Banks and Other Financial Institutions Act 2020 (the Act). The Act repealed the Banks and Other Financial Institutions Act 1991 and with the addition of novel provisions, seeks to improve the efficiency of the country's financial system. This effectively enlarges the scope of the CBN's regulatory powers to include certain types of Fintech companies and activities.

We noted that there has been an astronomical growth of fintech startups driven by the increasing digitization of financial services, relatively low cost of operations, rising globalization of regulatory structures. Not a few Fintech companies now offers beyond mobile banking, deposits and withdrawals, but a full range of financial services that drive financial inclusion including credit and loans. The lockdowns and government-driven stimulus responses have accelerated underlying needs to adopt digital and financial inclusion, particularly among seniors and other consumers at the bottom of the pyramid. With consumers turning to digital options during lockdown and government using digital channels to roll out aid packages, it has become clear that there is an untapped opportunity to induct the under banked and unbanked to the financial systems through fintech solutions and unlock the economic and social benefits that this promises.

Another major regulatory change in 2020 is the passing of the Finance Act 2020. The new Act coming into effect in February 1st 2020 seeks to cut taxes for small businesses, which is our focused sector. The Act exempts small businesses with annual turnover of less than ₦25 million from paying Company Income Tax (CIT). Also, CIT for businesses with gross profit between ₦25 million to N100 million was also reduced from 30% to 20%. The benchmarked 30% will remain for Large scale Businesses earning ₦100 million or above in gross profit. All businesses are now required to provide their Tax Identification Number (TIN) as a precondition to holding and maintaining a bank account in Nigeria. Existing account holders are required to provide their TINs to continue operating their accounts. The new Finance Bill affect every business owner in one way or another, regardless of where they are in terms of scale.

Another innovation in the financial landscape in 2020 is the introduction of Payment Service Banks (PSBs) which is a new category of bank with smaller-scale operations and the absence of credit risk and foreign exchange operations. In addition to operating current and savings accounts they can also offer payments and remittance services, issue debit and prepaid cards, deploy ATMs and other technology-enabled banking services. Unlike deposit money banks (DMBs) and microfinance banks (MFBs) PSBs have a heavy reliance on technology via digital financial services, complemented with a strong agent banking model, which is meant to reduce overhead costs. One peculiarity of PSBs is they are not permitted to offer loans or credit facilities to their customers — they can only receive deposits. Thus, Payment Banks cannot entirely replace traditional

Deposit Money Banks and Microfinance Banks, but they can serve as intermediate providers of financial services to new customers.

The year 2020 is undoubtedly a very turbulent year for the banking industry and our business as a Microfinance Bank, the Bank have had to redouble her efforts in managing and protecting the interest and businesses of her customers, Staff and other stakeholders. Our firm believe is that “tough time will not last forever” and “this also shall pass”. More than ever before, we will continue to support our numerous customers as they navigate the turbulence of business through all the possible survival strategies already mapped out.

Though we did not open new Branches during the year, we personalized our relationships with existing customers. More than before, we worked with some of them to restructure their businesses in line with the reality of the new dispensation or “new normal”. We also renewed and strengthened our relationship with some of our local and international partners, especially, Development Bank of Nigeria and Oikocredit International. We strengthened our workforce in area of strategic needs, especially Training Unit and Ebanking Department. We also invested in human capital development by acquiring new facilities for Training our numerous Staff.

At this juncture, I need to mention that in compliance with the Code of Corporate Governance for Microfinance Banks in Nigeria issued by the CBN in October 2018, our pioneer Managing Director and Chief Executive Officer in the person of Mrs. Clara Oloniniyi who has served in the capacity of the MD/CEO for more than ten (10) years has now stepped down from the position and a new Managing Director/Chief Executive Officer has been appointed in the person of Mr. Gabriel Oludotun Adewunmi by the Board of Directors. The appointment of Mr. Gabriel Oludotun Adewunmi has been approved by the Central Bank of Nigeria effective 1st March, 2020.

On behalf of the Board of Directors, Management, Staff, Shareholders and all Stakeholders of Infinity Microfinance Bank Limited, we thank most sincerely, Mrs. Clara Oloniniyi, the pioneer and out-going Managing Director and Chief Executive Officer of the Infinity Microfinance Bank for her immeasurable contribution to the success of the Bank just as we welcome Mr. Gabriel Oludotun Adewunmi, our new MD/CEO on Board.

OPERATING RESULTS

Ladies and gentlemen, fellow shareholders, I am pleased to inform you that despite the unstable business environment under which we operated in 2020, our Bank recorded moderate results in accordance with our tradition and trends in the past years.

Our gross earning recorded 0.06% decrease from ₦709,881,673 for the years ended 31st December 2019 compared to ₦705,723,089 for the year ended 31st December 2020. Likewise, the Total Assets grew by 42.6% from a sum of ₦1,850,614,667 for the years ended 31st December 2019 compared to ₦2,639,214,709 for the year ended 31st December 2020. Our Loan portfolio also grew from a total of ₦1,403,000,445 as at 31st December 2019 to ₦1,842,207,728 as at 31st December 2020 thereby recording an increase of 31.3%. On the profitability index, our Profit Before tax decreased by 34% from ₦159,689,884 as at 31st December 2019 to ₦119,113,764 as at 31st December 2020 while the profit After Tax decreased by 36% from ₦145,939,884 as at 31st December 2019 to ₦107,113,764 as at 31st December 2020.

Our progressive result has been consistent over the years because we have always demonstrated capacity to respond swiftly to the various headwinds that comes with each year and thereby sustain our growth trajectory even in a very turbulent period. Now that the prospects are get clearer that the Pandemic will be eased in the

new year based on the concerted efforts in providing vaccinations, the prospects are much better for our Banks to continue to grow in the years ahead.

The result we have posted this turbulent year will not have been possible without exceptional commitment of our management and staff and the unwavering support of customers. The quality of our people has been the pillar of our consistent growth and vibrancy. As we hopefully put the Pandemic behind this new year, we shall continue to thrive by sticking to our culture of excellent customer service, respect for the customer and other stakeholders while keeping our cost low by minimizing 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 2020. To effect these changes a special resolution has been proposed by the Board at the Annual General Meeting.

FUTURE CHALLENGES AND OPPORTUNITIES

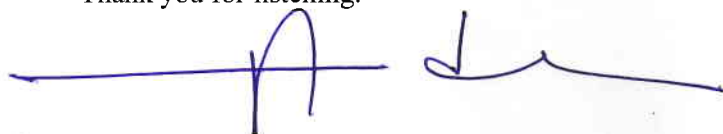
In a circular issued to all Microfinance Banks on April 29, 2020, **The Central Bank of Nigeria (CBN)** **extended** the deadlines issued to Microfinance Banks (MFBs) to comply with its revised minimum capital requirements. This was in consideration of the impact of the coronavirus (COVID-19) pandemic on economic activities in the country.

Consequently, the CBN has extended the deadline for State MFBs to increase their Capital to N500 million by April 2021 and N1 billion by April 2022. With the moderate success of the first tranche of the private offer of the One Hundred Million Shares of Infinity Microfinance Bank at 4.25 per share which eventually closed in April 2020, the Bank is well prepared to meet up with the new deadline.

Distinguished shareholders, at a time that the entire nation and indeed the whole world is going through a great challenge, the microfinance sector is very critical relevance to survival of the economy and the citizenry, even more than before. Infinity Microfinance Bank Limited will continue to be a leading light in the industry. We will continue to blaze the trail among our peers by providing first class customized services to thousands of our customers in Lagos State:

Finally, I thank my colleagues on the Board of Directors for your unflinching support and dedication and invaluable contributions during the year 2020.

Thank you for listening.

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a horizontal line and a small flourish.

Pastor Bimbo Josiah-Ajayi
Chairman, Board of Directors

INFINITY MICROFINANCE BANK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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, 2020.

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 2020 as follows:

	Number of ordinary shares held	
	Direct Holding	Indirect Holding
Mr Gabriel Oludotun Adewunmi	871,667	
Chief Godwin Okafor	51,394,667	-
Dr. Samson Amedu	7,153,000	
Mr Jide Diya	5,066,667	
Mr. Bimbo Josiah Ajayi	-	1,862,432
Mr Tope Oloniniyi	-	82,821,334

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. 2020	31 Dec. 2019
	₦	₦
Profit for the year	119,113,764	159,689,884
Provision for tax	<u>(12,000,000)</u>	<u>(13,750,000)</u>
Retained profit	<u>107,113,764</u>	<u>145,939,884</u>

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER, 2020

In accordance with the provision of sections 334 and 335 of the Companies and Allied Matters Act 2020 as amended, 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 and 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

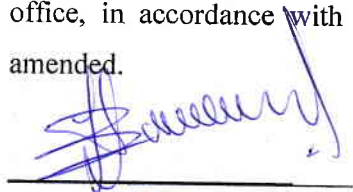
The Microfinance Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.

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, 2020 as amended.



Company Secretary

By Order of the Board

February 23, 2021

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER, 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 8 members, including the Chairman.

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

Responsibility

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

Specifically, the responsibilities of Infinity Microfinance Bank Limited Board of Directors are:

- ✓ Determining the Microfinance Bank's objectives and strategies as well as plans to achieve them;
- ✓ Determining the terms of reference and procedures of the Board Committees, including reviewing and approving the reports of such committees where appropriate;
- ✓ Considering and approving the annual budget, monitoring performance, and ensuring that Infinity Microfinance Bank is a going concern;
- ✓ Ensuring that effective risk management process exists and is maintained;

- ✓ Retaining responsibility for systems of financial, operational and internal control and regulatory compliance, as well as ensuring that statutory reporting of these is adequate.

Chairman and Chief Executive

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

Standing Committees

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

The Board Credit Committee

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

Committee's Terms of Reference

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

- ✓ To perform such other duties and responsibilities as the Board of Directors may assign from time to time.
- ✓ To recommend non-performing credits for write-off by the Board.

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 2020 as amended. 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.



OLU ALADEJEBI & CO.

(Chartered Accountants)

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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, 2020, the statements of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2020, summary of significant accounting policies and other explanatory information, as set out on pages 21-66

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of **Infinity Microfinance Bank Limited** as at 31 December 2020, 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 2020 as amended, 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 2020 as amended.

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.

Related Party Transactions.

There were no related party transactions during the year.


Olufemi Aladejebi

FRC NO.: FRC/2013/ICAN/00000001813

Olu Aladejebi & Co.

(Chartered Accountants)

Lagos, Nigeria

February 24, 2021



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.

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Olufemi Aladejebi

FRC NO.: FRC/2013/ICAN/00000001813

Olu Aladejebi & Co.

(Chartered Accountants)

Lagos, Nigeria


February 24, 2021





INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
Assets	Notes	N	N
Cash and cash equivalents	4	489,235,500	210,682,633
Financial assets held for trading			
Loans and advances	5	1,842,207,728	1,403,000,445
Investment Securities:			
- Available-for-sale securities	6	4,590,918	4,590,918
- Held to maturity securities	7	79,018,000	78,211,000
Other Investment	7ii	-	12,000,000
Other assets	8	110,111,210	59,879,995
Property Plant and equipment	9	114,051,353	82,249,676
Total assets		2,639,214,709	1,850,614,667
Liabilities:			
Deposit liabilities	10	896,822,480	781,370,469
Deposit for shares		35,023,500	
Current tax liabilities	11	10,797,803	18,011,294
Term loans	12	659,791,667	147,472,222
Other liabilities	13	81,671,200	46,452,773
Total liabilities		1,684,106,650	993,306,759
Net assets		955,108,059	857,307,909
Equity:			
Share capital	14	110,905,670	110,905,670
Retained earnings	15	534,629,462	450,218,532
Other reserves	16	309,572,928	296,183,707
Total equity attributable to equity holders of the Company		955,108,059	857,307,909

Signed on behalf of the Board of Directors on February 23rd, 2021.


Mr. O. Salami
Head of Account


Mr Gabriel O. Adewunmi
Managing Director
FRC NO.: FRC/2014/CIBN/00000007238


Pastor Bimbo Josiah-Ajayi
Chairman
FRC NO.: FRC/2020/003/000000020435

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	N	N
Interest income			
	17	583,020,190	552,083,424
Interest expense			
	18	(72,245,926)	(40,687,875)
Net interest income		510,774,264	511,395,549
Fee and commission income			
	19	122,702,899	157,798,249
Operating income		633,477,163	669,193,798
Impairment loss on financial assets	5ii	(23,395,019)	2,552,942
Provision for other Known Losses		-	(25,119,000)
Depreciation expenses	9ii	(29,455,494)	(22,094,195)
Personnel expenses	20	(304,567,754)	(301,589,897)
Other operating expenses	21	(156,945,132)	(163,253,763)
Profit before income tax		119,113,764	159,689,884
Provision For Tax		(12,000,000)	(13,750,000)
Profit for the year		107,113,764	145,939,884
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	107,113,764	145,939,884
Earnings per share - basic (kobo)		48.29	65.79

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 N	2019 N
Cash flows from operating activities:			
Profit for the period:		119,113,764	159,689,884
Tax expense		(12,000,000)	(13,750,000)
Profit after tax		107,113,764	145,939,884
Adjustments for:			
Depreciation of property and equipment		29,455,494	22,094,195
Other Adjustment		3,608,579	(1,235,397)
Impairment on financial assets		(23,395,019)	2,552,942
		116,782,818	169,351,624
Changes in assets/liabilities			
Financial assets held for trading			
Loans and advances		(439,207,283)	(276,643,447)
Available-for-sale securities		-	651,422
Held to maturity securities		(807,000)	-
Other Investments		12,000,000	(12,000,000)
Other assets		(50,231,215)	18,680,884
Deposit liabilities		115,452,011	138,510,454
Deposit for shares		35,023,500	
Current Tax Liabilities		(7,213,491)	(499,394)
Term loans		512,319,444	(16,777,344)
Other liabilities		35,218,427	21,600,136
Net cash (used in) / from operating activities before tax		329,337,211	42,874,334
Tax Paid		(13,750,000)	(10,000,000)
Net cash (used in) / from operating activities after tax		315,587,211	32,874,334
Cash flows from investing activities:			
Purchase of property and equipment		(62,423,566)	(19,849,626)
Net cash (used in) / from investing activities		(62,423,566)	(19,849,626)
Cash flows from financing activities:			
Share Capital		-	-
Other Reserves		13,389,220	-
Taxation Arrears		12,000,000	-
Net cash (used in)/from financing activities		25,389,220	-
Net increase in cash and cash equivalents		278,552,866	13,024,708
Cash and cash equivalents at beginning of year		210,682,634	197,657,926
Cash and cash equivalents at end of year		489,235,500	210,682,634

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR
ENDED 31 DECEMBER 2020

	Share Capital	Share premium	Statutory reserve	Regulatory Risk reserves	Retained earnings	Total
Balance at 1 January 2020	110,905,670	3,448,652	236,795,329	55,939,726	450,218,532	857,307,910
Total comprehensive income for the year						
Profit or loss	-	-	13,389,220	-	93,724,543	107,113,764
Opening balance adjustment	-	-	-	-	-	-
New Issues on Share Capital	-	-	-	-	-	-
Addition to Share Premium	-	-	-	-	-	-
Taxation areas	-	-	-	-	-	-
Additional Provision for investment value	-	-	-	-	-	-
Additional Impairment (Other Assets)	-	-	-	-	-	-
Additional Impairment transfer to Regulatory Risk Reserve	-	-	-	-	-	-
Dividend payment	-	-	-	-	(9,313,614)	(9,313,614)
Balance at 31 December 2020	110,905,670	3,448,652	250,184,550	55,939,726	534,629,462	955,108,059

Statement of Changes in Equity, 2019

	Share Capital	Share premium	Statutory reserve	Regulatory Risk reserves	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
Opening balance adjustment	-	-	-	-	(8,872,454)	(8,872,454)
Taxation areas	-	-	-	-	-	-
Additional Provision for investment value	-	-	-	-	-	-
Additional Impairment transfer to Regulatory Risk Reserve	-	-	-	13,182,000	(13,182,000)	-
Dividend payment	-	-	-	-	-	-
Balance at 31 December 2019	110,905,670	3,448,652	236,795,329	55,939,726	450,218,532	857,307,910

INFINITY MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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 23rd, 2021.

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 2020.

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 2020, 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 2020 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.

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 2020. 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 2019) as there is no impact of restatement for the year ended 31 December 2019.

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 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-impaired, 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).

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 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 2020. The 2019 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.

2.3.1 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.

2.3.2 Classification of financial instruments

Policy applicable from 1 January 2020

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 2020

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.

2.3.3 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:

- 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.

2.3.4. Reclassifications

i. Policy applicable after 1 January 2020

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).

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, Infinity'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 financial instruments with less than three months to maturity.

2.3.5 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 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

2.3.6 Impairment of financial assets

i. Policy applicable from 1 January 2020

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 credit adjusted 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).

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 draw down 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 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

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 as 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 2020, 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.

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.

4.0.1 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.

4.0.2 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.

4.0.3 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.

4.0.4 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.

4.0.5 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.

4.0.6 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.

4.0.7 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.

4.0.8 Deferred Tax

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

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

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

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

4.0.9 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.

4.10 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.

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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

Classification	Percentage Provided
Performing	1%
Pass and Watch	5%
Substandard	20%
Doubtful	50%
Lost	100%

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

The results of the application of Prudential Guidelines and the impairment determined for these assets under 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.

4.15 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.

4.16 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 2020	December 2019
	N	N
Tier 1 capital		
Ordinary share capital	110,905,670	110,905,670
Retained earnings	534,629,462	450,218,532
Statutory reserves	250,184,550	236,795,329
Share premium	<u>3,448,652</u>	<u>3,448,652</u>
Total qualifying Tier 1 capital (A)	<u>899,168,334</u>	<u>801,368,183</u>
Tier 2 capital		
Fair value reserve for available for sale securities	-	-
Regulatory risk reserves	55,939,726	55,939,726
Total qualifying Tier 2 capital (B)	55,939,726	55,939,726
Total regulatory capital (C)=(A+B)	955,108,059	857,307,909
Risk-weighted assets (D)	2,639,214,709	1,850,614,667
Capital Adequacy ratio (CAR) = (C/D)	36%	46%

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.

4.17 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.

4.18 Critical accounting judgments in applying the Bank's accounting policies

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

- ✓ Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3

The Bank measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:

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

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

31 December 2020	Level 1	Level 2	Level 3	Total
	N	N	N	N
Financial assets held for trading		-	-	
Available for sale investment	4,590,918	-	-	4,590,918
31 December 2019				
Financial assets held for trading				
Available for sale investment	4,590,918	-	-	4,590,918

4.19 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

4.20 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.

4.21 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.

4.22 Geographical segments

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

NOTES TO THE FINANCIAL STATEMENTS

4 Cash and cash equivalents

	2020 N	2019 N
Cash in hand	19,136,265	11,020,835
Current accounts with banks in Nigeria	126,204,498	96,083,376
Money market placements	343,894,737	103,578,422
	489,235,500	210,682,633

BALANCES HELD WITH OTHER BANKS

First Bank Plc	28,595,539	11,420,329
Wema Bank Plc -Ojota	3,875,052	3,170,064
Guaranty Trust Bank Plc.-Lagos	27,667,491	65,682,798
Fidelity Bank Plc.	13,668,264	5,662,965
Polaris Bank .-Ikorodu	2,048,647	2,742,683
Zenith Bank Plc.	24,175,185	1,974,926
First City Monument Bank Plc.	38,375	38,375
Sterling Bank Plc.	25,917,459	5,391,234
Keystone Bank pLc.	218,485	-
	126,204,498	96,083,376

PLACEMENTS

Wema Bank	-	81,000,000
First Bank Plc.	84,000,000	-
Keystone Bank pLc.	236,838,769	-
Zenith Bank Plc.	23,055,968	22,578,422
	343,894,737	103,578,422

5 Loans and receivables

Stage 1-12 Months ECL	1,752,997,921	1,375,408,709
Stage 2 - Life Time ECL Not Credited Impaired	132,620,203	31,792,196
Stage 3 - Non Performing Loans	9,695,671	25,510,587
Gross Loans and Advances	1,895,313,794	1,432,711,492

5i Less Allowances for Impairment:

Stage 1-12 Months ECL	17,529,979	11,003,270
Stage 2 - Life Time ECL Not Credited Impaired	16,492,744	1,589,610
Stage 3 - Non Performing Loans	19,083,342	17,118,167
Total Allowance	53,106,066	29,711,047

Net Loans and Advances

	1,842,207,728	1,403,000,445
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5ii Movement of Loan Impairment

Balance b/f	29,711,047	32,263,989
Charge for the Year	23,395,019	(2,552,942)
Impairment for the year	53,106,066	29,711,047

Breakdown of Movement

Stage 1-12 Months ECL	17,529,979	11,003,270
Stage 2 - Life Time ECL Not Credited Impaired	16,492,744	1,589,610
Stage 3 - Non Performing Loans	19,083,342	17,118,167
Total Allowance	53,106,066	29,711,047

Loan by Type:

Micro loans and advances	756,951,370	1,155,911,632
Small and medium enterprise loans	1,131,069,512	266,821,293
Micro Lease Loan	1,962,836	4,667,673
Hire purchase	4,405,819	4,479,431
Staff loans	924,258	831,463
	1,895,313,795	1,432,711,492

By Maturity profile:

Under 1 month	800,700,259	605,499,896
1 to 3 months	481,254,918	323,813,166
3 to 6 months	386,067,819	290,325,739
6 to 12 months	139,372,888	100,063,725
Over 12 months	87,917,910	113,008,966
	1,895,313,795	1,432,711,492

5b	Movement in loans and advances	2020	2019
		N	N
	Opening Net loans	1,432,711,492	1,158,620,987
	Advances during the year -net	462,602,302	274,090,505
		<u>1,895,313,794</u>	<u>1,432,711,492</u>
	Impairment during the Year	-	-
	Net Loans and advances	<u>1,895,313,794</u>	<u>1,432,711,492</u>
6	Available for sale financial assets		
	Equities	11,957,629.45	11,957,629.45
	Impairment	(7,366,710.96)	(7,366,710.96)
		<u>4,590,918.49</u>	<u>4,590,918.49</u>
7	Held to maturity securities		
	Treasury bills	79,018,000	78,211,000
	Less: specific allowance impairment	-	-
		<u>79,018,000</u>	<u>78,211,000</u>
7ii	Other Investments		
	ISEC	-	12,000,000
		<u>-</u>	<u>12,000,000</u>
8	Other assets		
	Prepayments	48,136,200	35,313,414
	Other receivables	61,975,010	49,685,581
		<u>110,111,210</u>	<u>84,998,995</u>
	Provision for other Loan Losses	-	(25,119,000)
		<u>110,111,210</u>	<u>59,879,995</u>
8i	Prepayments		
	Prepaid Rent	23,598,700	
	Stock of ATM Cards	9,237,500	
	Prepaid Insurance	15,300,000	
		<u>48,136,200</u>	

8ii	Other Receivables	2020 N
	Int Rec'- Bless Group Loan	488,390
	Int Rec'- DBN Loan	5,928,292
	Int Rec'- DPA loan	7,809,810
	Int Rec'- General Loan	37,733,048
	Int Rec'- I Go Build Loan	4,730
	Int Rec'- IDA Loan	6,545,939
	Int Rec'- ISDA loan	512,977
	Int Rec'- Lease Loan	3,068
	Int Rec'- Salary Nownow Loan	240,779
	Int Rec'- Staff Loan	7,310
	OD int Rec- Current Acc	1,128,931
		<u>1,571,736</u>
	Cheque Receivable- Fidelity Bank	<u>61,975,010</u>

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY PLANT AND EQUIPMENT

9. PROPERTY AND EQUIPMENT	Building N	Plant & Machinery N	Furniture Fittings & Office Equipment N	Computer Equipment N	Motor Vehicles N	Total N
Cost:						
At 1 January 2020	61,427,362	8,329,661	15,604,603	18,129,998	22,901,000	126,392,624
Additions	11,600,000	1,983,000	9,955,869	19,304,000	19,580,697	62,423,566
Disposal	-	-	(2,311,995)	(2,919,498)	(583,198)	(5,814,691)
Other adjustments	73,027,362	10,312,661	23,248,477	34,514,500	39,998,499	181,101,498
Depreciation:						
At 1 January 2020	15,671,393	2,459,201	8,459,958	7,269,053	10,283,343	44,142,948
Charge for the year	6,667,736	2,522,707	4,330,674	8,245,772	7,688,605	29,455,494
Eliminated on Disposals	-	-	(2,311,995)	(2,919,498)	583,197	(4,648,296)
Other adjustments	22,339,129	4,981,908	10,520,897	12,595,326	16,612,886	67,050,146
Net book value:						
At 31 December 2020	50,688,233	5,330,753	12,727,580	21,919,174	23,385,613	114,051,353
At 31 December 2019	45,755,969	5,870,460	7,144,645	10,860,945	12,617,657	82,249,676

NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	N	N
10 Deposit liabilities		
Current	77,141,231	51,773,941
Savings	546,923,662	527,790,286
Term	272,757,588	201,806,242
	<u>896,822,480</u>	<u>781,370,469</u>
11 Taxation		
<i>Current Tax liabilities</i>		
Statement of Financial Position		
Balance brought forward	18,011,294	18,510,688
Tax Provision for the year	8,800,000	5,659,118
	<u>26,811,294</u>	<u>24,169,806</u>
Payment during the year	(16,013,491)	(6,158,512)
Balance carried forward	<u>10,797,803</u>	<u>18,011,294</u>
Income Statement		
Income tax	12,000,000	13,750,000
	<u>12,000,000</u>	<u>13,750,000</u>
12 Term loans		
Development Bank of Nigeria PLC Fund	236,291,667	147,472,222
Oikocredit Ecumenical Development Cooperatives	423,500,000	-
	<u>659,791,667</u>	<u>147,472,222</u>
13 Other liabilities		
Account payable	6,208,512	3,158,747
Accrued expenses	564,319	126,964
Other accounts payable	74,898,370	43,167,062
	<u>81,671,200</u>	<u>46,452,773</u>
14 Capital and reserves		
Share capital		
(a) Authorised :		
Ordinary shares of N1 each	<u>150,000,000</u>	<u>150,000,000</u>
(b) Issued and fully paid -		
221,811,340 Ordinary shares of 50k each.	<u>110,905,670</u>	<u>110,905,670</u>
Balance, beginning of the year	110,905,670	110,905,670
New issues during the year	-	-
Balance, end of the year	<u>110,905,670</u>	<u>110,905,670</u>

NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	N	N
15 RETAINED EARNINGS		
Balance at 1 January	450,218,532	344,575,587
Opening adjustment restatement	(9,313,614)	(8,872,454)
Restated opening balance	440,904,918	335,703,133
Total comprehensive income for the year	107, 113,764	145,939,884
Adjustment in property investment	-	-
Transfer to statutory reserve	(13,389,220)	(18,242,486)
Dividend paid	-	-
Taxation Arrears	-	-
Additional Impairment transfer to Regulatory Risk Reserve	-	(13,182,000)
	534,629,462	450,218,532
16 NOTE TO OTHER RESERVES		
Share premium	3,448,652	3,448,652
Statutory reserve	250,184,550	236,795,329
Regulatory reserve	55,939,726	55,939,726
	309,572,928	296,183,707
Total Equity	844,202,390	746,402,239
Regulatory Risk Reserve		
As at 1 January Transfer from retained earning	55,939,726	42,757,726
Addition during the Year	-	13,182,000
As at December	55,939,726	55,939,726
<p>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</p>		
17 Interest income		
Interest on loans	570,043,527	525,502,955
Interest on deposit	11,634,202	26,552,621
Interest on current accounts	1,342,461	27,848
Total Interests Income.	583,020,190	552,083,424

18 Interest Expense		
Savings account	773,415	1,087,132
Fixed deposit account	19,934,822	12,398,031
LASMI Fund	1,594,247	4,729,863
BOI Fund	958,333	708,333
OIKO Fund	15,000,000	-
DBN Fund	24,912,162	9,236,490
Other accounts	9,072,947	12,528,026
Total interest expense	<u>72,245,926</u>	<u>40,687,875</u>
Net Interest Income	<u>-</u>	<u>-</u>
19 Fees and commission income		
Commission and charges	121,962,379	156,295,391
Income from non financial services	740,520	1,502,858
Total fee and commission income	<u>122,702,899</u>	<u>157,798,249</u>
20 Personnel expenses		
Wages and salaries	263,214,289	239,535,589
Contributions to defined contribution plans	7,552,361	7,076,625
Other staff costs	33,801,104	54,977,683
	<u>304,567,754</u>	<u>301,589,897</u>
21 Other operating expenses		
Directors' emoluments	3,075,000	2,825,000
Auditors' remuneration	1,500,000	1,500,000
Others	152,370,132	158,928,763
	<u>156,945,132</u>	<u>163,253,763</u>

NOTES TO THE FINANCIAL STATEMENTS

22. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2020 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

	2020	2019
	N	N
Issued ordinary shares at beginning of the year	110,905,670	110,905,670
Weighted effect of shares issued during the year	-	-
	<u>110,905,670</u>	<u>110,905,670</u>
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	<u>107,113,764</u>	<u>145,939,884</u>
Earnings per share (kobo)	<u>48.29</u>	<u>65.79</u>

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	<u>212</u>	<u>206</u>
	<u>250</u>	<u>239</u>

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 N1million	173	181
N1, 000, 001 - N1, 500, 000	33	29
N1, 500, 001 - N2, 500, 000	31	18
N2, 500, 001 - N3, 500, 000	<u>13</u>	<u>11</u>
	<u>250</u>	<u>239</u>

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, 2020

27 Related Parties-Transactions with Key Management Personnel

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

VALUE ADDED STATEMENT

	2020		2019	
	N	%	N	%
Gross interest income	583,020,190		552,083,424	
Other income	122,702,899		157,798,249	
Bought in materials and services				
Interest expense	(72,245,926)		(40,687,875)	
Other expenses	(171,026,538)		(185,819,821)	
Value added	462,450,625	100	483,373,977	100
Distribution to employees				
Employee cost	304,567,754	65.86	301,589,897	62.39
To government				
Corporate income tax	12,000,000	2.59	13,750,000	2.84
To shareholders				
Dividend paid during the year	9,313,614	2.01	-	0.00
The future				
Depreciation/ amortisation	29,455,494	6.37	22,094,195	4.57
Transfer to retained earnings and reserves	107,113,764	23.16	145,939,884	30.19
Value added	462,450,625	100	483,373,977	100

FIVE-YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019	2018	2017	2016
	N	N		N	N
Assets					
Cash and cash equivalents	489,235,500	210,682,633	197,657,925	238,554,974	154,763,542
Financial assets held for trading					
Loans and advances	1,842,207,728	1,403,000,445	1,126,356,998	874,297,693	759,912,199
Investment Securities:					
- Available-for-sale securities	4,590,918	4,590,918	5,242,340	4,495,940	4,495,940
- Held to maturity securities	79,018,000	78,211,000	78,211,000	55,000,000	65,000,000
Other Investments	-	-	-	-	-
Other assets	110,111,210	59,879,995	78,560,879	19,012,685	18,065,000
Intangible Asset	-	-	-	-	-
Property and equipment	114,051,353	82,249,676	84,684,244	77,829,346	78,678,434
Total assets	2,639,214,709	1,850,614,667	1,570,713,387	1,269,190,638	1,080,915,115
Liabilities:					
Deposit liabilities	896,822,480	781,370,469	642,860,016	505,600,953	381,699,050
Deposit for shares	35,023,500				
Current tax liabilities	10,797,803	18,011,294	18,510,688	17,142,918	12,516,558
Term loans	659,791,667	147,472,222	164,249,567	112,224,567	140,799,567
Other liabilities	81,671,200	46,452,773	24,852,638	22,654,507	43,171,428
Total liabilities	1,684,106,650	993,306,759	850,472,908	657,622,945	578,186,603
Net assets	955,108,059	857,307,909	720,240,479	611,567,693	502,728,513
Equity:					
Share capital	110,905,670	110,905,670	110,905,670	110,905,670	110,905,670
Retained earnings	534,629,462	450,218,532	344,575,587	253,891,821	187,344,812
Other reserves	309,572,928	296,183,707	264,759,221	246,770,202	204,478,031
Total equity attributable to equity holders of the company	955,108,059	857,307,909	720,240,478	611,567,693	502,728,513
Gross earning	705,723,089	709,881,673	585,234,276	523,685,600	491,828,227
Profit before taxation	119,113,764	159,689,884	123,778,538	133,336,949	120,979,678
Taxation	(12,000,000)	(13,750,000)	(10,000,000)	(12,000,325)	(10,875,000)
Profit after taxation	107,113,764	145,939,884	113,778,538	121,336,624	110,104,678
Earnings per share	48	66	51	55	50