Infinity
Microfinance Bank Ltd
Since 2001

20th ANNIVERSARY

'NFINITY MICROFINANCE BANK LIMITED
ABRIDGE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER, 2021.

	Notes	2021 ₦	2020 ₦
ssets			
ash and cash equivalents	4	685,972,432	489,235,500
Loans and advances	5	2,114,742,517	1,842,207,728
Investment Securities:			
Available-for-sale securities	6	14,590,918	4,590,918
Held to maturity securities	7	82,989,620	79,018,000
ther assets	8	116,660,395	110,111,210
Property Plant and equipment	9	107,753,729	114,051,353
Total assets		3,122,709,612	2,639,214,709
iabilities:			
eposit liabilities	10	970,821,890	896,822,480
Deposit for shares		35,023,500	35,023,500
Current tax liabilities	11	19,578,957	10,797,803
erm loans	12	836,891,972	659,791,667
ther liabilities	13	128,956,959	81,671,200
otal liabilities		1,991,273,277	1,684,106,650
Net assets		1,131,436,335	955,108,059
Equity:			
hare capital	14	110,905,670	110,905,670
etained earnings	15	668,340,501	534,629,462
ther reserves	16	352,190,164	309,572,928
Total equity attributable to equity holders of the Company		1,131,436,335	955,108,059

he Financial Statements were approved by the Board of Directors on ebruary 8th, 2022 and signed on its behalf by:

....
astor Bimbo Josiah-Ajayi – Chairman
RC NO.: FRC/2020/003/00000020435

....
abriel Oludotun Adewunmi - Managing Director/CEO
RC NO.: FRC/2014/CIBN/00000007238

....
Ir. O. Salami - Head of Accounts
RC NO.: FRC/2021/002/00000023236

ABRIDGE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 ₦	2020 ₦
Interest income	17	792,274,251	583,020,190
Interest expense	18	(139,511,958)	(72,245,926)
et interest income		652,762,294	510,774,264
ee and commission income	19	123,441,302	122,702,899
Operating income		776,203,596	633,477,163
Impairment loss on financial assets	5ii	(16,555,975)	(23,395,019)
dditional Impairment		(26,597,000)	-
epreciation expenses	9ii	(36,785,397)	(29,455,494)
ersonnel expenses	20	(307,884,781)	(304,567,754)
Other operating expenses	21	(187,738,555)	(156,945,132)
rofit before income tax		200,641,889	119,113,764
rovision For Tax		(15,000,000)	(12,000,000)
rofit for the year		185,641,889	107,113,764
Other comprehensive income, net of income tax			
air value gains/(losses) on available for sale investments			
ther comprehensive income for the year, net of tax			
otal comprehensive income for the year		185,641,889	107,113,764
Earnings per share - basic (kobo)	22	84	48.29

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INFINITY MICROFINANCE BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Infinity Microfinance Bank Limited ("the Microfinance Bank"), which comprise the statement of financial position as at 31 December, 2021, the statement of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2021, summary of significant accounting policies and other explanatory information set out on pages 22 to 67.

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, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard being Standards and interpretations issued by international Accounting Standards Board adopted by the Financial Reporting Council of Nigeria and in the manner required by the Companies and Allied Matters Act, CAP C20 LFN 2020, and the Banks and Other Financial Institutions Act, Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks in Nigeria and relevant Central Bank of Nigeria circular.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act 2020.

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
8 February, 2022

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
1193708

...unending growth

INFINITY MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2021

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 - Director Dr. Samson Amedu - Director Mr. Tope Oloniniyi - Director Mr. Olajide Diya - Director 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
CHAIRMANS STATEMENT FOR YEAR ENDED 31 DECEMBER 2021

Distinguished shareholders, ladies and gentlemen, it is my pleasure to welcome you all to the Fifteenth 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 2021.

KEY ECONOMIC HIGHLIGTS OF THE YEAR

The common thread that wove through the year is slow economic recovery amid the persistence of the Covid-19 pandemic as business pushed ahead on the recovery efforts and began shifting toward sustainable growth in a new normal world, while authorities push for greater inclusivity of vaccination. Business environment and financial services business was dominated with renewed push for digitalization and adjusting to the realities of the post-pandemic era.

The nation began the new year amid worries over its inflation figures and its ripple effects on the standard of living of the average Nigerian. According to the Consumer Price Index report released by the National Bureau of Statistics (NBS). Inflation rose to 18.17% from 17.33% recorded in February 2021 and stood at 18.12 per cent. The Bureau reported that in November 2021 Nigeria's inflation rate fell for the eighth consecutive month to 15.40 per cent from 15.99 per cent recorded in October.

On the macro-economic level, the National Bureau of statistics announced that the Nigerian economy had exited its second recession in five years in February 2021 by a slight growth of 0.11 percent. The World Bank corroborated the reports and projected that Nigeria's real GDP will rebound from a 1.8 percent contraction in 2020 to moderate growth of 1.4 percent in 2021. It said this will be driven by telecommunications services, trade due to gradual opening of borders, agriculture, and construction. It also stated that consumer spending and business investment are likely to remain subdued in 2021 because double-digit inflation, high unemployment, and the slow rollout of the COVID-19 vaccine will weigh on households' real income and business confidence.

Though the Federal government had stated its commitment to tackling unemployment and moving 100 million out of poverty in 10 years and claimed that 10.5 million had been moved out of poverty in 2 years, the world Bank had reported that fresh 7.5 million had been plunged back into poverty due to high inflation. The Nigerian National Bureau of Statistics had stated in 2020 that 40% or 83 million Nigerians live in poverty. Although Nigeria's poverty profile for 2021 has not yet been released, it is estimated that the number of poor people will increase to 90 million,

On public Debt, the Debt Management Office published Nigeria's Total Public Debt as at September 30, 2021. The Data, which includes the Total External and Domestic Debts of the Federal Government of Nigeria, thirty-six State Governments and the Federal Capital Territory, shows that Nigeria's Public Debt was N38.005tn at the end of Q3 2021. Out of this debt stock, N15.58 trillion was accumulated in the first nine months of 2021. The IMF in its publication stated that the country's debt-to-GDP ratio would increase from 35.7 percent in 2021to 36.9 per cent in 2022.Consequent on the Country's rising debt profile, debt servicing cost escalated to N2.49 trillion in first 9 months in 2021. Details in the final copy of the 2022 budget showed that out of the total budget of N17.1 trillion, over 22 per cent, estimated at N3.8 trillion will be spent on debt servicing while N6.9 trillion is budgeted for recurrent expenditure and N5.4 trillion is budgeted for capital expenditure.

On the value of the Naira, Nigeria had consistently devalued its currency on a yearly basis in the official market since the 2015/2016 recession. In 2016, it was devalued to N253 from N192 in 2015. It dropped to N305.8 in 2017, N306.1 in 2018, N306.9 in 2019, then to N379.8 in 2020 and further down to N414 in 2021.On unemployment, the country's unemployment rate has more than tripled. The National Bureau of Statistics reported that Nigeria's unemployment rate rose to 33.3 per cent, translating to some 23.2 million people in March 2022.

A YEAR OF SLOW RECOVERY AND INSTABILITY

Although Nigeria had its fair share of the gradual recovery from the global economic recession necessitated by the Covid-19 pandemic, recovery was generally slow because most of the nations are still affected by the variants of the Pandemic, especially the Delta variant in the first half of the year and the Omicron variant in the second half of the year. Several countries placed travel ban and restrictions on many African countries to limit the spread of the variant. This move had limiting effect on the movement of people and goods and affected key sectors like transportation, tourism, and hospitality. However, the economic activities improved steadily through the year as educational, entertainment, sports, trade and commerce moved toward the Pre-Covid era steadily. The Nigerian economy recovered from the COVID-19-induced recession with a positive growth of 0.5%, 5% and 4% in the first, second and third quarters of 202 respectively. The huge spike in second and third quarter was partly due to rebasing.

Despite the gradual spike in economic activities, total foreign investment inflows into Nigeria had remained low; Investment inflows was US$875 million in 2021Q2 - the lowest quarterly inflow since 2016Q1.Foreign Direct Investment inflow in 2021Q2 was US$78 million, even lower than 2020Q2. Key hurdles to the investment climate remain macroeconomic instability, policy inconsistency, inadequate infrastructure, insecurity and tough business climate. Crude oil continued to dominate exports, accounting for 80% of total export.

External reserves trended upwards following higher oil prices. However, weaker foreign investment inflows, high demand for foreign currency to finance imports and other needs and possible clearance of FX backlogs are factors that continue to weaken External Reserves. Federal Government expenditure was also increasing at a faster pace than revenue. While overall expenditure has grown by 102% from N5 trillion to N10.1 trillion between 2015 and 2020, revenue increased by just 15%. Though Nigeria's debt/GDP at 35% appears comfortable, debt service to revenue at 97.7% between Jan and May 2021suggests that Nigeria's debt is already unsustainable.

OPERATING ENVIRONMENT DURING THE YEAR

Although Nigeria's economy recovered from its economic recession in Q4 2020 following two consecutive quarters of negative movement in the country's GDP, the economy still struggled to reach pre-pandemic levels in 2021. This is due to galloping inflationary pressure, rising unemployment rate, surging debt profile, continuing exchange rate quagmire. The revenue problem had persisted during the year, unemployment rate peaked at 33% and debt spiked to N38 trillion. Other indicators include continuous negative trade balance and declining foreign investment.

A closely related national challenge is the problem of insecurity. According to the Minister of Information, 2021 has seen a significant leap in Nigeria's security challenges with banditry, kidnappings, and herders-farmers killing leading the pack. He also mentioned that combination of kinetic and non-kinetic operations, coupled with a review of strategies, led to the neutralization of over 1,000 terrorists, rescue of 2,000 civilians and the surrender of over 22,000 terrorists including their families. A data consulting firm, Beacon, has revealed that no fewer than 8,372 people lost their lives to security challenges in Nigeria in 2021,North West suffered the highest with 3,051 deaths, followed by the North-East with 1,895 casualties, North-Central 1,684 victims, South-East 853, South-South 448 and South-West 441.

Related to the issue is the rising cases of criminal kidnapping for money which has grown to become another grave concern to the government and society at large. The year is dotted with constant news of ransom-collecting criminals that seem to have turned kidnapping to the latest money-spinning 'venture'. The target ranges from students of educational institutions to community heads, high net worth individuals, aged parents and many more. Though the criminal activities were more rampant in the Northern parts of Nigeria in the earliest part of the year, latest trends show that the activities are becoming increasingly noticeable in the middle belt and southern states. The spate of these criminal activities' portents great danger and risk to social order, business and societal peace. Consequently, businesses have to spend more on providing security. According to BGI, a leading research consultancy group, an average of 13 persons were abducted daily in Nigeria in the first half of 2021, bringing to 2,371 the number of persons kidnapped in the country within the first six months of the year. According to the report, N10 billion was demanded as ransom for the kidnap victims.

Despite the daunting challenges of the year, the Nigerian Banking Sector have shown strong resilience in the face of endemic and pandemic constraints in 2021, both in terms of profitability asset quality and growth in key indices. The Financial Services industry have generally shown great adaptability in the embracing digital banking and payment services. Some of the leading Deposit Money Banks have embraced the Holding Company Structure so they can provide more inclusive services in insurance, capital markets, banking, insurance, pension, capital market and government sectors. In order to drive the financial inclusion goals of the Federal Government, the Central Bank of Nigeria have granted the Mobile Money Operator and Payment Service Banks in 2021. Many of the Banks and Telecommunication and Fintech companies are early birds in the bourgeoning market having seen great potential it holds for the future.

Distinguished shareholders, you will recall that the Central Bank of Nigeria in the wake of the Covid-19 Pandemic extended the deadline for the recapitalization of Micro-finance Banks to April 2022. This was due to the negative impact of the Pandemic on the economy and small and medium businesses. Except there are last minutes changes, April 2022 is the set day for State Microfinance Bank like Infinity Microfinance Banks Limited to upgrade their share capital from minimum of N100 million to minimum of One Billion Naira, while National Microfinance Banks are to increase their Minimum Shareholders fund from One Billion Naira to Five Billion Naira. Infinity Microfinance Bank have laid our recapitalization plan to the Central Bank of Nigeria and we are confident that Infinity Microfinance Bank will be approved as a Microfinance Bank with Shareholders fund in excess of One Billion Naira.

Globally, the financial services industry has come under intense competition from agile and innovative fintech firms leveraging on technology to deliver tailored financial service offerings to consumers and corporates and Nigeria is not an exception. The need to develop a robust regulatory structure for the fintech sector in Nigeria has become topical. Currently, the Central Bank of Nigeria and the Nigeria Communication Commission have been providing oversight for certain segments of the fintech sector in the country, though ambiguities still exist in the extant laws which need to be addressed. With a huge population of tech savvy population, increasing smart phones and internet penetration, large unbanked population, the landscape of Microfinance Banking is set to witness

more fintech disruptions. In the last 5 years fintech investments have soared immensely and new players are offering fresh competition in existing and new niche segments.
Nigeria is now home to over 200 fintech standalone companies, plus a number of fintech solutions offered by banks and mobile network operators as part of their product portfolio. Between 2014 and 2019, Nigeria's bustling fintech scene raised more than $600 million in funding, attracting 25 percent ($122 million) of the $491.6 million raised by African tech startups in 2019 alone, second only to Kenya, which attracted $149 million. Infinity Microfinance Bank will continue to make strategic investments in the Fintech space while not loosing sight of our traditional markets. We are determined to fuse the convenience that fintech solutions bring into banking to every aspect of our existing business and to reach out to new market segments.

FUTURE CHALLENGES AND OPPORTUNITIES

Reeling out of the devastation of Covid-19 in the year 2020, the year 2021 have been a year to build up and slowly recover from the daunting challenges and lost opportunities tossed on the market by the pandemic and get back our growth trajectory. At Infinity Microfinance Bank Limited, we see opportunities in the Post Covid-19 dispensation. We have been working with our customers to remodel and adapt their businesses and manage new risks in the emerging business environment. Though the macro-economic challenges and insecurities have been enormous, we have supported the businesses of our customers and prepared ourselves for new opportunities in the years ahead. 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.

We see the recapitalization exercise in the Microfinance Banking industry that will be concluded in April 2022 as opportunity to take our business to the next level. The new increased capital will position us to do more business for new and existing customers as a state Microfinance Bank. The increased capacity of the Bank will also boost the confidence of our customers and partners in the Bank.

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 and lately Symbiotics. We strengthened our workforce in area of strategic needs, especially Training, E-banking, Risk Management and Treasury operations.

At Infinity Microfinance Bank Limited, we are determined to make our mobile banking solutions, aka InfinityNowNow a household name through which our customers can transact regular banking services on the go. Our newly re-introduced Card Services and USSD Banking (*5353#) solutions have also been relaunched after initial challenges and our E-channels departments have been infused with needed skills. In the new year 2022, Infinity Microfinance Bank Limited will be make new strides and introduce more new products and services that are fintech based.

OPERATING RESULTS

Ladies and gentlemen, fellow shareholders, I am pleased to inform you that despite the hostile business environment under which we operated in 2021, our Bank recorded positive results in accordance with our tradition and trends in the past years. Our results showed that we are making steady recovery from the performance down slide recorded in the Covid-19 period.

Our gross earning recorded 30% increase to 915,715,554 for the years ended 31st December 2021 compared to 705,723,089 for the year ended 31st December 2020. Likewise, the Total Assets grew by 18% from a sum of 2,639,214,709 for the year ended 31st December 2020 compared to 3,122,709,612 for the year ended 31st December 2021. Our Loan portfolio also grew from a total of 1,842,207,728 as at 31st December 2020 to 2,114,742,517 as at 31st December 2021 thereby recording an increase of 15%. On the profitability index, our Profit Before tax increased by 68% from 119,113,764 as at 31st December 2020 to 200,641,889 as at 31st December 2021 while the Profit After Tax increased by 73% from 107,113,764 as at 31st December 2020 to 185,641,889 as at 31st December 2021.

The result posted this difficult 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 and its variants behind in the year 2022, we shall continue to thrive by sticking to our culture of excellent customer service, respect for the customer and other stakeholders while keeping our operating costs 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 5 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.

Finally, I thank my colleagues on the Board for unflinching commitment, dedication and invaluable contributions during the year 2021.

Thank you for listening.

Pastor Bimbo Josiah-Ajayi
Chairman, Board of Directors

INFINITY MICROFINANCE BANK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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, 2021.

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 2021 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. 2021	31 Dec. 2020
	₦	₦
Profit for the year	200,641,889	119,113,764
Provision for tax	(15,000,000)	(12,000,000)
Retained profit	**185,641,889**	**107,113,764**

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER, 2021

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 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
8 February 2022

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER, 2021

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, IT Steering Committee, Board Governance and Nomination 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.

Attendance of Board and Board Committee Meetings

The Table below shows the Frequency of Meetings of the Board Of Directors and Board Committees, as well as Members' Attendance For The Year Ended December 31, 2021.

S/N	Directors	Board	Board Audit Committee	Board I.T. Steering Committee	Board Nomination & Governance Committee	Board Credit Committee
	Date Of Meetings	28-Jan-2021 15-Apr-2021 22-July-2021 26-Oct-2021	26-Jan-2021 13-Apr-2021 19-July-2021 20-Oct-2021	25-Jan-2021 12-Apr-2021 18-July-2021 22-Oct-2021	27-Jan-2021 14-Apr-2021 20-July-2021 25-Oct-2021	20-Jan-2021 8-Apr-2021 15-July-2021 19-Oct-2021
	Number Of Meetings	4	4	4	4	4
1.	Pastor Bimbo Josiah Ajayi	4	N/A	N/A	N/A	N/A
	Mr. Dotun Adewunmi	4	N/A	N/A	4	4
	Chief Godwin Okafor	4	N/A	N/A	4	4
	Dr. Samson Amedu	4	4	4	N/A	N/A
	Mr. Tope Oloniniyi	4	N/A	N/A	4	4
	Mr. Olajide Diya	4	4	4	N/A	N/A
	Mrs. Kehinde Olubi	4	4	4	N/A	N/A

The Chairman is not a member of any Committee in compliance with the CBN Code which prohibits the Chairman of the Board from being a member of any Committee;

N/A -Not Applicable

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.

S/N	Names	Status	Designation	Dates of Attendance
1	Chief Godwin Okafor	Non-Executive Director	Chairman	20-Jan-2021 8-Apr-2021 15-July-2021 19-Oct-2021
2	Mr. Tope Oloniniyi	Non-Executive Director	Member	20-Jan-2021 8-Apr-2021 15-July-2021 19-Oct-2021
3	Mr. Dotun Adewunmi	Managing Director	Member	20-Jan-2021 8-Apr-2021 15-July-2021 19-Oct-2021

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.

S/N	Names	Status	Designation	Dates of Attendance
1	Mrs. Kehinde Olubi	Non-Executive Director	Chairman	26-Jan-2021 13-Apr-2021 19-July-2021 20-Oct-2021
2	Dr. Samson Amedu	Non-Executive Director	Member	26-Jan-2021 13-Apr-2021 19-July-2021 20-Oct-2021
3	Mr. Olajide Diya	Non-Executive Director	Member	26-Jan-2021 13-Apr-2021 19-July-2021 20-Oct-2021

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 Nomination and Governance Committee

The Board Nomination and Governance Committee consider 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.

S/N	Names	Status	Designation	Dates of Attendance
1	Mr. Tope Oloniniyi	Non-Executive Director	Chairman	27-Jan-2021 14-Apr-2021 20-July-2021 25-Oct-2021
2	Mr. Dotun Adewunmi	Managing Director	Member	27-Jan-2021 14-Apr-2021 20-July-2021 25-Oct-2021
3	Chief Godwin Okafor	Non-Executive Director	Member	27-Jan-2021 14-Apr-2021 20-July-2021 25-Oct-2021

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.

S/N	Names	Status	Designation	Dates of Attendance
1	Mr. Olajide Diya	Non-Executive Director	Chairman	25-Jan-2021 12-Apr-2021 18-July-2021 22-Oct-2021
2	Mrs. Kehinde Olubi	Non-Executive Director	Member	25-Jan-2021 12-Apr-2021 18-July-2021 22-Oct-2021
3	Dr. Samson Amedu	Non-Executive Director	Member	25-Jan-2021 12-Apr-2021 18-July-2021 22-Oct-2021

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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Abuja Office: 4, Plot 833, Emmanuel Agunna Street, Off Idris Ibrahim Crescent, Jabi, Abuja.
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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, 2021, the statements of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, 2021, summary of significant accounting policies and other explanatory information, as set out on pages 22-67

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 2021, 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
8 February 2022

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
1193647

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 ₦	2020 ₦
Assets			
Cash and cash equivalents	4	685,972,432	489,235,500
Loans and advances	5	2,114,742,517	1,842,207,728
Investment Securities:			
- Available-for-sale securities	6	14,590,918	4,590,918
- Held to maturity securities	7	82,989,620	79,018,000
Other assets	8	116,660,395	110,111,210
Property Plant and equipment	9	107,753,729	114,051,353
Total assets		**3,122,709,612**	**2,639,214,709**
Liabilities:			
Deposit liabilities	10	970,821,890	896,822,480
Deposit for shares		35,023,500	35,023,500
Current tax liabilities	11	19,578,957	10,797,803
Term loans	12	836,891,972	659,791,667
Other liabilities	13	128,956,959	81,671,200
Total liabilities		**1,991,273,277**	**1,684,106,650**
Net assets		**1,131,436,335**	**955,108,059**
Equity:			
Share capital	14	110,905,670	110,905,670
Retained earnings	15	668,340,501	534,629,462
Other reserves	16	352,190,164	309,572,928
Total equity attributable to equity holders of the Company		**1,131,436,335**	**955,108,059**

Signed on behalf of the Board of Directors on ....

Mr.O.Salami
Head of Account
FRC NO.: FRC/2021/002/00000023236

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

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

INFINITY MICROFINANCE BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 ₦	2020 ₦
Interest income	17	792,274,251	583,020,190
Interest expense	18	(139,511,958)	(72,245,926)
Net interest income		652,762,294	510,774,264
Fee and commission income	19	123,441,302	122,702,899
Operating income		776,203,596	633,477,163
Impairment loss on financial assets	5ii	(16,555,975)	(23,395,019)
Additional Impairement(CBN)		(26,597,000)	-
Depreciation expenses	9ii	(36,785,397)	(29,455,494)
Personnel expenses	20	(307,884,781)	(304,567,754)
Other operating expenses	21	(187,738,555)	(156,945,132)
Profit before income tax		200,641,889	119,113,764
Provision For Tax		(15,000,000)	(12,000,000)
Profit for the year		**185,641,889**	**107,113,764**
Other comprehensive income, net of income tax			
Fair value gains/(losses) on available for sale			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year		**185,641,889**	**107,113,764**
Earnings per share - basic (kobo)	22	84	48.29

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

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦	₦
Cash flows from operating activities:		
Profit for the period:	200,641,889	119,113,764
Tax expense	(15,000,000)	(12,000,000)
Profit after tax	185,641,889	107,113,764
Adjustments for:		
Depreciation of property and equipment	36,785,397	29,455,494
Other Adjustment	(25,757,669)	3,608,579
Impairment on financial assets	(16,555,975)	(23,395,019)
Additional Impairment	(26,597,000)	-
	153,516,641	**116,782,818**
Changes in assets/liabilities		
Loans and advances	(272,534,789)	(439,207,283)
Available-for-sale securities	(10,000,000)	-
Held to maturity securities	(3,971,620)	(807,000)
Other Investments	-	12,000,000
Other assets	(6,549,185)	(50,231,215)
Deposit liabilities	73,999,410	115,452,011
Depost for shares	-	35,023,500
Current Tax Liabilities	8,781,154	(7,213,491)
Term loans	177,100,305	512,319,444
Other liabilities	47,285,759	35,218,427
Net cash (used in) / from operating activities before tax	**167,627,675**	**329,337,211**
Tax Paid	(12,000,000)	(13,750,000)
Net cash (used in) / from operating activities after tax	**155,627,675**	**315,587,211**
Cash flows from investing activities:		
Purchase of property and equipment	(16,507,979)	(62,423,566)
Net cash (used in) / from investing activities	**(16,507,979)**	**(62,423,566)**
Cash flows from financing activities:		
Other Reserves	42,617,236	13,389,220
Taxation Arrears	15,000,000	12,000,000
Net cash (used in)/from financing activities	**57,617,236**	**25,389,220**
Net increase in cash and cash equivalents	196,736,932	278,552,866
Cash and cash equivalents at beginning of year	489,235,500	210,682,634
Cash and cash equivalents at end of year	**685,972,432**	**489,235,500**

INFINITY MICROFINANCE BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Share premium	Statutory reserve	Regulatory Risk reserves	Retained earnings	Total
	₦	₦	₦	₦	₦	₦
Balance at 1 January 2021	**110,905,670**	**3,448,652**	**250,184,550**	**55,939,726**	**534,629,462**	**955,108,060**
Total comprehensive income for the year						
Profit or loss	-	-	23,205,236	-	162,436,653	185,641,889
Opening balance adjustment	-	-	-	-	-	-
New Issues on Share Capital	-	-	-	-	-	-
Addittion to Share Premium	-	-	-	-	-	-
Taxation areas	-	-	-	-	-	-
Addittional Provision for investment value	-	-	-	-	-	-
Additional Impairment (Other Assets)	-	-	-	-	-	-
Addittional Impairment transfer to Regulatory Risk Reserve	-	-	-	19,412,000	(19,412,000)	-
Dividend payment	-	-	-	-	(9,313,613)	(9,313,613)
Balance at 31 December 2021	**110,905,670**	**3,448,652**	**273,389,786**	**75,351,726**	**668,340,502**	**1,131,436,335**

INFINITY MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 8 February 2022.

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 2021. 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.

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- 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 2021. The 2020 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

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 2021

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. Relassifications

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 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

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 downs 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 is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

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

f. Collateral repossessed

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

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

g. Forborne and modified loans

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

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

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

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

From 1 January 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 dividends 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 2021	December 2020
	N	N
Tier 1 capital		
Ordinary share capital	110,905,670	110,905,670
Retained earnings	668,340,501	534,629,462
Statutory reserves	273,389,786	250,184,550
Share premium	3,448,652	3,448,652
Total qualifying Tier 1 capital (A)	**1,056,084,609**	**899,168,334**
Tier 2 capital		
Fair value reserve for available for sale securities	-	-
Regulatory risk reserves	75,351,726	55,939,726
Total qualifying Tier 1 capital (B)	**75,351,726**	**55,939,726**
Total regulatory capital (C)=(A+B)	1,131,436,335	955,108,059
Risk-weighted assets (D)	3,122,709,612	2,639,214,709
Capital Adequacy ratio (CAR) = (C/D)	36%	36%

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 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	N	**N**	**N**	**N**
Financial assets held for trading		-	-	
Available for sale investment	14,590,918	-	-	14,590,918
31 December 2020				
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.

INFINITY MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4 Cash and cash equivalents

	2021	2020
	₦	₦
Cash in hand	13,735,556	19,136,265
Current accounts with banks in Nigeria	270,475,432	126,204,498
Money market placements	401,761,444	343,894,737
	685,972,432	**489,235,500**

BALANCES HELD WITH OTHER BANKS		
First Bank Plc	16,505,854	28,595,539
Wema Bank Plc -Ojota	13,568,431	3,875,052
Guaranty Trust Bank Plc.-Lagos	24,084,375	27,667,491
Fidelity Bank Plc.	2,881,474	13,668,264
Polaris Bank .-Ikorodu	60,735	2,048,647
Zenith Bank Plc.	175,789,605	24,175,185
First City Monument Bank Plc.	38,375	38,375
Sterling Bank Plc.	19,545,944	25,917,459
Keystone Bank pLc.	473,701	218,485
Access	3,717,996	-
UBA	13,808,941	-
	270,475,432	**126,204,498**

PLACEMENTS		
Wema Bank	100,000,000	-
First Bank Plc.	84,000,000	84,000,000
Keystone Bank pLc.	194,477,874	236,838,769
Zenith Bank Plc.	23,283,570	23,055,968
	401,761,444	**343,894,737**

5 Loans and receivables

Stage 1-12 Months ECL	2,031,185,534	1,752,997,921
Stage 2 - Life Time ECL Not Credited Impaired	144,107,819	132,620,203
Stage 3 - Non Performing Loans	9,111,206	9,695,671
Gross Loans and Advances	**2,184,404,559**	**1,895,313,794**

5i Less Allowances for Impairement:

Stage 1-12 Months ECL	31,713,782	17,529,979
Stage 2 - Life Time ECL Not Credited Impaired	28,837,053	16,492,744
Stage 3 - Non Performing Loans	9,111,206	19,083,342
Total Allowance	69,662,041	**53,106,066**
Net Loans and Advances	**2,114,742,517**	**1,842,207,728**

5ii Movement of Loan Impairment

	2021	2020
	₦	₦
Balance b/f	53,106,066	29,711,047
Charge for the Year	16,555,975	23,395,019
Impairment for the year	69,662,041	53,106,066

Breakdown of Movement		
Stage 1-12 Months ECL	31,713,782	17,529,979
Stage 2 - Life Time ECL Not Credited Impaired	28,837,053	16,492,744
Stage 3 - Non Performing Loans	9,111,206	19,083,342
Total Allowance	**69,662,041**	**53,106,066**

Loan by Type:	2021 ₦	2020 ₦
Micro loans and advances	1,704,135,556	756,951,370
Small and medium enterprise loans	474,015,325	1,131,069,512
Micro Lease Loan	4,074,809	1,962,836
Hire purchase	1,709,236	4,405,819
Staff loans	469,632	924,258
	2,184,404,559	**1,895,313,795**

By Maturity profile:		
Under 1 month	982,330,457	800,700,259
1 to 3 months	556,890,363	481,254,918
3 to 6 months	400,954,448	386,067,819
6 to 12 months	150,631,329	139,372,888
Over 12 months	93,597,962	87,917,910
	2,184,404,559	1,895,313,795

5b Movement in loans and advances

	2021 ₦	2020 ₦
Opening Net loans	1,895,313,794	1,432,711,492
Advances during the year -net	289,090,765	462,602,302
	2,184,404,559	1,895,313,794
Impairment during the Year	-	-
Net Loans and advances	**2,184,404,559**	**1,895,313,794**

6 Available for sale financial assets

	2021	2020
Equities	21,957,629	11,957,629.45
Impairment	(7,366,711)	(7,366,710.96)
	14,590,918	4,590,918.49

7 Held to maturity securities

Treasury bills	82,989,620	79,018,000
Less: specific allowance impairment	-	-
	82,989,620	**79,018,000**

8 Other assets

Prepayments	51,272,373	48,136,200
Other receivables	65,388,022	61,975,010
	116,660,395	110,111,210
	116,660,395	110,111,210

8i Prepayments

Prepaid Rent	11,989,200	23,598,700
Stock of ATM Cards	9,237,500	9,237,500
Inventories(others)	950,000	-
Prepaid Insurance	27,895,350	15,300,000
Others	1,200,323	
	51,272,373	**48,136,200**

	2021	2020
8ii Other Receivables	₦	₦
Int Rec'- Bless Group Loan	1,187,897	488,390
Int Rec'- DBN Loan	6,442,800	5,928,292
Int Rec'- DPA loan	7,792,212	7,809,810
Int Rec'- General Loan	29,956,787	37,733,048
Int Rec'- I Go Build Loan	2,762	4,730
Int Rec'- IDA Loan	12,590,389	6,545,939
Int Rec'- ISDA loan	6,909,272	512,977
Int Rec'- Lease Loan	3,068	3,068
Int Rec'- Salary Nownow Loan	241,436	240,779
Int Rec'- Staff Loan	11,045	7,310
OD int Rec- Current Acc	227,879	1,128,931
Cheque Receivable- Fidelity Bank	-	1,571,736
Int Rec'- Beta Loan	19,075	-
Others	3,402	-
	65,388,022	**61,975,010**

9 PROPERTY AND EQUIPMENT	Building	Plant & Machinery	Furniture Fittings & Office Equipment	Computer Equipment	Motor Vehicles	Total
Cost:	₦	₦	₦	₦	₦	₦
At 1 January 2021	73,027,362	10,312,661	23,248,477	34,514,500	39,998,499	181,101,498
Additions		3,290,000	8,584,729	4,633,250		16,507,979
Disposal	(4,850,000.00)	(94,000)	(3,602,682)	(4,036,000)	(10,050,000)	(22,632,682)
Other adjustments	-	-	-	-	-	-
	68,177,362	13,508,661	28,230,523	35,111,750	29,948,499	174,976,795
Depreciation:						
At 1 January 2021	22,339,129	4,981,908	10,520,897	12,595,326	16,612,886	67,050,146
Charge for the year	6,741,486	3,160,728	5,326,378	12,185,306	9,371,499	36,785,397
Eliminated on Disposals	(4,850,000)	(94,000)	(3,602,682)	(4,036,000)	(10,050,000)	(22,632,682)
Other adjustments	(13,979,795)	-	-	-	-	(13,979,795)
	10,250,820	8,048,635	12,244,593	20,744,632	15,934,385	67,223,066
Net book value:						
At 31 December 2021	**57,926,542**	**5,460,025**	**15,985,931**	**14,367,118**	**14,014,114**	**107,753,729**
At 31 December 2020	**50,688,233**	**5,330,753**	**12,727,580**	**21,919,174**	**23,385,613**	**114,051,353**

INFINITY MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	₦	₦
10 Deposit liabilities		
Current	56,835,874	77,141,231
Savings	607,807,485	546,923,662
Term	306,178,531	272,757,588
	970,821,890	896,822,480
11 Taxation		
Current Tax liabilities		
Statement of Financial Position		
Balance brought forward	10,797,803	18,011,294
Tax Provision for the year	15,000,000	8,800,000
	25,797,803	26,811,294
Payment during the year	(6,218,846)	(16,013,491)
Balance carried forward	19,578,957	10,797,803
Income Statement		
Income tax	15,000,000	12,000,000
	15,000,000	12,000,000
12 Term loans		
Development Bank of Nigeria Plc.Fund	461,666,667	236,291,667
Oikocredit Ecumenical Development Cooperatives	375,225,305	423,500,000
	836,891,972	659,791,667
13 Other liabilities		
Account payable	16,189,146	6,208,512
Accrued expenses	148	564,319
Other accounts payable	112,767,404	74,898,370
	128,956,959	81,671,200
14 Capital and reserves		
Share capital		
(a) Authorised :		
Ordinary shares of N1 each	150,000,000	150,000,000
(b) Issued and fully paid -		
221,811,340 Ordinary shares of 50k each.	110,905,670	110,905,670
Balance, beginning of the year	110,905,670	110,905,670
Balance, end of the year	110,905,670	110,905,670

INFINITY MICROFINANCE BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
15 RETAINED EARNINGS	**₦**	**₦**
Balance at 1 January	534,629,462	450,218,532
Opening adjustment restatement	(9,313,613)	(9,313,614)
Restated opening balance	525,315,849	440,904,918
Total comprehensive income for the year	185,641,889	107,113,764
Transfer to statutory reserve	(23,205,236)	(13,389,220)
Transfer to RRR	(19,412,000)	-
	668,340,501	**534,629,462**

16 NOTE TO OTHER RESERVES		
Share premium	3,448,652	3,448,652
Statutory reserve	273,389,786	250,184,550
Regulatory reserve	75,351,726	55,939,726
	352,190,164	**309,572,928**
Total Equity	**1,020,530,665**	**844,202,389**

Regulatory Risk Rerseve		
As at 1 January Transfer from retained earning	75,351,726	55,939,726
As at December	**75,351,726**	**55,939,726**

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

17 Interest income		
Interest on loans	771,518,804	570,043,527
Interest on deposit	19,863,017	11,634,202
Interest on current accounts	892,431	1,342,461
Total Interests Income.	**792,274,251**	**583,020,190**

	2021	2020
	₦	₦
18 Interest Expense		
Savings account	1,487,715	773,415
Fixed deposit account	30,591,217	19,934,822
LASMI Fund	1,284,932	1,594,247
BOI Fund	166,667	958,333
OIKO Fund	58,688,096	15,000,000
DBN Fund	35,148,887	24,912,162
Other accounts	12,144,444	9,072,947
Total interest expense	**139,511,958**	**72,245,926**
19 Fees and commission income		
Commission and charges	123,294,442	121,962,379
Income from non financial services	146,860	740,520
Total fee and commission income	**123,441,302**	**122,702,899**
20 Personnel expenses		
Wages and salaries	275,498,346	263,214,289
Contributions to defined contribution plans	6,123,842	7,552,361
Other staff costs	26,262,593	33,801,104
	307,884,781	**304,567,754**
21 Other operating expenses		
Directors' emoluments	4,020,000	3,075,000
Auditors' remuneration	1,800,000	1,500,000
Others	181,918,555	152,370,132
	187,738,555	**156,945,132**

INFINITY MICROFINANCE BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

22 **Earnings per share**

Basic earnings per share

The calculation of basic earnings per share at 31 December 2021 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

	2021	2020
	₦	₦
Issued ordinary shares at beginning of the year	110,905,670	110,905,670
	110,905,670	110,905,670
Weighted average number of ordinary shares at end of the year	221,811,340	221,811,340
Profit attributable to ordinary shareholders		
Profit for the year attributable to equity holders	**185,641,889**	**107,113,764**
Earnings per share (kobo)	**83.69**	**48.29**

23 EMPLOYEES

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

	2021	2020
Management staff	19	17
Senior staff	28	28
Junior staff	225	224
	272	269

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:

			2021	2020
Below N1milliom			155	180
N1, 000, 001	-	N1, 500, 000	58	40
N1, 500, 001	-	N2, 500, 000	41	35
N2, 500, 001	-	N3, 500, 000	18	14
			272	269

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, 2021

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

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

INFINITY MICROFINANCE BANK LIMITED
VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021		2020	
	₦	%	₦	%
Gross interest income	792,274,251		583,020,190	
Other income	123,441,302		122,702,899	
Bought in materials and services				
Interest expense	(139,511,958)		(72,245,926)	
Other expenses	(221,577,917)		(171,026,538)	
Value added	**554,625,679**	**100**	**462,450,625**	**100**
Distribution to employees				
Employee cost	307,884,781	56	304,567,754	65.86
To government				
Corporate income tax	15,000,000	3	12,000,000	2.59
To shareholders				
Dividend paid during the year	9,313,613	2	9,313,614	2.01
The future				
Depreciation/ amortisation	36,785,397	7	29,455,494	6.37
Transfer to retained earnings and reserves	185,641,889	33	107,113,764	23.16
Value added	**554,625,679**	**100**	**462,450,625**	**100**

INFINITY MICROFINANCE BANK LIMITED
FIVE-YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020	2019	2018	2017
Assets	₦	₦	₦	₦	₦
Cash and cash equivalents	685,972,432	489,235,500	210,682,633	197,657,925	238,554,974
Financial assets held for trading					
Loans and advances	2,114,742,517	1,842,207,728	1,403,000,445	1,126,356,998	874,297,693
Investment Securities:					
- Available-for-sale securities	14,590,918	4,590,918	4,590,918	5,242,340	4,495,940
- Held to maturity securities	82,989,620	79,018,000	78,211,000	78,211,000	55,000,000
Other Investments		-	-	-	-
Other assets	116,660,395	110,111,210	59,879,995	78,560,879	19,012,685
Intangible Asset		-	-	-	-
Property and equipment	107,753,729	114,051,353	82,249,676	84,684,244	77,829,346
Total assets	**3,122,709,612**	**2,639,214,709**	**1,850,614,667**	**1,570,713,387**	**1,269,190,638**
Liabilities:					
Deposit liabilities	970,821,890	896,822,480	781,370,469	642,860,016	505,600,953
Current tax liabilities	19,578,957	10,797,803	18,011,294	18,510,688	17,142,918
Term loans	836,891,972	659,791,667	147,472,222	164,249,567	112,224,567
Other liabilities	128,956,959	81,671,200	46,452,773	24,852,638	22,654,507
Total liabilities	**1,956,249,778**	**1,649,083,150**	**993,306,759**	**850,472,908**	**657,622,945**
Net assets	1,166,459,834	990,131,559	857,307,909	720,240,479	611,567,693
Equity:					
Share capital	110,905,670	110,905,670	110,905,670	110,905,670	110,905,670
Retained earnings	668,340,501	534,629,462	450,218,532	344,575,587	253,891,821
Other reserves	352,190,164	309,572,928	296,183,707	264,759,221	246,770,202
Total equity attributable to equity holders of the company	**1,131,436,335**	**955,108,059**	**857,307,909**	**720,240,478**	**611,567,693**
Gross earning	**915,715,554**	**705,723,089**	**709,881,673**	**585,234,276**	**523,685,600**
Profit before taxation	**200,641,889**	**119,113,764**	**159,689,884**	**123,778,538**	**133,336,949**
Taxation	(15,000,000)	(12,000,000)	(13,750,000)	(10,000,000)	(12,000,325)
Profit after taxation	185,641,889	107,113,764	145,939,884	113,778,538	121,336,624
Earnings per share	84	48	66	51	54.70