

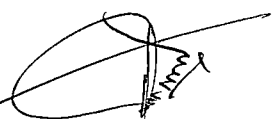
NPF MICROFINANCE BANK PLC
RC. 220824

1ST QUARTER REPORT
31 MARCH 2022

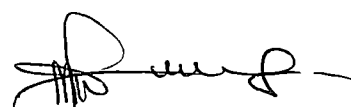
STATEMENT OF FINANCIAL POSITION
AS AT

| <i>In thousands of naira</i> | Note | 31-Mar-2022 | Audited 31-Dec-2021 |
|-------------------------------------|-------|-------------------|------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 15 | 10,026,225 | 6,610,039 |
| Pledged assets | 16 | 817,820 | 842,096 |
| Loans and advances to customers | 17 | 20,590,810 | 17,447,816 |
| Investment securities | 18 | 1,005,136 | 1,004,954 |
| Other assets | 19 | 813,744 | 5,010,232 |
| Property and equipment | 20 | 986,108 | 1,007,541 |
| Intangible asset | 21 | 40,006 | 44,667 |
| TOTAL ASSETS | | 34,279,849 | 31,967,345 |
| LIABILITIES | | | |
| Deposits from customers | 22 | 16,280,009 | 16,278,901 |
| Borrowings | 23 | 2,359,039 | 2,708,090 |
| Current tax liabilities | 14(b) | 88,581 | 332,353 |
| Deferred tax liabilities | 14(c) | 71,370 | 71,370 |
| Other liabilities | 24 | 4,642,810 | 6,845,666 |
| TOTAL LIABILITIES | | 23,441,809 | 26,236,380 |
| CAPITAL AND RESERVES | | | |
| Share capital | 25 | 2,696,829 | 1,143,328 |
| Share premium | 26(a) | 4,624,486 | 1,517,485 |
| Retained earnings | 26(b) | 1,582,366 | 1,140,649 |
| Fair value reserve | 26(c) | (2,141) | (6,997) |
| Statutory reserve | 26(d) | 1,513,373 | 1,513,373 |
| Regulatory risk reserve | 26(e) | 423,127 | 423,127 |
| TOTAL EQUITY | | 10,838,040 | 5,730,965 |
| TOTAL LIABILITIES AND EQUITY | | 34,279,849 | 31,967,345 |

The financial statements were approved by the Board of Directors on 28 April 2022 and signed on its behalf by:



F.C. Nelson, FCA
Chief Financial Officer
FRC/2014/ICAN/00000006856



Mr. Akinwunmi Lawal
Managing Director/Chief Executive Officer
FRC/2014/CIBN/00000006345

The accompanying notes are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED

| <i>In thousands of naira</i> | Note | 31-Mar-2022 | 31-Mar-2021 |
|--|-------|----------------|----------------|
| Gross earnings | | 1,468,398 | 1,291,854 |
| Interest income calculated using the effective interest method | 7 | 1,290,291 | 1,122,290 |
| Interest expense | 8 | (174,081) | (128,080) |
| Net interest income | | 1,116,210 | 994,210 |
| Fee and commission income | 9 | 171,252 | 160,837 |
| Revenue | | 1,287,462 | 1,155,047 |
| Other income | 10 | 6,855 | 8,727 |
| Net impairment writeback on financial instruments | 11 | - | 20,522 |
| Personnel expenses | 12 | (459,151) | (412,067) |
| Administration and general expenses | 13 | (447,825) | (398,484) |
| Depreciation of property and equipment | 20 | (65,440) | (53,876) |
| Amortisation of intangible assets | 21 | (4,661) | (5,010) |
| Profit before tax | | 317,240 | 314,859 |
| Income tax expense | 14(a) | (79,310) | (78,715) |
| Profit for the period | | 237,930 | 236,144 |
| Other comprehensive loss | | | |
| Items that will never be reclassified to profit or loss | | | |
| Equity investment at fair value through OCI | 18(a) | 4,856 | 6,341 |
| Other comprehensive loss for the period | | 4,856 | 6,341 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 242,786 | 242,485 |
| Basic and diluted earnings per share (kobo) | 32 | 4 | 10 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2022

| | Share Capital | Share Premium | Retained Earnings | Fair Value Reserve | Statutory Reserve | Regulatory Risk Reserve | Total |
|---|------------------|------------------|----------------------|-----------------------|----------------------|-------------------------------|-------------------|
| Balance at 1 January 2022 | 1,143,328 | 1,517,485 | 1,140,649 | (6,997) | 1,513,373 | 423,127 | 5,730,965 |
| Increase in share capital | 1,553,501 | 3,107,001 | - | - | - | - | 4,660,502 |
| Total comprehensive income | 2,696,829 | 4,624,486 | 1,140,649 | (6,997) | 1,513,373 | 423,127 | 10,391,467 |
| Profit for the year | - | - | 237,930 | - | - | - | 237,930 |
| Audit adjustments | - | - | 203,787 | - | - | - | 203,787 |
| Other comprehensive loss | - | - | - | - | - | - | - |
| Fair value reserve (FVOCI equity instruments): | - | - | - | - | - | - | - |
| Equity investments at FVOCI - net change in fair value | - | - | - | 4,856 | - | - | 4,856 |
| Gain on derecognition of equity investments | - | - | - | - | - | - | - |
| Total other comprehensive loss | - | - | - | 4,856 | - | - | 4,856 |
| Total comprehensive income | - | - | 237,930 | 4,856 | - | - | 242,786 |
| Transfer to statutory reserve | - | - | - | - | - | - | - |
| Transfer to regulatory risk reserve | - | - | - | - | - | - | - |
| Contributions by and distributions to equity holders | - | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | - | - |
| Total contributions and distributions | - | - | - | - | - | - | - |
| Balance at 31 March 2022 | 2,696,829 | 4,624,486 | 1,582,366 | (2,141) | 1,513,373 | 423,127 | 10,838,040 |

FOR THE PERIOD ENDED 31 MARCH 2021

| | Share Capital | Share Premium | Retained Earnings | Fair Value Reserve | Statutory Reserve | Regulatory Risk Reserve | Total |
|---|------------------|------------------|----------------------|-----------------------|----------------------|-------------------------------|------------------|
| Balance at 1 January 2021 | 1,143,328 | 1,517,485 | 1,127,458 | (6,217) | 1,424,936 | 274,594 | 5,481,584 |
| Total comprehensive income | - | - | - | - | - | - | - |
| Profit for the period | - | - | 236,144 | - | - | - | 236,144 |
| Audit adjustments | - | - | 343,160 | - | - | - | 343,160 |
| Other comprehensive loss | - | - | - | - | - | - | - |
| Fair value reserve (FVOCI equity instruments): | - | - | - | - | - | - | - |
| Equity investments at FVOCI - net change in fair value | - | - | - | 6,341 | - | - | 6,341 |
| Total other comprehensive loss | - | - | - | 6,341 | - | - | 6,341 |
| Total comprehensive income | - | - | 579,304 | 6,341 | - | - | 585,645 |
| Transfer to statutory reserve | - | - | - | - | - | - | - |
| Transfer to regulatory risk reserve | - | - | - | - | - | - | - |
| Contributions by and distributions to equity holders | - | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | - | - | - |
| Total contributions and distributions | - | - | - | - | - | - | - |
| Balance at 31 March 2021 | 1,143,328 | 1,517,485 | 1,706,762 | 124 | 1,424,936 | 274,594 | 6,067,225 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED

| <i>In thousands of naira</i> | Note | 31-Mar-2022 | 31-Mar-2021 |
|---|----------|-------------------|--------------------|
| Cash flows from operating activities | | | |
| Profit for the period | | 237,930 | 236,144 |
| Add: Tax expense | 14(a) | 79,310 | 78,715 |
| Profit before tax | | 317,240 | 314,859 |
| <i>Adjustments for:</i> | | | |
| Depreciation of property and equipment | 20 | 65,410 | 53,876 |
| Amortization of intangible assets | 21 | 4,601 | 5,010 |
| Net impairment loss on loans and advances to customers | 11 | - | (20,522) |
| Net impairment loss on cash and cash equivalents | 11 | - | - |
| Net impairment loss on pledged assets | 11 | - | - |
| Net impairment loss on other assets | 11 | - | - |
| Net impairment (gain)/ loss on investment securities | 11 | - | - |
| Interest income | 7 | (1,290,291) | (1,122,290) |
| Interest expense | 8 | 174,081 | 128,080 |
| Profit on sale of property and equipment | 10 | (63) | (1,740) |
| Gain on disposal of treasury bills | 10 | - | - |
| Gain on derecognition of lease liability | 10 | - | - |
| | | (728,932) | (642,727) |
| <i>Changes in:</i> | | | |
| - pledged assets | | 30,219 | (13,579) |
| - loans and advances to customers | | (3,125,938) | (3,818,891) |
| - other assets | | 3,839,160 | (226,723) |
| - deposits from customers | | (10,970) | (4,762,171) |
| - other liabilities | | (2,199,832) | 3,348,130 |
| | | (2,196,303) | (6,115,961) |
| Interest received | | 2,259,275 | 1,826,222 |
| Interest paid | | (486,909) | (128,102) |
| Tax paid | 14(b) | (323,082) | (247,862) |
| VAT paid | 24 | (15,391) | - |
| Net cash generated from operating activities | | (762,470) | (4,665,703) |
| Cash flows from investing activities | | | |
| Acquisition of property and equipment | | (1,205) | (75,988) |
| Acquisition of intangible assets | 21 | - | (16,125) |
| Payment for new leased properties | | (26,273) | (7,695) |
| Proceeds from disposal of property and equipment | | 63 | 1,740 |
| Purchase of treasury bill investments | | - | - |
| Proceeds from disposal of treasury bill investments | | - | - |
| Net cash flows used in investing activities | | (27,415) | (98,068) |
| Cash flows from financing activities | | | |
| Repayment of principal on borrowings | 23(b) | (405,488) | (299,354) |
| Repayment of interest on borrowings | 23(b) | (28,578) | (44,354) |
| Payment of principal on lease liability | 24(c)(i) | (13,601) | (8,778) |
| Payment of interest on lease liability | 24(c)(i) | (6,870) | - |
| Additions to borrowings | 23(b) | - | 390,000 |
| Dividend paid | | - | - |
| Proceeds from increase in share capital | SOCIE | 4,660,502 | - |
| Net cash (used in)/generated from financing activities | | 4,205,985 | 37,514 |
| Net increase in cash and cash equivalents | | 3,416,100 | (4,726,257) |
| Cash and cash equivalents as at 1 January | | 6,610,989 | 5,678,752 |
| Cash and cash equivalents as at 31 March | 15 | 10,027,089 | 952,495 |

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

7 Interest income

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|---|--------------------|--------------------|
| Loans and advances | 1,262,473 | 1,112,015 |
| Treasury bills | 18,085 | 8,374 |
| Call accounts | 9,733 | 1,901 |
| Pledged assets | - | - |
| Money market placement | - | - |
| Total interest income calculated using the effective interest method | 1,290,291 | 1,122,290 |

8 Interest expense

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|-------------------------------|--------------------|--------------------|
| Term deposits | 72,377 | 45,471 |
| Current deposits | 7,161 | 4,569 |
| Savings deposits | 8,862 | 6,796 |
| Borrowings (see note 23(b)) | 84,975 | 71,244 |
| Lease liabilities | 706 | - |
| Total interest expense | 174,081 | 128,080 |

Total interest expense reported above relates to financial liabilities measured at amortised cost using the applicable effective interest rates.

9 Fees and commission income

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|-------------------------------------|--------------------|--------------------|
| Credit-related fees and commission | 139,988 | 127,327 |
| Deposit-related fees and commission | 31,264 | 33,510 |
| | 171,252 | 160,837 |

(i)

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|--|--------------------|--------------------|
| Loan management fee | 58,540 | 32,766 |
| Loan commitment fee | 39,081 | 44,438 |
| Insurance fee | 36,822 | 44,145 |
| Credit search fee | 5,545 | 5,978 |
| | 139,988 | 127,327 |
| Account administration and maintenance fee | 11,008 | 13,763 |
| Commission on turnover | 20,256 | 19,747 |
| | 31,264 | 33,510 |
| | 171,252 | 160,837 |

The fee and commission presented above relate to financial assets and liabilities measured at amortised cost. These figures excludes amounts incorporated in determining the effective interest rate on such financial assets and liabilities.

Loan management fee relates to fees for loan processing and fee on overdraft facilities granted to customers.

(ii) **Contract Balances**

The following table provides information about contract liabilities.

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|--|--------------------|--------------------|
| Contract liabilities which are included in 'loans and advances to customers' | (115,511) | (137,080) |

Amount represents management fees earned on loans and advances to customers. The management fees on these facilities are earned upfront in line with Central Bank of Nigeria (CBN) regulation. The amount of revenue recognised for the period ended 31 March 2022 was ₦59 million (31 March 2021: ₦33 million). See note 9(i).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

(iii) Performance obligation and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition under IFRS 15 |
|--------------------------------------|--|---|
| Retail and corporate banking service | The bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The rates for the different class of accounts are set on an annual basis. Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place. Loan servicing fees are charged once when the transaction takes place. | Revenue from deposit related services are recognized overtime as the services are provided. Revenue from credit related services are recognized at a point in time when the transaction takes place. |

10 Other income

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|--|--------------|--------------|
| Service fees and charges (see (i) below) | 6,792 | 6,987 |
| Income on salary administration | - | - |
| Miscellaneous income | - | - |
| Profit on disposal of property and equipment | 63 | 1,740 |
| Gain/(loss) on disposal of treasury bills | - | - |
| Gain on derecognition of lease liability | - | - |
| Gain/(loss) on disposal of AFS equity securities | - | - |
| Dividend income | - | - |
| | <u>6,855</u> | <u>8,727</u> |

- (i) Service fees and charges include fees on customer requests such as issuance of letter of indebtedness, charges on issuance of drafts, seals, stamps, reference letters and signature confirmation letters. These are recognized at the point in time when the transaction takes place.

11 Impairment loss/(write-back) on financial instruments

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|--|-------------|-----------------|
| Impairment loss on loans and advances to customers (see note 17(c)) | - | (20,522) |
| Impairment (write-back)/loss on investment securities at amortised cost (see note 18(c)) | - | - |
| Impairment loss on other assets (see note 19(d)) | - | - |
| Impairment loss on cash and cash equivalent (see note 15(b)) | - | - |
| Impairment loss on pledged assets (see note 16(b)) | - | - |
| | <u>-</u> | <u>(20,522)</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

12 Personnel expenses

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|--|--------------------|--------------------|
| Wages and salaries | 436,077 | 391,300 |
| Post-employment benefits: | | |
| Defined contribution plan - pension cost | 23,074 | 20,767 |
| | <u>459,151</u> | <u>412,067</u> |

(a) Director's emolument

The remuneration paid to the executive and non-executive Directors of the Bank (excluding pension and certain allowances-) was:

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Mar-2021 |
|---|--------------------|--------------------|
| Directors' fees | 6,250 | 6,250 |
| Sitting allowances | 33,500 | 50,690 |
| Other Directors' expenses | 41,010 | 59,947 |
| Total non-executive Directors' remuneration (see note 13) | 80,760 | 116,887 |
| Executive compensation | 21,661 | 19,692 |
| | <u>102,421</u> | <u>136,579</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

13 Administration and general expenses

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|--|--------------------|--------------------------------|
| Repairs and maintenance cost | 23,347 | 24,524 |
| Vehicle and generator running cost | 40,528 | 23,736 |
| Office expenses | 41,074 | 42,931 |
| Computer expenses | 82,688 | 28,058 |
| Travel expenses | 21,230 | 15,831 |
| AGM expenses | 6,563 | 4,481 |
| Year-end expenses | 20,849 | 23,202 |
| Directors' remuneration | 80,760 | 116,887 |
| Bank charges | 1,948 | 4,152 |
| Marketing/publicity expenses | 59,320 | 54,768 |
| Professional fees | 6,092 | 9,306 |
| Subscription fees | 5,724 | 3,730 |
| Charges and levies | 11,609 | 211 |
| Insurance cost | 7,208 | 10,024 |
| NDIC premium | 17,109 | 8,227 |
| Rent and rates | - | 7,115 |
| Audit fees | 6,185 | 5,956 |
| Fraud, forgery and theft | - | 560 |
| Other expenses (see note (a) below) | 15,591 | 14,785 |
| | <u>447,825</u> | <u>398,484</u> |
| (a) Other expenses includes the following: | | |
| Corporate social responsibility | - | - |
| Donations | 350 | 515 |
| Electricity expenses | 5,309 | 5,521 |
| Recruitment expenses | 352 | 66 |
| Loan recovery expenses | 82 | 387 |
| Fines/penalty | - | - |
| Stamp duties | 214 | 217 |
| Legal expenses | 5,374 | 2,286 |
| SMS alerts | 2,095 | 5,769 |
| Share listing expenses | 1,815 | 24 |
| VAT expense | - | - |
| Miscellaneous expenses | - | - |
| | <u>15,591</u> | <u>14,785</u> |

14 Income taxes

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|--|--------------------|--------------------------------|
| (a) Amounts recognized in profit or loss | | |
| <i>Current tax expense</i> | | |
| Company income tax | 79,310 | 279,613 |
| Education tax | - | 30,551 |
| National Information Technology Development Agency (NITDA) levy | - | 10,306 |
| Nigeria Police Trust Fund (NPTF) levy | - | 35 |
| National Agency for Science and Engineering Infrastructure (NASENI) levy | - | 2,577 |
| | <u>79,310</u> | <u>323,082</u> |
| <i>Deferred tax expense</i> | | |
| Charge for the period (see note (c)) | - | - |
| | <u>-</u> | <u>-</u> |
| <i>Tax expense</i> | <u>79,310</u> | <u>323,082</u> |

The Bank believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

(b) Movement in current tax liabilities

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|---|--------------------|--------------------|
| Balance at 1 January | 332,353 | 257,107 |
| Income tax expense (see note (a) above) | 79,310 | 323,082 |
| Tax paid | (323,082) | (247,836) |
| Balance at 31 March | <u>88,581</u> | <u>332,353</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

(c) Movement in deferred tax balances

31 March 2022

| <i>In thousands of naira</i> | Balance at 1 January | Recognized in | | Balance at 31 March |
|---------------------------------|-------------------------|-----------------------------|----------------------|------------------------|
| | | profit or loss (see (a)) | Recognized in OCI | |
| Property and equipment | 144,279 | - | - | 144,279 |
| Impairment allowance | (66,685) | - | - | (66,685) |
| Others | (6,224) | - | - | (6,224) |
| Deferred tax liabilities | 71,370 | - | - | 71,370 |

31 December 2021

| <i>In thousands of naira</i> | Balance at 1 January | Recognized in | | Balance at 31 December |
|---------------------------------|-------------------------|-----------------------------|----------------------|---------------------------|
| | | profit or loss (see (a)) | Recognized in OCI | |
| Property and equipment | 144,279 | - | - | 144,279 |
| Impairment allowance | (66,685) | - | - | (66,685) |
| Others | (6,224) | - | - | (6,224) |
| Deferred tax liabilities | 71,370 | - | - | 71,370 |

Deferred tax liabilities

The Bank deferred tax liabilities are attributable to the following:

| <i>In thousands of naira</i> | 31-Mar-2022 | | 31-Dec-2021 | |
|------------------------------|----------------|---------------|----------------|---------------|
| | Gross amount | Tax effect | Gross amount | Tax effect |
| Property and equipment | 825,577 | 144,279 | 825,577 | 144,279 |
| Impairment allowance | (208,395) | (66,685) | (208,395) | (66,685) |
| Others | 24,753 | (6,224) | 24,753 | (6,224) |
| | 641,935 | 71,370 | 641,935 | 71,370 |

(d) Reconciliation of effective tax rate

In thousands of naira

| | 31-Mar-2022 | | 31-Dec-2021 | |
|--|-------------|---------------|-------------|----------------|
| | % | 317,240 | % | 1,030,575 |
| Profit before tax | | | | |
| Tax using the Company's domestic tax rate | 30 | 95,172 | 30 | 309,173 |
| Non-deductible expenses | 31 | 97,554 | 8 | 80,160 |
| Tax-exempt items | (8) | (20,417) | (2) | (22,721) |
| Tertiary Education Tax | 0 | - | 3 | 30,551 |
| NITDA Levy | 0 | - | 1 | 10,306 |
| Nigeria Police Trust Fund (NPTF) levy | 0 | - | 0 | 35 |
| NASENI Levy | 0 | - | 0 | 2,577 |
| Recognition of previously unrecognized temporary differences | (27) | (86,999) | (8) | (86,999) |
| | 25 | 79,310 | 31 | 323,082 |

15 Cash and cash equivalents

In thousands of naira

(a) Cash and cash equivalent comprise:

| | Audited | |
|--|-------------------|------------------|
| | 31-Mar-2022 | 31-Dec-2021 |
| <i>Cash on hand:</i> | | |
| Cash on hand | 126,119 | 159,734 |
| | 126,119 | 159,734 |
| <i>Deposits with banks:</i> | | |
| Current account balances with other banks | 2,356,299 | 5,733,011 |
| Money market placements | 7,544,671 | 718,244 |
| | 9,900,970 | 6,451,255 |
| Cash and cash equivalents for cash flow purposes: | 10,027,089 | 6,610,989 |
| Impairment allowance (see note (b) below) | (864) | (950) |
| Cash and cash equivalents | 10,026,225 | 6,610,039 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

(b) Movement in impairment allowance:

| | | |
|---|------------|------------|
| Balance at 1 January | 950 | 864 |
| Impairment loss/(writeback) (see note 11) | (86) | 86 |
| | <u>864</u> | <u>950</u> |

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash-in-hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities less than three months. The current balances with other banks also includes ATM working capital accounts and the suspense accounts used to manage settlement of ATM transactions with Sterling Bank to be refunded to the Head office by branches. For financial reporting purposes, the balances in the ATM related accounts were combined in order to have a net position.

16 Pledged assets

Pledged assets, initially recognised at fair value and subsequently measured at amortised cost, represent placements and Treasury Bills with banks that serve as collateral for the Bank's borrowings, use of NIBSS platform and ATM transactions as analysed below:

| <i>In thousands of naira</i> | | | 31-Mar-2022 | Audited 31-Dec-2021 |
|---|-----------------------------|--------------------------|----------------|------------------------|
| <i>Underlying transaction</i> | <i>Counterparty</i> | <i>Asset description</i> | | |
| DBN concessionary loan | Development Bank of Nigeria | Treasury Bills | 468,512 | 493,764 |
| NIBSS Platform | First Bank of Nigeria Plc | Fixed placement | - | 102,516 |
| NIBSS Platform | First Bank of Nigeria Plc | Fixed placement | 330,000 | 226,398 |
| ATM Transactions | Sterling Bank Plc | Call placement | 20,000 | 20,154 |
| | | | <u>818,512</u> | <u>842,832</u> |
| Impairment allowance (see note (b) below) | | | (692) | (736) |
| | | | <u>817,820</u> | <u>842,096</u> |
| Current | | | 817,820 | 842,096 |
| Non-current | | | - | - |
| | | | <u>817,820</u> | <u>842,096</u> |

(b) Movement in impairment allowance:

| | | |
|-------------------------------|------------|------------|
| Balance at 1 January | 736 | 692 |
| Impairment loss (see note 11) | (44) | 44 |
| | <u>692</u> | <u>736</u> |

17 Loans and advances to customers

| <i>In thousands of naira</i> | | 31-Mar-2022 | Audited 31-Dec-2021 |
|--|--|-------------------|------------------------|
| (a) Loans and advances to customers comprise: | | | |
| Loan and advances to customers at amortised cost | | 20,590,810 | 17,447,816 |
| | | <u>20,590,810</u> | <u>17,447,816</u> |
| Current | | 16,874,191 | 13,731,197 |
| Non-current | | 3,716,619 | 3,716,619 |
| | | <u>20,590,810</u> | <u>17,447,816</u> |

(b) Loans and advances to customers at amortised cost:

| <i>In thousands of naira</i> | 31 March 2022 | | | 31 December 2021 | | |
|------------------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | Gross Amount | ECL Allowance | Carrying Amount | Gross Amount | ECL Allowance | Carrying Amount |
| Term loans | 18,817,825 | (297,226) | 18,520,599 | 17,342,192 | (281,007) | 17,061,185 |
| Overdrafts | 2,473,470 | (403,259) | 2,070,211 | 705,435 | (318,804) | 386,631 |
| | <u>21,291,295</u> | <u>(700,485)</u> | <u>20,590,810</u> | <u>18,047,627</u> | <u>(599,811)</u> | <u>17,447,816</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

(c) Movement in allowances for impairment

| | 31 March 2022 | | | | 31 December 2021 | | | |
|---|---------------|----------------------------------|------------------------------|---------|------------------|----------------------------------|------------------------------|----------|
| <i>In thousands of naira</i> | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| Balance at the beginning of the period | 207,343 | 10,177 | 382,291 | 599,811 | 204,263 | 2,403 | 388,856 | 595,522 |
| Additional allowance/(reversal) during the year (see note 11) | - | - | - | - | 3,080 | 7,774 | 9,838 | 20,692 |
| Write-offs during the period | - | - | - | - | - | - | (16,403) | (16,403) |
| Balance at the end of the period | 207,343 | 10,177 | 382,291 | 599,811 | 207,343 | 10,177 | 382,291 | 599,811 |

18 Investment securities

Investment securities comprise:

(a) Investment securities measured at FVTOCI:

| | Audited | |
|---------------------------|-------------|-------------|
| | 31-Mar-2022 | 31-Dec-2021 |
| <i>Equity securities:</i> | | |
| Listed equities | 1,806 | 1,079 |
| Unlisted equities | 10,256 | 6,127 |
| | 12,062 | 7,206 |

The Bank has designated these equity investment securities at FVTOCI. They are held to be disposed off in the nearest future. None of these investments were disposed during the period ended 31 March 2022 (31 December 2021: ₦3,258), and there were no transfers of any cumulative gain or loss within equity relating to these investments (31 December 2021: nil). The change in fair value on these investments were as follows:

| | 31-Mar-2022 | 31-Dec-2021 |
|---|-------------|-------------|
| Balance at beginning of the period | | |
| Listed equities | 1,079 | 3,389 |
| Unlisted equities | 6,127 | 7,075 |
| | 7,206 | 10,464 |
| Balance at end of the period | | |
| Listed equities | 1,806 | 1,079 |
| Unlisted equities | 10,256 | 6,127 |
| | 12,062 | 7,206 |
| Fair value loss | 4,856 | (3,258) |

Following the derecognition of listed equity investments during the period, the Bank recorded gains as follow:

| | 31-Mar-2022 | 31-Dec-2021 |
|---|-------------|-------------|
| Gain on derecognition of equity investments | - | 2,478 |

Deferred tax assets have not been recognised in respect of the change in fair valuation of equity instruments, because it is not probable that future taxable profit will be available against which the Bank can use the benefits therefrom.

(b) Investment securities at amortised cost

| | | |
|---|-----------|-----------|
| Treasury bills | 993,247 | 997,798 |
| ECL impairment | (173) | (50) |
| | 993,074 | 997,748 |
| Total investment securities | 1,005,136 | 1,004,954 |
| Total investment securities for cashflow purpose | 1,005,309 | 1,005,004 |
| Current | 1,005,136 | 1,004,954 |
| Non-current | - | - |
| | 1,005,136 | 1,004,954 |

(c) Movement in impairment allowance

| | | |
|---|-----|-------|
| Balance at the beginning of the period | 50 | 173 |
| Impairment loss during the period (see note 11) | 123 | (123) |
| Balance at the end of the period | 173 | 50 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

19 Other assets

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|--|--------------------|--------------------------------|
| <i>Other financial assets:</i> | | |
| Receivable from Cowry Issuing House (see note (c) below) | 76,891 | 4,613,425 |
| Other receivables (see note (d) below) | 263,314 | 182,303 |
| Impairment allowance (see note (e) below) | (100,839) | (115,110) |
| | <u>239,366</u> | <u>4,680,618</u> |
| <i>Non financial assets:</i> | | |
| Prepayments (see note (a) below) | 328,906 | 100,946 |
| Inventories (see note (b) below) | 245,472 | 228,668 |
| | <u>574,378</u> | <u>329,614</u> |
| | <u>813,744</u> | <u>5,010,232</u> |
| Current | 726,375 | 4,959,690 |
| Non-current | 87,369 | 50,542 |
| | <u>813,744</u> | <u>5,010,232</u> |

(a) Prepayments comprise the following:

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|------------------------------|--------------------|--------------------|
| Prepaid insurance | 37,417 | 26,080 |
| Prepaid staff benefits | 87,369 | 50,542 |
| Other prepaid expense | 204,120 | 24,324 |
| | <u>328,906</u> | <u>100,946</u> |

(b) Inventories comprise stock of debit cards, stock of credit cards, stock of cheques, books/journals/CDs, stock of office stationeries, stock of micr cheques and non micr cheques, assets under construction, deferred share issue cost.

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|------------------------------|--------------------|--------------------|
| Stock (see note (i) below) | 131,753 | 132,917 |
| Assets under construction | 48,378 | 37,246 |
| Deferred share issue cost | 65,341 | 58,505 |
| | <u>245,472</u> | <u>228,668</u> |

(i) The amount in stock comprise:

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|------------------------------|--------------------|--------------------|
| Stock of cheques | 454 | 478 |
| Stock of office stationeries | 12,542 | 9,369 |
| Stock of micr cheques | 26,229 | 26,289 |
| Stock of non-micr cheques | 17,844 | 19,754 |
| Stock of ATM cards | 35,922 | 37,525 |
| Stock of credit cards | 38,078 | 38,116 |
| Stock of adhesive stamps | 684 | 1,386 |
| | <u>131,753</u> | <u>132,917</u> |

(c) The amount represent proceeds for shares issued during the Bank's public offer in July 2021. The funds are in custody of the Issuing House, Cowry Asset Management Limited.

(d) Other receivables includes staff cash advances and sundry debtors.

(e) Movement in impairment allowances:

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|---|--------------------|--------------------|
| Balance at the beginning of the period | 115,110 | 100,838 |
| Impairment loss during the period (see note 11) | - | 14,272 |
| Balance at the end of the period | <u>115,110</u> | <u>115,110</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

20 Property and Equipment

In thousands of naira

| | Buildings | Freehold Land | Right-of-Use Asset | Furniture and Fittings | Motor Vehicles | Computer Equipment | Office Equipment | Total |
|------------------------------------|----------------|---------------|--------------------|------------------------|----------------|--------------------|------------------|------------------|
| Cost: | | | | | | | | |
| Balance as at 1 January 2021 | 429,661 | 52,118 | 124,622 | 113,060 | 500,047 | 3,48,299 | 246,426 | 1,804,233 |
| Additions during the year | 30,612 | - | 103,488 | 30,209 | 50,466 | 68,481 | 76,232 | 359,487 |
| Disposals | - | - | - | (33) | - | (7,785) | (7,754) | (15,572) |
| Write-off | - | - | - | - | - | (440) | - | (440) |
| Balance at 31 December 2021 | 460,273 | 52,118 | 228,110 | 143,236 | 550,513 | 3,48,555 | 314,903 | 2,147,708 |
| Balance as at 1 January 2022 | 460,273 | 52,118 | 228,110 | 143,236 | 550,513 | 3,48,555 | 314,903 | 2,147,708 |
| Additions during the period | - | - | 42,801 | 39 | - | 1,166 | - | 44,006 |
| Disposals | - | - | - | - | - | (1,251) | - | (1,251) |
| Write-off | - | - | - | - | - | - | - | - |
| Balance at 31 March 2022 | 460,273 | 52,118 | 270,911 | 143,275 | 550,513 | 3,48,470 | 314,903 | 2,190,464 |

| | | | | | | | | |
|------------------------------------|---------------|----------|---------------|---------------|----------------|-----------------|----------------|------------------|
| Accumulated Depreciation: | | | | | | | | |
| Balance at 1 January 2021 | 53,203 | - | 47,787 | 66,908 | 378,069 | 207,962 | 147,892 | 901,821 |
| Charge for the year | 9,142 | - | 29,347 | 18,260 | 84,785 | 2,882 | 39,942 | 254,358 |
| Disposals | - | - | - | (33) | - | (7,785) | (7,754) | (15,572) |
| Write-off | - | - | - | - | - | (440) | - | (440) |
| Balance at 31 December 2021 | 62,345 | - | 77,134 | 85,135 | 462,854 | 2,72,619 | 180,080 | 1,140,167 |
| Balance at 1 January 2022 | 62,345 | - | 77,134 | 85,135 | 462,854 | 2,72,619 | 180,080 | 1,140,167 |
| Charge for the period | 2,521 | - | 9,492 | 4,777 | 17,015 | 21,320 | 10,315 | 65,440 |
| Disposals | - | - | - | - | - | (1,251) | - | (1,251) |
| Write-off | - | - | - | - | - | - | - | - |
| Balance at 31 March 2022 | 64,866 | - | 86,626 | 89,912 | 479,869 | 2,92,688 | 190,395 | 1,204,356 |

| | | | | | | | | |
|----------------------------------|---------|--------|---------|--------|--------|----------|---------|-----------|
| Net Book Value: 31 December 2021 | 397,928 | 52,118 | 150,976 | 58,101 | 87,659 | 1,25,936 | 134,824 | 1,007,541 |
| Net Book Value: 31 March 2022 | 395,407 | 52,118 | 184,285 | 53,363 | 70,644 | 1,05,782 | 124,509 | 986,108 |

- There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (31 December 2021: Nil).
- There was no impairment loss on all classes property and equipment during the period (31 December 2021: Nil).
- There were no property and equipment pledged as securities for liabilities (31 December 2021: Nil).
- There were no contractual commitments for the acquisition of property and equipment (31 December 2021: Nil).

On 1 January 2019, following the adoption of IFRS 16, the Bank recognises right-of-use assets for leases of branch premises and has presented right-of-use assets within 'property and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns.

21 Intangible asset

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|---|---------------|------------------------|
| Computer software | | |
| Cost: | | |
| Balance at beginning of the period | 94,493 | 68,693 |
| Addition during the period | - | 25,800 |
| Balance at end of the period | 94,493 | 94,493 |
| Accumulated Amortisation: | | |
| Balance at start of the period | 49,826 | 21,000 |
| Charge for the period | 4,661 | 28,826 |
| Balance at end of the period | 54,487 | 49,826 |
| Carrying amount at end of the period | 40,006 | 44,667 |

- All intangible assets are non current. Intangible assets of the Bank have finite useful life and are amortised over 3 years.
- The Bank does not have internally generated intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

22 Deposits from customers

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|------------------------------|-------------------|------------------------|
| Current deposits | 9,223,273 | 9,845,329 |
| Savings deposits | 4,591,269 | 4,198,515 |
| Term deposits | 2,328,080 | 1,994,057 |
| Sundry deposits | 137,387 | 241,000 |
| | 16,280,009 | 16,278,901 |

23 Borrowings

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|---|------------------|------------------------|
| (a) Borrowings comprise: | | |
| CBN concessionary | 19,769 | - |
| DBN concessionary loan (see note (i) below) | 2,304,890 | 2,678,656 |
| CBN housing microfinance loan (see note (ii) below) | 21,048 | 29,434 |
| | 2,359,039 | 2,708,090 |

(i) The Bank obtained the following Development Bank of Nigeria (DBN) loans for on-lending to micro, small and medium enterprises to grow their businesses.

| Date facility was obtained | Amount (₦'million) | Outstanding Amount (₦'million) 31-Mar-2022 | Outstanding Amount (₦'million) 31-Dec-2021 | Rate (%) | Tenor |
|----------------------------|-----------------------|---|---|----------|---------|
| 5 December 2019 | 731 | - | - | 13.79 | 2 years |
| 28 September 2020 | 500 | 144 | 183 | 12.79 | 2 years |
| 19 November 2020 | 800 | 512 | 547 | 12.04 | 2 years |
| 9 December 2020 | 400 | 169 | 204 | 12.04 | 2 years |
| 29 March 2021 | 390 | 203 | 238 | 12.04 | 2 years |
| 30 April 2021 | 245 | 141 | 176 | 12.04 | 2 years |
| 17 June 2021 | 600 | 396 | 431 | 12.50 | 2 years |
| 25 August 2021 | 320 | 231 | 266 | 12.50 | 2 years |
| 4 October 2021 | 300 | 248 | 283 | 12.50 | 2 years |
| 21 December 2021 | 370 | 315 | 350 | 12.50 | 2 years |
| | 4,656 | 2,359 | 2,678 | | |

The Bank has not had any defaults of principal or interest or other breaches with respect to the loan facilities as at period end 31 March 2022.

(ii) The amount of ₦21 million (31 December 2021: ₦29 million) represents the amortised cost of ₦91.74 million Central Bank of Nigeria (CBN) housing microfinance loan obtained on 18 May 2018 at an interest rate of 15.99% per annum. The principal amount and interest is paid quarterly. The loan tenor is 5 years with maturity date of 30 June 2023.

(b) The movement in borrowings during the period was as follows:

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|--|------------------|------------------------|
| Balance, beginning of the period | 2,708,090 | 2,995,809 |
| Additions during the period | - | 6,386,548 |
| Interest accrued during the period (see note 9) | 84,975 | 423,522 |
| Interest paid during the period | (28,538) | (437,893) |
| Principal repayment during the period | (405,488) | (6,659,896) |
| Balance at year end | 2,359,039 | 2,708,090 |
| Total repayment of borrowings (for cashflow purpose) | (434,026) | (7,097,789) |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022**

24 Other liabilities

| <i>In thousands of naira</i> | 31-Mar-2022 | Audited 31-Dec-2021 |
|------------------------------------|--------------------|--------------------------------|
| <i>Financial liabilities:</i> | | |
| Accounts payable | 23,773 | 4,684 |
| Productivity bonus (see note (a)) | 2,343 | 262,703 |
| Sundry creditors | 209,266 | 153,602 |
| Accruals | 98,202 | 51,909 |
| VAT payable | 15,391 | 15,217 |
| Settlement accounts (see note (b)) | 849,590 | 1,461,018 |
| Other payables | 3,583,257 | 282,982 |
| Unearned income | 1,779 | 783 |
| Lease liability | 48,905 | 51,941 |
| Deposit for shares | (215,612) | 4,532,618 |
| | <u>4,616,894</u> | <u>6,817,457</u> |
| <i>Non-financial liabilities:</i> | | |
| Withholding tax payable | 25,916 | 28,209 |
| | <u>4,642,810</u> | <u>6,845,666</u> |
| Current | 4,593,905 | 6,793,725 |
| Non-current | 48,905 | 51,941 |
| | <u>4,642,810</u> | <u>6,845,666</u> |

(a) This amounts represents accrual made at the end of the period for payment of productivity bonus to employees of the Bank. It is linked to the performance of the Bank.

(b) These amounts comprise the transactions of the Bank's customers performed through the various e-channels but were yet to be settled as at year end.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2022

25 Share capital

| | 31-Mar-2022 | 31-Dec-2021 |
|--|-------------|-------------|
| Authorised: | | |
| 6,000,000,000 units of ordinary shares of 50 kobo each | 3,000,000 | 3,000,000 |
| Issued and fully paid: | | |
| 5,393,659,101 units of ordinary shares of 50 kobo each | 2,696,829 | 1,143,328 |

Following the recapitalisation, the movement in share capital is as shown below:

| <i>In thousands of naira</i> | 31-Mar-2022 | | 31-Dec-2021 | |
|--|------------------|------------------|------------------|------------------|
| | Units | Amount | Units | Amount |
| Balance, beginning of the period | 2,286,658 | 1,143,328 | 2,286,658 | 1,143,328 |
| Rights issue | 820,344 | 410,172 | - | - |
| Public offer | 2,286,658 | 1,143,329 | - | - |
| Issue and fully paid capital of 50 kobo each | 5,393,659 | 2,696,829 | 2,286,658 | 1,143,328 |

26 Share premium and reserves

The nature and purpose of the share premium and reserve accounts in equity are as follows:

(a) Share premium

The share premium warehouses the excess paid by shareholders over the nominal value for their shares. Premiums from the issue of shares are reported in share premium.

Movement in share premium

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|---|------------------|------------------|
| Balance, beginning of the period | 1,517,485 | 1,517,485 |
| Increase in share premium during the period | 3,107,001 | - |
| Balance at period end | 4,624,486 | 1,517,485 |

(b) Retained earnings

Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

(c) Fair value reserve

Fair value reserve comprise the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income.

(d) Statutory reserve

The Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.8.1.7 of the Amended Regulatory and Supervisory Guidelines for Microfinance Banks issued by the Central Bank of Nigeria (CBN), an appropriation of 50% of profit after tax is made if the statutory reserve is less than 50% of its paid-up share capital, 25% of profit after tax if the statutory reserve is greater than 50% but less than 100% of its paid-up share capital and 12.5% of profit after tax if the statutory reserve is greater than the paid up share capital.

| <i>In thousands of naira</i> | 31-Mar-2022 | 31-Dec-2021 |
|---|------------------|------------------|
| Balance, beginning of the year | 1,513,373 | 1,424,936 |
| Transfer to statutory reserve during the period | - | 88,437 |
| Balance at period end | 1,513,373 | 1,513,373 |

(e) Regulatory risk reserve

The regulatory risk reserve warehouses the excess of the impairment allowance on loans and advances computed based on the Central Bank of Nigeria prudential guidelines over that computed based on the expected credit loss (ECL) model under IFRS. For better presentation, the regulatory risk reserve was reclassified from retained earnings on the statement of changes in equity (see note 5(c)(ii)).