



NPF MICROFINANCE BANK PLC
RC. 220824

4TH QUARTER REPORT
31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION
AS AT

<i>In thousands of naira</i>	Note	31-Dec-2022	Audited 31-Dec-2021
ASSETS			
Cash and cash equivalents	15	7,044,941	6,610,039
Pledged assets	16	1,631,374	842,096
Loans and advances to customers	17	23,499,585	17,447,816
Investment securities	18	1,216,340	1,004,954
Other assets	19	203,649	5,010,232
Property and equipment	20	1,346,389	1,007,541
Intangible asset	21	26,022	44,667
TOTAL ASSETS		34,968,300	31,967,345
LIABILITIES			
Deposits from customers	22	17,907,642	16,278,901
Borrowings	23	2,442,073	2,708,090
Current tax liabilities	14(b)	431,440	332,353
Deferred tax liabilities	14(c)	71,370	71,370
Other liabilities	24	3,146,209	6,845,666
TOTAL LIABILITIES		23,998,734	26,236,380
CAPITAL AND RESERVES			
Share capital	25	2,696,830	1,143,328
Share premium	26(a)	4,466,834	1,517,485
Retained earnings	26(b)	1,858,754	1,140,649
Fair value reserve	26(c)	11,448	(6,997)
Statutory reserve	26(d)	1,513,473	1,513,373
Regulatory risk reserve	26(e)	423,127	423,127
TOTAL EQUITY		10,969,566	5,730,965
TOTAL LIABILITIES AND EQUITY		34,968,300	31,967,345

The financial statements were approved by the Board of Directors on 26 January 2023 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-Dec-2022	Oct - Dec 2022	Audited 31-Dec-2021	Oct - Dec 2021
Gross earnings		7,182,499	2,462,107	5,770,055	1,436,554
Interest income calculated using the effective interest method	7	6,349,769	2,196,880	5,172,683	1,304,579
Interest expense	8	(772,733)	(238,805)	(655,703)	(222,764)
Net interest income		5,577,036	1,958,075	4,516,980	1,081,815
Fee and commission income	9	747,089	249,215	546,941	109,343
Revenue		6,324,125	2,207,290	5,063,921	1,191,158
Other income	10	85,641	16,012	50,431	22,632
Net impairment loss on financial instruments	11	(135,000)	(60,000)	(34,971)	86,395
Personnel expenses	12	(2,186,014)	(703,207)	(2,175,214)	(777,400)
Administration and general expenses	13	(2,113,608)	(544,084)	(1,590,408)	(440,337)
Depreciation of property and equipment	20	(280,404)	(86,371)	(254,358)	(55,549)
Amortisation of intangible assets	21	(18,645)	(5,767)	(28,826)	(17,888)
Profit before tax		1,676,095	823,873	1,030,575	9,011
Income tax expense	14(a)	(419,024)	(205,969)	(323,082)	(67,691)
Profit for the period		1,257,071	617,904	707,493	(58,680)
Other comprehensive loss					
Items that will never be reclassified to profit or loss					
Equity investment at fair value through OCI	18(a)	18,445	12,869	(3,258)	(15,377)
Other comprehensive loss for the period		18,445	12,869	(3,258)	(15,377)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,275,516	630,773	704,235	(74,057)
Basic and diluted earnings per share (kobo)		23	11	31	(3)

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

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 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	1,553,502	2,948,949	-	-	-	-	4,502,451
	2,696,830	4,466,434	1,140,649	(6,997)	1,513,373	423,127	10,233,416
Total comprehensive income							
Profit for the period	-	-	1,257,071	-	-	-	1,257,071
Other comprehensive loss							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	18,445	-	-	18,445
Gain on derecognition of equity investments	-	-	-	-	-	-	-
Total other comprehensive loss	-	-	-	18,445	-	-	18,445
Total comprehensive income	-	-	1,257,071	18,445	-	-	1,275,516
Transfer to statutory reserve	-	-	-	-	-	-	-
Transfer to regulatory risk reserve	-	-	-	-	-	-	-
Contributions by and distributions to equity holders							
Dividend paid	-	-	(539,366)	-	-	-	(539,366)
Total contributions and distributions	-	-	(539,366)	-	-	-	(539,366)
Balance at 31 December 2022	2,696,830	4,466,434	1,858,354	11,448	1,513,373	423,127	10,969,566

FOR THE PERIOD ENDED 31 DECEMBER 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	(6,997)	1,424,936	274,594	5,481,584
Total comprehensive income							
Profit for the period	-	-	707,493	-	-	-	707,493
Other comprehensive loss							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	(3,258)	-	-	(3,258)
Gain on derecognition of equity investments	-	-	-	2,478	-	-	2,478
Total other comprehensive loss	-	-	-	(780)	-	-	(780)
Total comprehensive income	-	-	707,493	(780)	-	-	706,713
Transfer to statutory reserve	-	-	(88,437)	-	88,437	-	-
Transfer to regulatory risk reserve	-	-	(148,533)	-	-	148,533	-
Contributions by and distributions to equity holders							
Dividend paid	-	-	(457,332)	-	-	-	(457,332)
Total contributions and distributions	-	-	(457,332)	-	-	-	(457,332)
Balance at 31 December 2021	1,143,328	1,517,485	1,140,649	(6,997)	1,513,373	423,127	5,730,965

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-Dec-2022	Audited 31-Dec-2021
Cash flows from operating activities			
Profit for the period		1,257,071	707,493
Add: Tax expense	14(a)	419,024	323,082
Profit before tax		1,676,095	1,030,575
<i>Adjustments for:</i>			
Depreciation of property and equipment	20	280,404	254,358
Amortization of intangible assets	21	18,645	28,826
Net impairment loss on loans and advances to customers	11	435,000	20,692
Net impairment loss on cash and cash equivalents	11	-	86
Net impairment loss on pledged assets	11	-	44
Net impairment loss on other assets	11	-	14,272
Net impairment (gain)/ loss on investment securities	11	-	(123)
Interest income	7	(6,349,769)	(5,172,683)
Interest expense	8	772,733	655,703
Profit on sale of property and equipment	10	(767)	(2,122)
Gain on disposal of treasury bills	10	-	2,093
Gain on derecognition of lease liability	10	-	(3,421)
		(3,467,659)	(3,171,700)
<i>Changes in:</i>			
- pledged assets		783,379	(271,995)
- loans and advances to customers		(5,911,470)	(663,227)
- other assets		4,435,025	(4,753,743)
- deposits from customers		1,616,663	1,429,183
- other liabilities		(809,427)	5,393,509
		(920,247)	(2,037,972)
Interest received		6,974,013	5,202,277
Interest paid		(664,382)	(413,313)
Tax paid	14(b)	319,937	(247,836)
VAT paid	24	(10,412)	(15,217)
Net cash generated from operating activities		(2,340,965)	2,487,938
Cash flows from investing activities			
Acquisition of property and equipment		(460,470)	(255,999)
Acquisition of intangible assets	21	-	(25,800)
Payment for new leased properties		(142,254)	(86,960)
Proceeds from disposal of property and equipment		767	2,122
Purchase of treasury bill investments		-	-
Proceeds from disposal of treasury bill investments		-	-
Net cash flows used in investing activities		(601,957)	(366,637)
Cash flows from financing activities			
Repayment of principal on borrowings	23(b)	(2,002,164)	(6,659,896)
Repayment of interest on borrowings	23(b)	(412,555)	(437,893)
Payment of principal on lease liability	24(c)(i)	(13,661)	(13,661)
Payment of interest on lease liability	24(c)(i)	(6,830)	(6,830)
Additions to borrowings	23(b)	1,850,000	6,386,548
Dividend paid		(539,366)	(457,332)
Proceeds from increase in share capital	SOCIE	1,502,451	-
Net cash (used in)/generated from financing activities		3,377,875	(1,189,064)
Net increase in cash and cash equivalents		434,953	932,237
Cash and cash equivalents as at 1 January		6,610,989	5,678,752
Cash and cash equivalents as at 31 December	15	7,045,942	6,610,989

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

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

7 Interest income

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
Loans and advances	6,099,124	5,122,237
Treasury bills	75,901	44,115
Call accounts	138,949	6,331
Pledged assets	-	-
Money market placement	35,795	-
Total interest income calculated using the effective interest method	6,349,769	5,172,683

8 Interest expense

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
Term deposits	381,364	199,427
Current deposits	32,015	8,309
Savings deposits	38,707	17,202
Borrowings (see note 23(b))	298,702	423,522
Lease liabilities	21,945	7,243
Total interest expense	772,733	655,703

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-Dec-2022	Audited 31-Dec-2021
Credit-related fees and commission	585,274	411,303
Deposit-related fees and commission	161,815	135,638
	747,089	546,941

(i) Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of fees.

<i>In thousands of naira</i>	31-Dec-2022	31-Dec-2021
Loan management fee	231,922	150,573
Loan commitment fee	224,683	159,135
Insurance fee	107,034	84,026
Credit search fee	21,635	17,569
	585,274	411,303
Admin and management fee	65,902	58,815
Account maintenance fee	95,913	76,823
	161,815	135,638
	747,089	546,941

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-Dec-2022	31-Dec-2021
Contract liabilities which are included in 'loans and advances to customers'	(107,182)	(116,931)

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 December 2022 was ₦232 million (31 December 2021: ₦151 million). See note 9(i).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 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-Dec-2022	Audited 31-Dec-2021
Service fees and charges (see (i) below)	84,857	47,026
Income on salary administration	-	-
Miscellaneous income	-	-
Profit on disposal of property and equipment	767	2,122
Gain/(loss) on disposal of treasury bills	-	(2,093)
Gain on derecognition of lease liability	-	3,421
Gain/(loss) on disposal of AFS equity securities	-	(45)
Dividend income	17	-
	<u>85,641</u>	<u>50,431</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-Dec-2022	Audited 31-Dec-2021
Impairment loss on loans and advances to customers (see note 17(c))	135,000	20,692
Impairment (write-back)/loss on investment securities at amortised cost (see note 18(c))	-	(123)
Impairment loss on other assets (see note 19(d))	-	14,272
Impairment loss on cash and cash equivalent (see note 15(b))	-	86
Impairment loss on pledged assets (see note 16(b))	-	44
	<u>135,000</u>	<u>34,971</u>

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

12 Personnel expenses

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
Wages and salaries	2,087,356	2,088,995
Post-employment benefits:		
Defined contribution plan - pension cost	98,658	86,219
	<u>2,186,014</u>	<u>2,175,214</u>

(a) The average number of persons employed during the period by category:

	31-Dec-2022	31-Dec-2021
Executive Directors	3	3
Management	109	93
Non-management	445	334
	<u>557</u>	<u>430</u>

The number of employees of the Bank, including executive directors, who received emoluments in the following ranges were:

	31-Dec-2022	31-Dec-2021
Less than ₦500,000	1	1
₦500,001 - ₦1,000,000	19	12
₦1,000,001 - ₦2,500,000	365	248
₦2,500,001 - ₦3,500,000	54	61
₦3,500,001 - ₦4,500,001	34	38
₦4,500,001 - ₦5,500,000	41	30
₦5,500,001 and above	43	40
	<u>557</u>	<u>430</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-Dec-2022	Audited 31-Dec-2021
Directors' fees	25,000	25,000
Sitting allowances	99,550	94,500
Other Directors' expenses	176,781	178,367
Total non-executive Directors' remuneration (see note 13)	301,331	297,867
Executive compensation	86,646	86,646
	<u>387,977</u>	<u>384,513</u>

The Directors' remuneration shown above includes:

The Chairman	35,058	38,685
Highest paid Director	37,093	37,093

The number of Directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges were:

Below ₦1,000,000	-	-
₦1,000,001 - ₦5,000,000	1	1
₦5,000,001 - ₦10,000,000	7	7
₦10,000,001 and above	3	3
	<u>11</u>	<u>11</u>

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

13 Administration and general expenses

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
Repairs and maintenance cost	221,410	119,528
Vehicle and generator running cost	188,810	115,364
Office expenses	272,467	180,062
Computer expenses	242,016	175,814
Travel expenses	101,127	65,935
AGM expenses	11,064	8,335
Year-end expenses	140,641	82,735
Directors' remuneration	301,331	297,867
Bank charges	20,054	31,526
Marketing/publicity expenses	228,325	209,152
Professional fees	46,460	63,740
Subscription fees	6,413	5,374
Charges and levies	31,951	22,179
Insurance cost	59,111	40,802
NDIC premium	75,390	68,186
Rent and rates	-	947
Audit fees	24,363	21,300
Fraud, forgery and theft	987	9,397
Other expenses (see note (a) below)	141,688	72,165
	<u>2,113,608</u>	<u>1,590,408</u>
(a) Other expenses includes the following:		
Corporate social responsibility	1,000	590
Donations	7,628	2,050
Electricity expenses	26,792	25,086
Recruitment expenses	18,264	288
Loan recovery expenses	2,084	721
Fines/penalty	648	2,100
Stamp duties	1,919	4,381
Legal expenses	20,051	9,172
SMS alerts	58,880	25,083
Share listing expenses	3,352	24
VAT expense	-	-
Miscellaneous expenses	175	2,670
	<u>141,688</u>	<u>72,165</u>

14 Income taxes

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
(a) Amounts recognized in profit or loss		
Current tax expense		
Company income tax	419,024	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>419,024</u>	<u>323,082</u>
Deferred tax expense		
Charge for the period (see note (c))	-	-
	<u>-</u>	<u>-</u>
Tax expense	<u>419,024</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-Dec-2022	31-Dec-2021
Balance at 1 January	332,353	257,107
Income tax expense (see note (a) above)	419,024	323,082
Tax paid	(319,937)	(247,836)
Balance at 31 December	<u>431,440</u>	<u>332,353</u>

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

(c) Movement in deferred tax balances

31 December 2022				
<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

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's deferred tax liabilities are attributable to the following:

<i>In thousands of naira</i>	31-Dec-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-Dec-2022		31-Dec-2021	
	%	1,676,095	%	1,030,575
Profit before tax	30	502,829	30	309,173
Tax using the Company's domestic tax rate	2	29,949	8	80,160
Non-deductible expenses	(2)	(26,755)	(2)	(22,721)
Tax-exempt items	0	-	3	30,551
Tertiary Education Tax	0	-	1	10,306
NITDA Levy	0	-	0	35
Nigeria Police Trust Fund (NPTF) levy	0	-	0	2,577
NASENI Levy	(5)	(86,999)	(8)	(86,999)
Recognition of previously unrecognized temporary differences	25	419,024	31	323,082

15 Cash and cash equivalents

In thousands of naira

(a) Cash and cash equivalent comprise:

Cash on hand:

	Audited	
	31-Dec-2022	31-Dec-2021
Cash on hand	111,773	159,734
	111,773	159,734

Deposits with banks:

Current account balances with other banks	3,594,858	5,733,011
Money market placements	3,339,310	718,244
	6,934,168	6,451,255

Cash and cash equivalents for cash flow purposes:

Impairment allowance (see note (b) below)	7,045,941	6,610,989
	(950)	(950)
Cash and cash equivalents	7,044,991	6,610,039

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

(b) Movement in impairment allowance:

Balance at 1 January	950	864
Impairment loss/(writeback) (see note 11)	-	86
	<u>950</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-Dec-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	495,538	493,764
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	150,000	102,516
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	35,270	226,398
NIBSS Platform	Zenith Bank Plc	Fixed placement	931,302	-
ATM Transactions	Sterling Bank Plc	Call placement	20,000	20,154
			<u>1,632,110</u>	<u>842,832</u>
Impairment allowance (see note (b) below)			(736)	(736)
			<u>1,631,374</u>	<u>842,096</u>
Current			1,631,374	842,096
Non-current			-	-
			<u>1,631,374</u>	<u>842,096</u>

(b) Movement in impairment allowance:

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

17 Loans and advances to customers

<i>In thousands of naira</i>		31-Dec-2022	Audited 31-Dec-2021
(a) Loans and advances to customers comprise:			
Loan and advances to customers at amortised cost		23,499,555	17,447,816
		<u>23,499,555</u>	<u>17,447,816</u>
Current		19,782,936	13,731,197
Non-current		3,716,619	3,716,619
		<u>23,499,555</u>	<u>17,447,816</u>

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

<i>In thousands of naira</i>	31 December 2022			31 December 2021		
	Gross Amount	ECL Allowance	Carrying Amount	Gross Amount	ECL Allowance	Carrying Amount
Term loans	23,105,198	(281,007)	22,824,191	17,342,192	(281,007)	17,061,185
Overdrafts	1,129,168	(453,804)	675,364	705,435	(318,804)	386,631
	<u>24,234,366</u>	<u>(734,811)</u>	<u>23,499,555</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 DECEMBER 2022

(c) Movement in allowances for impairment

	31 December 2022				31 December 2021			
	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
<i>In thousands of naira</i>								
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 during the period (see note 11)	20,095	50,720	64,185	135,000	3,080	7,774	9,838	20,692
Write-offs during the period	-	-	-	-	-	-	(16,403)	(16,403)
Balance at the end of the period	227,438	60,897	446,476	734,811	207,343	10,177	382,291	599,811

18 Investment securities

Investment securities comprise:

(a) Investment securities measured at FVTOCI:

	Audited	
	31-Dec-2022	31-Dec-2021
<i>Equity securities:</i>		
Listed equities	3,841	1,079
Unlisted equities	21,810	6,127
	25,651	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 December 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-Dec-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	3,841	1,079
Unlisted equities	21,810	6,127
	25,651	7,206
Fair value gain/(loss)	18,445	(3,258)

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

	31-Dec-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	1,190,759	997,798
ECL impairment	(50)	(50)
	1,190,709	997,748
Total investment securities	1,216,360	1,004,954
Total investment securities for cashflow purpose	1,216,410	1,005,004
Current	1,216,360	1,004,954
Non-current	-	-
	1,216,360	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)
Balance at the end of the period	50	50

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19 Other assets

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
<i>Other financial assets:</i>		
Receivable from Cowry Issuing House (see note (c) below)	-	4,613,425
Other receivables (see note (d) below)	(8,577)	182,303
Impairment allowance (see note (e) below)	(115,110)	(115,110)
	<u>(123,687)</u>	<u>4,680,618</u>
<i>Non financial assets:</i>		
Prepayments (see note (a) below)	199,088	100,946
Inventories (see note (b) below)	128,207	228,668
	<u>327,295</u>	<u>329,614</u>
	<u>203,609</u>	<u>5,010,232</u>
Current	124,959	4,959,690
Non-current	78,650	50,542
	<u>203,609</u>	<u>5,010,232</u>

(a) Prepayments comprise the following:

<i>In thousands of naira</i>	31-Dec-2022	31-Dec-2021
Prepaid insurance	30,279	26,080
Prepaid staff benefits	75,680	50,542
Other prepaid expense (see note (i) below)	93,129	24,324
	<u>199,088</u>	<u>100,946</u>

(i) Other prepaid expense comprise:

	31-Dec-2022	31-Dec-2021
Prepayment of computer maintenance cost	-	1,400
Prepayment of SMS and USSD cost	93,129	22,924
	<u>93,129</u>	<u>24,324</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-Dec-2022	31-Dec-2021
Stock (see note (i) below)	131,676	132,917
Assets under construction	-3,469	37,246
Deferred share issue cost	-	58,505
	<u>128,207</u>	<u>228,668</u>

(i) The amount in stock comprise:

	31-Dec-2022	31-Dec-2021
Stock of cheques	336	478
Stock of office stationeries	21,641	9,369
Stock of micr cheques	26,303	26,289
Stock of non-micr cheques	10,674	19,754
Stock of ATM cards	28,841	37,525
Stock of credit cards	37,776	38,116
Stock of adhensive stamps	1,133	1,386
#500 Stock of adhensive stamp	4,972	-
	<u>131,676</u>	<u>132,917</u>

(c) The amount represent proceeds for shares issued during the Bank's public offer in July 2021. The funds were 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-Dec-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 DECEMBER 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	338,299	246,426	1,804,233
Additions during the period	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	398,555	314,903	2,147,708
Balance as at 1 January 2022	460,273	52,118	228,110	143,236	550,513	398,555	314,903	2,147,708
Additions during the period	50,502	-	158,782	51,858	74,926	163,922	119,262	619,252
Disposals	-	-	-	(494)	-	(7,540)	(232)	(8,265)
Write-off	-	-	-	-	-	(544)	-	(544)
Balance at 31 December 2022	510,775	52,118	386,892	194,601	625,439	554,394	433,933	2,758,151
Accumulated Depreciation:								
Balance at 1 January 2021	53,203	-	47,787	66,908	378,069	207,962	147,892	901,821
Charge for the period	9,142	-	29,347	18,260	84,785	72,882	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	272,619	180,080	1,140,167
Balance at 1 January 2022	62,345	-	77,134	85,135	462,854	272,619	180,080	1,140,167
Charge for the period	10,181	-	61,593	20,844	55,123	87,794	44,869	280,404
Disposals	-	-	-	(494)	-	(7,540)	(232)	(8,265)
Write-off	-	-	-	-	-	(544)	-	(544)
Balance at 31 December 2022	72,526	-	138,727	105,486	517,977	352,330	224,717	1,411,762
Net Book Value: 31 December 2021	397,928	52,118	150,976	58,101	87,659	125,936	134,824	1,007,541
Net Book Value: 31 December 2022	438,249	52,118	248,165	89,115	107,462	202,064	209,216	1,346,389

- 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>	Audited
	31-Dec-2022
Computer software	31-Dec-2021
Cost:	
Balance at beginning of the period	94,493
Addition during the period	25,800
Balance at end of the period	94,493
Accumulated Amortisation:	
Balance at start of the period	49,826
Charge for the period	18,645
Balance at end of the period	68,471
Carrying amount at end of the period	26,022

- 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 DECEMBER 2022**

22 Deposits from customers

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
Current deposits	8,678,159	9,845,329
Savings deposits	5,278,029	4,198,515
Term deposits	3,758,923	1,994,057
Sundry deposits	192,531	241,000
	17,907,642	16,278,901

23 Borrowings

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
(a) Borrowings comprise:		
DBN concessionary loan (see note (i) below)	2,432,168	2,678,656
CBN housing microfinance loan (see note (ii) below)	9,905	29,434
	2,442,073	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-Dec-2022	Outstanding Amount (₦million) 31-Dec-2021	Rate (%)	Tenor
28 September 2020	500	-	183	12.79	2 years
19 November 2020	800	-	547	12.04	2 years
9 December 2020	400	-	204	12.04	2 years
29 March 2021	390	90	238	12.04	2 years
30 April 2021	245	84	176	12.04	2 years
17 June 2021	600	107	431	12.50	2 years
25 August 2021	320	110	266	12.50	2 years
4 December 2021	300	115	283	12.50	2 years
21 December 2021	370	153	350	12.50	2 years
10 August 2022	1,000	983	-	14.00	2 years
29 September 2022	400	340	-	14.50	2 years
29 November 2022	450	450	-	17.50	2 years
	5,775	2,432	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 December 2022.

(ii) The amount of ₦10 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-Dec-2022	Audited 31-Dec-2021
Balance, beginning of the period	2,708,090	2,995,809
Additions during the period	1,850,000	6,386,548
Interest accrued during the period (see note 9)	298,702	423,522
Interest paid during the period	(412,555)	(437,893)
Principal repayment during the period	(2,002,164)	(6,659,896)
Balance at period end	2,442,073	2,708,090
Total repayment of borrowings (for cashflow purpose)	(2,414,719)	(7,097,789)

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

24 Other liabilities

<i>In thousands of naira</i>	31-Dec-2022	Audited 31-Dec-2021
<i>Financial liabilities:</i>		
Accounts payable	6,388	4,684
Productivity bonus (see note (a))	5,255	262,703
Sundry creditors	106,111	153,602
Accruals	71,051	51,909
VAT payable	10,412	15,217
Settlement accounts (see note (b))	2,548,079	1,461,018
Other payables	255,440	282,982
Unearned income	783	783
Lease liability (see note (c)(i) below)	161,909	51,941
Deposit for shares	(55,280)	4,532,618
	<u>3,110,148</u>	<u>6,817,457</u>
<i>Non-financial liabilities:</i>		
Withholding tax payable	36,061	28,209
	<u>3,146,209</u>	<u>6,845,666</u>
Current	2,984,300	6,793,725
Non-current	161,909	51,941
	<u>3,146,209</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 period end.

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

25 Share capital

	31-Dec-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	2,696,830	1,143,328

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

<i>In thousands of naira</i>	31-Dec-2022	31-Dec-2021
Balance at the beginning of the period	1,143,328	1,143,328
Recapitalisation during the period	1,553,502	-
Balance	2,696,830	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.

The movement in share premium during the period was as follows:

<i>In thousands of naira</i>	31-Dec-2022	31-Dec-2021
Balance, beginning of the period	1,517,485	1,517,485
Addition to share premium during the period	2,948,949	-
Balance at period end	4,466,434	1,517,485

(b) Retained earnings

Retained earnings comprise the undistributed profits from previous periods, 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-Dec-2022	31-Dec-2021
Balance, beginning of the period	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.