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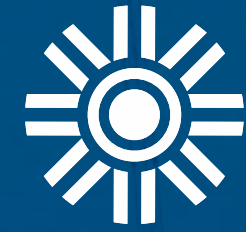
ANNUAL INTEGRATED & STATUTORY REPORT 2019



DBN
Development
Bank of Nigeria
RC 1215724

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Development
Bank of Nigeria
RC 1215724

FINANCING
SUSTAINABLE
GROWTH

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Acronyms & Abbreviations

S/NO	TERMS	DEFINITIONS		TERMS	DEFINITIONS
1.	AADFI	Association of African Development Finance Institutions	32.	IBRD	International Bank for Reconstruction and Development
2.	AFD	French Agency for Development	33.	IFRS	International Financial Reporting Standards
3.	AfDB	African Development Bank	34.	IIRC	International Integrated Reporting Council
4.	ALCO	Assets and Liabilities Committee	35.	IR	Integrated Reporting
5.	ALM	Asset Liability Management	36.	ISO	International Organization for Standardization
6.	AML	Anti -Money Laundering	37.	IT	Information Technology
7.	BACC	Board Audit and Compliance Committee	38.	ITSC	Information Technology Steering Committee
8.	BCRC	Board Credit and Risk Committee	39.	KfW	Kreditanstalt für Wiederaufbau (German State-owned Development Bank)
9.	BFC	Board Finance Committee	40.	KPI	Key Performance Indicator
10.	BNGC	Board Nominations and Governance Committee	41.	M&E	Monitoring & Evaluation
11.	BU	Business Unit	42.	MANCO	Management Committee
12.	CAMA	Companies and Allied Matters Act	43.	MCRC	Management Credit and Risk Committee
13.	CEO	Chief Executive Officer	44.	MSMEs	Micro, Small and Medium Enterprises
14.	CFT	Combating the Financing of Terrorism	45.	NASME	Nigerian Association of Small and Medium Enterprises
15.	CSR	Corporate Social Responsibility	46.	NBS	Nigerian Bureau of Statistics
16.	DBN	Development Bank of Nigeria	47.	NCCG	Nigeria Code of Corporate Governance
17.	DBSA	Development Bank of South Africa	48.	NCR	National Collateral Registry
18.	DCMC	Debt Capital Markets Conference	49.	NPL	Non-Performing Loans
19.	DFIs	Development Finance Institutions	50.	NSBPs	Nigerian Sustainable Banking Principles
20.	E&S	Environmental and Social	51.	NSIA	Nigeria Sovereign Investment Authority
21.	EIB	European Investment Bank	52.	PFI	Participatory Financial Institution
22.	ERGP	Economic Recovery and Growth Plan	53.	PwC	PricewaterhouseCoopers
23.	ERM	Enterprise Risk Management	54.	RMCS	Regional Member Countries
24.	ESMS	Environmental and Social Management System	55.	SDGS	Sustainable Development Goals
25.	ESRM	Environmental and Social Risk Management	56.	SEC	Stock Exchange Commission
26.	FGN	Federal Government of Nigeria	57.	SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
27.	FMOF	Federal Ministry of Finance	58.	SOP	Standard Operating Procedure
28.	GDP	Gross Domestic Product	59.	TSKB	Türkiye İsmail Kalkınma Bankası (Industrial Development Bank of Turkey)
29.	GRI	Global Reporting Initiative	60.	UN	United Nations
30.	GVA	Gross Value Added	61.	UNEP FI	United Nations Environmental Program Financial Initiative
31.	HDI	Human Development Index	62.	Wimbiz	Women in Management, Business and Public Services

Overview

- Describing the Integrated Report

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Overview

An integrated report is a new generation reporting approach in which an organization informs its stakeholders about the capitals and relations it has created and effected. Integrated reporting is based on integrated thinking and an integrated way of doing business.

Our second Integrated Report provides information and performance data on the operations of the Development Bank of Nigeria between January 1, 2019 and December 31, 2019. This report focuses on the issues that are most critical to our business and stakeholders.

It contains information on the execution of our core mandates, whilst also giving insight into our financial performance in the course of the year.

The decision and process to issue an integrated report has been carried out

through a participatory and interactive approach involving our senior management and employees. Under our sustainable banking approach, integrated reporting is an ever-developing process. To this end, we believe comments and opinions from stakeholders will prosper the organization, shape the corporate strategy and contribute to the high-quality value creation process.

This report has been guided by local and international standards: the Nigerian Sustainable Banking Principles,

Global Reporting Initiative (GRI) standards and reporting criteria as well as the United Nations Sustainable Development Goals (SDGs).

This report reflects a higher standard in our approach to reporting. For more information on our other initiatives and achievements, please visit our website: devbankng.com



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 **DBN** Development Bank of Nigeria

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A new dawn for MSMEs in Nigeria



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History

The Development Bank of Nigeria was conceived by the Federal Government of Nigeria in collaboration with global development partners to address the major financing challenges facing Micro, Small and Medium Scale Enterprises in Nigeria.

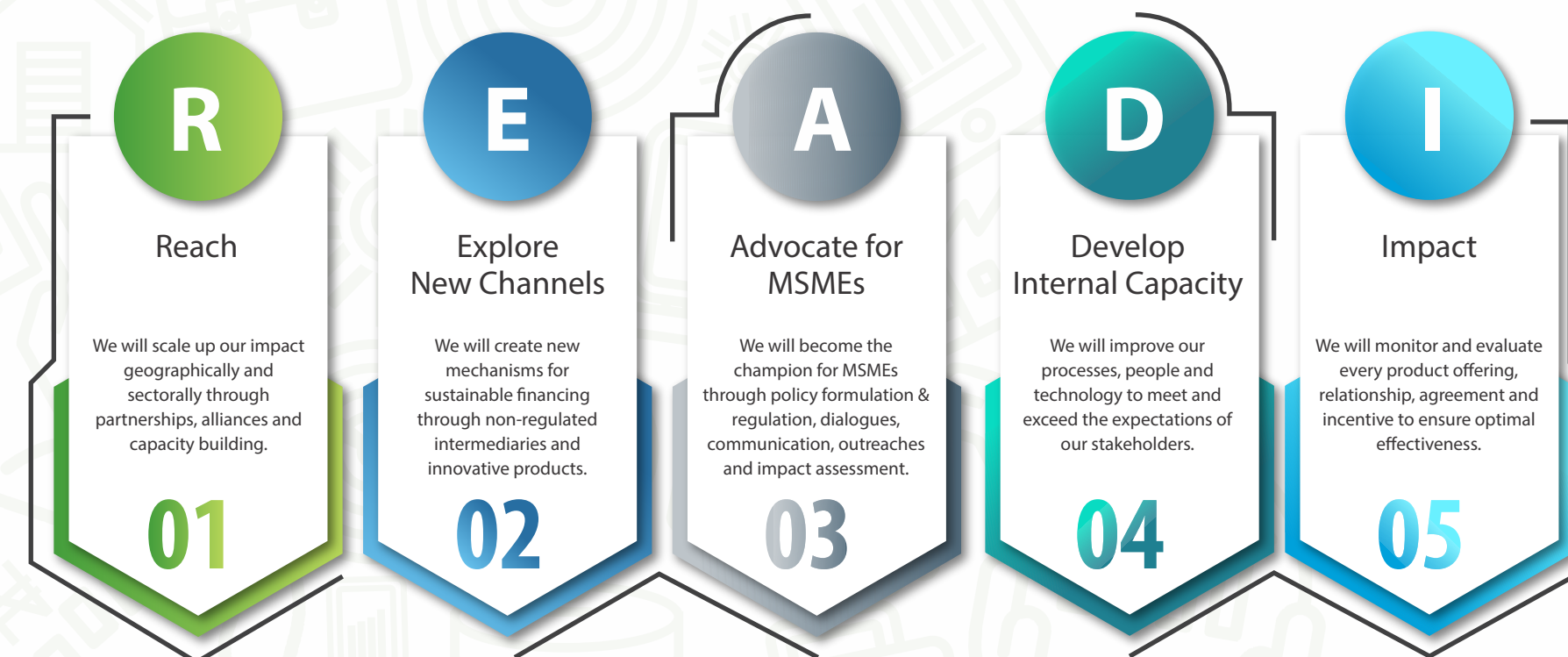
Our main objective is to alleviate financing constraints faced by MSMEs and small corporates in Nigeria. We do this through the provision of financing and partial credit guarantees to eligible financial intermediaries on a market-conforming and fully financially sustainable basis.

We directly contribute to alleviating specific financing constraints that hamper the growth of domestic production and commerce by providing targeted wholesale funding to fill identified enterprise financing gaps in the MSME segment.

In addition, we play a focal and catalytic role in providing funding and risk-sharing facilities by incentivizing financial institutions, predominantly Deposit-Money and Microfinance Banks. We also improve the capacity of our financial intermediaries by providing them with funding facilities designed to meet the needs of these smaller clients.



Our Five-Year Strategic Plan



A message from our Chairman

As DBN remains committed to playing its role in promoting inclusive growth and economic diversification in the country, it shall remain committed to playing a lead role in advocacy and finance for the MSMEs sector.



Operating Environment

The 2019 financial year has indeed been an interesting one. Global economic recovery was slow due to uncertainties arising from trade tensions, lackluster global economic activity, commodity price volatility, debt burdens in the major economies, fragmentation in the European Union and rising anti-globalization sentiments and protectionism.

In Nigeria, the situation was no different. The macroeconomic environment was characterized by a slow GDP growth rate, inflationary pressures and a high unemployment rate. According to the National Bureau of Statistics, inflation increased from 11.85% in November to 11.98% in December 2019.

GDP growth rose to 2.55% (year-on-year) in real terms in Q4 of 2019, the highest quarterly growth performance since the 2016 recession, resulting in an annual 2019 real growth rate of 2.27%. This was largely driven by the strengthening momentum in the oil segment of the economy. Nevertheless, output growth was slower than the population growth rate, resulting in a decline in per capita income.

The current account was in deficit for most of the current year, and gross international reserves fell to around US\$38 billion as at the end of December 2019, reflecting a decline in the foreign reserve holdings of short-term securities and equity. The exchange rate at various

windows however remained stable, assisted mostly by a deliberate strategy of the Central Bank of Nigeria.

Revenue underperformed significantly relative to the budget target in the first half of 2019, due to declining oil revenues and unrealized revenue projections. This led to higher financing needs, resulting in an overreliance on expensive borrowing from the Central Bank of Nigeria to finance the fiscal deficit.

The Central Bank of Nigeria had to deal with the economic headwinds in the year, due to rising inflation, a slowly growing GDP and elevated fiscal deficits. The concern around foreign reserves growth and falling international oil prices resulted in its decision to maintain the MPR at 13.5%, keeping the Cash Reserve Ratio at 22.5% and liquidity ratio at 30%.

The operating environment in the banking industry was rocked by key policy directions of the Central Bank of Nigeria. These however provided DBN with the impetus to refocus its efforts on the attainment of its development objectives. Of note is the Central Bank of Nigeria's circular BSD/DIR/GEN/LAB/12/049, titled "Regulatory Measures to Improve Lending to the Real Sector of the Nigerian Economy". By that circular, the CBN required all Deposit Money Banks ("DMBs") to attain a minimum Loan-to-Deposit Ratio ("LDR") of 65% by December 31, 2019. This was aimed at incentivizing DMBs to expand their credit

facilities to the productive sectors of the economy.

DBN adopted a multi-faceted approach to respond to the challenges in the economic and policy environment. For example, it engaged in a significant review of the collateral and lending requirements for the Participating Financial Institutions ("PFIs"), to continue to encourage their participation in DBN's lending programme. Efforts were also intensified to develop new products and instruments to support the MSME sector. DBN also continued its positive engagements with the Central Bank of Nigeria, providing feedback on the impact of the DMBs response to the implementation of the circular on Development Banks and other Development Finance Institutions.

Despite the challenging operating environment, DBN was able to nearly double its reach on access to finance to MSME end-borrowers from 35,120 recorded in FY 2018, to 65,216 as at the end of the 2019 financial year.

During the year, DBN's credit guarantee subsidiary, Impact Credit Guarantee Limited ("ICGL") was incorporated, and it commenced operations in December 2019. Modelled after the lean and efficient structure of the DBN and complemented by a highly skilled and experienced crop of professionals, ICGL is poised to make a significant contribution towards the provision of partial credit guarantees for PFI loans to the MSME sector. It is projected that ICGL would

issue its first partial credit guarantee no later than Q1 FY 2020.

Also, with the full support of the Federal Ministry of Finance and the World Bank, DBN assumed responsibility for the operations of the Project Implementation Unit ("PIU"), which is to oversee the provision of technical assistance to PFIs. Under the PIU, DBN would take the lead in activities geared towards upscaling the technical competence and ultimately, the appetite of PFIs to provide enhanced access to finance, for the MSME sector.

Strategic Partnerships

The Bank's membership of the African Association of Development Finance Institutions ("AADFI") provides it with a platform to interact with other development finance institutions across Africa. During the year, DBN hosted a study tour of a delegation from the Industrial & Commercial Development Corporation of Kenya, comprising their board members and senior management staff.

DBN shall continue to leverage on relationships with its development partners, including the World Bank, the KfW Development Bank, the African Development Bank, the Agence française de développement and a host of others, in advancing access to finance for Nigerian MSMEs.

Sustainability

Our wholesale model continues to be market-driven and dependent on multiple funding sources. DBN's operations are structured to ensure cost efficiency, and a robust system of internal controls and risk management practices. Based on participation in AADF's Prudential Standards, Guidelines and Rating System (PSGRS) Self-Assessment, the Bank obtained a rating score of 94.72% in the year, one of the highest in the African sub-region, despite the nascent phase of the Bank's operations.

From the Central Bank of Nigeria Routine Examination of FY 2018, the Bank was assessed with a composite risk rating of "Low and Stable". We are confident that despite the growth in operations and considering deliberate efforts at ensuring an optimal control environment and the adoption of sound risk management practices, DBN would maintain the same rating for the 2019 financial year.

Human Capital

At DBN, a highly skilled and motivated workforce is essential for the achievement

of the Bank's primary objectives. In recognition of this, deliberate steps have been and are being implemented to keep the Bank's human capital resources focused and highly motivated. In addition, the launching of the DBN Management Trainee programme is intended to provide a pipeline of skills and competencies that are required for the attainment of our mandate. All DBN employees continue to be selected through open, transparent and competitive processes.

DBN is committed to workplace diversity, both gender and geographic and would

continue to develop the skills and competencies of all its employees to engender high levels of motivation and performance.

In the current year, DBN achieved a 100% attainment on the approved employee training plan. Apart from the provision of technical and function-based trainings, DBN also ensured that employees received relevant exposure through trainings in development finance. The Bank's continued investment in its staff is in fulfilment of a deliberate strategy for ensuring business sustainability.



Governance

Corporate Governance is a key requirement for business success. Accordingly, DBN subscribes to the corporate governance requirements set by the CBN Code of Corporate Governance for Development Finance Institutions, the Securities and Exchange Commission's Code of Corporate Governance for Public Companies, as well as the Code of Corporate Governance for Public companies issued by the Financial Reporting Council of Nigeria, as minimum standards for adoption. DBN deliberately seeks out leading practices which help to upscale the Bank's governance practices and to differentiate it in the industry.

In the year, the Board reviewed the skills set and competency requirements for board positions. It has now included competence in digital economy and environmental management as additional areas of skills needed in the Board. The Board also revised the composition of its committees, to ensure that these were composed of the right skills set and competencies to support the work of the board.

During the year, Mr. Mohamed Kalif resigned his position as a non-executive director of the Bank. His resignation was triggered by his re-assignment at the African Development Bank ("AfDB"), a shareholder of the Bank, which he had represented on the Board. In replacement, the AfDB nominated Mr. Henry Batchi Baldeh and Mr. Yaw Adu Kuffour, for appointment as a non-executive director and alternate director respectively, representing it on the DBN Board. These nominations were approved by the Board of Directors and



subsequently also, by the Central Bank of Nigeria.

DBN is appreciative of the major contributions made by Mr. Mohamed Kalif, who had worked on the DBN Project right from conception. The Bank also welcomes to the Board, Mr. Henry Batchi Baldeh, and his alternate, Mr. Yaw Adu Kuffour.

Future Plans

To ensure the long-term sustainability of the business and to test the appetite of the market for DBN denominated securities, the Bank shall commence activities for a capital raising exercise, which is expected to further diversify the Bank's funding sources.

DBN appreciates the growth and impact that a digital economy will have on economic development, and as such shall explore innovative channels in providing access to finance for the MSMEs. Some of these would involve partnering with Fintechs and other entities, based on a strict risk acceptance criteria.

With the support of the shareholders, the Bank shall enhance the composition of the Board through new appointments to close strategic knowledge gaps. The Board of the ICGL will also be appropriately constituted to ensure that it has the requisite skills and competencies to drive operational efficiency and value creation for all

stakeholders.

As DBN remains committed to playing its role in promoting inclusive growth and economic diversification in the country, it shall remain committed to playing a lead role in advocacy and finance for the MSMEs sector.

Yours faithfully,


Dr. Shehu Yahaya
Chairman,
Board of Directors
Development Bank of Nigeria Plc

Our Value Proposition

Structure

We are a Wholesale Development Finance Institution. We lend to PFIs (Commercial banks, other DFIs, Microfinance banks) who then lend directly to MSMEs. We don't lend directly to MSMEs.



Lending



We provide longer tenor loans to support the development of MSMEs. Our pricing is risk based, which is dependent on the risk of the obligor.

Value Addition

We help PFIs and MSMEs build capacity. We also influence the lending behaviour of PFIs to ensure that MSMEs get the best value.



Performance



We operate a sustainable model with no reliance on government grants and funds. Our impact is measured by our market share.

Corporate Governance

Our corporate governance policies are ethical, comply with international best practice, and are monitored by our development partners.



2019: DBN @ a Glance



- Major Highlights
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- 2019 Annual Lecture Series
- 2019 MSME Summit
- Awards and Certifications

Major Highlights

N133bn

Over 100,000 MSMEs

₦160bn
Shareholders' Fund

27 PFIs

52%
Women Owned Business

52%
Youth Owned Business

Head Office - Abuja
Liaison Office - Lagos

Subsidiary
IMPACT CREDIT GUARANTEE LIMITED
...a credit guarantee company

40 Employees

Awards & Recognitions
• 2019 Outstanding MSME clinic partner - National MSME Award
• 2019 World Bank Best Project in Nigeria

Issued & Fully Paid-up Capital
₦100bn

Shareholders
Ministry Of Finance 60%
African Development Bank 18%
Nigeria Sovereign Investment Authority 15%
European Investment Bank 7%

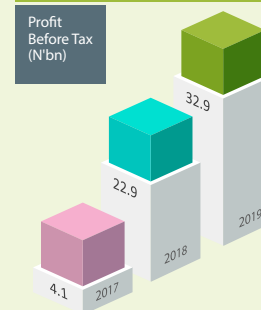
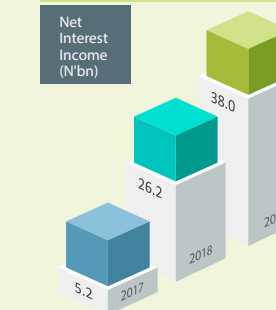
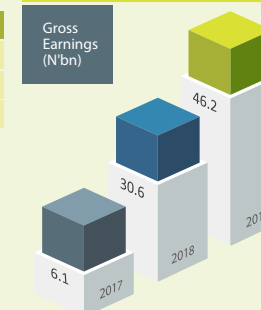
Our Partners
WORLD BANK GROUP
AFD
European Investment Bank
KFW

Major Financial Highlights

Profitability

	2017	2018	2019*
Gross Earnings (N'bn)	6.1	30.6	46.2
Net Interest Income (N'bn)	5.2	26.2	38.0
Profit Before Tax (N'bn)	4.1	22.9	32.9

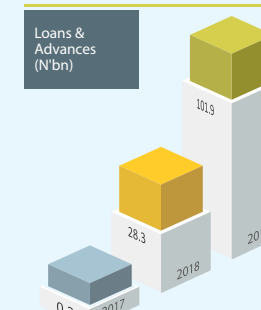
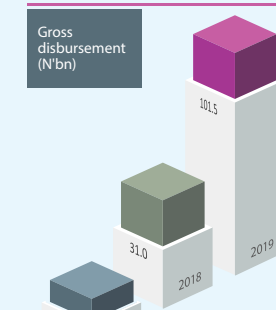
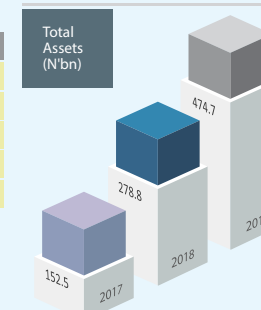
*2019 Group Performance



Balance Sheet

	2017	2018	2019*
Gross disbursement (N'bn)	0.2	31.0	101.5
Loans & Advances (N'bn)	0.2	28.3	101.9
Total Assets (N'bn)	152.5	278.8	474.7
Borrowings (N'bn)	87.5	151.7	308.5
Total Equity (N'bn)	43.5	126.0	160.0

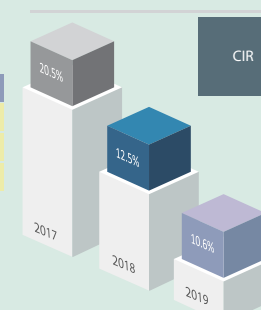
*2019 Group Performance



Ratios

	2017	2018	2019*
ROAA (pretax)	2.7%	10.6%	8.7%
ROAE (pretax)	9.4%	27.0%	23.0%
Cost-to-Income Ratio	20.5%	12.5%	10.6%

*2019 Group Performance



Feedback from our PFIs

Key Findings



Testimonials from PFIs

"In terms of disbursement of loans, they always meet up with their timings. They always respond quickly to queries and issues. They also provide training to our organization."

"They follow through whenever there is any need. They promptly communicate trends and activities."

Due Diligence Process - "Clear communication of what they require and the professionalism and promptness of the team in carrying out their work".

"In working with DBN, they adopt a partnership model with a mindset on collaboration on how we can work together."

2019 Annual General Meeting



L-R The Company Secretary / Legal Adviser, Mr. Shofola Osho, Chairman, Board of Directors, Dr. Shehu Yahaya and The Managing Director/CEO, Mr. Tony Okpanachi



Members of the DBN Management Team: L-R Head, Corporate Services, Mr. Idris Saliyu, Chief Operating Officer, Mr. Bonaventure Okhaimo, Chief Financial Officer, Mrs. Ijeoma Ozulumba and Head, Internal Audit, Mr. Joshua Ohioma.



L-R The Company Secretary / Legal Adviser, Mr. Shofola Osho, Chairman, Board of Directors, Dr. Shehu Yahaya, The Managing Director/CEO, Mr. Tony Okpanachi and Independent Director, Mrs. Clare Omatseye.

The Development Bank of Nigeria's Annual General Meeting took place on Thursday, April 25, 2019, at the Fraser Suites, 294 Leventis Close, Central Business District, Abuja.



Development Bank of Nigeria Board of Directors



The Bank's external auditor KPMG represented by Mr. Kabir Okunlola, at the Bank's 2019 AGM.

2019 Annual Lecture Series



Our inaugural Annual Lecture Series held on Monday, July 29, 2019, at the Congress Hall, Transcorp Hilton, Abuja with the theme, “Surviving to Thriving: MSMEs as the Key to Unlocking Inclusive Growth in Africa.”

It was a thought leadership platform to critically examine the challenges and opportunities facing MSMEs as well as explore practical steps to resolve some of the obstacles that constrain growth within the segment.

The interactive public lecture drew massive attendance from commercial and micro-finance banks, Ministries, Agencies and Departments including key policy makers and regulators from the government; Diplomatic communities as well as operators in the MSME sector.

The event featured a welcome address by the MD/CEO, DBN, Mr. Tony Okpanachi and remarks by the Chairman, Board of Directors, DBN, Dr.

Shehu Yahaya and Permanent Secretary, Ministry of Finance, Dr. Mahmoud Isa-Dutse.

Dr. Donald Kaberuka, former President and Chairman of the Board, African Development Bank delivered the keynote lecture while Dr. Mansur Muhtar, Vice President, Country Operations, Islamic Development Bank made a paper presentation. These presentations were followed by a robust panel session that focused on personal

experiences and professional perspectives of leading economists, entrepreneurs and business consultants in Nigeria.

After a qualitative session of questions and answers, there were goodwill messages from our development partners including the World Bank, African Development Bank (AfDB), KfW Development Bank (Germany), and the French Agency for Development (AFD).

MSME Summit in Maiduguri



On Tuesday, 29th October, 2019, we held our first MSME Summit in Maiduguri, Borno State in a bid to strengthen and deepen our inclusion strategy.

Before the outbreak of the insurgency, over a decade ago, Borno State had a reputation as one of the thriving nerve centres of the North East, owing to the strength of its commercial, trading and export potential. It was truly an ecosystem where MSMEs thrived. As part of our contribution to

stimulating growth, we partnered with the Borno State Government to stimulate the economy, working with key ministries in the state.

We also made a pledge to work with the Borno State Renaissance Microfinance Bank (when it becomes fully operational) to explore the possibility of providing wholesale lending to them for MSMEs in the state.

Governor Babagana Zulum, represented by his Chief of Staff, Engr Babagana

Wakil, expressed the state government's commitment to providing an enabling environment for the setting up and revitalization of industries and commerce as well as investments in science and technology.

The Summit brought together leaders of thought, scholars, entrepreneurs, policy makers, regulators, corporate titans and development enthusiasts across the North East.

Awards & Certifications



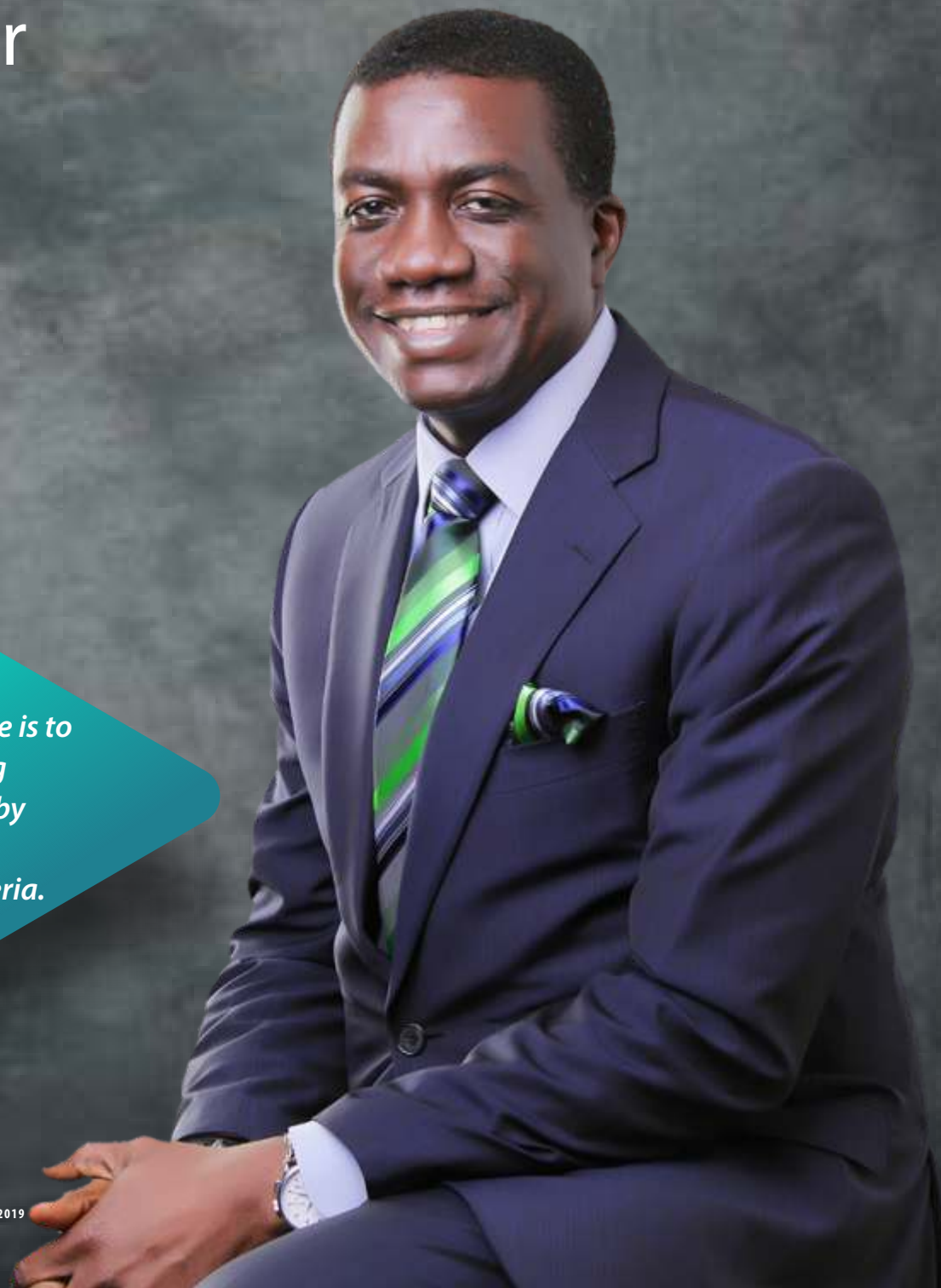
Operating Context



- A word from our CEO
- DBN Mandate
- Our Business Model
- Our Offerings
- Risks and Opportunities

A word from our CEO

“
Our main objective is to alleviate financing constraints faced by MSMEs and small corporates in Nigeria.
”



Introduction

Distinguished Ladies and Gentlemen, 2019 was filled with a lot of activities that collectively we should all be proud of. That is why I am pleased to report to you on the operating activities and financial results for the second full year of operations of the Development Bank of Nigeria for the year ended 31st December 2019.

Sustainable finance continues to be our DNA and underpins our activities. Our task is to translate this into practice by contributing to the balanced and steady development of Nigeria. We aim to communicate the value we are creating in a holistic and integrated manner. This choice is driven by our understanding of the emergence of the knowledge economy and the increasing focus of the 21st century business on non-financial risks especially Environmental, Social and Governance (ESG) risks.

Macro-Economic Review

A quick look at our local macroeconomic environment demonstrates that although there were pockets of improvement in the economic performance, the economic landscape remained grim; inflation rate increased for the fourth straight month from 11.85% to 11.98% in December. We saw that business activities, new orders, employment levels and inventories grew at its fastest pace at 62.1 index points in December 2019 in the non-manufacturing sector when compared to the same period in 2018.

The macroeconomic landscape going into 2020 will remain challenging. By the end of December 2019, the CBN mandated that all deposit money banks must attain a 65% loan to deposit ratio (LDR). Exchange rate will likely range between N360 – N375, inflation will remain in the double digits ranging between 10.5% - 12% and GDP growth will maintain similar levels as 2019 - around 2% - 2.4%. Notwithstanding these headwinds, we continue to seek innovative ways and alternative channels to disburse funds through our Participating Finance Institutions (PFIs).

We are confident that a coherent and coordinated monetary and fiscal policy, strategically keying into the Africa Continental Free Trade Agreement (AfCFTA), addressing security challenges in the country will go a long way to engender inclusive growth.

Inflation

The inflation rate increased for the fourth straight month from 11.85% to 11.98% in December. The upward trend is largely attributed to consistent increase in food inflation with the surge in food prices which took effect at the end of the third quarter, coupled with seasonality effect.

Exchange Rate

The CBN made concerted efforts in managing the exchange rate. Throughout the year the CBN continued to ensure that the financial markets and the economy at large was free from liquidity constraints and overall price volatility. As a result, the Apex bank pledged to intervene to ensure stability of the Naira. Consequently, the Naira remained relatively stable at N306 in the official window and N360 – N362 at the I&E window.

Monetary Policy Decision

The Monetary Policy Committee (MPC) meetings held on November 25th and 26th 2019, and based on the level of economic activities in the country, the committee maintained the following indices;

- Monetary Policy Rate at 13.5%
- Asymmetric Corridor around the MPR at +200/-500
- Cash Reserves Ratio (CRR) at 22.5%
- Liquidity Ratio at 30%

The rationale behind this was the need to maintain the Central Bank's unconventional approach to tackling macroeconomic challenges seeing the pickup in real growth rate up in the 3rd quarter of 2019. This was traceable to improved credits and higher LDR; the CBN said it was also pleasing as NPL continued to decline even with higher credits, due primarily to regulatory mechanisms. The MPC also considered the observed marginal uptick in inflation rate due to supply hitches heralded by border closures.

Outlook for MSMEs

MSMEs, Retail and Consumer lending will continue to witness increased attention from the Government and International Financial Institutions (IFIs). This is evident in recent CBN policies and MSME intervention funds to stimulate economic activities and real sector growth.

According to Agosto & Co 2019 banking report, the banking industry's loan portfolio (gross loans) stood at N13.9 trillion as at December 31, 2018 with Retail and SME business segment accounting for 7% (N973 billion) of the loan portfolio. In view of the recent drive by banks to increase lending activities, we expect this numbers to increase significantly for 2019 year-end (YE) and further grow in 2020.

Operating Activities and Financial Performance

DBN's total assets grew by 68% in 2019 to N468.7billion as at December 31, 2019 from N278.8billion as at December 31, 2018. DBN recorded strong earnings for the year of N45.8billion. The result is a year-on-year growth of 49% compared with N30.6billion recorded in 2018. The earnings performance is a sound reflection of the Bank's strategy, expanding the loan portfolio and Treasury investment activities. The Bank recorded profit before tax of N32.7billion for the 2019 Financial Year.

In 2019, the Bank carried out the M&E exercise targeting 441 end-borrowers spread across the geo-political zones, except the Northeast. A Randomized Control Trial (RCT) approach was adopted in the study. Structured questionnaires and in-depth interviews were administered on the end-borrowers and PFIs, capturing values of key development indicators to estimate immediate and intermediate effects/impacts of the overall program. Results from this exercise show us that our activities are beginning to make an impact in the MSME ecosystem, and we will continue to improve on them whilst reporting on progress on a regular basis to our stakeholders.

In addition, we launched the DBN Capacity Building program. This initiative was aimed at equipping Micro, Small and Medium Enterprises (MSMEs) with the skills and competencies to defend sound and viable business proposals, improve their capacity to access available credit, and improve their capacity for efficient funds utilization, trade, investments and access to markets. We trained over 100 MSMEs from different parts of the country, different sectors of the economy and at different stages in their businesses in Lagos and Abuja.

2019 also heralded the launch of the Impact Credit Guarantee Limited (ICGL). It commenced operations in the last quarter of 2019 with the issuance of its first guarantees.

Conclusion

As we go into 2020 and as a continuation of our five-year strategic plan, the Bank will commence promoting innovative and high impact green programs, advocate for sustainable development objectives through green interventions and explore alternative channels such as FinTech, amongst others to ensure funds reach our target segment. The goal in this regard is to not only contribute to the national pledge in the Paris agreement and to the Sustainable Development Goals (SDGs), but to take a leading role in the country's transition to a low carbon and resource efficient economy.

In view of some major market developments and policies that impacted the operating environment of the banking sector this past year, we will continue to work with key stakeholders to ameliorate the negative effects on our business model.

This report will shed further light on our strategic approach to sustainable finance, demonstrating our commitment to help Nigeria transition towards a socially and environmentally sound economy. Our ambition is to have a long-lasting impact and to be recognized as a market leader in sustainable finance.

Tony Okpanachi
MD/CEO,
Development Bank of Nigeria Plc



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Longer Tenured Loans

Competitive Interest Rates

PFIs to assess credit worthiness of beneficiaries

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Individual Guarantee

Blanket Guarantee

Portfolio Guarantee

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TECHNICAL ASSISTANCE

PFIs

MSME Credit Training

Product Delivery

MSMEs

Develop Clusters

Matching Grant

Capacity Development

MSME Classification

Micro, Small, and Medium Enterprises (MSMEs) and Small Corporates				
Enterprise Type	Number of Employees	Annual Turnover	Total Assets	Max. Loan Size
MSMEs	<250	<N625m	<N625m	<N244m
Small Corporates	<500	<N4.6b	<N4.6b	<N610m

Product Offerings for MSMEs

Type of Business	Loan Type	Single Obligor Limit	Tenor (Max)	Moratorium (Max)
MSMEs	Term Loans	N244m	10 Years	18 Months
	Working Capital	N61m	3 Years	6 Months
Small Corporates	Term Loans	N610m	10 Years	18 Months
	Working Capital	N165m	3 Years	6 Months

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Our Operations

As a wholesale Development Finance Institution created to alleviate the financing constraints faced by Micro, Small and Medium Scale Enterprises in Nigeria, DBN lends to MSMEs through our Participating Financial Institutions. These PFIs are financial institutions that are licensed and regulated by the Central Bank of Nigeria. As such, all DBN products are created for the sole utilization of eligible PFIs, who on-lend the DBN funds to MSMEs and Small Corporates, as defined by DBN.

DBN's current classification and single obligor limit for MSMEs and Small Corporates are detailed in the table here:

Category	No. of Employee	Annual Turnover	Total Assets	Single Obligor Limit	Tenor	Moratorium
MSMEs	< 250	< N1.125billion	< N1.125billion	N244 Million	Maximum of 10 Years	Maximum of 18 Months
Small Corporates	< 500	< N5.4billion	< N5.4billion	N610 Million	Maximum of 10 Years	Maximum of 18 Months

Participating Financial Institutions

To qualify as a PFI, a company must hold a valid license from CBN, be regulated by CBN, and meet and maintain DBN's minimum eligibility requirements. A list of these eligibility requirements are provided at <https://www.devbankng.com/eligibility-criteria>. Financial Institutions that meet the eligibility requirements, can apply for on-boarding as Participating Financial Institutions through the DBN Loan Management System, available at <https://loans.devbankng.com>. Since commencement, DBN has on-boarded a total of 11 Commercial Banks, 19 Micro Finance Banks and 1 Primary Mortgage Bank bringing the total number of PFIs to 31. After on-boarding, PFIs can apply for and receive funds from DBN up to their approved credit limit, which is based on their Shareholders' Funds in line with their classification.

Lending

DBN offers PFIs competitively priced and market referenced loans for on-lending to prequalified MSMEs and Small Corporates who have already been pre-approved. These loans can be accessed by PFIs through DBN's recently developed Loan Management System. PFIs can also confirm their loan position, review and update their collateral position, and track their activities at any time, through the Loan Management System - <https://loans.devbankng.com>. From inception to December 2019, DBN has disbursed over N133billion through PFIs to over 101,000 MSMEs and Small Corporates in Nigeria, 52,520 of which are women-owned businesses and 28,280 of which are youth-owned.

Guarantees

In 2018, DBN created a subsidiary company called Impact Credit Guarantee Ltd (Impact), in order to fulfil its objective of alleviating financial constraints by the provision of risk sharing facilities with PFIs. Impact provides partial credit guarantees to PFIs. These guarantees are limited to 60% of the loan amount and have a maximum tenor of five years. There are three types of partial guarantee products available to PFIs by Impact. These products are:
a. Individual Guarantee: in which Impact guarantees a single loan made by a PFI to a single borrower whose identity is known to Impact. The guarantee decision is at the discretion of Impact after individual appraisal.
b. Blanket Guarantee: in which the guarantees are individual in nature, but the authority to decide on the guarantee is vested in the PFIs.
c. Portfolio Guarantee: in which Impact guarantees a portfolio of loans made by a PFI to a target borrower segment up to the portfolio line ceiling.

Capacity Building

In line with our mandate, we also provide capacity building to PFIs and MSMEs, in order to ensure PFIs have a full understanding of the business needs of MSMEs and upscale the capacity of MSMEs to provide bankable projects for financing. We recently launched BizAid, a mobile platform created to build the capacity of Nigerian MSMEs by providing training, income and expense tracking and accounting services via the mobile app and web portal.

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Risks and Opportunities

Key Enterprise – Wide Risks

Our Board and management team continuously review the top corporate risks to ensure an appropriate understanding of the operating environment.

	RISK	RISK DRIVERS	MITIGANTS
1	Credit Risk Risks arising from inappropriate credit policies, poor management, poor loan underwriting, poor credit assessment, laxity in credit assessment and poor lending practices.	• Huge credit losses due to default from counter parties as a result of poor credit assessment and inadequate collateral.	• Detailed review of end borrower list to ensure that it is in compliance with our Exclusion list. • Implementation/strict enforcement of the Credit Policy Manual.
2	Liquidity Risk Inability of the Bank to meet maturing obligations as they fall due.	• Funding Liquidity: Sourcing of funds at very high cost to the Bank. • Market Liquidity: Sale of assets at highly discounted value.	• Effective Management of Assets & Liabilities, through ALCO. • Cashflow analysis and maturity profile of assets and liabilities • Effective and up-to-date Liquidity Contingency Funding Plan.
3	Investment Risk Risk of sustaining losses resulting from a decline in the economic value of assets due to worsening financial conditions of entities receiving funds and to changing market environment.	• Re-investment risk arising from decline in interest rate environment.	• Effective management of assets and liabilities through gap analysis. • Regular brainstorming and strategic direction setting sessions.
4	Operational Risk Risk of loss from inappropriate or non-functioning internal processes, people or systems or from external events.	• Poorly designed systems and processes, which may result in employees neglecting their duties. • System down-time resulting in disruption in operations.	• Well documented Standard Operating Procedures (SOP). • Up-to-date Risk Registers, Key Risk Indicators (KRIs) and Control Risk Self-Assessments (CRSA).

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	RISK	RISK DRIVERS	MITIGANTS
5	Environmental and Social Risks Risks from environmental and social issues that are related to a client's/ investee's operations which might expose the Bank to credit and or reputational risk.	• Specific issues associated with a DFI/or end borrower's operations and industry may result in negative E&S issues with huge financial implications and /or reputational damage.	• Screening of loan applications with DBN's ESRM framework to assess the E&S risks and opportunity for funding.
6	Technology Risks The inability to manage, develop and maintain secure and agile technology assets to support strategic objectives.	• A multi-channel digital experience means more technology to keep relevant, up-to-date and safe from cyber fraud attacks. • New types of devices span an extremely wide range of security requirements and have very different security postures.	• A robust ISMS that sets out controls processes and systems to manage our IT system risks.
7	Cyber/ IT Risk Risk arising from hardware and software failure, human error, spam, viruses and malicious attacks on information that will impact DBN and its clients.	• The emergence of remote presence technology may increase the avenues for cyber-attack. • Increasing number and sophistication of cybercrime incidents globally.	• Regular vulnerability assessment and penetration tests to identify and rectify potential weaknesses that can be exploited by cybercriminals. • Create and review process manual for vulnerability assessment. • Ensure data is backed up periodically. • Ensure access to server room is restricted and a register is opened for vendors conducting any maintenance procedures.

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	RISK	RISK DRIVERS	MITIGANTS
8	Governance and Compliance Compliance with CBN Regulation and NFIU AML/CFT Regulation Risk of non-compliance with laws and regulations, such as the SEC code, NSBP, NCCG, fraud and corruption, which might result in fine or penalty.	- Changing regulatory and supervisory requirements are resource intensive and costly. - Public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies.	Ensure adherence to DBN's compliance rule book which details all the applicable laws, regulations and guidelines covering DBN's operations and activities.
9	Reputational Risks Risk of a loss due to damage or a decline in Bank's reputation.	- Negative media mention. - Fine or Penalty resulting from breach in regulations or non-compliance with circulars issued by the regulatory authorities. - Legal action against the Bank resulting in bad publicity. - Excessive rate charge by PFIs on the Bank's loans to end borrowers.	- Development and implementation of Reputational Risk Management Policy and Framework. - Regular tracking of media mention. - Analysis and management of stakeholder expectations. - DBN will avoid any situation or actions, which could negatively impact its reputation and brand. When undesirable situations arise, this shall be aggressively managed to protect its reputation and brand image.
8	Strategic Risk Risk of loss resulting from defective strategy or inability of the Bank to respond timely to changes in the operating environment.	Inability to sustain business operations due to undesirable outcomes from the operating environment Emerging Risk, which could challenge the business model of the Bank.	- DBN's strategy document/SWOT analysis. - Stress testing and reverse stress testing. - Ensure adherence to DBN's Risk Appetite Limits.

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We leverage our Environmental and Social Risk Management policy to conduct due diligence for investment purposes. The ESRM considers all required covenants from our shareholders in managing environmental and social risk, and leverages additional regulatory and voluntary standards for driving best practice such as the CBN NSBPs and the UNEP FI.

These safeguards are based on the Environmental and Social Standards of the International Financial Corporation and drive our communications to Participating Financial Institutions (PFIs) on requirements of their engagement with us.

We have recorded certain achievements as a function of our robust risk management processes;

- Zero non-performing loans as set out

in our strategic objectives.

- Low Composite Risk rating by the Central Bank of Nigeria.
- Triple A (AAA) rating from the AADFI.
- Development of our in-house automated E&S risk assessment tool to increase the efficiency and effectiveness of our risk assessment process.
- Development of a tool to assist Microfinance Banks in assessing E&S risk of their clients.

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Leadership & Governance

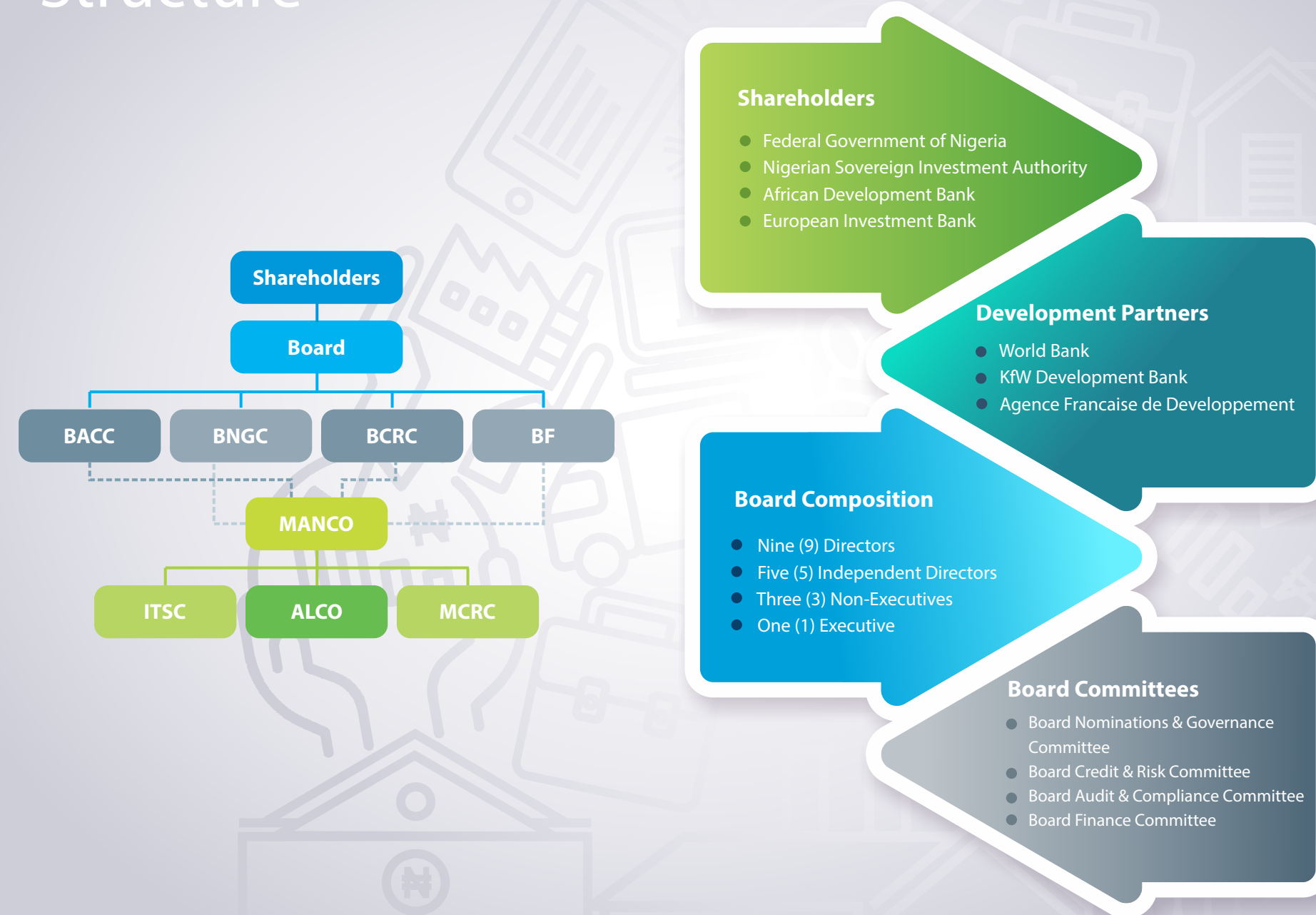


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- Corporate Governance at DBN
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Governance Structure



The Board of Directors



Board of Directors



Dr. Shehu Yahaya
Chairman,
Board of Directors

Prior to his appointment as the Chairman of the Board of Directors of Development Bank of Nigeria Plc in March 2017, Dr. Yahaya was the Bank's Interim Managing Director.

He has an outstanding career in the Academia and Development Finance, having held several management and executive roles, including Executive Director at the African Development Bank and member, Monetary Policy Committee of the Central Bank of Nigeria.

Before joining the African Development Bank, he served as Deputy General Manager at Nigeria Export-Import Bank (NEXIM). He was a lecturer in Macroeconomics as the Head, Department of Economics in University of Sussex, UK and Head of Economics Department in Bayero University, Kano, Nigeria.

Dr. Yahaya is a Board member of American School, Abidjan, State Vice Chairman of the Nigerian Economic Society and Sub-Dean, Faculty of Social Management Sciences, Bayero University, Kano.

He holds a bachelor's degree and a Master's degree in Economics from Ahmadu Bello University Zaria, Nigeria, as well as a Doctorate of Philosophy in Industrial Economics from University of Sussex, UK.



Mr. Anthony Okpanachi
Managing Director
/ Chief Executive Officer

Mr. Tony Okpanachi was appointed as the Managing Director/CEO of Development Bank of Nigeria Plc in January 2017.

He is a seasoned banker with over 30 years' experience. Before his appointment as Managing Director/CEO of DBN, he was the Deputy Managing Director of Ecobank Nigeria Limited since April 2013. Prior to that, he was the Managing Director, Ecobank Kenya and Cluster Managing Director for East Africa (comprising Kenya, Uganda, Tanzania, Burundi, Rwanda, South Sudan and Ethiopia). He was also at various times Managing Director of Ecobank Malawi and Regional Coordinator for Lagos and South West of Ecobank Nigeria.

Earlier in his professional career, he managed various portfolios including Treasury Management, Retail Business Development, Corporate Finance, Corporate Services, Branch Management and Relationship Management.

He holds a Masters degree in Business Administration (MBA) from Manchester Business School UK, a Master of Science degree in Economics from University of Lagos and a Bachelor of Science degree in Economics from Ahmadu Bello University, Zaria, Nigeria. He has attended several Executive Management Development Programmes on Leadership, Corporate Governance, Credit and Risk-Management in leading institutions.



Mrs. Clare Omatseye
Independent
Non-Executive Director

Mrs. Clare Omatseye is the Founder and Managing Director of the International Award-winning company, JNC International Limited (JNCI) and the current President of the Healthcare Federation of Nigeria.

JNCI, is a leading Turnkey Medical Equipment Solutions Company, which exclusively represents 16 Global Medical Equipment Manufacturers; Toshiba Medical Systems-Japan, Olympus- Japan, Elekta-Sweden, Getinge-Sweden, Maquet-Germany, Medtronic-USA, and ArjoHuntleigh, in the EU.

As the Vice President of the West Africa Healthcare Federation and pioneer President of the Healthcare Federation of Nigeria (HFN), a non-profit advocacy group that brings all stakeholders in the Nigerian private health sector under one umbrella with the aim of influencing healthcare policy and practices in the country, Clare has been instrumental in the development of several healthcare policies and public procurement reforms.

Her vast experience has influenced policies on Public-Private Partnerships as well as Incentives for Private Sector Investments in the Nigerian Health sector.



Mallam Bello Maccido
Independent
Non-Executive Director

Mallam Maccido is an accomplished Corporate and Investment banker with over 31 years post graduate experience.

He has at different times served on the Boards of FBN Holdings Plc, First Bank of Nigeria Plc and Legacy Pension Manager Limited and is currently the Chairman, FBN Merchant Bank Ltd.

He is a Fellow of both the Chartered Institute of Stockbrokers and the Chartered Institute of Bankers of Nigeria.

He holds a Law Degree (LL.B) and a Master's Degree in Business Administration (MBA) from Ahmadu Bello University, Zaria and Wayne State University, Detroit, Michigan, USA respectively.

He is a Barrister at Law (BL) of the Supreme Court of Nigeria and an Alumnus of the Executive Business Programs of the Harvard Business School and the IMD, Lausanne, Switzerland.

Board of Directors



Mr. Uche Orji
Non-Executive
Director

Mr. Orji is the Managing Director/CEO of the Nigeria Sovereign Investment Authority. He served as the Interim Chairman of DBN's Board of Directors until March 2017. He brings a wealth of global experience in the financial services sector to his role as MD/CEO.

He joined NSIA as CEO in October 2012, from Switzerland's largest bank, UBS Securities, where he was Managing Director in the New York branch of its Equities Division. Prior to his UBS experience, Mr. Orji spent six years at JP Morgan in London, 2001-2006, rising from the position of Vice President to Managing Director within the Equities Division.

Prior to JP Morgan, he worked for Goldman Sachs Asset Management, London, 1998-2001, as an Analyst/Portfolio Manager. His first banking and financial industry experiences were at Diamond Bank Plc., Lagos and Arthur Andersen, Lagos respectively.

Mr. Orji studied Chemical Engineering at the University of Port Harcourt, Nigeria, graduating in 1990. He also obtained an MBA from Harvard Business School in 1998.



Mr. Andrew Alli
Independent
Non-Executive Director

Mr. Andrew Alli is the immediate past President and Chief Executive Officer of the Africa Finance Corporation. Mr. Alli has been an Executive Director of Africa Finance Corporation Since November 2008. He served as Deputy Chief Executive Officer of Travant Capital and also served as its Partner.

He was with the International Finance Corporation ("IFC"), the private sector financing arm of the World Bank Group, in Washington as an investment officer working first in the Oil, Gas and Mining Department and then in the Telecommunications Department. In 2002, he was appointed IFC's Country Manager for Nigeria, responsible for managing IFC's operations in the country. In 2006, Mr. Alli was appointed Country Manager for Southern Africa, where he was responsible for South Africa and seven other countries.

He served as a Non-Executive Director of ARM Cement Limited from October 2012 until March 24, 2017. He also served as Non-Executive Director of Guaranty Trust Bank Plc from June 2008 to June 30, 2016.

Mr. Alli holds a Bachelor's degree in Electrical Engineering from King's College, University of London, an MBA from INSEAD, France and qualified as a Chartered Accountant with Coopers & Lybrand (PricewaterhouseCoopers) in the UK.



Mr. Phillips Oduoza
Independent
Non-Executive Director

Mr. Phillips Oduoza, FICB was the Group Managing Director and Chief Executive Officer of United Bank for Africa Plc since August 1, 2010 until July 31, 2016.

He has over two decades of experience having worked with several banks. Prior to his appointment as GMD/CEO of UBA, Mr. Oduoza served as Deputy Managing Director UBA Plc, Deputy MD, UBA Nigeria South and Executive Director, Retail Financial Services. He also served as Chairman and Director of ValuCard Nigeria Plc, Director of UBA Capital Plc and as Director, InterSwitch Limited.

Mr. Oduoza is an Alumnus of the Harvard Business School Advanced Management Program and an honorary senior member of the Chartered Institute of Bankers of Nigeria. He holds an MBA (Finance) and a first-class Bachelor of Science degree in Civil Engineering from the University of Lagos.



Dr. Oladimeji Alo
Independent
Non-Executive Director

Dr. Oladimeji Alo serves as Director at ARM Life Plc. He served as the Managing Director/Chief Executive Officer of Financial Institutions Training Centre (FITC), where he contributed actively to the series of reforms in the Nigerian banking sector over a period of thirteen years.

While in the services of the international firms of Price Waterhouse and (later) Coopers & Lybrand, Dr. Alo provided consulting assistance to several leading organizations in Nigeria. Dr. Alo was President of the West African Bankers' Association and the Chartered Institute of Personnel Management of Nigeria. He serves as a non-executive director on the board of Berger Paints Plc.

Dr. Alo is a scholar, a management consultant and a corporate governance expert. He holds a Bachelor of Science degree in Social Sciences, a Master of Science degree in Industrial Sociology and a Doctor of Philosophy in Industrial Sociology from the University of Ife, Ile-Ife, Nigeria.



Mr. Henry P. B. Baldeh
Non-Executive
Director

Mr. Batches Baldeh is an investment banker, infrastructure developer and utility management specialist, with over 33 years of professional experience across the power value chain and financing capital structure. Mr. Baldeh is currently the Director – Power Systems Development, at the African Development Bank (AfDB), which he joined in May, 2017. He is also responsible for the management of the AfDB's private sector energy loan portfolio.

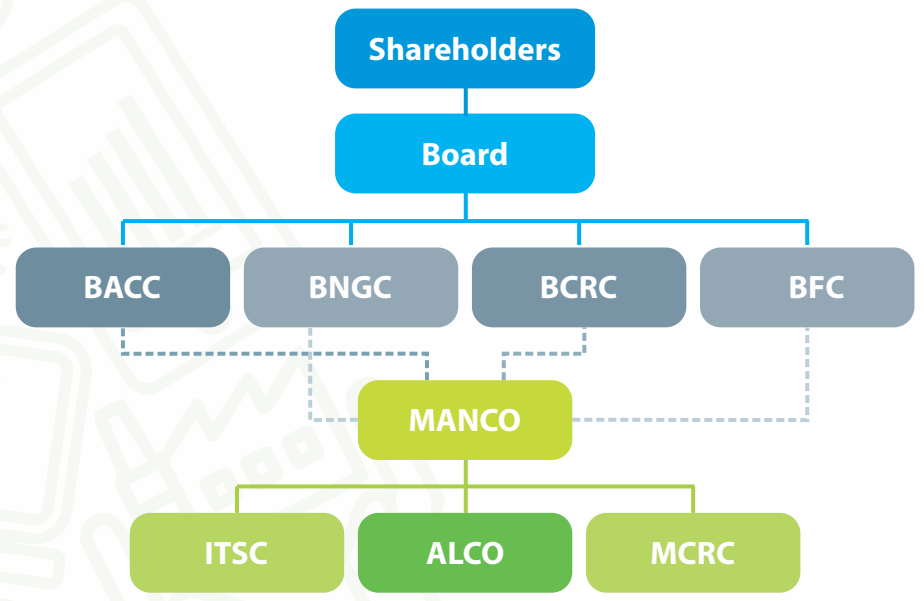
Prior to joining AfDB, Mr. Baldeh was the Director – Power Business, Investments Division, at the Africa Finance Corporation. He has also been a consultant to the World Bank, European Union / BizClim and Government of Lesotho; and was the pioneer Managing Director of Gambia's National Water and Electricity Company, from 1995 – 1999.

He is currently a Non-executive Director of the Africa Finance Corporation; and served as the Chairman of the Board of Directors of Cabeolica S.A. and Cenpower Operations and Services Limited. He was an Alternate Director and Technical Committee member of the Benin Electricity Distribution Company.

Mr. Baldeh holds an MBA from Boston University (USA) and BSc-Honours in Electrical & Electronic Engineering from Newcastle-upon-Tyne University (UK). He is a member of the Institute of Engineering & Technology (UK) and a Fellow of the Institute of Directors, Southern Africa.



Corporate Governance at DBN



The Board of Directors

- Provides strategic guidance for the Bank and an effective supervision and oversight of management.
- Undertakes an on-going assessment and review of performance of the Board, its committees and individual Directors annually.
- Approves the Bank's annual targets and financial statements and monitors financial performance against forecast, budget and prior periods.
- Monitors the effectiveness of the Bank's risk management and corporate governance framework.

The Board Audit and Compliance Committee ("BACC")

- Evaluates the adequacy of the Bank's control environment.

- Ascertains that the accounting, reporting policies and disclosures of the Bank are in accordance with regulatory and legal requirements as well as in line with best ethical practices.
- Reviews and monitors the external auditors' independence, objectivity, expertise, resources and effectiveness.
- Maintains an oversight over the role, resourcing and independence of the Internal Audit Unit.

The Board Credit and Risk Committee ("BCRC")

- Ensures that adequate policies and controls are in place to manage the risks to the operations of the Bank.
- Reviews lending policies, strategies, and programs of the Bank, and makes recommendations to the Board of Directors, for approval.
- Reviews all credit and related issues of

the Bank before presentation to the full Board for approval.

- Reviews and reports to the Board of Directors, on the current and prospective capital levels (risk based as well as net worth) to determine adequacy in relation to expected growth, interest rate risk, price risk, and asset mix/quality.

The Board Finance Committee ("BFC")

- Advises the Board on all matters relating to finance.
- Reviews proposed investments and makes recommendations to the Board of Directors, for approval.
- Reviews and recommends the annual and quarterly accounts to the Board of Directors, for approval.
- Ensures that adequate and comprehensive financial controls are in

place and implemented in line with the extant Financial Regulations.

- Considers and makes recommendations to the Board on matters of annual estimates of income and expenditure.

The Board Nomination and Governance Committee ("BNGC")

- Reviews and recommends to the Board of Directors, adherence to corporate values that ensure that the Bank's business is conducted in a legal and ethical manner.
- Develops and recommends for Board approval, policies and codes of best practice for Management and staff.
- Ensures the existence of processes for the identification of suitable candidates for appointments and makes recommendations to the Board, for approval.



Ethics and Compliance

Our Board is committed to high ethical standards and probity, and ensures all employees and executives align to these standards in all their dealings with stakeholders. To ensure a high ethical standard, we introduced the following procedures:

- A Code of Ethics, which sets out the minimum standards of ethical conduct in the Bank.
- A Whistleblowing Policy, which provides different medium for employees and other relevant stakeholders to report concerns about workplace malpractices in a confidential manner, and to enable the Internal Audit and External Consultant investigate and deal with such.
- Stakeholders are expected to comply with this code and policy in discharging their duties, support investigations into any reported misconduct or concern, and take any appropriate action.



Whistle Blowing

Our Whistleblowing Policy, which is on our website (www.devbankng.com/cms/uploads/policy/WhistleBlowing-Policy) applies to both internal (staff, contract employees, management or directors) and external (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders) whistleblowers.

Our Policy outlines the procedure for whistleblowing in our Bank and how all reported cases of illegal and unethical conduct or other misconduct should be dealt with.

Our Policy is in line with the requirements of section 3.1 of the Central Bank of Nigeria's 'Guidelines for Whistleblowing for banks and other financial institutions in Nigeria', and section 5.3.1 of the 'Code of Corporate Governance for banks and discount houses'. In line with the policy, a whistleblower may raise a concern (by declaration, anonymously or in confidence) through any of the following channels:

- A formal letter to the MD/CEO, Development Bank of Nigeria Plc. or the Head, Internal Audit, Development Bank of Nigeria Plc.

• A dedicated phone number: 080-751-80057.

• A dedicated email address: whistleblow@devbankng.com.

• Through our website: www.devbankng.com/whistleblowing

The concerns can also be raised via our External Whistleblowing channels:

• Toll-Free Hotlines: [0800-847-6337](tel:0800-847-6337)

• External Whistleblowing E-mail: tip-offs@deloitte.com.ng.

Where a concern is received by a staff other than the MD/CEO or the Head, Internal Audit, the recipient of such concerns shall be required to; immediately pass the concern(s) to the Head, Internal Audit with copy to the MD/CEO Development Bank Plc.

If the concerns affect the Head, Internal Audit, the MD/CEO shall be notified, and where a Director (including the MD/CEO) is involved, such concern shall be directed at the Chairman, Board Audit & Compliance Committee.

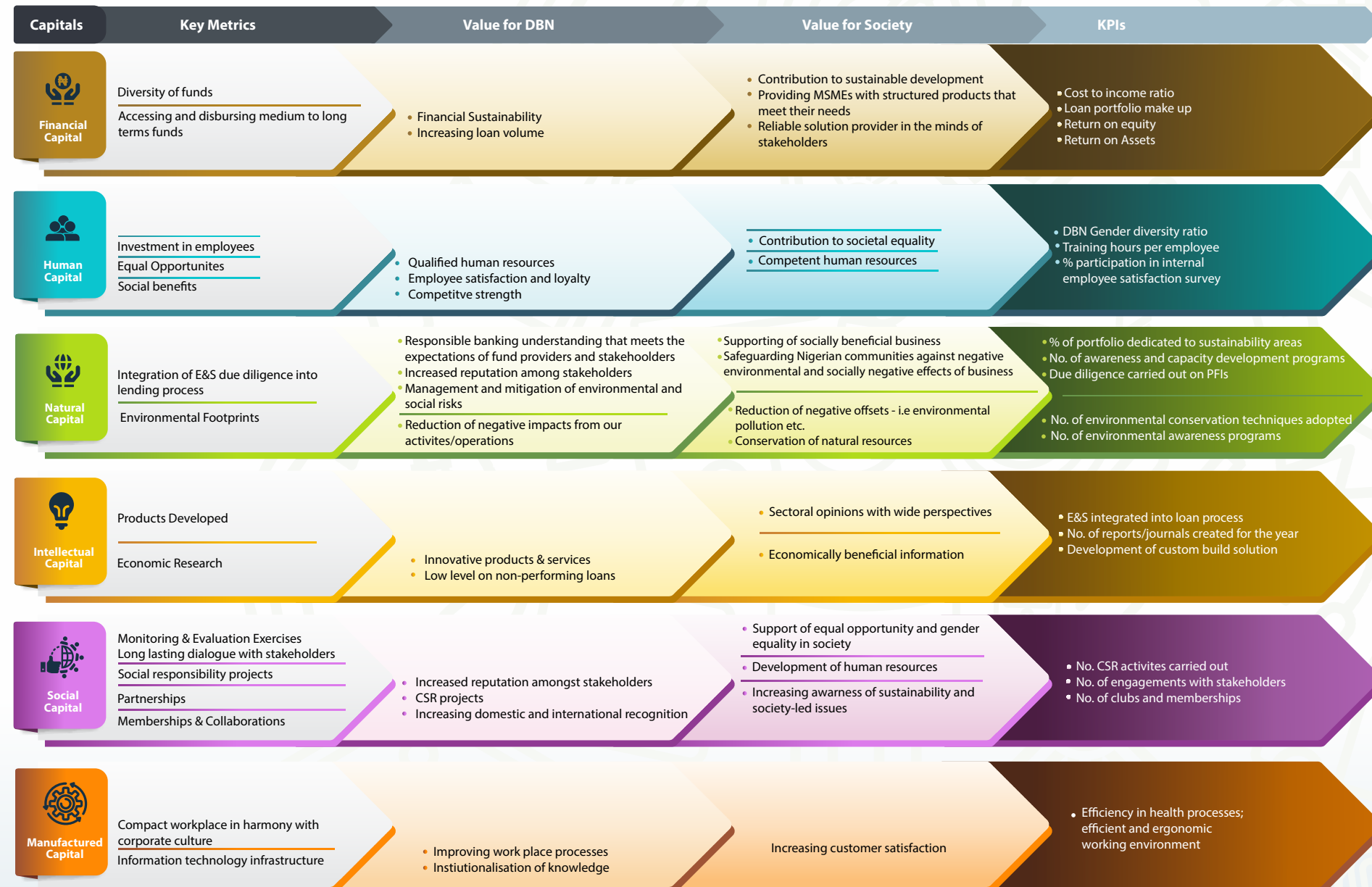
All whistleblowing concerns were investigated and appropriately dispensed off in line with our Policy. The Head, Internal Audit and the Chief Compliance Officer forward regular returns of all whistle-blowing reports to the Central Bank of Nigeria in line with the provision of the guideline for whistleblowing for banks and other financial institutions in Nigeria issued by the Central Bank of Nigeria.

How we create value



- Financial Capital
- Human Capital
- Natural Capital
- Intellectual Capital
 - DBN Biz Aid Platform
- Social Capital
- Manufactured Capital

How we create value



Financial Capital

Our financial capital includes the products and services that we provide to our customers through our funds as well as added value created through our corporate culture. 100% of profits generated from our operations since inception are reinvested in the business. This supports the goal of the Bank to be financially sustainable.

Equity funds from the Federal Government of Nigeria and Development Partners; debt funding from International Financial Institutions; as well as internally generated profits are the current source for our financial capital.

100% of profits generated from our operations, since inception, are reinvested in the business. This supports our goal to be financially sustainable. We hope to expand our funding sources; equity and debt, in the nearest future at favorable rates for on-lending to our PFIs.

Value Created for Stakeholders

- N101.5billion new loan disbursements to MSMEs
- N32.9billion in profit for the year
- N35.3million donations
- N1.0billion vendor related payments
- 23% Return on Equity*
- N1.9billion employee remuneration, training and other benefits

*Return on Average Equity (Pre-tax)

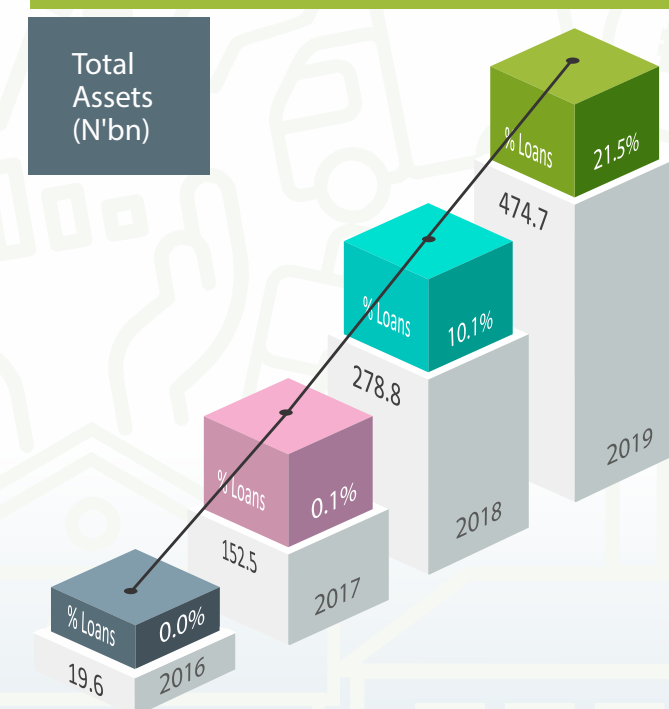
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Highlights

We are committed to delivering a long-term value to all our stakeholders, which is reflected in our strong financial performance, advocacy and capacity building activities for MSMEs; Annual Lecture Series, MSME Summits, informal sector meetings and capacity building programmes for MSMEs.

Our return on assets and return on equity stood at 8.7% and 23.0% respectively as at December 31, 2019

Robust Growth in Assets Size

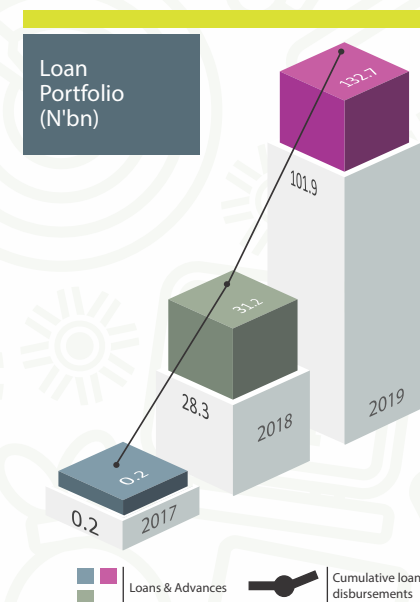


Our asset size grew by 189% CAGR over 3 years, from N19.6bn in 2017 to close at N474.7bn as at December 31, 2019. Loan portfolio as a percentage of total assets also witnessed significant increase from 0.1% as at December 2017 to 21.5% as at December 2019, depicting our strategy to expand our lending base; pursuing our catalytic role in the MSME financing space.

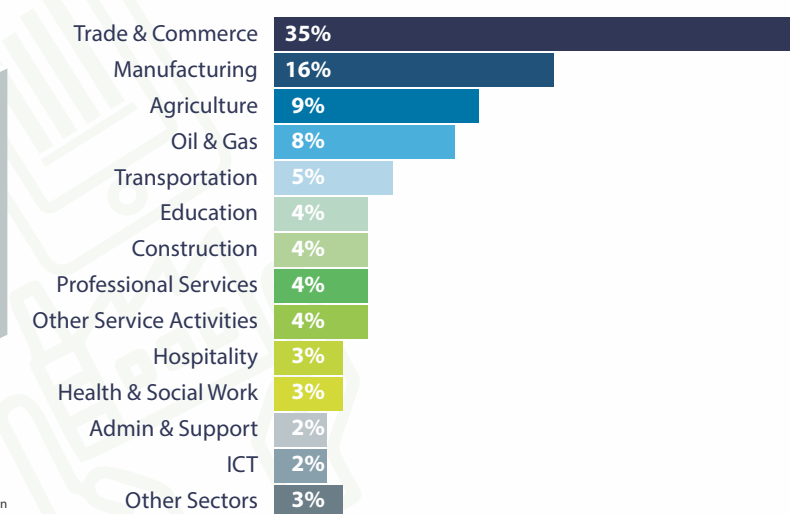
Loan Portfolio

Since we commenced operations in 2017, we have consistently grown our loan portfolio, surpassing our loan disbursement target of N100bn in 2019. Our outstanding balance for loans and advances increased by 260% year-on-year, from N28.3bn as at December 2018 to N101.9bn as at December 2019.

As a Bank focused on our primary mandate of providing access to finance for the underserved MSME segment, we have onboarded 27 PFIs with a collectively wide MSME reach, and total disbursements, since inception stood at N132.7bn as at December 31, 2019. Total approved credit limits to onboarded PFIs was N382bn as at December 2019.

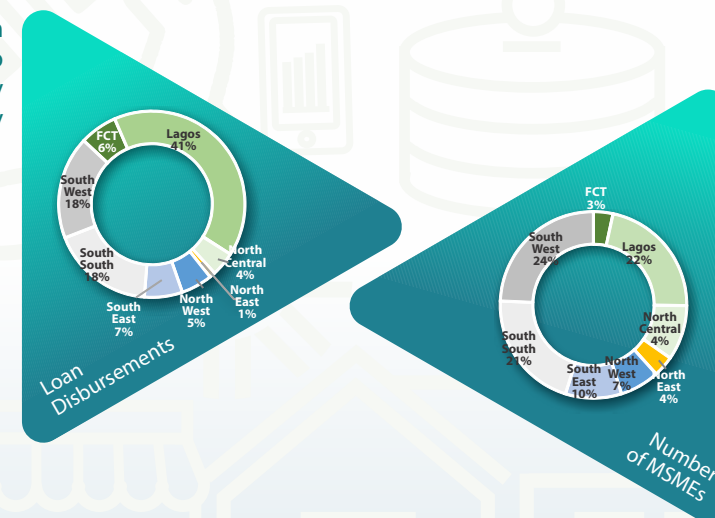


Loans disbursements by sector



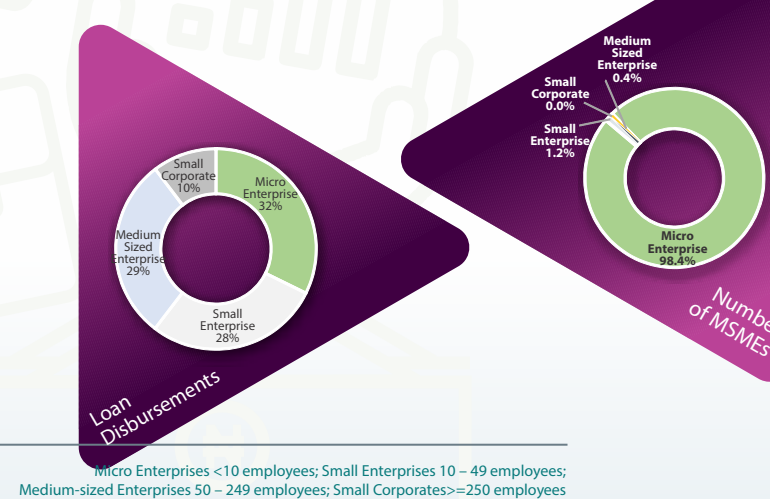
Trade & commerce sector account for 35% of total loan disbursements since inception. Education, agriculture, manufacturing combined make up about 30%.

Loan Portfolio by Geography

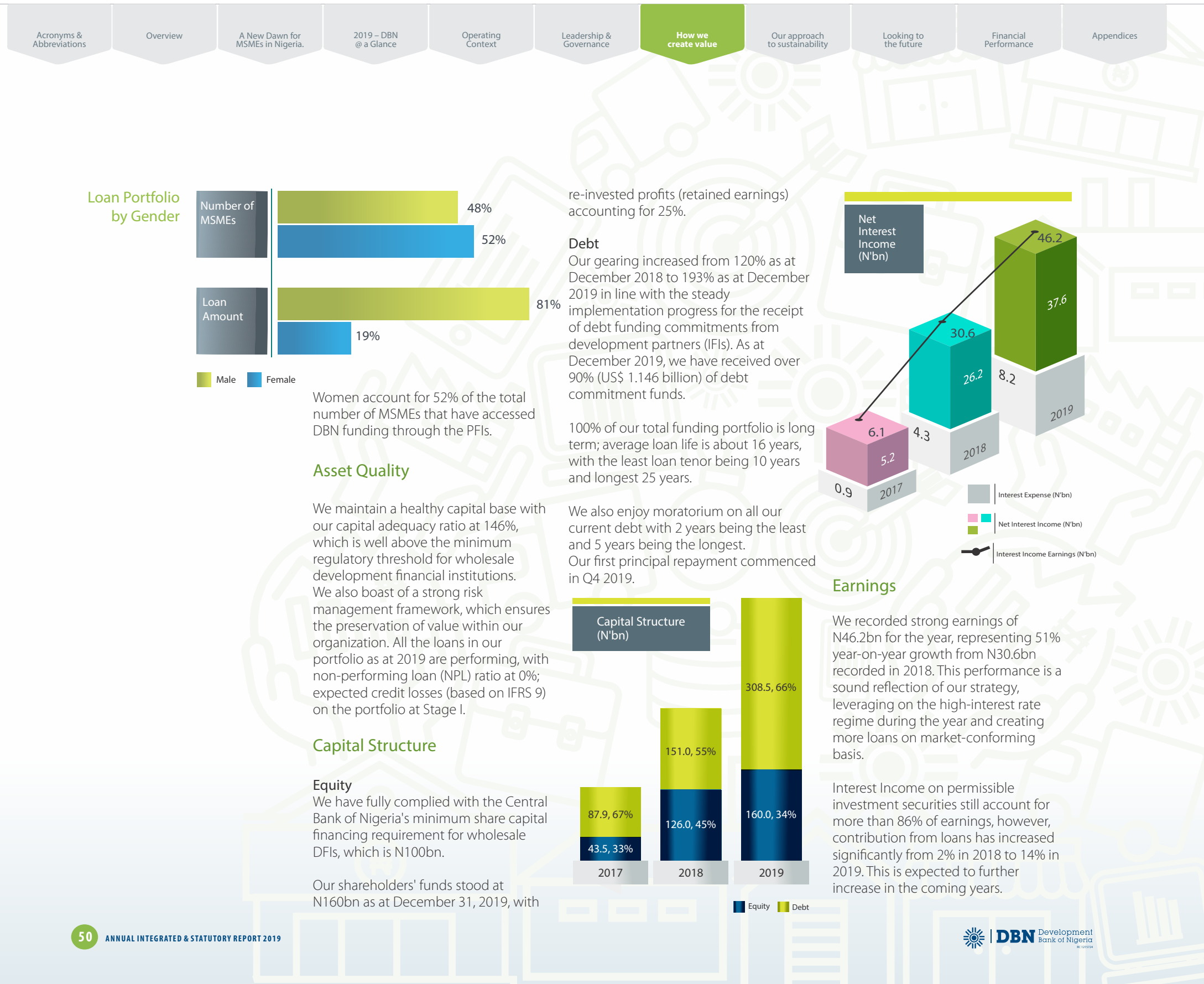


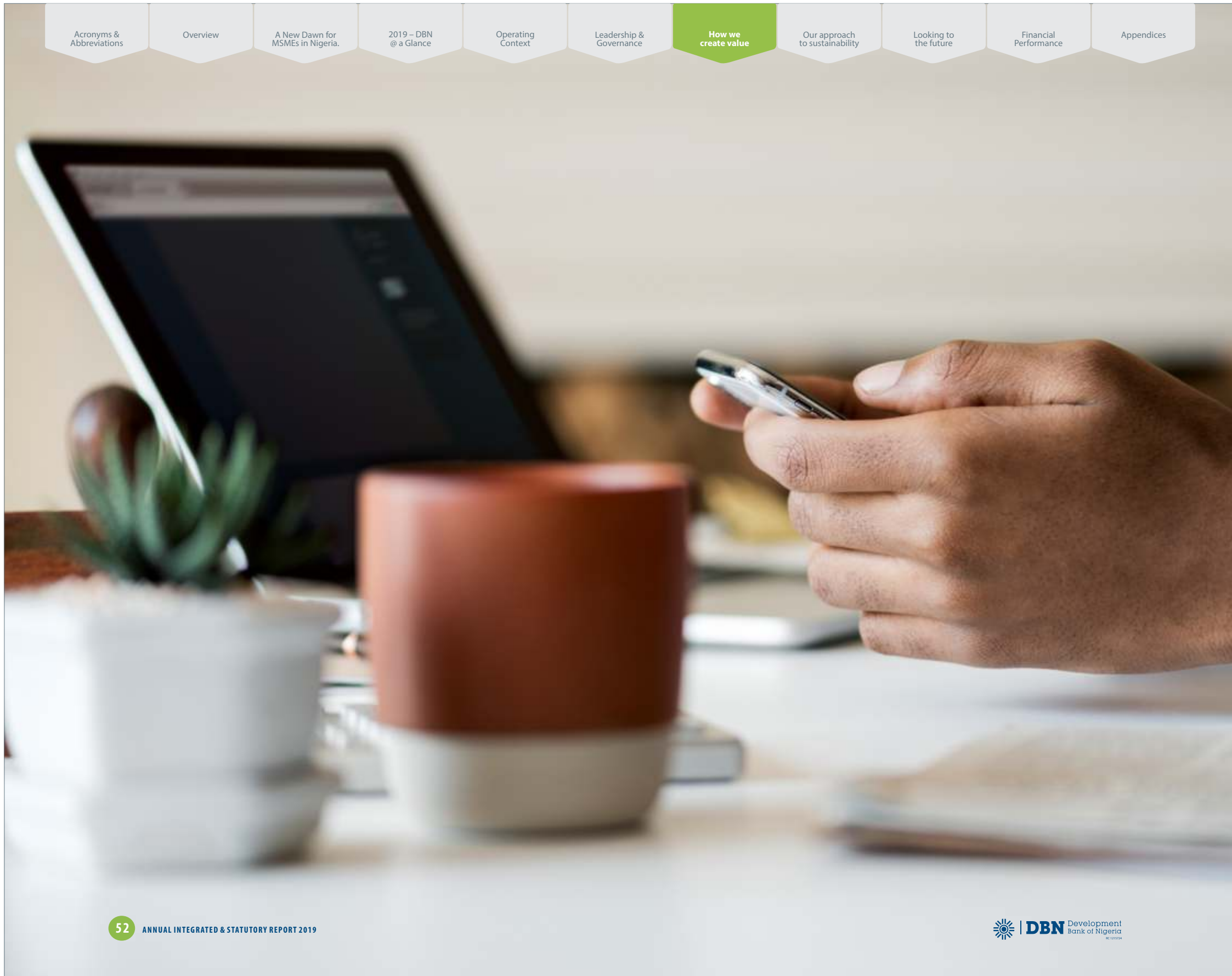
Loan Portfolio by MSME Business Size

Distribution by Size (based on number of employees)



Micro Enterprises <10 employees; Small Enterprises 10 – 49 employees; Medium-sized Enterprises 50 – 249 employees; Small Corporates >=250 employees





Human Capital

At DBN, we remain deliberate in our engagement with internal and external stakeholders. We place a premium in ensuring that our employees are well trained to enable efficiency and high performance across all our operations.

Human Capital

We are committed to attracting, nurturing and retaining a motivated and high-performing workforce as a strategy for ensuring sustainable improvement in business performance and effective achievement of objectives critical to our mission. Knowing that our people are our best capital, and need to be fully engaged with our corporate and brand values, we strive to provide a diverse and inclusive workplace where all employees are encouraged to achieve their full potential.

We have developed a strategy-aligned Employee Value Proposition (EVP), which helps to drive this engagement by guiding the provision of a consistently positive experience for employees while ensuring that DBN remains an employer of choice within its dynamic industry and talent markets. Our Employee Value Proposition focuses on four core areas:

1. Corporate & Brand Identity

We ensure that all aspects of corporate and individual business or work conduct are in conformance with our core values of Sustainability, Transparency, Excellence, Diversity and Innovation. Our employees are passionate about the corporate vision, mission, core values, culture, and are proud of our social mandate, international affiliations with leading global institutions and strong corporate governance. In 2019, the Bank recorded a 97% staff retention rate and 4.0 Employee Satisfaction Index. 97% of

the workforce stated that they would advocate DBN to outsiders.

2. Work Environment & People

Management Practices

We continue to provide our employees with a conducive work environment that reflects respect, diversity and inspires excellence. Our core values underpin all aspects of our actions across the employment life cycle and form a critical part of the Bank's expectation of supervisors. We invest in providing our people with meaningful work delivered through carefully designed roles that provide stretch, opportunities to learn, and contribute to delivering the Bank's mandate. Employees are actively encouraged to get involved and use

their abilities to impact the communities in which we operate.

To create a working environment that supports a diverse and inclusive workforce for all employees, free from barriers, DBN has implemented relevant policies, practices and initiatives.

Workforce Diversity

Diversity is one of our core values, and this is reflected in all our people-management practices. Building a respectful workplace means giving due regard to the differing viewpoints, abilities, needs and beliefs of our colleagues, clients and stakeholders.

Treating each other with respect and dignity helps ensure a healthy and

productive work environment. DBN prohibits sexual harassment, discrimination, disrespectful and inappropriate behaviour, violence in the workplace and in all interactions between employees and third parties. DBN's Workforce Diversity Policy sets the Bank's expectations for employees to contribute to a safe, respectful and professional workplace.

As at December 31, 2019, women constituted 38% of our workforce. We also recorded significant mileage in strengthening geographical diversity, achieving a minimum of 10% representation for all geographical regions.

Data as at December 31, 2019

Total Number of Staff (Including Platform & Front Desk Officers)	40	
Female	14	35%
Male	26	65%

TRAINING

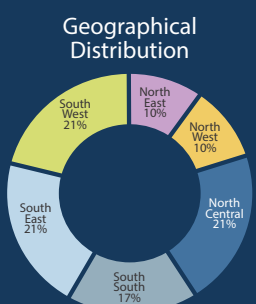
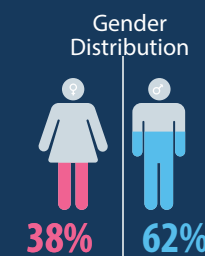
Total Training Hours	5,985	
Number of Staff Trained	100%	

COMPENSATION & BENEFITS

Group Life Assurance/Group Personal Accident Scheme	100%	
Health Insurance Scheme	100%	
Contributory Pension Scheme	100%	

2019 EMPLOYEE SATISFACTION SURVEY

Employee Satisfaction Level	81%	
Staff that are likely to advocate for DBN as a Great Place to Work	97%	



To build a robust pipeline, we insist on having a diverse slate of candidates for all open positions, embedding gender goals in our recruitment and staffing practices and challenging unconscious bias during the entire staffing process. For leadership accountability, we provide quarterly progress reporting to the Board Nomination and Governance Committee. In addition, we work closely with recruitment firms to ensure a broad range of candidates are presented for interviews and our graduate recruitment strategy is fully diverse and inclusive. The advancement of women in leadership roles and building an inclusive talent pipeline remain a key priority.

Employee Health and Well-Being

The Bank provides free graduated medical cover for staff and their immediate family members (spouse and up to 4 children). In conjunction with

Health Maintenance Organizations, employees have access to confidential free annual workplace-based health check as well as annual comprehensive medical check-up to help them assess their current health status, identify modifiable risk factors and evaluate readiness to make changes. Our periodic wellness campaigns and seminars encourage employees to learn about the importance of wellness. A diverse range of benefits, incentives and perks, including subscription to gyms and fitness clubs are available to eligible employees.

Employee Engagement and Work/Life Integration

At DBN, we work smart and play hard. We organize quarterly fun events to enhance employee bonding, encourage collaboration and build a positive environment where employees work

collaboratively. Employee engagement initiatives implemented in 2019 include quarterly team bonding activities, Bank-wide *Thank-God-It's-Friday (TGIF)* events, an annual team-building program, town hall meetings and an End-of-Year party.

We take a proactive approach to providing our employees with opportunities for flexible integration of work, personal and community responsibilities, enabling them reach their full potential and encouraging them to bring their total self to work. These include:

- 5 to 6 weeks paid annual leave for employees and the option of staggering the leave to meet personal needs where work performance is not jeopardized.
- 4-month maternity leave, including

early closure for 2 months upon return from leave.

- Up to 5 days compassionate leave per annum for bereavement or family emergencies.
- 5 days paternity leave for new fathers.
- DBN supports employees where necessary with purchased vacation option (provides employees with the opportunity to purchase additional vacation time).
- Social club membership for eligible grades.

Acronyms & Abbreviations

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Employee Involvement and Internal Communication

We encourage open communication and gives priority to resolving employee concerns. There are several touchpoints that enable employees to express their views and raise concerns on issues they want to be addressed including connecting with Line Managers, Senior Management, Executive Management as well as Human Resources. A "Whistle Blowing" platform is available to employees, to report concerns about a wide range of workplace issues, including discrimination, harassment, violence and unprofessional conduct by colleagues. Our Operational Risk Management incident reporting platform also enables employees to

report workplace accidents or near misses.

3 Growth & Learning Opportunities

We expect our staff to not only be passionate about the Bank's mandate, but also about their personal development. We continuously invest in providing our employees with the opportunity to build, and grow their own capabilities, leverage the collective strengths of colleagues, to do work that is not only enriching but socially impactful.

Employees' rounded career growth and development is supported through:

- Up to 40 protected annual minimum hours of formal training.
- 40 (and up to maximum of 72) annual discretionary training hours based on identified business and/or staff development needs.
- Up to 10 working days study leave for authorised professional examinations (includes exam days) for eligible grades.
- Reimbursement for approved, mandatory professional certification exams (subject to 1 sitting per stage).
- Annual professional membership subscription for approved relevant professional bodies.
- Fast track progression for consistent high performance as defined in the career and performance management frameworks.

4 Reward & Recognition

As an equal opportunity employer, DBN is committed to pay equity – paying men and women equally for work of equal value. We offer competitive salary and benefits across all levels relative to the bank's chosen comparators with a continued focus on promoting total employee wellbeing. Employees are frequently recognized for high performance and demonstrating leadership and upholding the brand.

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Natural Capital

As an environmentally conscious organization, we are aware that our activities and operations have a real and lasting effect on the environment and the communities in which we operate. As such, we continuously aim to maintain high standards of environmental consciousness. This covers our operations and our use of natural resources. We ensure our employees, contractors, suppliers and customers act in a responsible way to reduce the negative impacts on the natural environment and the communities who depend on it for their livelihood.

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Waste

As an environmentally conscious organization, we place a premium on how our waste is managed. We have adopted an approach for managing general waste and are also working on kicking-off internal and external recycling initiatives in 2020.

- General Waste: We will continue to partner with municipal waste management authorities to pick up our general waste.
- Awareness Creation and Capacity Building: In order to drive deeper levels of change, we will train and develop capacity for our employees and cleaning staff to ensure initiatives are put in place for sustainability and success.
- Internal Recycling Initiative: Our target for 2020 will be to kick off an internal recycling campaign that targets our plastic, paper and metal wastes out of our two official locations- Abuja and Lagos.
- External Social Impact Initiative: Tackling waste challenges require thinking and action. It is also, oftentimes, a community-led effort, requiring higher levels of impact & partnerships. As such, we aim to partner with a local recycling firm, which will ensure that waste generated out of our domestic residences are also inculcated into a social impact scheme.





Water

As an organization, we are acutely aware that water is an extremely important resource and its usage should be monitored. We are also aware that in many countries around the world, water is becoming an increasingly scarce resource.

As such, we encourage responsible water usage within our offices. In addition, as a constant reminder, we have created awareness paraphernalia for all employees to guide and act as a reminder to use water responsibly. As we grow as an organization, our immediate focus will shift into the implementation of water management/efficiency infrastructure.





Power

In a bid to conserving our overall power usage, we continuously create awareness around responsible power use across all our operations and activities. This includes awareness creation around power conservation techniques, and mindfulness within our offices. As we grow, we intend to introduce renewable energy resources in addition to reducing overall amounts of power within our activities and operations.



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Intellectual Capital



We build value through continuous innovation, which helps to modernize our operations and activities. Our technology and knowledge capabilities are focused to build and deliver world-class products and services, specifically designed for the Nigerian market.

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ANNUAL INTEGRATED & STATUTORY REPORT 2019

 **DBN** Development Bank of Nigeria

Intellectual Capital

Nile University Abuja



We have an existing Memorandum of Understanding (MOU) with Nile University in Abuja to provide input into research pieces and capacity building activities. There is also an existing arrangement that enables DBN employees to pursue available education and knowledge opportunities.



Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)

We currently collaborate with SMEDAN on a variety of initiatives. We have synergies on capacity building and training opportunities. As a partner, we also encourage SMEDAN to encourage MSMEs within its ecosystems to approach their relevant PFIs in order to access existing funding.

Entrepreneurship Development Center of Pan-Atlantic University (EDC)



The DBN Entrepreneurship program is our initiative aimed at equipping MSMEs with the skills and competencies to defend sound and viable business proposals, improve their capacity to access available credit, and improve their capacity for efficient funds utilization, trade, investments and access to markets.

The program was facilitated by the Enterprise Development Centre (EDC) of the Pan-Atlantic University with the objective of addressing the entrepreneurship and business management skills gaps of Nigerian MSMEs. 100 MSMEs, who were from different parts of the country, different sectors of the economy and at different stages in their businesses, were beneficiaries of this capacity building program in Lagos and Abuja. While EDC implemented the program in Lagos (covering the southern states), Wider Perspectives was responsible for the capacity building in Abuja (covering the northern states).

At the end of the 3-month program, participants were given the opportunity to meet with advisors, who are industry experts, in a one-on-one session to discuss their business challenges and were offered workable solutions to these challenges.

The National MSME Clinic



The National MSME Clinic is an initiative of the Federal Government to assemble and interact with all relevant stakeholders in order to disseminate information on sector-related initiatives and programs, provide guidance on regulatory matters and create awareness for locally made goods by MSMEs doing business in Nigeria. DBN has been a key sponsor of the National MSME Clinics for over two years and a full participant at all the clinics across the 36 states of the federation.

Nigerian Association of Small and Medium Enterprises (NASME)



The National Association of Small and Medium Scale Enterprises (NASME) is the apex organisation that coordinates MSME activities and interacts with local and foreign organisations whose services are vital to the development of MSMEs in Nigeria. In line with DBN's mandate of supporting MSMEs, DBN is a primary sponsor of the annual NASME summit and an active participant at all NASME events.

The Montreal Group



The Montreal Group is an international forum of Development Banks created to foster peer group exchanges, identify best practices and innovative solutions on key topic issues, and develop thought leadership material contributing to the global MSME ecosystem. The Montreal Group promotes international cooperation, mutual learning and exchange of technical expertise among Development Banks. DBN has been

appointed an observer status within the Group pending the ratification of its full membership.

SME Finance Forum



The SME Finance Forum is an international roundtable of stakeholders with the objective of promoting access to finance for SMEs. The global network of partners is primarily made up of financial institutions, technology companies and development finance institutions working to share knowledge, spur innovation and promote the growth of SMEs. DBN is an active member of the SME finance forum with membership spanning the last two years.



Capacity Building for our PFIs

As part of initiatives used to drive increased capacity for our Participating Finance Institutions (PFIs), throughout the course of 2019 we organized training sessions in conjunction with our partners. These sessions focused on building the internal capacity of our PFIs in relation to the creation of policies/Environmental and Social (E&S) practices etc. These were key opportunities to engage our PFIs in a granular manner whilst being able to transfer best-in-class knowledge and operational methods of working/operations.

Names of course modules/content

- E&S Policy Development and Operationalization
- E&S Risk Assessment and Categorization
- E&S Policy Development
- E&S Strategic Business Case Management

Key takeaways from training and plans for the future

Feedback from post training

Surveys/evaluations demonstrate that the capacity development exercises have been well received by the PFIs. In 2019, we trained over 12 PFIs. Post evaluation surveys point to the fact that most PFIs trained noticed a marked improvement in internal

processes.

We plan to hold more of these training sessions in the future with a view to focus on the following key things: Based on training exercises conducted through the course of the year, we plan to increase our support through the provision of additional knowledge/training and also on an individual basis, do diagnostic analysis for PFIs with existing process gaps. We believe that this will exponentially enable the PFIs' internal E&S processes. Post-training and gap analysis phase, we will then conduct spot checks to measure knowledge absorption rates and levels of compliance within the PFIs that have been exposed to the processes.



DBN contributed to European Investment Bank's "Banking in Africa Report 2019". The report "Banking in Africa" was officially launched on 27 February by our President Werner Hoyer on the occasion of EIB's 2020 Africa Day in Dakar. In its fifth edition, this report focuses on recent developments in Africa's banking sectors and the policy options for all stakeholders.

The study of banking sectors across all African sub-regions includes the results of the EIB survey of banking groups operating in Africa.

Three thematic chapters address challenges and opportunities for financing investment in Africa:

Investing sustainably in Africa's cities;

Mobilising agricultural value chain financing in Africa: why and how; Remittances and financial sector development in Africa. The report is available from EIB's website in English and French:

<https://www.eib.org/en/publications/economic-report-banking-in-africa-financing-transformation-amid-uncertainty>

or <https://www.eib.org/bankinginafrica> for short



The delegation from: Development Bank of Nigerian, Nigerian Investment Promotion Commission, Standards Organization of Nigeria, Federal Ministry of Power, Works and Housing, Federal Ministry of Finance, Manufacturers Association of Nigeria, FCT Development Control, Nigerian Customs Services, Federal Ministry of Industry, Trade and Investment, Architect Regulatory Council of Nigeria, GIZ India and GIZ Nigeria.

India Study Tour

The Development Bank of Nigeria participated in the GIZ India- Nigeria Energy Exchange Week, a study tour in New Delhi India put together with the objective of having an efficient transfer of knowledge and experience regarding the implementation of

demand side (buildings, industries and appliances) energy efficiency policies, codes, regulations and incentive schemes that will enable all key stakeholders to carry out similar approaches in the Nigerian context.



Site visit to the Energy Efficiency SME Cluster- a porcelain cluster 600 years old with 600 factories and 30,000 people including dealers, sellers and manufacturers



KFW Study Tour

This study tour organized by one of the Bank's Development Partners, KFW in partnership with the Frankfurt School of Finance and Management was

created to learn from international best practices in the areas of Strategic Treasury, SME Finance and Green & Sustainable Finance.



Journal of Economics and Sustainable Growth



Knowledge Economy

As part of our contributions to the overall national knowledge economy, we published the following working papers and journals in 2019:

Journal of Economics and Sustainable Growth (JESG) 2019

Volume 2, Issue 1

- 1) Agricultural Output and Economic Growth: The Nigerian Case
- 2) Ditch the Naira and Champion the Eco? A Post-Forex Crisis Assessment
- 3) Macroeconomic Determinant of Solid Mineral Export Price in Nigeria 1981-2017
- 4) Trade Liberalization and Productivity in the Nigerian Manufacturing Sector
- 5) Energy efficiency in Small and Medium Scale Enterprises (SMEs) and Economic Growth in Nigeria
- 6) Economic Diversification in Nigeria: Lessons from Other Countries of Africa

Volume 2, Issue 2

- 1) The Effect of Financial Development on Unemployment in Nigeria: Do Measures of Financial Development Matter?
- 2) The Impact of Public Debt on Investment: Evidence from Nigeria
- 3) Financial Liberalization and Small and Medium Enterprises Performance in Nigeria
- 4) Financial Inclusion in a Developing Country: An Assessment of the Nigerian Journey



Working Paper Series 2019 (WPS) WPS 210

- 1) Dollarization and the "Unbundling" of Globalization in Sub-Saharan Africa
- 2) Entrepreneurship and MSME Development in Nigeria
- 3) Inequality, ICT and Financial Access in Africa
- 4) Investigating the Relevance of Mobile Technology Adoption on Inclusive Growth in West Africa
- 5) Knowledge-Driven Economic Growth: The Case of Sub-Saharan Africa
- 6) Recent Finance Advances in Information Technology for Inclusive

Development: A Systematic Review Responsible Use of Crop Protection Products and Nigeria's Growth Enhancement Support Scheme

- 7) The Comparative Economics of ICT, Environmental Degradation and Inclusive Human Development in Sub-Saharan Africa

WPS 211

- 1) Challenges of Doing Business in Africa: A Systematic Review
- 2) Corporate Social Responsibility and the Role of Rural Women in Sustainable Agricultural Development in Sub-Saharan Africa: Evidence from the Niger Delta

in Nigeria

- 3) Economic Development Thresholds for a Green Economy in Sub-Saharan Africa
- 4) Environmental Pollution Policy of Small Businesses in Nigeria and Ghana
- 5) Governance CO2 Emissions and Inclusive Human Development in Sub-Saharan Africa
- 6) How Enhancing Information and Communication Technology Has Affected Inequality in Africa for Sustainable Development: An Empirical Investigation
- 7) ICT, Financial Access and Gender Inclusion in the Formal Economic Sector: Evidence from Africa
- 8) Multinational Oil Companies in Nigeria and Corporate Social Responsibility in the HIV/AIDS Response in Host Communities
- 9) Size, Efficiency, Market Power, And Economics of Scale in the African Banking Sector
- 10) The Impact of e-Wallet on Informal Farm Entrepreneurship Development in Rural Nigeria

WPS 212

- 1) Building Knowledge-Based Economies in Africa: A Systematic

Review of Policies and Strategies

- 2) Households Access to Agricultural Credit and Agricultural Production in Nigeria: A PSM Model
- 3) Effect of Oil Resource Endowment, Natural Gas and Agriculture Output: Policy Options for Inclusive Growth
- 4) The Conditional Relationship Between Renewable Energy and Environmental Quality in Sub-Saharan African
- 5) Reer Imbalance and Macroeconomic Adjustments: Evidence from the CEMAC Zone
- 6) Farmers' Food Price Volatility and Nigeria's Growth Enhancement Support Scheme

WPS 212A

- 1) The Impact of CSR Interventions on Female Education Development in the Niger Delta Region of Nigeria
- 2) Enhancing ICT for Quality Education in Sub-Saharan Africa
- 3) Corporate Social Responsibility in Nigeria and Rural Youths in Sustainable Traditional Industries Livelihood in Oil Producing Communities
- 4) Global Shocks Alert and Monetary Policy Responses

NEED BUSINESS EXPANSION? NO WORRIES.

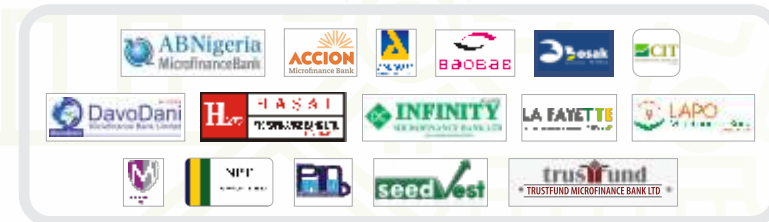
1 LOAN | 27 BANKS

UNLIMITED GROWTH FOR YOUR BUSINESS



Development Bank of Nigeria exists to alleviate financing constraints faced by Micro, Small and Medium Scale Enterprises (MSMEs) in Nigeria.

To access a DBN loan,
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www.devbankng.com

@DevBankNG



Manufactured Capital

DBN is continuously innovating. We constantly ensure that our internal processes and technology infrastructure reflect the needs of all our stakeholders. We are committed to ensuring that all work processes are run in a safe, fast and highly qualitative manner through the most technologically enhanced, up-to-date applications in work continuity, data security, web infrastructure and mobile communication.

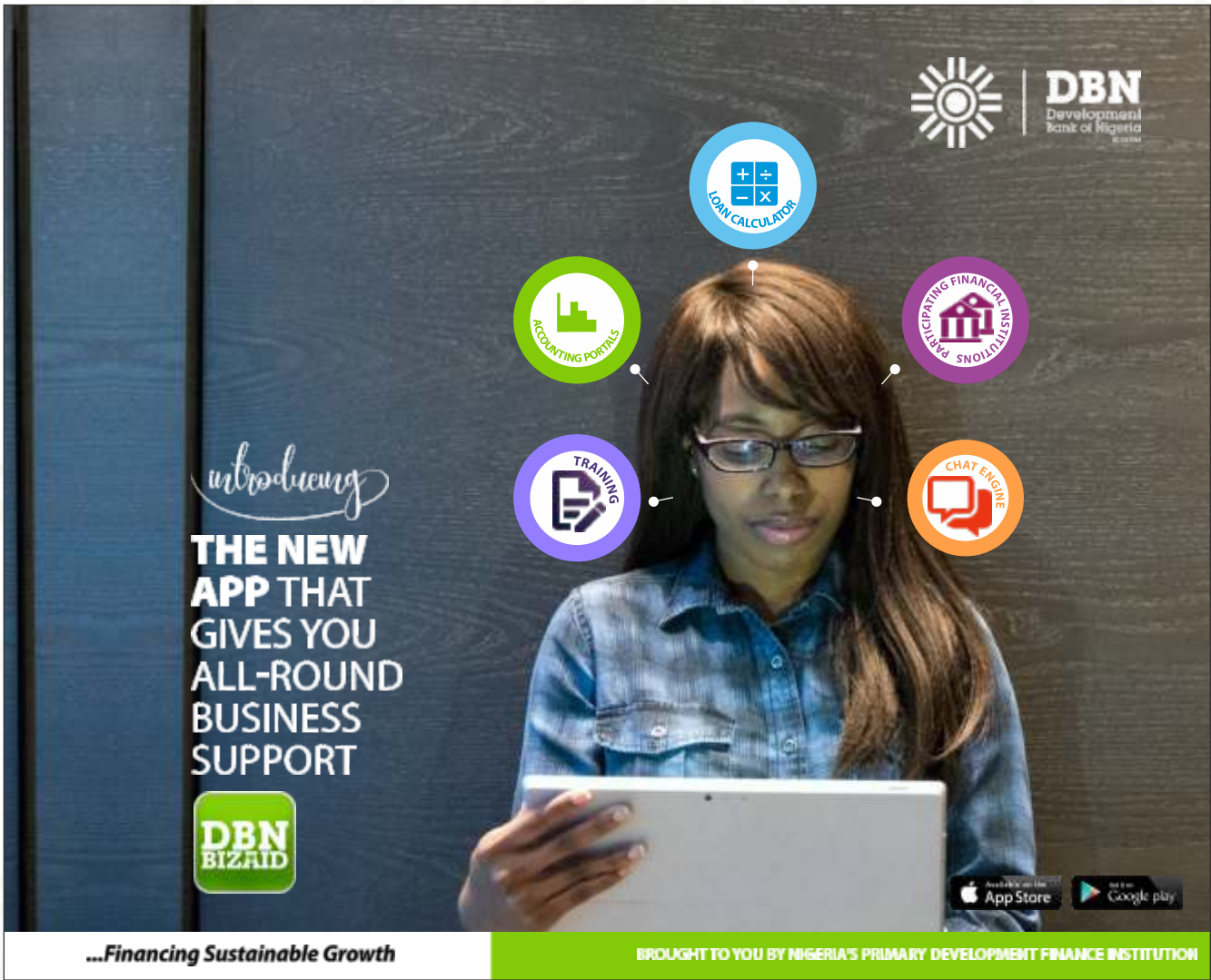
DBN BizAid Platform

In 2019, our internal software team created and launched the DBN BizAid platform. Released in mobile and web formats, the BizAid platform is designed to aid MSMEs improve their business performance while serving as an information hub for our activities and other important development finance-related content beneficial to the segment.

Phase 1, now completed, has the mobile app published on both Apple and Google Play stores. Further expansion is expected in Phase II.

Currently, both platforms have the following features:

- An accounting feature that will use the notification alerts sent from banks to build an income and expense log, which will then be analysed and presented to the users.
- News feature to increase awareness of MSME impacting events.
- A database of MSMEs in Nigeria that can be analysed for improvement purposes.
- Chat functionality to engage the MSME community.



Business Process Optimisation

At DBN we have made concerted efforts to ensure that our internal processes are automated. Our IT mandate is 3-fold:

- Create secure IT systems and processes
- Build robust IT governance framework
- Enhance business operations with automation

In a bid to support this strategy and aid overall efficiency, we have instituted the

following:

- Deployed a core banking application on a cloud infrastructure and implement the relevant modules.
- Deployed a Business Process Management (BPM) solution for automation of other business processes.
- Deployed a robust cloud based Content Management solution that integrates with the BPM solution.
- Deployed an interactive data analytics and visualisation solution with self service reporting for our the Bank's

performance management.

- Engaged Microsoft to train our staff members use of Power BI Pro and MyAnalytics for improved on the usage of data analytics in decision-making.
- Designed and deployed an intranet portal for internal use.
- Implemented a unified communication solution (Cisco integrated with Skype for Business).
- Implemented a customer relationship management solution (either as part

of the Core Banking or stand alone to track field workforce and customer interactions.

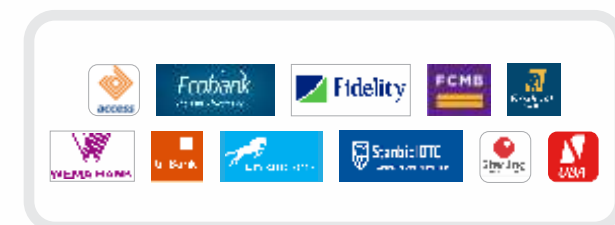
- Setup Social Media Communication tool for enquiries and publicity
- Facebook
- Twitter
- Instagram
- LinkedIn

NEED BUSINESS EXPANSION? NO WORRIES.

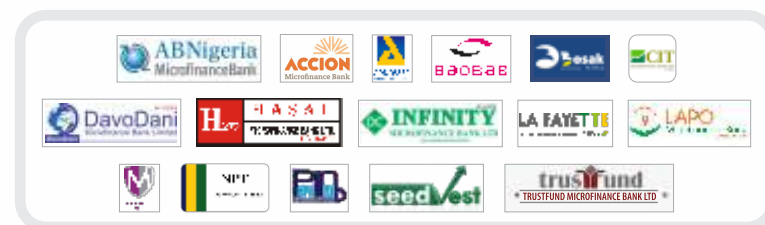
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www.devbankng.com



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Social Capital

In a bid to ensure that we are efficiently serving the communities in which we operate, we have created a system of continuous engagement with our various stakeholders. Learning the needs, interests and expectations of our stakeholders enables us to keep our fingers on the their pulse whilst ensuring that we deliver optimum service.



Social Capital

Stakeholder Matrix

A key success factor in achieving our vision and mandate is leveraging strategic partnerships and alliances. This requires adopting a strategic and proactive approach to identifying and engaging our key stakeholders in order to determine opportunities, dependencies, areas of common interest, as well as potential bottlenecks with our potential partners.



Stakeholder	Role/Interest	Influence	Engagement Method	Engagement Frequency
1. Federal Government - Federal Ministry of Finance - Nigeria Sovereign Investment Authority (NSIA)	- Provide funding, logistics and technical assistance - Accountability & transparency - Collaborate in policy formulation	High	- Formal meetings - Correspondence by Phone/Emails - Roundtable discussions	Ongoing
2. Regulator Central Bank of Nigeria	- Perform regulatory oversight responsibilities - Collaborate in policy formulation	High	- Formal meetings - Roundtable discussions - Correspondence	Ongoing
3. Participating Financial Institutions (PFIs) – 8 Commercial Banks and 15 Microfinance Banks	- On-lending to end-borrowers (MSMEs) - Provide data	High	- Formal meetings - Correspondence by phone/emails - Roundtable discussions - Workshops - Surveys	Ongoing
4. MSMEs	- Indirect beneficiaries - Provide data	High	- Correspondence by Phone/Emails - Roundtable discussions - Workshops - Surveys	Bi-Annually
5. Development Partners - African Development Bank (AfDB) - European Investment Bank (EIB) - French Agency for Development (AFD) - World Bank - German Development Bank (KfW)	- Provide funding, logistics and Technical Assistance - Accountability & Transparency - Collaborate in policy formulation	Medium	- Formal meetings - Roundtable discussions - Correspondence by Phone/Emails	Quarterly

Stakeholder	Role/Interest	Influence	Engagement Method	Engagement Frequency
6. Government Ministries, Departments and Agencies – SMEDAN	- Partnering for social impact, advocacy and capacity building - Provide technical assistance	Low	- Formal meetings - Public meetings /Events	Quarterly
7. Civil Society Organisations Non-Governmental Organisations (NGOs)	- Partnering for social impact and advocacy - Provide technical assistance	Low	Public meetings /Events	Quarterly
8. Academia & Resource Organisations - Universities, Research Institutes, Enterprise Development Centre	- Ensure Transparency & accountability - Conduct studies & evaluations - Provide technical assistance	Low	- Correspondence by phone/emails - Public meetings /Events	Quarterly
9. Media - Television, Radio, Print media, Online Media	- Sharing development information - Ensure transparency & accountability	Low	- Correspondence by Phone/Emails - Public meetings/ Events	Monthly

Monitoring & Evaluation

Structure

We operate a comprehensive Monitoring and Evaluation (M&E) mechanism to ensure program accountability, effectiveness, and efficacy.

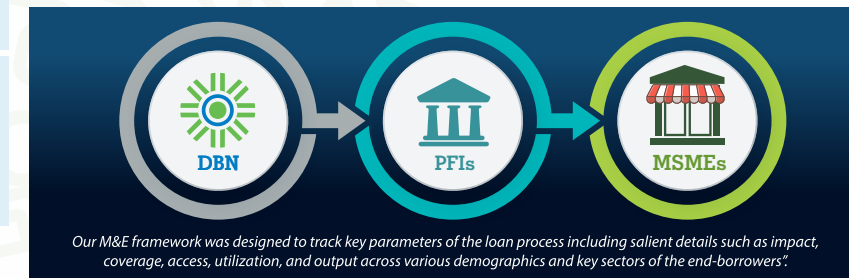
Robust M&E exercises are carried out on a bi-annual basis by an integrated team of internal and external resources. A wide range of stakeholders are consulted as part of this process and the results are compiled in detailed reports.

Process

The 2019 M&E exercise was conducted in line with our result-

based theory of change, which is targeted towards driving a sustainable path for inclusive economic development for MSMEs.

In line with our evidence-based, impact-led approach to supporting MSMEs, we conducted a comprehensive study to make inferences on the potential impact created as a result of increased access to finance provided by DBN. Our Monitoring and Evaluation framework was designed to track key parameters of the loan process including salient details such as impact, coverage, access, utilization, and output across various demographics and key sectors of the end-borrowers.



The 2019 exercise targeted 441 end-borrowers spread across five geo-political zones. A Randomized Control Trial (RCT) approach was adopted in the study, while a Multivariate Regression Model was employed following the assumptions of Ordinary Least Square (OLS), with the analysis focusing on comparison with the counterfactual. Structured questionnaires and in-depth interviews were administered to the end-borrowers and PFIs, capturing values of key development indicators to estimate immediate and intermediate effects/impact of the overall programme.

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End Borrowers5
Geo-Political ZonesStructured questionnaire/
in-depth interviews were
administered to end-
borrowers and participating
PFIs

Results

The results show the key findings of our 2019 Monitoring & Evaluation exercise with specific focus on outcomes such as



Focus Group discussion which took place at Radisson Blu, GRA, Ikeja, Lagos State



A cross section of participants at the FGD which took place at Radisson Blue, GRA, Ikeja, Lagos

job creation, increased production, turnover, and growth in asset base of end-borrowers, gender inclusion, and increased growth to the PFIs' MSME loan portfolios.

Job Creation

- 3126 Jobs created by the sampled MSMEs in 2019.
- 48% of total MSME workforce beats global standard (33%) of women participation in economic and political processes.
- 37% increase in the number of employees engaged by MSMEs in the treatment sample.
- 26% increase in the number of employees engaged by MSMEs in the control sample.

Change in Value of Assets

- 6.8% increase in the value of land and building for treatment group.
- 4.5% increase in the value of land and building for control group.
- 11.1% of MSMEs in the treatment group saw an increase in their financial assets.

- 8.9% of MSMEs in the control group reported an increase in financial assets.

Change in Revenue and Production Values

- 25% of MSMEs in the treatment group saw an increase in revenue (an average of 10%).
- 19% of MSMEs in the control group saw an increase in their revenue.
- 23% increase in production value was recorded by MSMEs in the treatment group.
- 2% increase in production value was recorded by MSMEs in the treatment group.

Change in Profits and Taxes

- 20.2% of MSMEs in the treatment group observed an increase in profit.
- 13.5% of MSMEs in the control group observed an increase in profit.
- 6% of MSMEs in the treatment group reported an increase in taxes paid.
- 10% of MSMEs in the control group reported an increase in taxes paid.

Change in Value of Raw Materials

- 15% of MSMEs in the treatment group reported an increase in the value of their raw materials.
- 10% of MSMEs in the control group reported an increase in the value of their raw materials.
- 1% increase in the total value of raw materials for MSMEs in the treatment group.
- 0.1% increase in the total value of raw materials for MSMEs in the control group.

Impact on PFI Loan Portfolio

- DBN contributed 0.66% to the total lending by its PFIs (Commercial Banks) and 0.44% to the total lending by all Commercial Banks in Nigeria to the private sector.
- 7.20% of total lending to MSMEs by sampled MFBs stemmed from DBN funds in 2019.



A cross-section of end-borrowers at one of the break-out session during the FGD.



DBN team responding to comments during the PFIs' break-out session at the FGD



M&E team with an end-borrower in Mkpatak, Akwa-Ibom State



Enumerators at Dobbies Water Kaduna, Kaduna state, April 2019

business to serve the international market. Speaking on the N200 million DBN loan obtained via Fidelity Bank, Mr. Sunkanmi appreciated the significant reduction in the interest rates when compared to rates of other financial institutions. According to him, the working capital enabled Sunbeth Global Concept meet the demands of its international customers, which required financing the sourcing of products, local haulage from the warehouse to the port, and eventual shipping before they could get payments on their shipment.

2. Kingdom Chemical & Industry Co. Limited, Katsina, Katsina State

Transformed for a profitable Future
Kingdom Chemical & Industry co. Ltd, founded in the early 2000s by Chief Ambassador Chibo, is in the business of production and supply of building materials. The company obtained a DBN loan of N19.5 million through Union Bank of Nigeria, which was used to purchase machinery that would boost the production of Kingdom Paints, expand the inventory of building materials, and support the building of its main office for the factory and the depot.

According to Chief Ambassador Chibo, some of the challenges affecting his business are low volumes of transactions in Katsina state, sub-optimal production capacity and the interest rates on loans. He pleaded that the interest rate should also be equitably reviewed for better business performance. The aftermath of DBN's loan resulted in the completion of a branch office, employment of fifteen additional staff and a higher production rate among other positive outcomes.



M&E Success Stories

Sunbeth Global Concepts Limited, Akure, Ondo State

Scaling to Meet International Demands

Sunbeth Global Concept is a trading company specializing in raw cocoa beans and cashew exportation with the potential capacity to effectively participate in cocoa supply chain and add value to the confectionery industries worldwide. The company emanated from Sunny Owo Ventures Nigeria Limited, a prominent cocoa sourcing company. According to the company's Executive Director, Mr. Sunkanmi Owoyemi, Sunbeth had always been in the business of cocoa sourcing and local distribution with a mission to scale the

Danbo International School, Kaduna, Kaduna State

Protecting the Heritage through Expansion

Danbo International Group of Schools (Nursery, Primary and Secondary) owned and operated by Mrs. Abosede Christiana Yusuf-Bello was established in 1981, and in almost 4 decades, has produced individuals of high ranking, including a Deputy-Governor, a Member of the House of Representatives among others. The school, which started with less than a hundred students has continued to expand, having over one thousand students at its peak.

Unfortunately, the effects of insurgency and recent kidnappings have done great harm to the school's operations, reducing its enrollment to a little above 500, 50% of what it was. To cushion this effect, the proprietress sought to open another branch of the school in Abuja. This required more funds to execute the ambitious project while retaining the original school and keeping it competitive.

Danbo International Group of Schools obtained a DBN Loan worth N495million naira through Fidelity Bank. Due to its reputation in Kaduna State, the school gained popularity in Abuja with enhanced learning facilities, opened job opportunities for over 200 employees and the proprietress, with her resilience, has not retrenched any of her workers despite the challenges



Our Approach to Sustainability



- Governance Model
- Roles & Responsibilities
- Sustainability Strategy

Governance Model



Roles and Responsibilities:

Our sustainability model is overseen by the Board Credit & Risk Committee (BCRC). The Sustainability Working Committee reports to our Management Committee (MANCO), which in turn, makes submissions on progress across key sustainability areas to the Board. Through this integrated approach, we ensure our sustainability strategies are well integrated into our business processes and internalized by our employees.



Board

Our Board is ultimately responsible for providing oversight of social, environmental and ethical matters with the following responsibilities:

- o Reviewing and approving all policies, guidelines and actions on E&S risk management.
- o Ensuring that environmental and social issues are embedded into the our risk management processes;
- o Constantly demonstrating commitment to the principles of sustainable banking; ensuring the establishment of appropriate structures for risk management and the implementation of our sustainable finance policy.

Our Management Committee (MANCO)

MANCO is the operational and implementing unit with the following responsibilities:

- o Developing and implementing policies, principles and practices to foster our sustainable growth.
- o Developing our sustainability strategy, establishing sustainability goals and integrating these into daily business activities.
- o Defining the structure and process for the effective management of E&S risks.
- o Keeping track of new and innovative technologies that could help us foster sustainable growth.
- o Reviewing and advising the Board on our sustainability reporting and sustainability targets.

Sustainability Working Committee

The Sustainability Working Committee is focused on integrating key sustainability principles across our different activities and operations. The working committee is also responsible for ensuring that awareness around key sustainability issues remain a priority for us and our people.

The Working Committee meets quarterly with several participating departments focused on creating and integrating all business activities and operations in parallel with our vision, strategy, goals and priorities.

Sustainability Strategy



Our pillars are reflective of the integration between our organizational thrusts, local and international sustainability regulations. These include:

Environmental Focused Activities and Operations:



- We have consistent oversight on the impact of our operations on the environment and the community in which we operate. We recognize that good environmental performance is a fundamental element of our commitment to corporate social responsibility, and that a responsible approach to environmental issues is critical to its continuous success.
- We remain committed to ensuring that we do not negatively affect the environment and communicate in areas where we carry out our activities and operations.

Strategic Initiatives

- Green Finance Innovation
- Specialized products
- Strategic Alliances
- Capacity building in Green Finance

Gender Balance and Empowerment:



- We ensure that our internal operations remain inclusive. We place a special focus on promoting women's economic empowerment through our business activities and operations by developing products and services specifically aimed at women.

Strategic Initiatives

- Inclusive human resource management policies
- Develop gender-based products
- Organize capacity building knowledge sessions for women

Youth Empowerment:



- With a strong focus on MSMEs, we remain committed to the development of Nigeria's youth through capacity building, targeted products and sponsorship for this segment. Using our strategic partnerships and alliances with tertiary institutions e.g. MOU with Nile University focused on research and knowledge management opportunities.

Strategic Initiatives

- Creation of specialized products focused on youth, innovation and start-ups
- Creation of a knowledge economy
- Focus on job creation specifically aimed at women.

Reporting and Collaboration



Reporting is a key method we use to ensure that our stakeholders remain informed of our activities. Using mediums such as our corporate website, reports, Annual Accounts and Statements, etc. We ensure that we keep a consistent flow of information with our various stakeholders. This integrated report that merges our non-financial and financial is one of the primary mediums we use to communicate. Additionally, we have our social media platforms which detail more of a granular overview of our activities.

In respect to our strategic partnerships, we have created a plethora of strategic alliance with key partners. These alliances focus on creating synergies for opportunities to improve the existing knowledge economy for MSMEs and the PFIs.

Strategic Initiatives

- Create alliances with key partners (NASME, SMEDAN etc)
- Enhance relationships with development partners
- Achieve geographical and sectoral scale



Financial Inclusion



We are deliberate in our focus of delivering financial services at affordable costs to sections of disadvantaged and low-income segments of the society in line with CBN's inclusion strategy. We:

- Develop awareness and capacity building on financial literacy.
- Encourage innovative products or services designed for disadvantaged groups.
- Collaborate/Partner with organizations focused on providing similar services to disadvantaged groups in our communities.

Strategic Initiatives

- Create specialized products for specific groups- women, youth, disadvantaged areas
- Job creation
- Internal policies driving decent work environments

E&S Risk Management



- Management of our E&S risk is a key part of ensuring we monitor our effects on the environment. We recognize that good environmental performance is a fundamental element of our commitment to social impact, and that a responsible approach to environmental issues is critical to its continuous success. As part of our E&S practices and as part of our on-boarding practices for our PFIs, we ensure they have operational E&S policies existing. This is a prerequisite for PFIs to receive funding from DBN. We also carry out regular due diligence appraisals on our participating financial institutions (PFIs). This is to ensure that the lending is carried out in a consistent and responsible manner. We also conduct site visits on occasion to end borrowers, where necessary, to ensure that lending deployed is being utilized in the correct way. Finally, we carry out trainings for our PFIs in order to raise education, knowledge and awareness around key E&S areas. This is also to ensure business sustainability and enable PFIs to access needed funding.

Strategic Initiatives

- Create impact through advocacy
- Promote MSME investment in assets
- Promote responsible lending models

Acronyms & Abbreviations	Overview	A New Dawn for MSMEs in Nigeria.	2019 – DBN @ a Glance	Operating Context	Leadership & Governance	How we create value	Our approach to sustainability	Looking to the future	Financial Performance	Appendices
UNEP FI Principles		Our Alignment		UNEP FI Principles		Our Alignment				
Alignment				Stakeholders						
We align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we have the most significant impact.		- DBN's strategic plan is based on the analysis of the Nigerian operating environment and key trends. Results from DBN's extensive demand and supply-side surveys helped define DBN's Five Strategic Objectives. - Strategic Objective 2 (SO2) - Create Impact: DBN articulates its development impact on target beneficiaries. - Strategic Objectives 3 (SO3) -Champion role as an advocate: DBN is positioned as an advocate for the financially underserved MSME market segment		We proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		- DBN's Communication Policy articulates goals, tools, processes and guiding principles in engaging stakeholders regarding its corporate identity, services, customer initiatives, crisis and other relevant information. - This is to ensure all communication plans and designs facilitate and support the achievement of the Bank's overall objective, which is to provide financing to MSMEs across all sectors. - DBN's stakeholder engagement strategy has been articulated. This strategy has identified four stakeholder clusters: PFIs, MSMEs, general public as well as regulators.				
Impact				Governance and Target Setting						
We will continuously increase our positive impact while reducing the negative impacts of our operations and activities on people and the environment.		- DBN has developed product papers that align to specific SDG priorities. The product papers aim to increase lending to sectors and activities involving, women, youth and disadvantaged regions. We are non-discriminatory in our lending activities and lend to all sectors of the economy. - DBN increases positive impact via the advocacy role, by making impact-oriented lending decisions and by monitoring impact indicators after loan disbursement.		We implement our commitment to these principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts.		The implementation of DBN's strategic objectives is defined across four performance areas: Strategic, Business, Organisational and Financial. DBN's culture of responsible banking is entrenched as a core element of organisational performance.				
Clients & Customers				Transparency and Accountability						
We work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		- DBN creates impact by working responsibly to build customers' (PFIs) capacity to make development-oriented lending decisions. DBN conducts research, highlighting barriers faced by MSMEs and proffers solutions - In addition, through the implementation of its ESRM policy, DBN works responsibly with clients and customers to encourage and influence sustainable practices in the lending portfolio.		We periodically review our individual and collective implementation of these Principles and are transparent about, and accountable for our positive and negative impacts on society.		DBN is strategically focused on development impact, which is a core element of its strategic performance. From these strategic initiatives, DBN sets out to create an integrated reporting framework aimed at identifying, operationalizing and disclosing development impact through annual reporting.				

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Looking to the Future



S/No.	Area	Promise
1.	Sustainability	• Kick off Internal Recycling Scheme • External Environment Social Impact Activity • Increased support for Global Sustainability initiatives (Water, Waste, Environmental Management, Women,) etc.
2.	People	• Kick off Management Trainee Program
3.	Operations	• Develop gender-based products (Women and Youth) • Increase focus on Real Sectors (Agric, Manufacturing, Renewable Energy & Energy Efficiency)
4.	Technology	• Commence Digital Strategy Project • Commence Phase II Biz Aid Platform
5.	Capacity Development	• Kick off Technical Assurance Projects
6.	Monitoring & Evaluation	• Improve PFI loan portfolio tracking and analysis • Increase Technical Assistance Initiatives for PFIs
7.	CSR	• Capacity Building (MSME Skill acquisition/training programs) for disadvantaged regions in Nigeria • Provide support for public rural health initiatives • Sport related sponsorship programs • Support local entrepreneurship and Start- Up Initiatives (nation-wide)
8.	Thought Leadership	• DBN Annual Lecture Series • International Women's Day Celebration • MSME Summits

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- Annual Financial Report & Accounts 2019

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Annual Reports & Accounts 2019

DIRECTOR'S REPORT

For the year ended 31 December 2019

The directors present their annual report on the affairs of Development Bank of Nigeria Plc ("DBN" or "the Bank"), and its subsidiary (together "the Group or DBN Group"), together with the audited financial statements and the independent auditor's report for the year ended 31 December 2019.

Legal form

Development Bank of Nigeria Plc was incorporated in Nigeria under the Companies and Allied Matters Act as a Public Liability Company on 19 September 2014. It was granted an operating license by the Central Bank of Nigeria to carry on operations as a Wholesale Development Finance Institution (WDFI) on 29 March 2017. The Bank commenced operations on 1 November, 2017.

Principal activity

Development Bank of Nigeria Plc ("DBN") is a financial institution set up to bridge the gap created by the inability of other development banks, micro-finance banks and commercial banks to satisfy the funding needs of the Micro, Small & Medium Enterprises (MSMEs) in Nigeria. The principal mission of the DBN is to improve the access of micro, small and medium enterprises to longer tenured finance. The Bank will play a focal and catalytic role in providing funding and risk-sharing facilities to MSMEs and small corporates through financial intermediaries. The operation of the Bank will also play an important role in developing the Nigerian financial sector by incentivizing financial institutions, predominantly deposit-money and microfinance banks, to lend to the productive sector, using technical assistance to augment their capacity where necessary and by providing them with funding facilities designed to meet the needs of these smaller customers.

In thousands of Naira	Group	Bank	
	31 December 2019	31 December 2019	31 December 2018
Gross earnings	46,236,882	45,755,228	30,641,949
Interest expenses	(8,191,950)	(8,191,950)	(4,342,680)
Personnel expenses	(1,659,385)	(1,586,311)	(1,255,950)
Operating expenses	(3,438,947)	(3,326,874)	(2,132,374)
Profit for the year before minimum taxation	32,946,600	32,650,093	22,910,945
Minimum taxation	(228,776)	(228,776)	-
Profit for the year before taxation	32,717,824	32,421,317	22,910,945
Tax credit/(expense)	1,193,632	1,175,552	(229,109)
Profit for the year after taxation	33,911,456	33,596,869	22,681,836
Retained earnings	40,675,299	40,360,711	17,690,389
Statutory reserve	18,102,257	18,102,257	8,023,196
Regulatory reserve	1,315,400	1,315,400	467,915

The Bank has one subsidiary, Impact Credit Guarantee Limited, which was incorporated on 8 March 2019 with the aim of carrying on the business of issuing credit guarantees to participating financial institutions (PFI) in respect of loans granted to eligible businesses in the Micro, Small and Medium Enterprises (MSME) sector

Operating results

Gross earnings of the Group and Bank stood at N46.24 billion and N45.76 billion respectively (2018: Bank: N30.64 billion). The Group recorded a profit after taxation of N33.91 billion and the Bank, a profit after taxation of N33.59 billion (2018: N22.68 billion). Highlights of the Group's and Bank's operating results for the year under review are as follows:

DIRECTOR'S REPORT

For the year ended 31 December 2019

Dividend

The directors have not proposed any dividend in the year ended 31 December 2019 (31 December 2018: Nil).

The directors who served up to the date of the report are as follows:

Shehu Yahaya	Chairman
Anthony Okpanachi	Managing Director
Uche Orji	Non-Executive Director
Bello Maccido	Independent Director
Oladimeji Alo	Independent Director
Phillips Oduoza	Independent Director
Andrew Alli	Independent Director
Clare Omatseye	Independent Director
Mohamed Kalif ¹	Non-Executive Director
Henry Baldeh ²	Non-Executive Director

1. Resigned 8 May, 2019
2. Approved by the Central Bank of Nigeria on 8 May, 2019 and appointment commenced 9 May, 2019
3. The Alternate director; Yaw Adu Kuffour, alternating for Henry Baldeh, was approved by the Central Bank of Nigeria on 8 May, 2019 and his term commenced contemporaneously with that of Henry Baldeh on 9 May, 2019.

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Directors and their interests

The directors do not have any interest required to be disclosed under Section 275 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

Directors' interests in contracts

In accordance with Section 277 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, none of the directors have notified the Bank of any declarable interests in contracts with the Bank.

Ownership

The issued and fully paid-up share capital of the Bank was 100,000,000 (2018: 100,000,000) ordinary shares of ₦1 each as at 31 December 2019. The shareholding structure as at the balance sheet date were as shown below:

Shareholders	31 Dec 19		31 Dec 18	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
In thousands				
Ministry of Finance Incorporated (MOFI)	59,868,000	60%	59,868,000	60%
Nigeria Sovereign Investment Authority (NSIA)	14,967,000	15%	14,967,000	15%
African Development Bank (AfDB)	17,975,000	18%	17,975,000	18%
European Investment Bank (EIB)	7,190,000	7%	7,190,000	7%
Total	100,000,000	100%	100,000,000	100%

The Federal Government of Nigeria is the Bank's major shareholder with the shares held in trust by the Ministry of Finance Incorporated

Events after the end of the reporting period

There were no events after the end of the reporting period which could have a material effect on the financial statements of the Group which have not been recognized and/or disclosed in the financial statements.

Property and equipment

Information relating to changes in property and equipment is given in Note 24 to the Financial Statements. In the Directors' opinion, the market value of the Bank's property and equipment is not less than the carrying value shown in the Financial Statements.

Donations and charitable contributions

The Group identifies with the aspiration of the country and the business environment in which it operates. To this end, the Bank made donations of ₦35.25 million (31 December 2018: ₦42 million) to various organizations during the period: (see note 16)

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Purpose	Beneficiaries	Amount
Donation to CIBN 12th Annual Banking & Finance Conference	Chartered Institute of Bankers of Nigeria	2,250,000
Donation for Financial Correspondent Association of Nigeria Forum	Financial Correspondent Association of Nigeria	1,000,000
Donation to ICSAN 2019 Annual Conference	Institute of Chartered Secretary and Administrators	500,000
Donation to 2019 Youth Program in AGRAFAIR LBS	Lagos Business School	1,000,000
Donation to breakfast session of LBS alumni association	LBS Alumni Association	1,000,000
Donation to 18th NASME 2019 Summit and Exhibition	National Association of Small and Medium Enterprises	2,000,000
Donation for MSME Clinic	National MSME Clinic	14,500,000
Donation to NESG 2019 25th Economic Summit	Nigeria Economic Summit Group	2,500,000
Donation to NACC December 2019 Breakfast Meeting	Nigerian American Chamber of Commerce	500,000
Donation for NBCC President Dinner Event	Nigerian British Chamber of Commerce	500,000
Donation to NESA 2019 10th National & 6th Int'l Conference	Nigerian Economic Students Association	500,000
Donation Okpekepe 2019 Race	Okpekepe 2019 Race	5,000,000
Donation to Vanguard Credit lending and Financial inclusion conference	Vanguard Credit Lending and Financial Inclusion	1,000,000
Sponsorship of Verdant Zeal 2019 8th Innovation Series	Verdant Zeal	2,500,000
Sponsorship of WISCAR Conference with UN Deputy Secretary General	Women in Successful Career	500,000
Total		35,250,000

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DIRECTOR'S REPORT

For the year ended 31 December 2019

Human resources

(i) Employment of disabled persons

The Group maintains a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitudes. The Group's policies prohibit discrimination against disabled persons in the recruitment, training and career development of employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Group continues and appropriate training is arranged to ensure that they fit into the Group's working environment.

(ii) Health, safety and welfare at work

The Group maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. The Group operates both a Group Personal Accident and Group Life Insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2015 (as amended).

(iii) Employee involvement and training

The Group ensures that employees are informed on matters concerning them. Formal channels

are also employed in communication with employees with an appropriate two-way feedback mechanism. In accordance with the Bank's policy of continuous development, the Bank draws up annual training programs. The programs include on the job training, classroom sessions and web-based training programs which are available to all staff.

(iv) Gender analysis of staff

The average number of employees of the Bank during the year by gender and level is as follows:

a) Analysis of total employees

GROUP					
31 December 2019					
Gender Number			Gender Percentage		
	Male	Female	Total	Male	Female
Employees	26	14	40	65%	35%
	26	14	40	65%	35%

b) Analysis of Board and senior management staff

Gender Number			Gender Percentage		
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	12	1	13	92%	8%
Senior Management	14	2	16	88%	12%
	26	3	29	90%	10%

DIRECTOR'S REPORT

For the year ended 31 December 2019

a) Analysis of total employees

BANK					
31 December 2019					
Gender Number			Gender Percentage		
	Male	Female	Total	Male	Female
Employees	26	11	37	70%	30%
	26	11	37	70%	30%

b) Analysis of Board and senior management staff

Gender Number			Gender Percentage		
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	10	1	11	91%	9%
Senior Management	11	2	13	85%	15%
	21	3	24	88%	12%

The alternate director; Yaw Adu Kuffour (Alternating for Henry Batchi Baldeh) has been included in the count for the Board members (Executive and Non-executive directors) so disclosed

a) Analysis of total employees

BANK					
31 December 2018					
Gender Number			Gender Percentage		
	Male	Female	Total	Male	Female
Employees	18	7	25	72%	28%
	18	7	25	72%	28%

b) Analysis of Board and senior management staff

Gender Number			Gender Percentage		
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	8	1	9	89%	11%
Senior Management	11	2	13	85%	15%
	19	3	22	86%	14%

DIRECTOR'S REPORT

For the year ended 31 December 2019

Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as independent auditors to the Group and Bank. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD



Shofola Osho
FRC/2016/NBA/00000014944
Company Secretary
Plot 1386A Tigris Crescent,
Maitama, F.C.T
Abuja, Nigeria

26 February, 2020

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

The Board

The primary role of the Board of Directors is to provide effective leadership and direction for the bank, advised by the need to protect and enhance long-term shareholder value. The Board sets out the overall strategy for the Bank and supervises management in the attainment of that strategy.

In addition to its oversight role over the Bank's business in general, the board keeps under review the Bank's information security systems, performance monitoring, the Bank's system for Compliance, Risk Management and Governance and financial reporting.

The Board undertakes a continuous assessment and review of its activities, those of its Committees and individual Directors, Management, and the Bank in general, to ensure that these are best positioned to deliver on the objectives of the bank.

The Board is comprised of nine (9) directors, five (5) of whom are independent non-executive directors. Of the four (4) other directors, there are three (3) non-executive directors, who represent shareholders, and the Managing Director / Chief Executive Officer, who is currently, the only executive director.

The Board is headed by a Chairman, who is a non-executive director. There is a separation in the roles of the Chairman from that of the Chief Executive Officer, who heads the management team. The preponderance of independent non-executive directors on the board is novel in our jurisdiction and sets us apart from other players. The independent non-executive directors bring to bear, their neutrality and specialized/expert skills in ensuring quality decisions at the board, through the infusion of sound

judgement which serves to advance the interest of all stakeholders and embeds sound corporate governance practices at the Bank. The objective input facilitated by the presence of independent non-executive directors, also facilitates optimal compliance with statutory rules and regulations.

In keeping with its undertaking with a key Development Partner, the World Bank, the Board approved that an Observer from the World Bank sits at all meetings of the Board. The Observer does not contribute to the Board's deliberations, and the Observer is not remunerated by the Bank.

Shehu Yahaya

Chairman, Board of Directors
Shehu Yahaya was the Bank's Interim Managing Director at the set-up phase. He was subsequently appointed as Chairman of the Board in March 2017, pursuant to the receipt of regulatory approvals.

Yahaya has had an outstanding career in the Academia and Development Finance. He was at different times in his career, a Deputy General Manager at the Nigeria Export-Import Bank ("NEXIM"), an Executive Director at the African Development Bank, and a member of the Monetary Policy Committee of the Central Bank of Nigeria.

Before joining the Nigeria Export-Import Bank ("NEXIM"), he was a lecturer in Macroeconomics at the Department of Economics, University of Sussex, United Kingdom ("UK"). Before that, he was the Head of the Economics Department at the Bayero University Kano, Nigeria.

Yahaya was also Board member of the American School, Abidjan, Cote D'Ivoire, State Vice-Chairman,

the Nigerian Economic Society and Sub-Dean, Faculty of Social Management Sciences, Bayero University, Kano.

He was appointed as a member of the Economic Advisory Council in September 2019.

He holds a bachelor's and Master's degree in Economics from the Ahmadu Bello University Zaria, Nigeria, and a Doctorate of Philosophy in Industrial Economics, from the University of Sussex, UK.

Anthony Okpanachi

Managing Director / Chief Executive Officer
Tony Okpanachi was appointed Managing Director/Chief Executive Officer of the Bank in January 2017.

He is a seasoned banker with over 30 years' experience. Before his appointment as Managing Director/CEO of the Development Bank of Nigeria ("DBN"), he was the Deputy Managing Director of Ecobank Nigeria Limited, a position he held since April 2013. Before that, he was the Managing Director, Ecobank Kenya and Cluster Managing Director for East Africa (comprising Kenya, Uganda, Tanzania, Burundi, Rwanda, South Sudan and Ethiopia). He was also at various times Managing Director of Ecobank Malawi and Regional Coordinator for Lagos and South West, at Ecobank Nigeria.

Earlier in his professional career, he managed various portfolios including Treasury Management, Retail Business Development, Corporate Finance, Corporate Services, Branch Management and Relationship Management.

He is the Interim Chairman of the Board at DBN's wholly owned subsidiary, Impact Credit Guaranty Limited.

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He holds a Master's in Business Administration (MBA) from the Manchester Business School UK, a Master of Science degree in Economics, from the University of Lagos and a Bachelor of Science degree in Economics, from the Ahmadu Bello University, Zaria, Nigeria. He has attended several Executive Management Development Programs in Leadership, Corporate Governance, Credit and Risk-Management at leading institutions.

Clare Omatseye

Independent Non-Executive Director

Clare Omatseye is the Founder and Managing Director of the International Award-winning company, JNC International Limited ("JNCI"), and current President of the Healthcare Federation of Nigeria ("HFN"), a non-profit advocacy group that brings all stakeholders in the Nigerian private health sector under one umbrella to influence healthcare policy and practices in the country.

JNCI is a leading Turnkey Medical Equipment Solutions Company which exclusively represents 16 Global Medical Equipment Manufacturers; Toshiba Medical Systems-Japan, Olympus- Japan, Elekta-Sweden, Getinge-Sweden, Maquet-Germany, Medtronic-USA, and ArjoHuntleigh, in the EU.

As the President of the West Africa Healthcare Federation and pioneer President of the HFN, Clare has been instrumental in the development of several healthcare policies and public procurement reforms. Her vast experience has influenced policies on Public-Private Partnerships, as well as Incentives for Private Sector Investments in the Nigerian Health sector.

She is a Member of the Pharmaceutical Society of Nigeria, an Associate Member of the Pediatric Association of Nigeria, a member of the Society of

Quality in Healthcare in Nigeria, and WISCAR (Women in Successful Careers). She sits on the Board of several reputable organizations. She is a Fellow of the Society for Corporate Governance Nigeria, Director, LEAP Africa, President, Lagos Business School Alumni Association, Director, Aspire Coronation Trust, Founder and Chairman, Vaccipharm Limited, a cold chain Vaccines, Pharma and Medical consumables distribution firm that she founded in 1999.

Clare is passionate about improving the quality and contributions of the Healthcare industry. She continues to offer her time to activities that promote the improvement of Healthcare Standards as well as Universal Health Coverage in Nigeria and the need to adopt Global Best Practices and build Sustainable Partnerships.

Bello Maccido

Independent Non-Executive Director

Bello Maccido is an accomplished Corporate and Investment banker with well over 31 years of experience. His experience spans retail, corporate and investment banking at various institutions, including Ecobank Nigeria Plc, New Africa Merchant Bank Limited and FSB International Bank Plc, where he rose to become Acting Managing Director/Chief Executive.

He also, at different times served on the Boards of First Bank of Nigeria Plc and Legacy Pension Managers Limited. He was the Group Chief Executive of FBN Holdings Plc, sequel to the adoption of a Holding Company structure by the First Bank of Nigeria Group. He is currently Chairman of the Board, at FBN Merchant Bank Limited.

Bello Maccido is a Fellow of both the Chartered Institute of Stockbrokers and the Chartered Institute

of Bankers of Nigeria.

Bello Maccido holds the traditional title 'Wakilin Sokoto'.

He holds a Bachelor of Laws degree (LL.B) and a Master's degree in Business Administration (MBA) from the Ahmadu Bello University, Zaria, Kaduna, Nigeria, and Wayne State University, Detroit, Michigan, USA respectively. He is an Alumnus of the Executive Business Programs of the Harvard Business School and the IMD, Lausanne, Switzerland.

Andrew Alli

Independent Non-Executive Director

Andrew Alli was the President and Chief Executive Officer of the Africa Finance Corporation. He was also Deputy Chief Executive Officer of Travant Capital.

He was an Investment Officer at the International Finance Corporation ("IFC"), the private sector financing arm of the World Bank Group, in Washington. In 2002, he was appointed as the IFC's Country Manager for Nigeria, responsible for managing its country operations. In 2006, Mr. Alli was appointed Country Manager for Southern Africa and had oversight of IFC's business in South Africa and seven other countries.

He was at different times, a Non-Executive Director of ARM Cement Limited and Guaranty Trust Bank Plc.

He is a Non-executive Director at MTN Nigeria Communications and the CDC Group.

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Andrew Alli holds a Bachelor's degree in Electrical Engineering from Kings College, University of London, an MBA from INSEAD, France and qualified as a Chartered Accountant with Coopers & Lybrand (PricewaterhouseCoopers) in the UK

Phillips Oduoza

Independent Non-Executive Director

Phillips Oduoza, FICB was the Group Managing Director and Chief Executive Officer ("GMD/CEO") of United Bank for Africa Plc ("UBA") from August 1, 2010, until July 31, 2016.

He has over 25 years of banking experience and has worked with several commercial banks in the course of his career. Before his appointment as GMD/CEO of UBA, Mr. Oduoza served as Deputy Managing Director UBA Plc and before that as Deputy MD, UBA Nigeria (South) and Executive Director, Retail Financial Services.

He also served as Chairman and Director of ValuCard Nigeria Plc, Director, UBA Capital Plc and InterSwitch Limited.

Oduoza is an Alumnus of the Harvard Business School Advanced Management Program and an honorary senior member of the Chartered Institute of Bankers of Nigeria. He holds a Masters in Business Administration (Finance) and a Bachelor of Science degree in Civil Engineering (First Class), from the University of Lagos, Nigeria.

Oladimeji Alo

Independent Non-Executive Director

Oladimeji Alo served as the Managing Director /Chief Executive Officer of the Financial Institutions Training Centre ("FITC") and contributed immensely to a series

of reforms in the Nigerian banking sector.

While in the services of the international firms of Price Waterhouse and later, Coopers & Lybrand, Dr. Alo provided consulting assistance to several leading organizations in Nigeria. He also served at different times as the President of the West African Bankers' Association and the Chartered Institute of Personnel Management of Nigeria. He was also the Chairman of the Board at Berger Paints Plc.

Alo is a scholar, management consultant and a corporate governance expert. He holds a Bachelor of Science degree in Sociology, a Master of Science degree in Industrial Sociology and a Doctor of Philosophy in Industrial Sociology from the University of Ife, Ile-Ife, Nigeria.

Uche Orji

Non-Executive Director

Orji is the Managing Director/Chief Executive Officer of the Nigeria Sovereign Investment Authority ("NSIA") and brings a wealth of global experience in the financial services sector to his board position.

He joined the NSIA as Chief Executive Officer in October 2012, from Switzerland's largest bank, UBS Securities, where he was Managing Director in the New York branch of its Equities Division. Before his UBS experience, Mr. Orji spent six years at JP Morgan in London, 2001-2006, rising from the position of Vice President to Managing Director at the Equities Division.

Prior to JP Morgan, he worked for Goldman Sachs Asset Management, London, 1998-2001, as an Analyst/Portfolio Manager. Mr. Orji also worked at different times during his career at Diamond Bank Plc., and Arthur Andersen, respectively.

Orji studied Chemical Engineering at the University of Port Harcourt, Nigeria, and holds a Master's in Business Administration from the Harvard Business School, USA.

Henry Batchi Baldeh

Non-Executive Director

Mr. Batchi Baldeh is an investment banker, infrastructure developer and utility management specialist, with over 33 years of professional experience across the power value chain and financing capital structure. Mr. Baldeh is currently the Director – Power Systems Development, at the African Development Bank (AfDB), which he joined in May, 2017. He is also responsible for the management of the AfDB's private sector energy loan portfolio.

Prior to joining AfDB, Mr. Baldeh was the Director – Power Business, Investments Division, at the Africa Finance Corporation. He has also been a consultant to the World Bank, European Union / BizClim and Government of Lesotho; and was the pioneer Managing Director of Gambia's National Water and Electricity Company, from 1995 – 1999.

He is currently a Non-executive Director of the Africa Finance Corporation; and served as the Chairman of the Board of Directors of Cabeolica S.A. and Cenpower Operations and Services Limited. He was an Alternate Director and Technical Committee member of the Benin Electricity Distribution Company.

Mr. Baldeh holds an MBA from Boston University (USA) and BSc- Honours in Electrical & Electronic Engineering from Newcastle-upon-Tyne University (UK). He is a member of the Institute of Engineering & Technology (UK) and a Fellow of the Institute of Directors, Southern Africa.

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Yaw Adu Kuffour

Alternate Director

Yaw Adu Kuffour is the Head of Trade Finance at the African Development Bank. He started his career as a Corporate Banking Supervisor at Trust Bank, Ghana then later as an Investment Manager and Group Corporate Finance Manager, at Ashanti Goldfields Company.

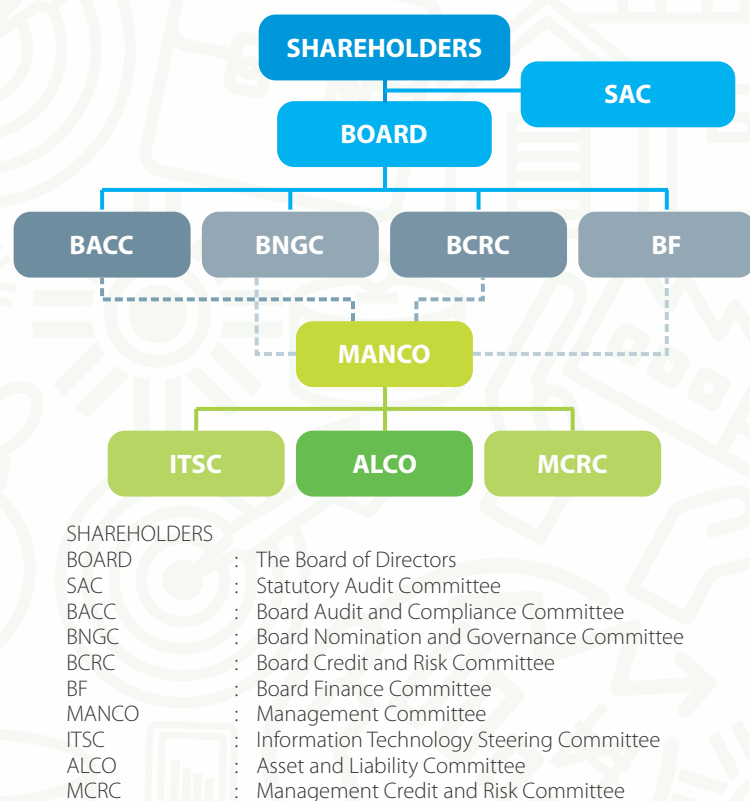
In 2005, he joined the African Development Bank as a Senior Financial Analyst and three years later, rose to become a Principal Investment Officer with oversight for credit delivery, investment activities, project identification, planning, execution, fact-finding and appraisal missions with financial support to banks and other financial institutions. He has had a stellar career in development finance at the African Development Bank.

He holds a Master's degree in Business Administration (Finance Major) from McGill University, Canada and a Bachelor of Arts degree in Political Science from the University of Ghana, Legon.

Governing Principles

The Board of Directors is committed to the adoption and observance of best-in-class corporate governance practices. The Board acknowledges that corporate governance is an intrinsic element of business success, and as such, continually evaluates and upscales its practices to ensure that these are capable of enshrining in the Bank, procedures and structures required to build a virile corporate culture which ensures that the Bank's business not only remains profitable, but is also sustainable, and remains an example for Development Finance Institutions.

The Board has four (4) committees through which its oversight of the Bank, and its affairs is exercised. These committees are the Board Audit and Compliance Committee, the Board Credit and Risk Committee, the Board Finance Committee and the Board Nomination and Governance Committee. All committees have charters which are approved by the Board of Directors. The committee charters detail the terms of reference, membership and authorization of each committee. In addition, all board committees are chaired by independent non-executive directors. Below is our Governance structure:



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The Board provides overall strategic and entrepreneurial direction for the Bank. The charter of the Board of Directors, those of respective committees, and the Bank's Delegation of Authority policy, detail the authority matrix at the Bank, and encompasses the framework of delegation from the Board to its committees, and from the Board to Management. By the principle of delegation, the Bank's Management is responsible for the day to day running of the Bank's business. Pursuant to this, Management has four (4) committees (Management Committee; Management Credit & Risk Committee, Assets & Liability Management Committee and the Information Technology Steering Committee) aligned to its responsibilities and reporting lines to the Board of Directors, through which it manages the Bank's operations.

In addition to the existence of the Board and committees charters, the Board enriches the Bank's governance practices by ensuring adherence to the Code of Corporate Governance for Development Finance Institutions issued by the Central Bank of Nigeria (CBN), and that issued by the Securities and Exchange Commission (SEC). The Bank also fully subscribes to the leading practices prescribed by the Financial Reporting Council of Nigeria (FRCN).

With the support of the Development Partners, the World Bank, the African Development Bank, the KFW Development Bank, the Agence Française de Développement, the Board continually strives for excellence in governance, and deliberately seeks out, and adopts tested practices that guarantee the sanctity of the Bank's business model and continues to differentiate it as a clear leader in corporate governance in the DFI space.

Procedure for Board Appointments

Further to Article 9.5 of the Bank's Articles of Association, the first directors of the Bank were appointed by shareholders based on agreed criteria and set minimum criteria. The procedure for appointing the first independent directors is provided in the Bank's Articles of Association and involved the establishment by shareholders, of an Initial Nominations Committee comprising of five (5) experts and professionals.

The Initial Nominations Committee was supported by an independent executive search firm which screened potential directorship nominees against criteria which was agreed upon by shareholders, prior to the commencement of the executive search.

A recommended shortlist of candidates was presented to the shareholders by Initial Nominations Committee, from where a final decision was taken. The selected candidates were then presented to the CBN for approval, and thereafter the Initial Nominations Committee was dissolved. Subsequent to the inauguration of the Board, Board appointments will be undertaken by the Board through a process which is supervised by the Board Nominations and Governance Committee.

Shareholders are by the provisions of the Bank's Articles of Association, permitted to nominate their representatives to the Board. Such nominees would however have to be approved by the Board of Directors, and the Central Bank of Nigeria. All shareholders except the European Investment Bank have exercised this right.

In the course of the year, the Bank received regulatory approvals for the appointments of Mr. Henry Batchi Baldeh and Mr. Yaw Adu Kuffour, as non-executive

director and alternate director respectively, representing the African Development Bank ("AfDB"). The AfDB had exercised its discretion under Article 9.6.1 of the Bank's Articles of Association, by nominating Mr. Henry Batchi Baldeh for appointment as a director, in place of its former representative on the Board, Mr. Mohamed Kalif. Mr. Mohamed Kalif was re-assigned to other duties at the AfDB and had to resign from the DBN Board. In accordance with Article 10.4.1 of the Bank's Articles of Association, Mr. Yaw Adu Kuffour, Alternate director, would be presented to the shareholders, for approval.

The Board will at all times ensure that the process for appointment of directors is rigorous and extensive, and tailored to ensure that the Bank appoints only people with integrity, the right skills, expertise and exposure to function effectively as directors of the Bank.

Board Meetings

The Board meets quarterly, with additional meetings being scheduled, and held as required for the effective steering of the Bank's business. Prior to the start of every financial year, the Board approves a schedule of board activity dates for the relevant year. The schedule contains the dates for both board and board committees' meetings, a date for the Annual General Meeting, and also the annual Board / Management Retreat. Notices of all board meetings are provided to directors in advance, and meetings agendas are pre-approved by the Chairman.

The Managing Director/ Chief Executive provides a

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quarterly report to the Board on the activities of Management. These typically cover business performance, financial performance, corporate governance and outlook; while functional heads such as the Chief Operating Officer, Chief Risk Officer, Chief Financial Officer, and the Head, Internal Audit, also make presentations to the Board, through relevant board committees.

Directors participate actively in decision making, and the preponderance of independent directors on the Board ensure that independent judgment is brought to bear on board decisions.

The decisions of the board are arrived at by a consensus, and the Board ensures that its deliberations are appropriately minuted by the Company Secretary. In the event that a decision is to be taken by a vote, and as a precautionary measure to resolve any deadlock in votes, the Board incorporated a chairman's casting vote clause into the board charter.

In the period under review the Board met five (5) times, and the attendance record of each of the directors at Board meetings, and Board committee meetings held during FY 2019 are as provided below:

Board Meeting Dates						
	Total Attendance	25-Feb-19	25-Apr-19	30-Jul-19	22-Oct-19	9-Dec-19
Non-Executive Directors						
Shehu Yahaya*	5/5	*	*	*	*	*
Uche Orji	5/5	*	*	*	*	*
Henry Batchi Baldeh**	3/5	N/A	N/A	*	*	*
Mohamed Kalif***	1/5	*	-	N/A	N/A	N/A
Independent Non-Executive Directors						
Clare Omatseye	5/5	*	*	*	*	*
Andrew Alli	5/5	*	*	*	*	*
Oladimeji Alo	5/5	*	*	*	*	*
Phillips Oduoza	5/5	*	*	*	*	*
Bello Maccido	5/5	*	*	*	*	*
Managing Director/CEO						
Anthony Okpanachi	5/5	*	*	*	*	*

* In compliance with section 2.6.3 of the CBN Code of Corporate Governance for Development Finance Institutions, Shehu Yahaya, Chairman, Board of Directors is not a member of, nor does he participate at meetings of the Board committees.

** Henry Batchi Baldeh's appointment was approved by the CBN on May 8, 2019.

*** Mohamed Kalif resigned from the Board on May 8, 2019, when the CBN approved the appointment of Henry Batchi Baldeh as a director in his place, representing the African Development Bank.

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Board Committees

In terms of structure, composition and responsibilities, all four (4) board committees (Board Audit and Compliance Committee, Board Credit and Risk Committee, Board Finance Committee and the Board Nomination and Governance Committee) are compliant with the requirements of the CBN Code of Corporate Governance for Development Finance Institutions ("the Code").

All committees have charters which have been approved by the Board and submitted to the CBN, for approval. In compliance with both regulatory and best practice requirements, the Board Audit and Compliance Committee and the Board Nomination and Governance Committee are composed of only independent non-executive directors.

All Board committees meet quarterly ahead of board meetings. In order to ensure that all directors are able to contribute effectively to discussions at board meetings, directors have access to all committee papers hosted on the Bank's Board portal, irrespective of committee membership.

At the end of each committee meeting, a report of deliberations and decisions, which include recommendations on items presented by Management is drawn up by each committee chairman, and presented to the Board, at the next meeting.

In October 2019, the Board of Directors reconstituted the membership of all board committees. Below are the board committees, their composition and details of their authorization:

Board Nomination and Governance Committee

Membership	▪ Oladimeji Alo – Independent Non-Executive Director - Chairman
	▪ Clare Omatseye, Independent Non-Executive Director
	▪ Bello Maccido, Independent Non-Executive Director
	Key Responsibilities
	▪ To review the Nomination and Governance Committee Charter and recommend same for Board approval.
	▪ To make recommendations to the Board for appointment of Senior Management Staff subject to processes set out for such appointments.
	▪ To evaluate the bank's Human resources needs and recommend to the Board, plans and actions to maintain an optimal staff profile in the bank.
	▪ To review and advise the Board on Succession planning for the Board, Board Committees and Senior Management Staff.
	▪ Periodically access and advise the Board on the extent to which the required skills are represented on the Board.
	▪ To review and recommend to the Board for Approval, Policies and Manuals on Human Resources, Conditions of Service, Compensation packages for the Staff and the Managing Director.
	▪ To review and advise the Board of Directors allowances and other entitlements to enable the Board to recommend as appropriate to the General Meeting for approval.

The attendance of members at meetings of the Committee in the year are as shown below:

	Meeting Dates						
	Total Attendance	13-Feb-19	22-Feb-19	12-Apr-19	22-Jul-19	16-Oct-19	5-Dec-19
Oladimeji Alo	6/6	*	*	*	*	*	*
Clare Omatseye	6/6	*	*	*	*	*	*
Mallam Bello Maccido	6/6	*	*	*	*	*	*

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Board Audit and Compliance Committee

Membership	▪ Andrew Ali – Independent Non-Executive Director - Chairman
	▪ Oladimeji Alo - Independent Non-Executive Director
	▪ Clare Omatseye - Independent Non-Executive Director*
	▪ Phillips Oduoza - Independent Non-Executive Director**
	Key Responsibilities
	▪ Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
	▪ Review with management and the external auditors the results of the audit, including any difficulties encountered.
	▪ Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
	▪ Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

* became a member of the committee on October 22, 2019

** ceased to be a member of the committee on October 22, 2019

The attendance of members at meetings of the Committee in the year are as shown below:

	Meeting Dates				
	Total Attendance	13-Feb-19	11-Apr-19	22-Jul-19	17-Oct-19
Andrew Ali	4/4	*	*	*	*
Oladimeji Alo	4/4	*	*	*	*
Clare Omatseye	N/A	Not yet a member			
Bello Maccido	4/4	*	*	*	*

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Board Credit and Risk Committee

Membership	▪ Bello Maccido - Independent Non-Executive director – Chairman*
	▪ Phillips Oduoza, Independent Non-Executive Director
	▪ Henry Batchi Baldeh, Independent Non-Executive Director*
	▪ Anthony Okpanachi, Managing Director/CEO*
	▪ Clare Omatseye, Independent Non-Executive Director**
	▪ Uche Orji, Non-Executive Director**
	▪ Mohamed Kalif, Non-Executive Director***
	Key Responsibilities
	▪ Ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Bank;

* became a member of the committee on October 22, 2019

** ceased to be a member of the committee on October 22, 2019

*** resigned from the Board on May 8, 2019

The attendance of members at meetings of the Committee in the year are as shown below:

	Meeting Dates				
	Total Attendance	14-Feb-19	15-Apr-19	23-Jul-19	16-Oct-19
Bello Maccido	N/A	Not yet a member			
Henry Batchi Baldeh	N/A	Not yet a member			
Anthony Okpanachi	N/A	Not yet a member			
Clare Omatseye	4/4	*	*	*	*
Uche Orji	4/4	*	*	*	*
Phillips Oduoza	4/4	*	*	*	*
Mohamed Kalif	1/4	*	Not yet a member		

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Board Finance Committee

Membership	▪ Phillips Oduoza - Independent Non-Executive Director - Chairman
	▪ Andrew Alli, Independent Non-Executive Director
	▪ Uche Orji, Non-Executive Director*
	▪ Henry Batchi Baldeh*
	▪ Anthony Okpanachi*
	▪ Bello Maccido – Independent Non-Executive Director**
	Key Responsibilities
	▪ To review and make recommendations to the Board on the Bank's financial strategy, financial forecasts, operating budgets, financial performance, capital expenditures and expense management programs relating to the Bank's strategic plan;
	▪ To review and make recommendations to the Board on the Bank's capital structure and corporate finance strategy including capital adequacy and capital planning process, stress-testing and related activities, capital raising and capital distributions, the issuance of equity and debt securities; financing plans generally; debt ratings; share repurchase philosophy and strategy; share redemption and purchase activities; and dividend policy;
	▪ To review and recommend to the Board on matters pertaining to treasury operations, investment strategies, banking and cash management arrangements; and financial risk management (interest rate, foreign exchange, sensitivities etc.)

* became a member of the committee on October 22, 2019

** ceased to be a member of the committee on October 22, 2019

The attendance of members at meetings of the Committee in the year are as shown below:

	Meeting Dates					
	Total Attendance	13-Feb-19	11-Apr-19	22-Jul-19	17-Oct-19	2-Dec-19
Phillips Oduoza	5/5	*	*	*	*	*
Andrew Alli	1/5	*	*	*	*	*
Uche Orji	1/5	Not yet a member				*
Henry Batchi Baldeh	1/5	Not yet a member				*
Anthony Okpanachi	1/5	Not yet a member				*
Bello Maccido	4/5	*	*	*	*	*

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Directors Remuneration

Board and Executive remuneration is aligned with the long-term interests of the Bank and shareholders. Non-executive directors' remuneration is limited to Directors' fees, sitting allowances for Board and Board Committee meetings and reimbursable travel and hotel expenses.

The Board Nomination and Governance Committee considers the levels of Board and Executive compensation and advises the Board on all matters relating to compensation in the Bank.

The Managing Director/Chief Executive Officer's compensation is linked to performance and is specifically designed to prevent excessive risk taking. Being an executive director, the Managing Director/Chief Executive does not receive sitting allowances.

Details of directors' remuneration is as set out in Note 14 of the 2019 audited financial statements.

Directors Training and Continuous Development

Orientation is provided to newly appointed directors upon appointment. A new director shall receive an induction pack containing information about the Bank and its business and operations.

A new director shall also receive information relating to his duties and responsibilities, details of emoluments and general information that would ensure that the Director is able to fulfil the responsibilities of his office.

In order to ensure that directors remain conversant with recent trends and development, the Bank ensures that directors attend routine trainings tailored in line with the needs of the Bank, and respective directors.

Below are the trainings attended by Directors in the year:

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S/N	Director	Local Training Selection	Facilitator	Date
1	Shehu Yahaya	Company Direction Course	Institute of Directors ("IoD")	June 18 - 19, 2019
		CBN-FITC Continuous Education Programme for Directors of Banks and Other Financial Institution -Digital Transformation: Repositioning Financial Institutions- Perspectives and Imperatives for the Board	Financial Institutions Training Centre ("FITC")	September 24 – 25, 2019
		Making Corporate Boards More Effective	Harvard Business School	November 20 – 23, 2019
2	Oladimeji Alo	Audit Committee Seminar	DCSL Corporate Services Limited	June 27- 28, 2019
		Cybersecurity Risks Management Seminar	Sandwell Engineering Limited	July 30, 2019
		Making Corporate Boards More Effective	Harvard Business School	November 20 – 23, 2019
3	Bello Maccido	Cybersecurity Risks Management Seminar	Sandwell Engineering Limited	July 30, 2019
		Making Corporate Boards More Effective	Harvard Business School	November 20 – 23, 2019
4	Andrew Alli	Blue Ocean Strategy	INSEAD	May 26 – 30, 2019
		Cybersecurity Risks Management Seminar	Sandwell Engineering Limited	July 30, 2019
		CBN-FITC Continuous Education Programme for Directors of Banks and Other Financial Institution – Digital Transformation: Repositioning Financial Institutions- Perspectives and Imperatives for the Board.	Financial Institutions Training Centre (FITC)	September 24 – 25, 2019
5	Clare Omatseye	Cybersecurity Risks Management Seminar.	Sandwell Engineering Limited	July 30, 2019
		Best Practice in Financial Oversight and Reporting.	IoD	August 6, 2019
		Blue Ocean Strategy	INSEAD	October 21 – 25, 2019
6	Phillips Oduoza	Cybersecurity Risks Management Seminar		July 30, 2019
		Board Effectiveness	DCSL Corporate Services Limited	August 29, 2019
		Making Corporate Boards More Effective	Harvard Business School	November 20 – 23, 2019
7	Uche Orji	Company Direction Course	IoD	August 14 – 15, 2019
8	Batchi Baldeh	Cybersecurity Risks Management Seminar	Sandwell Engineering Limited	July 30, 2019
9	Anthony Okpanachi	Cybersecurity Risks Management Seminar	Sandwell Engineering Limited	July 30, 2019
		Enthroning Good Corporate Governance – A Code of Best Practice	DCSL Corporate Services Limited	September 19, 2019
		Making Corporate Boards More Effective	Harvard Business School	November 20 – 23, 2019

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

Rotation of Directors

In compliance with section 259 of the Companies and Allied Matters Act (CAMA) and Article 10.3.3 of the Bank's Articles of Association which require that directors of Bank retire by rotation, three directors would be retiring at the Annual General Meeting, and being eligible, would be seeking re-election.

Based on the above, the directors to retire by rotation are Shehu Yahaya, Chairman/Non-executive director, Oladimeji Alo, Independent non-executive director and Andrew Alli, Independent non-executive director.

The biographical details of the concerned directors are provided in the notes to the Resolutions to be presented to shareholders at the Annual General Meeting.

Board Evaluation

In adherence to the SEC Code and the CBN Codes of Corporate Governance for Development Finance Institutions, and Article 16 of the Bank's Articles of Association, the Board of Directors ensures that there is an annual evaluation of the Board which is undertaken by an independent consultant.

The scope of the evaluation covers the requirements of both the CBN Code of Corporate Governance for Development Finance Institutions, the SEC Code of Corporate Governance and the provisions of the Companies and Allied Matters Act. In addition to the aforementioned, the evaluation also specifically assesses the performance of the Bank's independent non-executive directors as required by section (f) of CBN circular BSD/DIR/GEN/CIR/VOL.1/013 titled "Guidelines for the Appointment of Independent Directors".

The outcome of the evaluation is presented to the shareholders at the Annual General Meeting, and in compliance with the requirement of the CBN Code of Corporate Governance, is to be submitted to the CBN.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019



09 March 2020

Development Bank of Nigeria Plc.
The Clan Place
Plot 1368A, Tigris Crescent
Maitama
Abuja, Nigeria

Report to the Directors of the Development Bank of Nigeria Plc. On the outcome of the 2019 Board Performance Assessment

PricewaterhouseCoopers ("PwC") was engaged to carry out an evaluation of the Board of Directors of the Development Bank of Nigeria Plc. ("DBN" or "the Bank") as required by Section 2.9.1 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Development Finance Institutions in Nigeria ("the CBN Code") and Section 15.1 of the Securities and Exchange Commission (SEC) Code of Corporate Governance for Public Companies in Nigeria ("the SEC Code"). The evaluation covered the Board's structure, composition, responsibilities, processes, relationships and performance of the Board Committees for the year ended 31 December 2019.

The Board is responsible for the preparation and presentation of the information relevant to its performance. Our responsibility was to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 8 January 2020. In carrying out the evaluation we relied on representations made by members of the Board and Management and on the documents provided for our review.

The Board has complied significantly with the provisions of both codes. Areas of compliance include: attaining a 100% attendance rating for all meetings held during the year, provision of strategic guidance and effective oversight of the management of the Bank, oversight of the Bank's risk exposures and compliance with the regulatory requirements and the approval of the FY 2019 Board Committee Plans. Furthermore, the Board approved a stakeholder Engagement Plan, which highlights the strategy for engaging with the Bank's key stakeholders.

Areas for Improvement and other findings were also highlighted in the course of our review. Details of these are contained in the full report to the Board.

We facilitated a Self and Peer Assessment of each Director's performance in the year under review. This assessment covered the Director's time commitment to the business of the Bank, commitment to continuous learning and development and a self-and-peer assessment. Each Individual Director's Assessment report was prepared and will be made available to them respectively, while a consolidated report of the performance of all Directors will be submitted of the Board Chairman.

Yours faithfully
For: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
FRC/2017/ICAN/0000016659

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng TIN: 01556757-0001

Partners: S Abu, O Adekoya, O Adeola, T Adeleke, W Adetokunbo-Ajayi, UN Akpata, O Alakume, C Azobu, E Erhie, K Erikume, U Muogilim, P Obianwa, T Ogunlipo, C Ojechi, O Olatipo, P Omontuemen, O Osinubi, T Oyedele, AB Rahji, O Ubaib

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

Ijeoma Ozulumba

Chief Financial Officer

Ijeoma Ozulumba, is a finance professional with over 25 years' experience in banking, accounting, auditing, finance and business strategy.

She started her professional career at Price Waterhouse (Now PwC) in 1990, in the audit and business advisory services division where she performed audit and consulting work for different companies across all industries, particularly financial services.

She worked at various times at Diamond Bank, Continental Trust Bank Ltd (Now part of UBA Plc) and MBC International Bank Ltd. (Now part of First Bank), both as Financial Controller, FinBank Plc as Chief Financial Officer, Bank of Montreal and Scotia Bank both in Canada as Basel Risk Consultant and Finance Manager. Prior to joining DBN, she managed corporate budgeting and management reporting for Seplat Petroleum Development Company plc, the largest independent E&P company in Nigeria.

She is a graduate of the University of Benin, Nigeria, a fellow of the Institute of Chartered Accountant of Nigeria, a Certified Professional Accountant of Canada, a Project Management Professional, an alumnus of the Lagos Business School and holds an MBA in International Business from Royal Holloway, University of London.

Bonaventure Okhaimo

Chief Operating Officer

Bonaventure Okhaimo has over 25 years banking experience spread across Diamond Bank, Stanbic IBTC, Standard Chartered Bank, FCMB Plc, Unity Bank Plc and has served as a Non-Executive Director with Unity Kapital Assurance (Now Veritas Assurance) PLC.

His vast industry experience includes, branch operations, branch management, leadership roles in Retail/SME Banking, Institutional Banking, Information Technology and Strategic Operations Service Delivery. Bonaventure's extensive training over the years along with industry experience is a testament of his strategic, analytical and financial management competences along with negotiation and business development skills.

He has attended various credit and banking attachment programs with Standard Bank Limited, Johannesburg, South Africa and Standard Chartered Bank, Zimbabwe and Kenya. He has attended various managerial training, including the Executive Management training Program of the Queens Business School, Canada.

Bonaventure holds an LLB from the University of Benin and a BL from the Nigeria Law School, Lagos. He further obtained a PGD in Business Administration and later an MBA in Financial Management from the Rivers State University of Science & Technology, Port Harcourt and the Federal University of Technology, Owerri, respectively. He is also an Honorary Member of the Chartered Institute of Bankers of Nigeria, the Nigeria Institute of Management and a Fellow of the Institute of Credit Administration, Nigeria.

Olu Adegbola

Chief Risk Officer

Olu Adegbola started his banking career with United Bank for Africa Plc. He has over 20 years banking experience, with over 10 years in senior management level across control and risk management functions.

He was the pioneer Head, Group Risk Management and Compliance at FBN Holdings Plc (Parent Company of First Bank Group), and instrumental in setting up the Internal Audit function of FBN Holdings Plc. with oversight responsibility across the Group.

He was the Pioneer Head, liquidity and Market Risk Management, and with oversight responsibility across the following departments; Compliance, Operational Risk, Information Security and Credit Strategy at Sterling Bank Plc. He was the Financial Controller, NBM Bank Ltd., one of the legacy banks of the current Sterling Bank Plc.

He is exposed to several local and international trainings. He holds a Master of Science degree in Finance, and Postgraduate Diploma in Economics, both from University of Lagos; an MBA from Obafemi Awolowo University, and Bachelor of Science degree in Accounting from University of Ilorin. He is a Fellow of the Institute of Chartered Accountant of Nigeria, an Associate of the Chartered Institute of Bankers of Nigeria, and Senior Associate of Risk Managers Association of Nigeria (RIMAN).

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

Idris Salihu

Head, Corporate Services

Idris Salihu is the Head of Corporate Services. He is a seasoned banker and a marketing communication expert with over 24 years working experience in the Banking Sector. His experience spans Banking Operations, Marketing, Relationships Management, Public Sector banking, Corporate Services, Brand Management and Communications.

Prior to joining DBN, he was the Regional Manager in charge of Business Development for Jaiz Bank Plc, North Central Region. He also served at the national level on Secondment from Fidelity Bank Plc on a National Assignment to the Presidency where he worked with the National Planning Commission and Served as Secretary, Media & Publicity for the Nigerian Vision 20: 2020 Business Support Group (BSG) – the arm responsible for coordinating the private sector participation in the NV20:2020 Project. He also served under the SME Thematic area – the team responsible for crafting the strategic vision for Small and Medium Scale Enterprises.

Idris started his banking career in 1994 with the United Bank for Africa and later in 1998, moved to FSB International Bank PLC. When FSB International Bank Plc merged with Fidelity Bank in 2006, he became the Head, Advertising with the Marketing Communications Group and subsequently moved to serve as Business Head, Public Sector Banking Group, Abuja.

Idris has attended several trainings among which include; Essential Management Skills for Emerging Leaders (EMSEL), Harvard - Division of Continuing Education, Leadership for High Performance – Del Packer/Brian Tracy Group, Finance for Non-Finance Managers & Managing Corporate Affairs Functions – both with Lagos Business School, Strategic Communications & Crisis Management- Hundfold - South Africa, Islamic Banking and Finance - Fleming Gulf- Malaysia.

He is a member of several associations, including Fellow, Institute of Credit Administration (ICA), Associate, Chartered Institute of Bankers of Nigeria (CIBN), Associate Member, Advertising Practitioners of Nigeria (APCON); Associate Member, Nigerian Institute of Management (NIM) and Associate Member, Nigerian Institute of Public Relations (NIPR).

Joshua Ohioma

Head, Internal Audit

Joshua Ohioma is the Head, Internal Audit of Development Bank of Nigeria PLC. A professional with over 25 years' combined experience in banking, auditing and consulting. He started his professional career in audit practice in 1991. He thereafter joined the banking industry with Diamond Bank in 1996 performing roles in Internal Control, Credit & Marketing and also coordinating branch business and profitability as Branch Manager.

He later practiced Tax Advisory Services in PricewaterhouseCoopers (PWC), United Kingdom before joining First Bank of Nigeria Limited (FBN) in 2005 where he acquired valuable experience in Internal Audit, Internal Controls, Compliance and Risk Management under various senior management roles.

He is a graduate of Economics with postgraduate qualification in Business Administration. He is also a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), a Certified Risk Analyst, ISO 27001 Lead Auditor and an alumnus of Lagos Business School (Senior Management Programme).

He is a Past Chairman of ICAN Lagos & District Society, a Development Dimension International (DDI) Certified Facilitator, a Coach and a Resource Person in various training platforms, seminars and workshops.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

Professor Joseph Nnanna

Assistant Chief Economist

Professor Joseph Nnanna currently serves as the Assistant Chief Economist of Development Bank of Nigeria PLC. A seasoned professional with numerous years of experience in the U.S mortgage, banking, manufacturing, and telecommunication industry before joining academia.

His professional career commenced in the mortgage industry as a staff Accountant responsible for budgeting, audit, and month-end close functions. He also worked as a risk analyst at J.P. Morgan Chase bank and at various times served in managerial roles in Lehigh Hanson, one of the largest producers of crushed stone and gravel in the US and Blue Lynx Media a subsidiary of the Tribune company a leader in the Telecommunication industry in the US. Prior to joining DBN, Prof. Nnanna was a tenured Professor of Business and Economics at Northwestern Oklahoma State University (USA). His primary research focus is in corporate governance in emerging economies, macroeconomics, development finance and Trade. His scholarly works have been published in; Macroeconomics and Finance in Emerging Market Economies, the journal of Chinese Economics and Foreign Trade Studies, Journal of Social Economics, CBN Bullion, Journal of Business Perspectives, International Journal of Business Economics and Management to name a few. While in academia Prof. Nnanna taught at the undergraduate, graduate, and doctoral levels in Macro and Micro Economics as well as Management courses. Furthermore, he has presented scholarly works and delivered lectures in various countries around the world.

He earned a Bachelor of Business Administration and MBA degrees in Accounting, a Master of Art degree in Economics and a Doctorate degree in Corporate Governance and Economics from Southwestern Oklahoma State University, Florida Metropolitan University, The University of Oklahoma and Argosy University respectively. He is a member of the American Economic Association.

Shofola Osho

Company Secretary / Legal Adviser

Shofola Osho has vast experience in providing Governance, Risk and Compliance support for major Corporates. He commenced his corporate career as a Legal Officer with Stallion Property & Development Company Limited (A Joint venture company of the Nigerian National Petroleum Corporation and Oando Plc). At Siemens Nigeria, he provided local content support for the implementation of the Siemens Anti-Bribery Controls and was a participant at the Talent at Compliance Program at the Siemens Leadership Center, Feldafing, Germany.

At Access Bank Plc, he was a member of the Legal Stream of "Project Star" (the acquisition of Intercontinental Bank Group by Access Bank Plc). He was also a test participant at the Central Bank of Nigeria User Acceptance Test for the CBN Competency Assessment Portal.

At FirstBank, Shofola was Assistant Company Secretary, and a member of the inaugural stream of the FirstBank Senior Management Development Programme (SMDP01). He is a Chartered Secretary (ACIS), and a Certified Anti-Money Laundering Specialist (CAMS).

He holds a Bachelor of Laws (LL.B Hons) degree from the University of Lagos and a Master's in International Commercial Law from the University of Salford Manchester, UK. He was called to the Nigerian Bar in 1999.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

Statutory Audit Committee

In compliance with the requirements of the Companies and Allied Matters Act ('CAMA') 1990 in Section 359 (3) which requires every public company to constitute a Statutory Audit Committee made up of an equal number of directors and shareholders' representatives subject to a maximum of six members in the committee. The Bank constituted a Statutory Audit Committee made up of two shareholder representatives and two independent non-executive directors. The membership of the Bank's Statutory Audit Committee are as follows:

1. Stella Ojekwe-Onyejeli	Shareholder Representative	Chairperson
2. Abdulfatah Abdulsalam	Shareholder Representative	Member
3. Andrew Alli	Independent non-executive director	Member
4. Oladimeji Alo	Independent non-executive director	Member

The duties of the Committee are as enshrined in Section 359 (3) and (4) of CAMA and relevant Codes of Corporate Governance and cover the following:

- Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
- Review the scope and planning of audit requirements.
- Review the findings on management matters in conjunction with the external auditor and management's responses thereon.
- Keep under review the effectiveness of the Company's system of accounting and internal control.
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair their independent judgement.
- Authorise the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the Committee.
- Assist in the oversight of the integrity of the company's financial statements and establish and develop the internal audit function.

The tenure of each member of the Statutory Audit Committee lasts from the date of election at an Annual General Meeting till the next. The membership may, however, be renewed through re-election at the next Annual General Meeting

REPORT OF THE STATUTORY AUDIT COMMITTEE

For the year ended 31 December 2019

To the members of the Development Bank of Nigeria Plc

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act of Nigeria, the members of the Statutory Audit Committee of the Development Bank of Nigeria PLC hereby report on the financial statements for the year ended 31 December 2019 as follows:

We have exercised our statutory functions under section 359 (6) of the Companies and Allied matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities .

We are of the opinion that the accounting and reporting policies of the Bank are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Bank's internal control systems.

We have deliberated on the findings of the external auditors who have confirmed that the necessary cooperation was received from management in the course of their audit and we are satisfied with management's responses thereon and with the effectiveness of the Bank's system of accounting and internal controls



Stella Ojekwe-Onyejeli
Chairperson
Statutory Audit Committee
26 February, 2020

Members of the Statutory Audit Committee are:

1. Stella Ojekwe-Onyejeli	Chairperson
2. Abdulfatah Abdulsalam	Member
3. Andrew Alli	Member
4. Oladimeji Alo	Member

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

External Auditors

KPMG Professional Services were the Bank's external auditors for the 2019 financial year. The Bank complied with all regulatory requirements for the appointment and approval of External Auditors.

Risk Management

Risk Governance Framework

The risk governance framework in DBN is very robust and every stakeholder is aware of their responsibilities (individual and collective) for risk management, risk oversight and risk assurance. The Bank has a well-defined framework and policies for managing risks and ensuring adequacy and effectiveness of controls.

The Board has ultimate responsibility for risk management and sets the appropriate tone down the organization hierarchy. To ensure that the risk management system is in line with regulations and leading practices, the Board is supported by the following Board sub committees:

- 1 Board Credit and Risk Committee (BCRC); and
- 2 Board Audit and Compliance Committee (BACC)

These Committees are responsible for reviewing and challenging risk, compliance, control and audit reports received from management (Management Credit and Risk Committee (MCRC)); and advising the Board.

The Risk Management and Compliance Department facilitates and coordinates risk management and compliance activities in the Bank and reports to the Management Credit and Risk Committee monthly on key risk issues facing the Bank. The Department is also saddled with the role of ensuring adequacy of Controls by implementing the approved Internal Control Framework.

Internal and External Audit are responsible for giving independent assurance on the adequacy and effectiveness of risk management process, practices and control.

Each department in the Bank is responsible for risk management and implementing internal control procedures and documenting same in a Standard Operating Manual in compliance with the Internal Control Framework.

Whistleblowing

The Board of DBN is committed to high ethical standards and probity and ensures all employees and executives align to these standards in all their dealings with stakeholders. To help ensure a high ethical standard, the Bank introduced the following;

1. Code of Ethics, which sets out the minimum standards of ethical conduct for management of businesses in the Bank.
2. Whistleblowing Policy, which provides different medium for employees and other relevant stakeholders to report concerns about workplace malpractices in a confidential manner, and to enable the Internal Audit and External Consultant to investigate and deal with

Stakeholders are expected to comply with the above code and policy in discharging their duties and support investigations into any reported misconduct or concern and take any appropriate actions.

The Whistleblowing Policy which is on the Bank's website(<http://www.devbankng.com/cms/uploads/policy/Whistle-Blowing-Policy>) applies to both internal (staff, contract employees, management or directors) and external (customers, service providers, applicants, auditors, consultants, regulators and other

stakeholders) whistleblowers.

The Policy outlines the procedure for Whistleblowing in the Bank and how all reported cases of illegal and unethical conduct or other misconduct should be dealt with.

The Policy is in line with the requirements of section 3.1 of the Central Bank of Nigeria (CBN) 'Guidelines for Whistleblowing for banks and other financial institutions in Nigeria', and the Code of Corporate Governance for Development Finance Institutions. In line with the policy, a whistleblower may raise concern through any of the following medium (this can be done either by declaration or in confidence/ anonymously):

- Formal letter to the MD/CEO, Development Bank of Nigeria Plc. or the Head, Internal Audit, Development Bank of Nigeria Plc. Dedicated phone number :080-751-80057.
- Dedicated email address: **whistleblow@devbankng.com**
- Via DBN website: **www.devbankng.com/whistleblowing**.
- Where the concern is received by staff other than the MD/CEO or the Head, Internal Audit, the recipient of such concerns shall be required to;
- Immediately pass the concern(s) to the Head, Internal Audit with copy to the MD/CEO Development Bank Plc.
- If the concerns affect the Head, Internal Audit, the MD/CEO shall be notified, and where a Director (including the MD/CEO) is involved, such concern shall be directed at the Chairman Board Audit & Compliance Committee.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

Internal control

The Board of Directors are responsible for ensuring adequate and effective internal controls exists within the Bank. These responsibilities involve establishing, maintaining and reviewing the effectiveness of internal control systems that ensures that the goals and objectives of the Bank are met, whilst complying with applicable laws and regulations including internal policies and procedures.

The Bank has an approved Internal Control Framework, developed in line with leading practice (the Committee of Sponsoring Organizations (COSO) 2013 Internal Control Integrated Framework) The Framework address control challenges by identifying critical activities, assessing the risk exposures, determining appropriate preventive and detective control measures, and monitoring such measures to ensure compliance.

The overall objective of the Internal Control framework is to ensure that adequate and effective internal controls are in place and that these controls are applied consistently throughout the organisation to protect DBN and its stakeholders from potential losses. The internal control framework is managed within the five key principles of COSO which are; control environment, risk assessment, control activities, information & communication and monitoring.

COSO 2013 Internal Control Integrated Framework Control Environment

The Board and senior management establish the tone from the top regarding the importance of internal control and the expected standards of conduct. The Board is assisted in carrying out this responsibility by the Board Audit and Compliance Committee (BACC) as set out in the above Risk Governance Framework. The key principles relating to the control environment include:

- The Board of DBN, management and staff are committed to the highest levels of integrity and ethical values;§The Board and its sub-committees are independent from management and provide oversight for the performance of internal controls;
- Management, with oversight from the Board, establishes structures, reporting lines and appropriate delegation of authority to ensure that the strategic and business objectives are achieved;
- The Board and management establishes and implements policies and procedures to ensure the achievement of its objectives; and§The Bank enforces accountability for applicable stakeholders with regards to internal control responsibilities in the pursuit of its objectives.

Risk Assessment:

The Bank has a dynamic and iterative process for identifying, analysing and managing risk exposures to achieving the strategic and business objectives of DBN. It involves considering the impact of possible changes in both the internal and external environment. The key principles relating to risk assessment include:

- Board and management set specific strategic

and business objectives with sufficient clarity to enable the identification and assessment of risk exposures;

- Risk exposures that may prevent the achievement of strategic and business objectives are identified and managed;
- In assessing the risks to the Bank's objectives, potential for fraud shall be considered; and
- Management and Staff identify and assess changes that could significantly impact the internal control system.

Control Activities:

The management of the Bank has put in place risk mitigants to reduce risk and achieve its objectives. Such control activities are preventative or detective; automated or manual, or a combination thereof and take any of the following forms:

- authorizations and approvals;
- verifications;
- reconciliations;
- compliance with exposure limits;
- maker-checker processes;
- physical controls; and
- regular performance reviews.

Segregation of duties is typically built in the selection and development of control activities. No one individual, regardless of grade, title or function, process a specific transaction from initiation to final authorization. This implies that a transaction shall require the intervention of at least 2 individuals prior to completion. The key principles relating to control activities include:

- Management and staff develop and implement control activities that will contribute to risk mitigation and achievement of strategic and business objectives;

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019

- Management and staff develop and implement control activities over technology to support the achievement of objectives; and
- Management and staff develop and implement policies and procedures (including responsibility and accountability for execution) to support the achievement of set objectives

Information and Communication: Relevant and quality information is necessary to effectively carry out internal control responsibilities in support of the achievement of the Bank's objectives. Internal communication within the Bank (top-down, bottom-up and across) enables staff receive clear directives from senior management that control responsibilities must be taken seriously. External communication enables in-bound communication of relevant external information while providing required information to external parties.

The key principles relating to information and communication include:

- Relevant and quality information is used to support the functioning of the internal control system;
- Appropriate internal communication of information, including objectives and responsibilities for internal control, is used to support the functioning of the internal control system; and
- Appropriate communication with external stakeholders regarding matters affecting the functioning of the internal control system.

Monitoring Activities: Monitoring is the process of assessing the effectiveness of internal control system via on-going and separate evaluations, including the reporting of findings or observed deficiencies as well as providing assurance to management and the

Board of Directors. The key principles relating to monitoring activities include:

- Management has put in place measures to ensure on-going and/or separate evaluations to ensure that the internal control system is present and functioning as intended; and
- Internal and External Audit carry out independent reviews of internal control systems, communicating deficiencies to Board Credit and Risk Committee (BCRC), and Board Audit and Compliance Committee (BACC) and the Board; and monitor corrective actions.

Customer complaints

There were no customer complaints during the year under review

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

The Directors accept responsibility for the preparation of the annual consolidated and separate annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 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.

The directors have made assessment of the Group and Bank's ability to continue as a going concern and have no reason to believe that the Group and Bank will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Anthony Okpanachi
FRC/2016/CISN/00000015033
Chief Executive Officer
26 February, 2020



Shehu Yahaya
FRC/2019/ODN/00000019238
Chairman
26 February, 2020

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION



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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Development Bank of Nigeria Plc

Report on the Audit of the consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Development Bank of Nigeria Plc ("the Bank") and its subsidiary (together, "the group"), which comprise the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information as set out on pages 29 to 91.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiary as at 31 December 2019 and of its consolidated and separate financial performance and its consolidated and separate cash flows of the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Corporate Governance Report, Report of the Statutory Audit Committee, Statement of Directors' Responsibilities and other national disclosures but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group (and Bank)'s ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group (and Bank) or to cease operations or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group (and Bank)'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group (and Bank)'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (and Bank) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004.

In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Compliance with Section 27 (2) of the Banks and other Financial Institutions Act Cap B3, Laws of the Federation of Nigeria, 2004 and Central Bank of Nigeria circular BSD/1/2004

- The Bank and Group did not pay penalties in respect of any contravention during the year ended 31 December 2019.
- Related party transactions and balances are disclosed in note 32 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Kabin O. Okunola, FCA
FRC/2012/CAN/00000000428
For: KPMG Professional Services
Chartered Accountants
11 March 2020
Lagos, Nigeria

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

<i>In thousands of Naira</i>	<i>Notes</i>	Group 31 December 2019	Bank 31 December 2019	Bank 31 December 2018
Assets				
Cash and cash equivalents	18	132,663,583	130,431,689	63,314,138
Loans and advances to customers	20	101,899,673	101,899,673	28,289,868
Investment securities	19	237,014,094	227,587,961	186,167,762
Investment in subsidiaries	21	-	11,375,000	-
Property and equipment	24	1,058,155	989,172	574,445
Intangible assets	23	106,472	106,472	64,452
Deferred tax asset	17b	1,567,866	1,546,819	-
Other assets	22	435,651	426,429	398,102
Total assets		474,745,494	474,363,215	278,808,767
Liabilities				
Other liabilities	25	5,701,130	5,637,966	831,526
Employee benefit obligation	26	1,111	-	-
Provision for guarantee	28	449	-	-
Current income tax liability	17c	603,010	600,043	229,109
Borrowings	29	308,484,268	308,484,268	151,704,062
Total liabilities		314,789,968	314,722,277	152,764,697
Equity				
Share capital	30a	100,000	100,000	100,000
Share premium	30b	99,762,570	99,762,570	99,762,570
Retained earnings	30c	40,675,299	40,360,711	17,690,389
<i>Other reserves:</i>				
Statutory reserve	30d	18,102,257	18,102,257	8,023,196
Regulatory risk reserve	30e	1,315,400	1,315,400	467,915
Attributable to equity holders of the parent		159,955,526	159,640,938	126,044,070
Total liabilities and equity		474,745,494	474,363,215	278,808,767

The financial statements were approved by the Board of Directors on 26 February, 2020 and signed on its behalf by:

Dr. Shehu Yahaya
Chairman
FRC/2019/IODN/00000019238

Anthony Okpanachi
Managing Director
FRC/2016/CISN/00000015033

Additionally certified by:

Ijeoma Ozulumba
Chief Financial Officer
FRC/2017/ICAN/00000016105

The accompanying notes are an integral part of these consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

<i>In thousands of Naira</i>	<i>Note</i>	Group 31 December 2019	Bank 31 December 2019	Bank 31 December 2018
Gross earnings	31	46,236,882	45,755,228	30,641,949
Interest income	8	46,235,570	45,754,097	30,511,766
Interest expense	9	(8,189,474)	(8,189,474)	(4,342,680)
Net interest income		38,046,096	37,564,623	26,169,086
Impairment loss on financial assets	10	(1,072,204)	(1,067,912)	(346,436)
Net interest income after impairment charge on financial assets		36,973,892	36,496,711	25,822,650
Guarantee income	11	181	-	-
Other income	12	1,131	1,131	130,183
Fee and commission expense	13a	(133,242)	(133,242)	(104,999)
Guarantee expense	13b	(360)	-	-
Net operating income		36,841,602	36,364,600	25,847,834
Personnel expenses	14	(1,659,385)	(1,586,311)	(1,255,950)
Depreciation and amortisation	15a	(356,274)	(350,834)	(164,929)
Lease expense	15b	(4,819)	(4,819)	-
General and administrative expenses	16	(1,874,524)	(1,772,543)	(1,516,010)
Total expenses		(3,895,002)	(3,714,507)	(2,936,889)
Profit for the year before minimum taxation		32,946,600	32,650,093	22,910,945
Minimum taxation	17	(228,776)	(228,776)	-
Profit for the year before taxation		32,717,824	32,421,317	22,910,945
Tax credit/(expense)	17	1,193,632	1,175,552	(229,109)
Profit for the year after taxation		33,911,456	33,596,869	22,681,836
Profit for the year after taxation attributable to:				
Owners of the parent		33,911,456	33,596,869	22,681,836
Non-controlling interests		-	-	-
Other comprehensive income		-	-	-
Total comprehensive income		33,911,456	33,596,869	22,681,836
Total comprehensive profit attributable to:				
Owners of the parent		33,911,456	33,596,869	22,681,836
Non-controlling interests		-	-	-
		33,911,456	33,596,869	22,681,836

The accompanying notes are an integral part of these consolidated and separate financial statements

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

GROUP							
In thousands of Naira	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
Balance as at 1 January 2019		100,000	99,762,570	8,023,196	467,915	17,690,389	126,044,070
Total comprehensive income for the year							
Profit for the year		-	-	-	-	33,911,456	33,911,456
Other comprehensive income for the year		-	-	-	-	-	-
Transfer between reserves:							
Transfer to statutory reserve (see note 30 (d))		-	-	10,079,061	-	(10,079,061)	-
Transfer to regulatory risk reserve (see note 30 (e))		-	-	-	847,485	(847,485)	-
Balance as at 31 December 2019		100,000	99,762,570	18,102,257	1,315,400	40,675,299	159,955,526
BANK							
In thousands of Naira	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
Balance as at 1 January 2019		100,000	99,762,570	8,023,196	467,915	17,690,389	126,044,070
Total comprehensive income for the year							
Profit for the year		-	-	-	-	33,596,869	33,596,869
Other comprehensive income for the year		-	-	-	-	-	-
Transfer between reserves:							
Transfer to statutory reserve (see note 30 (d))		-	-	10,079,061	-	(10,079,061)	-
Transfer to regulatory risk reserve (see note 30 (e))		-	-	-	847,485	(847,485)	-
Balance as at 31 December 2019		100,000	99,762,570	18,102,257	1,315,400	40,360,712	159,640,939
In thousands of Naira	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
Balance as at 1 January 2018		40,000	39,940,842	1,218,646	84	2,281,255	43,480,827
Total comprehensive income for the year							
Re-measurement of impairment as at 1 January, 2018 (see note 5.1(c))		-	-	-	-	(321)	(321)
Profit for the year		-	-	-	-	22,681,836	22,681,836
Other comprehensive income for the year		-	-	-	-	-	-
Transfer between reserves:							
Transfer to statutory reserve (see note 30 (d))		-	-	6,804,550	-	(6,804,550)	-
Transfer to regulatory risk reserve (see note 30 (e))		-	-	-	467,831	(467,831)	-
		40,000	39,940,842	8,023,196	467,915	17,690,388	66,162,342
Transactions with equity holders, recorded directly in equity:							
Issued shares paid up during the year		60,000	59,821,728	-	-	-	59,881,728
Total contributions by equity holders (see note 30(i))		60,000	59,821,728	-	-	-	59,881,728
Balance as at 31 December 2018		100,000	99,762,570	8,023,196	467,915	17,690,388	126,044,070

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS

For the year ended 31 December 2019

In thousands of Naira	Note	Group 31 December 2019	Bank 31 December 2019	Bank 31 December 2018
Cash flows from operating activities				
Profit for the year after tax		33,911,456	33,596,869	22,681,836
Foreign exchange loss - unrealized	9	(2,343)	(2,343)	-
Impairment on loans and advances to PFIs	10	637,460	637,460	95,924
Impairment on other assets	10	434,744	430,452	250,512
Depreciation of plant and equipment	15a	324,727	319,287	150,946
Amortization of intangibles	15a	31,547	31,547	13,983
Interest income on treasury bills	19a	(32,600,380)	(32,187,248)	(25,983,907)
Interest income on loans and advances to PFIs	20a	(6,557,456)	(6,557,456)	(556,210)
Interest expense on borrowings	29a	8,189,474	8,189,474	4,342,680
Net increase in provision for guarantee	31a	449	-	-
Recognition of right-of-use asset: non-cash portion	31b	(196,571)	-	-
Minimum taxation	17a	228,776	228,776	-
Tax (income)/expense	17a	(1,193,632)	(1,175,552)	229,109
Loans and advances to PFIs				
Loans disbursed	20a	(107,056,996)	(107,056,996)	(31,011,969)
Loan principal repayments received	20a	33,672,354	33,672,354	3,006,743
Impairment on placements with local banks in cash and cash equivalents	31a	(1,168)	2,818	(250,512)
Gain on disposal of plant and equipment	31b	(12)	(12)	-
Changes in:				
Net increase in other liabilities	31a	4,869,603	4,806,440	405,626
Net increase/(decrease) in Employee benefit obligation	31a	1,111	-	(230)
Net increase in Other assets	31a	(143,780)	(134,558)	(338,638)
		(65,450,637)	(65,198,689)	(26,964,107)
Tax paid	17c	(229,109)	(229,109)	(41,032)
Interest income received on loans and advances to PFIs	20a	5,694,833	5,694,833	357,629
Interest income received on treasury bills	19a	25,345,838	25,310,307	26,289,133
Net cash flows used in operating activities		(34,639,074)	(34,422,658)	(358,377)
Cash flows from investing activities				
Purchase of treasury bills	19a	(261,273,725)	(251,224,887)	(321,647,652)
Proceeds from matured investment in treasury bills	19a	217,248,358	216,248,358	243,936,636
Investment in subsidiary	21a	-	(11,375,000)	-
Purchase of intangible assets	23	(73,567)	(73,567)	(68,756)
Purchase of property and equipment	31b	(446,468)	(628,057)	(412,275)
Recognition of right-of-use asset: cash portion	24	(59,440)	-	-
Proceeds from disposal of property and equipment	31b	287	287	-
Net cash flows used in investing activities		(44,604,555)	(47,052,866)	(78,192,048)
Cash flows from financing activities				
Long term borrowings received	29a	154,706,802	154,706,802	60,413,296
Repayment of principal on borrowings	29a	(2,906,475)	(2,906,475)	-
Repayment of interest on borrowings	29a	(3,207,252)	(3,207,252)	(950,298)
Proceeds from issue of share capital	30b	-	-	39,360,035
Share issue cost	30b	-	-	(118,272)
Net cash flows from financing activities		148,593,075	148,593,075	98,704,761
Net increase in cash and cash equivalents		69,349,445	67,117,551	20,154,336
Cash and cash equivalents, beginning of year		63,314,138	63,314,138	43,159,802
Cash and cash equivalents, end of year	18	132,663,583	130,431,689	63,314,138

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

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

1 GENERAL INFORMATION

Development Bank of Nigeria Plc (DBN) is a bank domiciled in Nigeria. The address of the Bank's registered office is Plot 1386A Tigris Crescent, Maitama, F.C.T Abuja, Nigeria. The Bank is a financial institution set up primarily to bridge the funding needs of the Micro, Small & Medium Enterprises (MSMEs) in Nigeria.

The principal mission of the DBN is to increase financial inclusion by improving access to credit finance. The Bank will play a focal and catalytic role in providing funding and risk-sharing facilities to MSMEs and small corporates through Participating Financial Institutions (PFIs). The operation of the Bank will also play an important role in developing the Nigerian financial sector by incentivizing financial institutions, predominantly deposit-money and microfinance banks, to lend to the productive sector, using technical assistance to augment their capacity where necessary and by providing them with funding facilities designed to meet the needs of these smaller clients. It obtained its operating license for wholesale development finance institution from the Central Bank of Nigeria on 29 March 2017. The Bank commenced lending operations on 1 November, 2017.

DBN has one subsidiary, Impact Credit Guarantee Limited, which was incorporated on 8 March 2019 with the aim to carry on the business of issuing credit guarantees to participating financial institutions (PFI) in respect of loans granted to eligible businesses in the Micro, Small and Medium Enterprises (MSME) sector.

The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Bank and its subsidiary (together referred to as "the Group

or the DBN Group" and individually as "Group entities"). The consolidated and separate financial statements for the year ended 31 December 2019 were approved for issue by the Board of Directors on 26 February 2020. The Group does not have any unconsolidated structured entity.

2 BASIS OF PREPARATION

The consolidated and separate financial statements comprise the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of financial position, the consolidated and separate statements of changes in equity, the consolidated and separate statements of cash flows and the respective notes.

a Statement of compliance

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by IFRS Interpretations Committee (IFRIC) applicable to entities reporting under IFRS. Additional information required by national regulations is included where appropriate. The consolidated and separate financial statements have been prepared in the manner required by the Companies and Allied Matters Act, Cap C.20, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

b Basis of measurement

These financial statements have been prepared on the historical cost basis except for the

following material items, which are measured on an alternative basis at each reporting date: -loans and receivables and debt securities are measured at amortized cost using effective interest rate method.-other financial liabilities that are not classified as at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

c Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

d Functional and presentation currency

These consolidated and separate financial statements are presented in Naira, which is the Bank's functional currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

3 CHANGES IN ACCOUNTING POLICIES

Except as noted below, the Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated and separate financial statements. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

a Amendments to IFRS 9 Financial Instruments - Prepayment features with negative compensation

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively.

b IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. This interpretation addresses: Whether an entity considers uncertain tax treatments separately; The assumptions an entity makes about the

examination of tax treatments by taxation authorities; How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and How an entity considers changes in facts and circumstances.

The Group has adopted IFRIC 23 effective 1 January 2019.

c IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

i Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.5.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not

reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

ii As a lessee

As a lessee, the Group leases many assets including branch premises. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. The Group entered into some new leases for office space during the year ended 31 December 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises, the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see (iv) below). Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application. The Bank had fully prepaid for its only operating lease as at 1 January 2019 and so there is no impact of IFRS 16 on opening retained earnings.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

The Group used a number of practical expedients as operating leases under IAS 17. In particular, the Group: relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review; did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application; did not recognise right-of-use assets and liabilities for leases of low-value assets as these are recognized as expenses in the year acquired (i.e. IT equipment); – excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

The group presents right of use assets as a separate class under property and equipment

iii As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. The Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

iv Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets but no lease liabilities as its operating leases were fully prepaid as at 1 January 2019 with no cancellable lease period. The impact on transition is summarised below.

In thousands of Naira	1 January 2019
Right-of-use assets presented in property and equipment	106,231
Derecognition of prepaid rent	(106,231)
Lease liabilities	-
Retained earnings	-

* For the details of accounting policies under IFRS 16 and IAS 17, see Note 4.5 (a, b)

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognized N106 million of right-of-use assets during the year ended 31 December 2019. There was no lease liability on adoption of IFRS 16 because the operating leases as at the date of transition were fully prepaid for.

Also, in relation to those leases under IFRS 16, the Group has recognized depreciation and interest cost (lease expense), instead of operating lease expense. During the period ended 31 December 2019, the Group recognized N56.4 million of depreciation charges and N4.8 million of interest cost from the lease liabilities.

d Annual improvements 2015-2017 cycle

The IASB has issued various amendments and clarifications to existing IFRS

3.1 Standards and Interpretations not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these consolidated and separate financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Group (or Bank) are set out below. The Group and Bank do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

a Conceptual Framework amendments

(Amendments to references to conceptual framework in the IFRS Standards)
The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. This is not expected to have any significant

impact on the Bank's annual financial statements. The effective date is 1 January 2020, but earlier application is permitted.

b Amendments to IFRS 3 (Definition of a Business)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
 - Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
 - Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
- The amendments are effective for business

combinations for which the acquisition date is on or after the beginning of the first after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment is not expected to have a significant impact on the annual financial statements.

c Amendments to IAS 1 and IAS 8 (Definition of Material)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality. The amendment is not expected to have a significant impact on the annual financial statements.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

d Amendments to IAS 39, IFRS 9 and IFRS 7 (Interest Rate Benchmark Reform)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments are effective from 1 January 2020. Early application is permitted. The amendments are not expected to have a significant impact on the annual financial statements.

e IFRS 17 Insurance Contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance

revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. The entity is in the process of determining the impact of IFRS 17 and will provide more detailed disclosure on the impact in future financial statements. The standard is effective for annual periods beginning on or after 1 January 2021. Early adoption is permitted. The amendment is not expected to have a significant impact on the annual financial statements.

f Amendments to IFRS 10 and IAS 28 (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The amendments require the full gain to be recognized when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognized. The definition of a business is key to determining the extent of the gain to be recognized.

The IASB has decided to defer the effective date for these amendments indefinitely. Adoption is still permitted. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognizes the full gain on the loss of control. But under the standard on associates

and JVs, the parent recognizes the gain only to the extent of unrelated investors' interests in the associate or JV. In either case, the loss is recognized in full if the underlying assets are impaired.

4 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note 5). Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

4.1 Basis of consolidation

The financial statements of the subsidiary used to prepare the consolidated financial statements were prepared as of the Bank's reporting date.

a Subsidiaries

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-

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controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group. Gains or losses on the partial disposal (where control is not lost) of the group's interest in a subsidiary to non-controlling interests are also accounted for directly in equity.

In the separate financial statements, investments in subsidiaries and associates are measured at cost less any accumulated impairment losses (where applicable).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

b Non-controlling interests

The Group elects on each acquisition to initially measure non-controlling interests on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the sum of the consideration transferred (including contingent consideration), the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary over the fair value of identifiable net assets acquired is recorded as goodwill.

c Common control transactions

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

d Loss of Control

On loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

e Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are

translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

4.3 Interest

a Effective interest rate

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 estimated future cash payments or receipts through the expected life of the financial instrument to: the gross carrying amount of the financial asset; or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

b Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the 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, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

c Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortization of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the

effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired, see Note 4.7(g).

d Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortized cost

Interest expense presented in the statement of profit or loss and OCI includes:

- financial liabilities measured at amortized cost; and
- interest expense on lease liabilities
- negative interest on financial assets; and

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL (see 4.4). Cash flows related to capitalized interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalized.

Other income presented in the statement of profit or loss and OCI includes income earned by the Bank from the Industrial Training Fund (ITF) Levy for providing relevant training to its staff.

4.4 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

4.5 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

a Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

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i Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is included in property and equipment and is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its weighted average incremental borrowing rate applied to lease liabilities by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the

carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term

ii Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net

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The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

b Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

i As a lessee

The Group did not have any finance leases under IAS 17. Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

ii As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

4.6 Tax expense

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognized the related expenses in 'other expenses'.

a Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current income tax consists of Company Income Tax, Education tax, National Information Technology Development Agency levy (NITDA) and Nigeria Police Trust Fund (PTF) levy. Company Income tax is assessed at 30% statutory rate of total profit whereas Education tax is computed as 2% of assessable profit, NITDA levy is a 1% levy on Profit Before Tax of the Bank and PTF levy is 0.005% of the net profit (defined as profit after tax) of the Bank. The PTF levy is charged on the net profit of the company for the year and therefore falls within the scope of IAS 12

which deals with taxes levied on a net rather than on a gross amount. Current tax also includes any tax arising from dividends.

Current income tax is recognized as an expense for the period and adjustments to past periods, except to the extent that current tax related to items that are charged or credited in OCI or directly to equity. Current tax assets and liabilities are offset only if certain criteria are met.

b Minimum tax

The Bank is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and Minimum tax (determined as 0.5% of turnover). Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

Where the minimum tax charge is higher than the Company Income Tax (CIT), the minimum tax charge is recognized in the profit or loss presented above the income tax line as Minimum tax.

Prior to 31 December 2019, DBN was exempted from minimum tax in line with section 33 of the amended Companies Income Tax Act as it has 25% imported equity capital. However, from 2020 year of assessment, that is 2019 financial year end since tax is assessed on a preceding year basis, DBN has applied the minimum tax rule in line with the finance act 2020 which stipulates 0.5% of turnover.

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c Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on 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;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. 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 realized; such reductions are reversed when the probability of future taxable

profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

4.7 Financial assets and financial liabilities

a Recognition and initial measurement

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price. See Note 4.7(f) for a description of the policy if the fair value of a financial instrument at initial recognition differs from the transaction price.

b Classification Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or FVTPL. 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 (SPPI).

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- A 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 SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group 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.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows

through the sale of the assets; how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for -
- how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The Group's wholesale banking business comprises primarily loans to PFIs that are held for collecting contractual cash flows. Sales of loans from this portfolio is very rare.

Certain debt securities are held by Treasury units in a separate portfolio to meet everyday liquidity needs. The Group seeks to minimize the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. These securities may be sold, but such sales are not expected to be more than infrequent. The group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

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Non-recourse loans

In some cases, loans made by the Group that are secured by collateral of the borrower limit the Group's claim to cash flows of the underlying collateral (non-recourse loans). The group applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Group typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Group's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Group will benefit from any upside from the underlying assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

c Derecognition Financial Assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire (see also 4.7 d), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

d Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group 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 (see 4.7c) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see

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"write-off" policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see 4.7(g)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see 4.3).

Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. 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 derecognized and the consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

e Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions.

f Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the

fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

g Impairment

See also Note 6.4(c).

The Group recognizes loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
 - lease receivables;
- No impairment loss is recognized on equity investments.
- The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
 - other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 6.4(c)).

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low

credit risk exemption to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive;-

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
 - POCI assets: a credit-adjusted effective interest rate;
 - lease receivables: the discount rate used in measuring the lease receivable; and
 - undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment.
- See also Note 6.4(c)(vi).

Measurement of 12-month ECL

12-month ECL is defined as a portion of the lifetime ECLs that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring. They are not the actual losses on financial instruments that are forecasted to actually default in the next 12 months.

Measurement of Lifetime ECL

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. They would be estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference

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between:

- The contractual cash flows that are due to the Group under the contract, and
- The cash flows that the Group expects to receive

As ECLs take into account both the amount and the timing of payments, a credit loss arises even if the Group expects to receive all the contractual payments due, but at a later date. The DBN Group recognizes lifetime expected credit losses on its loan and debt portfolios that have had a significant increase in credit risk since initial recognition with no objective evidence of impairment. In order to do this, management develops lifetime Probabilities of Default (PDs), Exposures At Default (EADs) and Loss Given Default (LGDs).

Significant increase in credit risk or low credit risk

For its loans to PFIs, the Group monitors the credit risk using its Internal and External Credit Rating assigned at origination of the loans, each credit rating has an assigned PD. A change in credit rating that will cause a movement between grades is considered a significant increase in credit risk. The Group has a robust system in place for determining significant increase in credit risk which are split into quantitative, qualitative and backstop indicators.

Quantitative indicators

These include the following:

- material breach of contract, such as a default or delinquency in interest or principal payments
- the financial asset is 90 days past due except for specialized loans for which the presumption is rebutted

Qualitative indicators

These include the following:

- internal risk classification – Classification as performing, watchlist and non-performing
- actual or expected significant change in the financial instrument's credit rating
- identification of the loan or customer on a 'Watchlist' or other forbearance indicators
- significant financial difficulty of a borrower or issuer
- restructure of the facility based on financial issues with the borrower
- Management override

Backstop indicators

- This applies when the financial asset is 30 days past due on repayment of principal and interest.

Forward looking information

In determining whether there has been a significant increase in credit risk and in determining the expected credit loss calculation, IFRS 9 requires the consideration of forward-looking information. The determination of significant increase in credit risk is required to include consideration of all reasonable and supportable information available without undue cost or effort. This information will typically include forward-looking information based on expected macroeconomic conditions and specific factors that are expected to impact individual portfolios.

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The use of such forward-looking information will increase the use of management judgement and is expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations. The forward-looking

framework will be based on the Group's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement.

The forward-looking information adopted in the Group's IFRS 9 model include the following: Inflation rate, USD exchange rate and Real GDP growth.

The list is not exhaustive, and the Group may add or remove economic indicators as it deems necessary. The forward looking macro economic indices are sourced from credible external agencies such as: Central Bank of Nigeria, (Nigerian) National Bureau of Statistics, International Monetary Fund, World Bank and any other online repository of macro-economic data.

The macro-economic indices are projected for three possible scenarios being best-estimate, optimistic and downturn forecasts. The projected macro-economic indices for the three (3) scenarios are then probability weighted to arrive at a single scenario which is used to calculate the ECL.

Default is not specifically defined in IFRS 9. The Group's definition of default follows CBN prudential guidelines, which provides that a credit facility is deemed non-performing when:

- Interest or principal is due and unpaid for 90 days or more
- Interest payment equals to 90 days interest or more have been capitalized, rescheduled, or rolled over into a new loan (except when a loan is rescheduled and treated as a new facility, but provisioning continues until it is clear that rescheduling is working at a minimum for a period of 90 days.

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Restructured financial assets

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 4.6d) 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 the cash shortfalls from the existing asset (see Note 6.4(c)(iii)).
- 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.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). 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 Group on terms that the Group 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. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and,

irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position Loss 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;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount

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of these assets is their fair value. However, the loss allowance is disclosed and is recognized in retained earnings.

Presentation of allowance for ECL in the statement of financial position

Loss 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; loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- 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.

Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for customers in the event that the customer defaults. The Group may also use other

credit instruments, such as derivative contracts in order to reduce their credit risk. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are recognized when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial guarantee contracts held

The Group assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Group considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and

- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Group determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Group considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Group determines that the guarantee is not an integral element of the debt instrument, then it recognizes an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognized only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognized in 'other assets'. The Group presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

4.8 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with central banks and local banks and highly liquid financial assets with original maturities of less than three months, 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.

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4.9 Property and Equipment

a Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in the statement of profit or loss.

b Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The costs of the day-to-day repairs and maintenance of property and equipment are recognized in statement of profit or loss during the financial period.

c Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. A non-current asset or

disposal group is not depreciated while it is classified as held for sale.



The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each date of the statement of financial position. During the year ended 31 December 2018, the Bank changed its accounting policy in respect of the useful life of Computer equipment; from 5 to 3 years during the year.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

d De-recognition

An item of property and equipment is derecognized 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 the income statement in the year the asset is derecognized.

4.10 Intangible assets Software

a Recognition and measurement

Software acquired by the Bank is stated at cost less accumulated amortization 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 capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

b Subsequent costs

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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c Amortization

Amortization is recognised in the income statement 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 future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software was changed during the year from five to three years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d De-recognition

An intangible item is derecognized 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 intangible asset (calculated as the difference between the net disposal proceeds and the carrying amount of the intangible asset) is included in the statement of profit or loss in the year the intangible asset is derecognized.

4.11 Provisions

A provision is recognised if, as a result of a past event, the Group 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 the provision due to passage of time is recognised as interest expense.

4.12 Employee benefits

a Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due in respect of service rendered before the end of the reporting period. 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 are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

The Group operates a defined contribution pension scheme for employees. Employees and the Group contribute 8% and 10% respectively of the qualifying staff salary in line with the provisions of the Pension Reforms Act.

b Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to

encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c Short-term employee 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.

4.13 Share capital and reserves

a Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

b Dividend on ordinary shares

Dividends on ordinary shares are recognised in equity in the period when approved by the shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent events note.

c Share premium

Premiums from the issue of shares are reported in the share premium

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d Regulatory risk reserve

The Nigerian banking regulation requires Development Financial Institutions (DFIs) to create a reserve for the difference between impairment charge determined in line with the principles of IFRS and impairment charge determined in line with the prudential guidelines issued by the Central Bank of Nigeria. This reserve is not available for distribution to shareholders

e Statutory reserve

In line with the Regulatory and Supervisory Guidelines for DFIs in Nigeria, the Bank maintains a reserve fund and shall out of its net profit after taxation and before any dividend is declared, transfer to the statutory reserves as follows:

- Where the reserve fund is less than the paid-up share capital, a minimum of 30.0 per cent of the net profits; or
- Where the reserve fund is equal to or in excess of the paid-up share capital, a minimum of 15.0 per cent of net profit;
- No transfer to the reserve fund shall be made until all identifiable losses have been made good.
- A Wholesale Development Finance Institution shall plough back all its profit after tax to reserve unless it has met the regulatory minimum capital of N100 billion or such other amount as the CBN may specify from time to time.

f Retained earnings

Retained earnings comprise the undistributed profits and (losses) from previous periods which have not been reclassified to any specified reserves

4.14 Interest income and expense

Interest income and expense for all financial assets and financial liabilities carried at amortized cost are recognized in profit or loss using the effective interest rate method in line with IFRS 9. This was also the method used in recognition of interest income and expense prior to December 31, 2018 in line with IAS 39. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Where financial asset or a group 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.

4.15 Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized on an accrual basis regardless of the times of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of liability has arisen that can be measured reliably. Expenses are measured at historical cost. Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned. Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

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4.16 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.17 Deposit from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits from customers, is the amount repayable on demand.

4.18 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified term of a debt instrument. Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at a higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9; and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

4.19 Fees and Commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see 4.3 Interest). If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Other fee and commission income – including upfront fee and guarantee fee – is recognised as the related services are performed.

Upfront fee is earned at a rate of 0.6% flat on disbursed loan amount, it is a one off, non-refundable processing fee charged irrespective of the tenor of the guarantee. The performance of this service is at a point in time (at the time the guarantee is issued) and as such income is recognised immediately in line with the requirements of IFRS 15. Guarantee fee is 1% per annum of disbursed loan amount. This amount represents the premium paid over the period of guarantee. The performance of this service is satisfied over time as such the income is recognised over the duration of the contract in line with the IFRS 15 revenue recognition criteria.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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5 Use of estimates and judgments

The Group makes estimates and assumptions that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including the current best estimate of uncertain future events that are believed to be reasonable under the circumstances.

5.1 Key sources of estimation uncertainty a Impairment of financial instruments

Loans and advances to PFIs (see Note 20) are accounted for at amortized cost and are evaluated for impairment on a basis described in the accounting policy.

The Group reviews its credit portfolio continuously (at least once in a quarter) with a view to recognising any deterioration in credit quality. Such reviews systematically classify credit exposures based on the perceived risks of default. Some of the criteria adopted to assess the default risk include, but are not limited to, repayment performance, borrower's repayment capacity on the basis of current financial condition and net realizable value of collateral. The classifications and provisioning for its MSME loans take into consideration the cash flows and gestation period. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of loans and advances.

b Determination of regulatory risk reserves

Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under the expected credit loss model. As a result of the differences in the methodology/provision regime, there will be variances in the impairment allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria, which is also applicable to DBN stipulates that banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, banks would be required to comply with the following:

- i Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:
 - Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve.
 - Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the general reserve to the extent of the non-distributable reserve previously recognized.

- ii The non-distributable reserve should be classified under Tier 1 as part of core capital.

DBN has complied with the requirements of the guidelines as follows:

As at 31 December 2019, the difference between the Prudential provision and IFRS impairment was N1,315,400,000 (December 2018: N467,915,000) requiring additional transfer of N847,485,000 million (December 2018: N467,831,000) to the regulatory risk reserve as disclosed in the statement of changes in equity. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the impairment reserve as determined in line with IFRS 9 as at year end. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the value of the regulatory risk reserve.

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<i>Statement of prudential adjustments</i>	GROUP		BANK	BANK
	December		December	December
<i>In thousands of Naira</i>	2019		2019	2018
Impairment on loans and advances per IFRS	(737,340)		(737,340)	(99,880)
Provision on loans and advances per Prudential Guidelines	2,052,740		2,052,740	567,795
Regulatory Risk Reserve	1315400		1315400	467,915
The movement in the Regulatory risk reserve during the year is shown below:				
Balance, beginning of the year	467,915		467,915	84
Transfer during the year	847,485		847,485	467,831
Balance, end of the year	1315400		1315400	467,915

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

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

a Financial asset and financial liability classification

DBN's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories.

b 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.

Determination of impairment of property and equipment and intangible assets

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. 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.

c Recognition of deferred assets

Deferred tax assets were recognised on the basis described in note 4.6@. Information about assumptions made in the recognition of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used is included in Note 17(b). The Directors have adopted the current tax practice of carrying forward commencement losses indefinitely for the purpose of determining the unrelieved losses carried forward applicable for deferred tax. Actual results may differ from these estimates based on the interpretation by the tax authorities.

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d Determination of fair value of financial instruments

The Group's accounting policy on fair value measurements is discussed in note 4.7(f). The Group measures fair values using a fair value hierarchy which reflects the significance of inputs used in making the measurements. IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1:** Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable either (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:** inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the

instruments.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. 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.

e Provisions and contingencies

In the measurement of provisions and contingencies, the Group estimates the amount of the liability using judgment. The provisions and contingencies recognised by the Group are mostly with regards to litigations and claims. In making the estimates, the Group relied on the advice of their internal and external legal counsel.

f Uncertainty over income and deferred taxes

Tax laws may be complex and unclear and may result in uncertainty about taxable income, tax deductions, unused tax losses or credits, and tax base of assets and liabilities. This could impact current and /or deferred taxes in the financial statements. Judgement is applied on the transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

6 Financial Risk Management

6.1 Introduction and overview

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance. This note presents information about the Group's exposure to financial risks, its risk management policies/frameworks, processes for measuring and managing these risks, and its management of capital.

6.2 Enterprise risk management (ERM)

The underlying premise of the Group's Enterprise Risk Management is that every entity exists to provide value for its stakeholders. The Group faces uncertainty that presents both risk and opportunities in pursuit of its mandate and these uncertainties can either erode or enhance value. Managing the enterprise risk in a consistent, efficient and sustainable manner is a critical priority, as the business environment faces unprecedented levels of complexity, changing geopolitical threats, new regulations and increasing shareholder demand. The Group seeks to achieve an appropriate balance between risk and reward in its business and strategy, and continues to build and enhance the risk management capabilities that will assist it in achieving its mandate in a controlled and risk cautious environment. The main benefits and objectives of the ERM Framework include the following:

- It provides a platform for the Board and Management to confidently make informed decisions regarding the trade-off between risk and reward;
- It aligns business decisions at the operating level to the appetite for risk;

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- It balances operational control with the achievement of strategic objectives;
- It enables Management to systematically identify and manage significant risks on an aggregate basis; and
- It minimizes operational surprises and related costs or losses.

The Group has made significant progress in its risk management process. Its revised framework (ERM Framework) addresses specific risk areas such as credit, market, liquidity, operational, compliance and reputational risks. Also, the following stand alone

- policies were introduced:
- The Information Security Risk Framework.
- Business Continuity Management Policy.
- Stress Testing Framework.

IFRS 9 Impairment Policy and Model Documentation

To ensure seamless service and to manage security threats before they cause harm to the information technology and assets of the Bank, the Bank subscribed and implemented three major ISO standards and certifications, the standards are:

- **ISO27001 Certification:** The standard for Information Security;
- **ISO 22301 Certification:** The standard for Business Continuity Management; and
- **ISO 20000 Certification:** Information Technology Service Standard.

6.3 Risk management governance structure

The following Management committees, comprising of senior management staff support the Management Committee in performing its risk management roles:

a Asset and Liability Management Committee (ALCO)

The Asset and Liability Committee (ALCO) is responsible for market, liquidity and investment risk management. The committee is responsible for implementing the Asset and Liability Management (ALM) policy.

b Management Credit and Risk Committee (MCRC)

The Committee is responsible for managing credit and other risks comprising of ; Operational risks, Strategic risk, concentration risk, Reputational Risk, Legal Risk, Information security risk, Business Continuity Management, etc. Reports, deliberation and decisions at the committee are inputs to the quarterly Board Credit and Risk Committee (BCRC) reports.

The Group has exposures to the following risks from

- financial instruments;
- Credit risk
- Liquidity risk
- Market risk
- Operational risk-

6.4 Credit Risk Management

Credit risk is the risk that a borrower or counterparty may not be able to honour its repayment obligations as and when due and in accordance with agreed loan terms and conditions; thereby exposing the Group to the risk of loss of earnings, capital impairment. Credit risks arise anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit is guided by the Credit Policy Manual, which sets out specific rules for risk origination and management of the loan portfolio. The Policy also sets out the risk governance structure and the roles and responsibilities of different individuals and committees involved in the credit process.

The Group recognizes the fact that one of its main assets is its loan portfolio. Therefore, it actively safeguards and strives to continually improve the health of the portfolio. All PFI applications are scrutinized and it is ensured that they meet the eligibility criteria, execute the Master Lending Agreement and have no exceptions during due diligence and rigorous analysis is conducted before loan disbursement. Non-eligible PFIs are weeded out through the administration of preliminary eligibility criteria questionnaire and eligibility due diligence. Loans disbursed to on-boarded PFIs are constantly monitored to identify possible signs of impairment.

The Group's Credit risk capital computation is in line with the CBN Guidance Notes on the Calculation of Capital Requirement for Credit Risk using the Standardized Approach. However, the goal of DBN is

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to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems would form the foundation when applying the internal rating-based approach to the calculation of capital requirements. The development, implementation and application of these models would be guided by the DBN Group's Basel II framework and strategy.

The pricing of each credit granted is cost based and also reflects the level of risk inherent in the obligor. Subject to competitive forces, the Group implements a consistent pricing model for loans to PFIs. Each PFI's interest is guarded at all times and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet both prudential guidelines set forth by the Central Bank of Nigeria, both for loans for which specific provisions exist as well as for the portfolio of performing loans, and IFRS 9 Expected Credit Loss (ECL) model. Development Bank of Nigeria Plc's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Management Credit and Risk Committee and Board Credit and Risk Committee perform reviews of the quality of our loan portfolio on a monthly and quarterly basis respectively. These are in addition to daily reviews performed by our Risk Management Department.

a Principal Credit Policies

The following are the principal credit policies:

i Credit Policy Manual

The core objective is to define in detail, the credit process and outline objectives, scope and responsibilities. This helps reduce bias and subjectivity in the credit decisions made at various levels of authority. The guidelines and requirements set forth in this policy are structured to maintain quality assets through a systematic approval process and a comprehensive system of requirements for credit monitoring and management. Embedded within the Credit Policy Manual are the different Internal Rating Models e.g. CAMELS used in determining the credit rating of PFIs and an independent servicer quality rating is also adopted for the purpose of assessing the PFIs' credit and loan administration and collection strength.

ii Collateral Management Policy and Procedure

The objective of this policy is to ensure there are appropriate collaterals for all funds on-lent to end-borrowers through PFIs to minimize the risk of credit loss in the event of a default by a PFI. The Policy proffers the collateral acceptable as security from PFIs based on their category.

iii Enterprise-wide Risk Management Policy

The core objective is to provide a reasonable degree of assurance to the Board of Directors that the risks threatening the Group's achievement of its vision are identified, measured, monitored and controlled through an effective integrated risk management system covering credit, market, operational, interest rate, liquidity and other material risks.

b Credit process

The credit process starts with the assessment of PFIs. Credit is initiated by the Relationship Management team and the proposed credit is subjected to review and approval by applicable credit approval authorities. Further to appropriate approval, loans are disbursed to beneficiaries that meet pre-disbursement requirements. On-going management of loans is undertaken by both the Relationship Management team and the Risk Management team.

If a preliminary analysis of a loan request by the Credit Operations Department indicates that it merits further scrutiny, it is then analysed in greater detail by the department, with further detailed review by Risk Management. The concurrence of Risk Management must be obtained for any credit extension. If the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of the facilities.

i Credit risk measurement Risk Rating Methodology

The credit rating of the PFI plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. The Group employs a robust credit rating system in the determination of the PFI risks and this allows the maintenance of asset quality at a desired level.

The objective of the guideline on Risk Rating contained in the Credit Risk Manual is to ensure reliable and consistent PFI Risk Ratings and Facility Risk Ratings throughout the Group. The Risk rating methodology incorporates credit risk rating models which estimate risk of PFI default

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All the Group's businesses that extend credit are subject to the Credit Policy Manual.

Credit Risk Rating Models in Development Bank of Nigeria Plc

The Group's risk rating model for measuring the risk of PFIs is based on the CAMELS Rating system.

Risk Rating Process

All PFIs are subjected to the Risk Rating Process. The Risk Rating Process is an end-to-end process and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a PFI undertakes in order to arrive at the risk ratings.

Responsibilities of Business Units and Independent Risk Management

The Business unit and independent risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities.

Risk Rating Scale and external rating equivalent

The Group plans to operate a 10-point risk rating scale in line with those of international rating agencies, which will provide sufficient granularity to ensure better diversification of the risk profile of the Group's portfolios while avoiding excessive rating concentrations. The grade is composed of numbers from 1 to 10 (or AAA to D). The risk rating scale and the external rating equivalent is detailed beside:

Grade	Scale	Explanatory Note
1+	AAA	PFIs are judged to be of the highest quality, subject to the lowest level of credit risk.
1	AA+	
1-	AA	PFIs are judged to be of high quality and are subject to very low credit risk.
2+	AA-	
2	A+	
2-	A	PFIs are judged to be upper-medium grade and are subject to low credit risk.
3+	A-	
3	BBB+	
3-	BBB	PFIs are judged be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
4+	BBB-	
4	BB+	
4-	BB	PFIs are judged to be speculative and are subject to substantial credit risk.
5+	BB-	
5	B+	
5-	B	PFIs are considered speculative and are subject to high credit risk.
6+	B-	
Grade	Scale	Explanatory Note
6	CCC+	
6-	CCC	PFIs are judged to be speculative of poor standing and are subject to very high credit risk.
7	CCC-	
8	CC	PFIs are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
9	C	PFIs are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
10	D	Lost.

ii Credit Risk Control & Mitigation policy Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit and Risk Committee and further by the Management Credit and Risk Committee. The principle of central management of risk and decision authority is maintained by the Group.

Collateral Policy

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

Strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used is the collateralization of the exposures, by first priority

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claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

Collateral acceptable as security from PFIs for funds on-lend to end-borrowers shall include:

- Treasury Bills, FGN or State Government Bonds;
- Corporate Bonds (Investment grade & above);
- Marketable securities (Stocks & Shares) of Investment grade companies;
- Legal Mortgage on quality residential or business premises;
- Legal Mortgage or debenture on PFI assets;
- Equitable Mortgages on quality real estates and legal mortgage on other locations;
- Equitable Mortgages on other locations;
- Guarantees: Personal, Corporate and Bank Guarantee; and
- Notification of DBN interest on movable securities pledged by end-borrowers to PFIs, registered in the National Collateral Registry (NCR).

Credit related commitments

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

iii Credit Quality

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 4.7(g).

Group		31 Dec 2019			
<i>In thousands of Naira</i>		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		55,895,609	-	-	55,895,609
(B-) Higher risk		46,741,404	-	-	46,741,404
Gross loans		102,637,013	-	-	102,637,013
Loss allowance		(737,340)	-	-	(737,340)
Carrying amount		101,899,673	-	-	101,899,673
Bank		31 Dec 2019			
<i>In thousands of Naira</i>		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		55,895,609	-	-	55,895,609
(B-) Higher risk		46,741,404	-	-	46,741,404
Gross loans		102,637,013	-	-	102,637,013
Loss allowance		(737,340)	-	-	(737,340)
Carrying amount		101,899,673	-	-	101,899,673
		31 Dec 2018			
<i>In thousands of Naira</i>		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		12,926,650	-	-	12,926,650
(B-) Higher risk		15,463,098	-	-	15,463,098
Gross loans		28,389,748	-	-	28,389,748
Loss allowance		(99,880)	-	-	(99,880)
Carrying amount		28,289,868	-	-	28,289,868

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the base case EAD and LGD estimates for periods where these parameters are expected to be significantly different from their historical averages based on forward-looking macroeconomic information.

v Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 4.7d.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is

evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4.7(g)). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

vi Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the variables below. The parameters are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the measure of the proportion of the outstanding balance that the Bank stands to lose in the event of a default. Multi-year LGD is a collection of LGD values referring to different time periods over the lifetime of a financial instrument. The Group determines LGD based on the following: market value of collateral, collateral haircut, direct recovery cost, time to recovery, unsecured recovery and effective Interest Rate.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract

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and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include: instrument type, credit risk grade, collateral type, LTV ratio for retail mortgages, date of initial recognition, remaining term to maturity, industry and geographic location of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

vii Discount rate

IFRS 9 provides guidance on the discount rate to be used to factor in time value of money into ECL:-Generally, ECL shall be discounted using EIR at initial recognition or current EIR if the exposure has variable interest rate-For purchased or originated credit-impaired financial instruments, credit-adjusted EIR at origination will be used in discounting,

For the purpose of multi-year ECL computation, the Effective Interest Rate (EIR) is used as the discount rate.

viii Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy; see Note 4.7.

Group						
			2019			
<i>in thousands of Naira</i>			Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost						
Balance at 1 January			99,880	-	-	99,880
Transfer to Stage 1			-	-	-	-
Transfer to Stage 2			-	-	-	-
Transfer to Stage 3			-	-	-	-
Loans disbursed during the year			775,961	-	-	775,961
Loan repayments received during the year			(138,501)	-	-	(138,501)
Balance at 31 December			737,340	-	-	737,340
Bank						
			2019			
<i>in thousands of Naira</i>			Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost						
Balance at 1 January			99,880	-	-	99,880
Transfer to Stage 1			-	-	-	-
Transfer to Stage 2			-	-	-	-
Transfer to Stage 3			-	-	-	-
Loans disbursed during the year			775,961	-	-	775,961
Loan repayments received during the year			(138,501)	-	-	(138,501)
Balance at 31 December			737,340	-	-	737,340

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in thousands of Naira			2018			
			Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost						
Balance at 1 January			3,635	-	-	3,635
Transfer to Stage 1			-	-	-	-
Transfer to Stage 2			-	-	-	-
Transfer to Stage 3			-	-	-	-
Remeasurement of loss allowance			321	-	-	321
Loans disbursed during the year			95,924	-	-	95,924
Balance at 31 December			99,880	-	-	99,880
Group						
					2019	
in thousands of Naira					Total	
Investment securities						
Balance at 1 January					8	
Additions to investment securities					433,585	
Redemption of investment securities					(8)	
Balance at 31 December					433,585	
Placements						
Balance at 1 January					250,504	
Additions to investment securities					251,672	
Redemption of investment securities					(250,504)	
Balance at 31 December					251,672	
Bank						
					2019	2018
in thousands of Naira					Total	Total
Investment securities						
Balance at 1 January					8	-
Additions to investment securities					433,279	8
Redemption of investment securities					(8)	-
Balance at 31 December					433,279	8
Placements						
Balance at 1 January					250,504	-
Additions to investment securities					247,686	250,504
Redemption of investment securities					(250,504)	
Balance at 31 December					247,686	250,504

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Group	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2019		31 Dec 2019		31 Dec 2019		31 Dec 2019	
Carrying amount		132,663,583		101,899,673		237,014,094		4,609	
Collectively impaired:									
Cash and cash equivalents	18	132,915,255		-		-		-	
Performing loans and advances	20	-		102,637,013		-		-	
Investment securities	19	-		-		237,447,679		-	
Other assets		-		-		-		4,609	
Gross amount		132,915,255		102,637,013		237,447,679		4,609	
Allowance for impairment		(251,672)		(737,340)		(433,585)		-	
Carrying amount		132,663,583		101,899,673		237,014,094		4,609	
Total carrying amount - amortised cost		132,663,583		101,899,673		237,014,094		4,609	

Bank	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Carrying amount		130,431,689	63,314,138	101,899,673	28,289,868	227,587,961	186,167,762	4,339	5,517
Collectively impaired:									
Cash and cash equivalents	18	130,679,375	63,564,642	-	-	-	-	-	-
Performing loans and advances	20	-	-	102,637,013	28,389,748	-	-	-	-
Investment securities	19	-	-	-	-	228,021,240	186,167,770	-	-
Other assets		-	-	-	-	-	-	4,339	5,517
Gross amount		130,679,375	63,564,642	102,637,013	28,389,748	228,021,240	186,167,770	4,339	5,517
Allowance for impairment		(247,686)	(250,504)	(737,340)	(99,880)	(433,279)	(8)	-	-
Carrying amount		130,431,689	63,314,138	101,899,673	28,289,868	227,587,961	186,167,762	4,339	5,517
Total carrying amount - amortised cost		130,431,689	63,314,138	101,899,673	28,289,868	227,587,961	186,167,762	4,339	5,517

Balances included in Other Assets above are those subject to credit risks. The tables above shows a worst-case scenario of credit risk exposure to the Group and Bank as at 31 December 2019 and 31 December 2018, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net amounts reported in the statements of financial position. The Directors are confident in their ability to continue to control exposure to credit risk which can result from both its Loans and advances portfolio and Investment securities.

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The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

<i>In thousands of Naira</i>	Specific Impairments	IFRS 9 ECL Impairments
Balance at 1 January 2019	-	(99,880)
Impairment loss recognised	-	(737,340)
Amounts written off	-	99,880
	-	(737,340)

Cash and cash equivalent: The Group held cash and cash equivalents with maturity profile of less than 3 months with local banks and the Central Bank of Nigeria (CBN), assessed to have good credit ratings

Investment securities: The Group limits its exposure to credit risk by investing in highly liquid money market instruments issued by the Central Bank of Nigeria. The Bank did not have any held to maturity investments that were impaired as at 31 December 2019 (2018:Nil)

Other assets: The Group's other asset is made up of prepaid office rent, month-end cash advances to staff and advanced professional fees. The credit risk on this is considered low.

e Concentration of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Group	Note	Cash and cash equivalents	Loans and advances to PFIs	Investment securities	Other assets
<i>In thousands of Naira</i>		31 Dec 2019	31 Dec 2019	31 Dec 2019	31 Dec 2019
Carrying amount		130,431,689	101,899,673	237,014,094	4,609
Concentration by sector:					
Finance		130,132,477	101,899,673	-	-
Government		299,212		237,014,094	-
Others		-		-	4,609
		130,431,689	101,899,673	237,014,094	4,609

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Concentration by location:							
In thousands of Naira	31 Dec 2019		31 Dec 2019		31 Dec 2019		31 Dec 2019
Abuja	299,212		211,879		237,014,094		4,609
North East	-		-		-		-
North West	-		468,575		-		-
North Central	-		-		-		-
South South	-		3,448,138		-		-
South West	130,132,477		97,771,081		-		-
	130,431,689		101,899,673		237,014,094		4,609

Concentration by location for loans and advances are measured based on the location of the borrower. Concentration by location for Investment securities are measured based on the location of the issuer

Bank	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
In thousands of Naira		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Carrying amount		130,431,689	63,564,642	101,899,673	28,289,868	227,587,961	186,167,770	4,339	5,517
Concentration by sector:									
Finance		130,132,477	63,513,788	101,899,673	28,289,868	-	-	-	-
Government		299,212	50,854	-	-	227,587,961	186,167,770	-	-
Others		-	-	-	-	-	-	4,339	5,517
		130,431,689	63,564,642	101,899,673	28,289,868	227,587,961	186,167,770	4,339	5,517

Concentration by location:								
In thousands of Naira	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Abuja	299,212	50,854	211,879	-	227,587,961	186,167,770	4,339	5,517
North East	-		-	282,899	-	-	-	-
North West	-		468,575	848,696	-	-	-	-
North Central	-		-	3,111,885	-	-	-	-
South South	-		3,448,138	5,092,176	-	-	-	-
South West	130,132,477	63,513,788	97,771,081	18,954,211	-	-	-	-
	130,431,689	63,564,642	101,899,673	28,289,868	227,587,961	186,167,770	4,339	5,517

Concentration by location for loans and advances are measured based on the location of the borrower. Concentration by location for Investment securities are measured based on the location of the issuer

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f Estimate of the fair value of collateral and other security enhancements

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets

and other liens and guarantees. The Group does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Group's focus on credit worthiness, the Group aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. For impaired loans, the Group obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

There is no collateral held against other financial assets. There were also no repossessed collateral during the year.

The table below sets out the carrying amount and the value of identifiable collateral held against loans and advances to customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Group			31 December 2019			
<i>in thousands of Naira</i>					Carrying Amount	Collateral
Stages 1 and 2					101,899,673	103,692,064
Stage 3					-	-
Bank			31 December 2019		31 December 2018	
<i>in thousands of Naira</i>			Carrying Amount	Collateral Carrying Amount		Collateral
Stages 1 and 2			101,899,673	103,692,064	28,289,868	42,943,329
Stage 3			-	-	-	-

6.5 Market risk management

Market risk is the risk that movements in market factors, such as foreign exchange rates and interest rates, credit spreads and equity prices, will reduce the Group's income or the value of its portfolios. The Group is mainly exposed to market risk arising from non-traded interest rate risk in its banking book.

Market risk management and control

The Group's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. The Group is exposed to market risk mainly through adverse movements in interest rates. Market risk is managed in line with the approved Asset and Liability Management (ALM) Policy. The limits and thresholds contained in the policy are monitored by the Risk Management department to ensure compliance.

The market risk exposure limits, or any changes to them, are proposed by the Head, Treasury and Investments and then reviewed by the Chief Risk Officer, who then presents the proposed review for the consideration of the Board Credit and Risk Committee, the committee thereafter recommend the amendment(s) for Board approval. The size of each limit is based on, among other factors, underlying liquidity, risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

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All market risks are reported to the Asset and Liability Committee (ALCO) monthly and Board Credit and Risk Committee (BCRC) quarterly with recommendations made concerning the risk profile including risk appetite, limits and utilization. The Heads of Business, assisted by the Risk Management Department, is accountable for all market risks associated with its activities.

The Group has a dedicated risk team with the sole responsibility of implementing the market risk section of the Enterprise Risk Management Framework. Risk of losses arising from future potential adverse movements in market rates, prices and volatilities are measured using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level.

Identifying the growing importance of market risks in the Group's operations, management has continued to ensure adequate internal controls and capital resources to address these risks. A range of tools for managing market risk are used, including:

- Stress/Scenario testing

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist management in capital planning decisions.

In line with the Board approved Stress Testing Framework, a consistent stress testing methodology is applied to the Balance sheet. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often

occurs. The Group performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which include interest rate, liquidity and credit spread risk. Secondly, multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme yet plausible events.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Regular stress test scenarios are applied to interest rates, credit spreads and liquidity risk. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

- Risk limits

Risk limits are set and reviewed at least annually to control treasury activities in line with the defined risk appetite of the Group. Criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. Appropriate performance triggers are also used as part of the risk management process.

- Basis risk:

risks arising from hedging exposure to one interest rate with exposure to a rate which reprices under slightly different conditions-Yield curve risk: risks arising from changes in the slope and the shape of the yield curve

- Optional risk:

risks arising from options, including embedded options

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specified period. The most important source of interest rate risk is the Group's lending, funding and investment activities, where fluctuations in interest rates are reflected in carrying values of these instruments as well as interest margins and earnings.

The objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rated assets and liabilities, the Group is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the 90-day Treasury Bills, 10 year Bond and different types of interest. These risks impact both the earnings and the economic value of the Group. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities and advances to banks to manage the overall position arising from the non-trading activities.

a Interest Rate Risk

Interest rate risk is the exposure of the Group's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Group is exposed to interest rate risk through the interest bearing assets and liabilities in its book. Interest rate risk is the risk to earnings or capital arising from movement of interest rates. It generally arises from:

- Repricing risk:

risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off balance sheet short and long term positions

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Interest-rate risk is monitored with a Repricing Gap report and Sensitivity Analysis of the Net Gap Position. Also, a limit framework is in place to ensure that retained risk remains within approved appetite.

A summary of the Group's interest rate gap position on financial instruments is as follows:

Re-pricing period									
31 December 2019									
<i>In thousands of Naira</i>	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	-	-	-	-	-		1,390,490	1,390,490
Placements with Banks	18	111,568,447	19,956,318	-	-	-	131,524,765		131,524,765
Investment securities	19	29,856,039	33,832,519	41,682,693	131,642,844	-	237,014,094		237,014,094
Loans and advances	20	3,882,159	19,596,832	2,982,544	5,597,793	69,840,345	101,899,673		101,899,673
Other assets	22	-	-	-	-	-		4,609	4,609
		145,306,645	73,385,669	44,665,236	137,240,636	69,840,345	470,438,532	1,395,099	471,833,631
Other liabilities	25	-	-	-	-	-		(5,701,130)	(5,701,130)
Employee benefit obligation	26	-	-	-	-	-		(1,111)	(1,111)
Provision for guarantee	28	-	-	-	-	-		(449)	(449)
Borrowings	29	(6,354)	-	(5,059,853)	(5,519,219)	(297,923,740)	(308,509,166)		(308,484,268)
		(6,354)	-	(5,059,853)	(5,519,219)	(297,923,740)	(308,509,166)	(5,702,690)	(314,186,958)
Total interest re-pricing gap		145,300,290	73,385,669	39,605,383	131,721,418	(228,083,394)	161,929,366	(4,307,591)	157,646,673

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A summary of the Bank's interest rate gap position on financial instruments is as follows:

Re-pricing period									
31 December 2019									
<i>In thousands of Naira</i>	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	-	-	-	-	-	-	330,193	330,193
Placements with Banks	18	110,392,864	19,956,318	-	-	-	130,101,496	-	130,349,182
Investment securities	19	25,691,464	28,570,960	41,682,693	131,642,844	-	227,587,961	-	227,587,961
Loans and advances	20	3,882,159	19,596,832	2,982,544	5,597,793	69,840,345	101,899,673	-	101,899,673
Other assets	22	-	-	-	-	-	-	4,339	4,339
		139,966,487	68,124,111	44,665,236	137,240,636	69,840,345	459,589,130	334,532	460,171,348
Other liabilities	25	-	-	-	-	-	-	(5,637,966)	(5,637,966)
Borrowings	29	(6,672)	-	(5,034,637)	(5,519,219)	(297,923,740)	(308,484,268)	-	(308,484,268)
		(6,672)	-	(5,034,637)	(5,519,219)	(297,923,740)	(308,484,268)	(5,637,966)	(314,122,234)
Total interest re-pricing gap		139,959,815	68,124,111	39,630,599	131,721,418	(228,083,394)	151,104,862	(5,303,434)	146,049,114

Re-pricing period									
31 December 2018									
<i>In thousands of Naira</i>	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	-	-	-	-	-	-	106,987	106,987
Placements with Banks	18	63,457,655	-	-	-	-	63,457,655	-	63,207,151
Investment securities	19	15,284,166	24,787,279	-	146,096,325	-	186,167,770	-	186,167,762
Loans and advances	20	-	92,820	913,030	3,946,667	23,437,231	28,389,748	-	28,289,868
Other assets	22	-	-	-	-	-	-	5,517	5,517
		78,741,821	24,880,099	913,030	150,042,992	23,437,231	278,015,172	112,504	277,777,285
Other liabilities	25	-	-	-	-	-	-	(794,021)	(794,021)
Borrowings	29	(771,916)	-	-	-	(150,932,146)	(151,704,062)	-	(151,704,062)
		(771,916)	-	-	-	(150,932,146)	(151,704,062)	(794,021)	(152,498,083)
Total interest re-pricing gap		77,969,905	24,880,099	913,030	150,042,992	(127,494,916)	126,311,110	(681,517)	125,279,202

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Group Interest sensitivity analysis - 31 December 2019 Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Time Band		
Less than 3 months	(2,055,150)	2,055,150
6 months	(388,313)	388,313
12 months	(1,309,474)	1,309,474
	(3,752,937)	3,752,937
Bank Interest sensitivity analysis - 31 December 2019 Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Time Band		
Less than 3 months	(2,055,150)	2,055,150
6 months	(388,313)	388,313
12 months	(1,309,474)	1,309,474
	(3,752,937)	3,752,937
Bank Interest sensitivity analysis - 31 December 2018 Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Time Band		
Less than 3 months	(616,830)	616,830
6 months	(478,271)	478,271
12 months	(418,958)	418,958
	(1,514,059)	1,514,059

The table above sets out the impact on net interest income of a 100 basis points parallel downward shift or upward shift in interest rates. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel fall in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on

simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Group to mitigate interest rate risk. In practice, the Assets and Liability Committee, ALCO seeks proactively to manage the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

b Foreign Exchange Risk

Foreign Exchange risk is the exposure of the Group's financial condition to adverse movements in exchange rates. The Group is minimally exposed to the financial risk related to the fluctuation of foreign exchange rates. This is because its revenues, capital expenditures are principally based in Naira. A significant change in the exchange rates between the Naira (N) (functional and presentation currency) relative to the US dollar would have an insignificant effect on operations, financial position and cash flows. The Group did not enter into any forward exchange contracts to manage currency risk fluctuations. The table below summarises financial instruments at carrying amount, categorised by currency:

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Financial instruments by currency				
	Total	Naira N	US \$	GBP
Group				
<i>In thousands of Naira</i>				
31 December 2019				
Cash and cash equivalents	132,663,583	132,511,441	151,482	660
Investment securities	237,014,094	237,014,094	-	-
Loans and advances	101,899,673	101,899,673	-	-
Other assets	4,609	4,609	-	-
	471,581,959	471,429,817	151,482	660
Borrowings	308,484,268	308,484,268	-	-
Other liabilities	5,677,546	5,677,546	-	-
	314,161,814	314,161,814	-	-
Net Local Currency Exposure	157,420,145	157,268,003		
Net Foreign Currency Exposure			151,482	660
Bank				
<i>In thousands of Naira</i>				
31 December 2019				
Cash and cash equivalents	130,431,689	130,279,547	151,482	660
Investment securities	227,587,961	227,587,961	-	-
Loans and advances	101,899,673	101,899,673	-	-
Other assets	4,339	4,339	-	-
	459,923,662	459,771,520	151,482	660
Borrowings	308,509,166	308,509,166	-	-
Other liabilities	5,619,168	5,619,168	-	-
	314,128,334	314,128,334	-	-
Net Local Currency Exposure	145,795,328	145,643,186		
Net Foreign Currency Exposure			151,482	660
<i>In thousands of Naira</i>				
31 December 2018				
Cash and cash equivalents	63,314,138	63,310,495	3,643	-
Investment securities	186,167,762	186,167,762	-	-
Loans and advances	28,289,868	28,289,868	-	-
Other assets	5,517	5,517	-	-
	277,777,285	277,773,642	3,643	-
Borrowings	151,704,062	151,704,062	-	-
Other liabilities	794,021	794,021	-	-
	152,498,083	152,498,083	-	-
Net Local Currency Exposure	125,279,201	125,275,558		
Net Foreign Currency Exposure			3,643	-

6.6 Liquidity risk management

Liquidity Risk is the current or prospective risk to earnings and capital arising from the Group's inability to meet its liabilities when they fall due without incurring unacceptable losses. Liquidity risk is considered a major risk for the Group. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. The Group is managed to preserve a high degree of liquidity so that it can meet its obligations at all times including periods of financial stress.

The Group has a liquidity management framework embedded in the Asset and Liability Manual (ALM) based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme scenarios such as suspension of inflows from developmental partners, full utilization of credit lines, systemic crisis and loss of placements in the money market are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

Liquidity has consistently been above the minimum liquidity ratio and the recommendations/action plan arising from routine stress tests are adhered to. Funding and liquidity risk management activities are centralized within Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimize borrowing costs and facilitates timely responses to liquidity events. However, the Risk Management Department analyse and monitors our liquidity risk and ensures excess liquidity is maintained.

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The Board approved the ALM Manual, including establishing liquidity risk tolerance levels. The Group's ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Group's net liquidity gap and by comparing selected ratios with targets as specified in the ALM manual. Also, a Liquidity Contingency Funding Plan is in place.

The expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, borrowings due to foreign development finance institutions are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising Cash and balances with banks and debt securities issued by federal government, which can be readily s

sold to meet liquidity requirements.

Quantifications

The Group has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

- Funding and Liquidity planning;
- Liquidity Gap Analysis; and
- Ratio Analysis.

a Residual contractual maturities of financial assets and liabilities

Group 31 December 2019 <i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
<i>Non-derivative asset:</i>								
Cash and balances with banks	18	1,390,490	1,395,210	1,395,210	-	-	-	-
Placements with banks	18	131,273,093	131,541,132	109,711,899	21,148,268	-	680,965	-
Investment securities	19	237,014,094	253,423,584	26,124,743	28,570,960	46,065,858	152,662,023	-
Loans and advances	20	101,899,673	98,703,405	3,108,118	18,048,749	2,208,502	4,823,751	70,514,286
Other assets	22	4,609	4,609	4,609	-	-	-	-
		471,581,959	485,067,941	140,344,580	67,767,977	48,274,360	158,166,738	70,514,286
<i>Non-derivative liabilities:</i>								
Other liabilities	25	(5,701,130)	(5,701,330)	(3,996,972)	(1,704,358)	-	-	-
Provision for guarantees	28	(449)	(449)	-	-	-	-	(449)
Borrowings*	29	(308,484,268)	(396,692,805)	-	-	(9,973,281)	(15,876,000)	(370,843,524)
		(314,185,847)	(402,394,584)	(3,996,972)	(1,704,358)	(9,973,281)	(15,876,000)	(370,843,973)
Gap (asset - liabilities)		785,767,806	887,462,525	144,341,552	69,472,335	58,247,641	174,042,738	441,358,259
Cumulative liquidity gap				144,341,552	213,813,887	272,061,528	446,104,266	887,462,525

*Contained within the borrowings gross nominal outflow is a total interest payable of N97,468,568,000 (Current Portion: N13,356,905,000) and principal payable of N299,224,237,000 (Current portion: N12,492,376)

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

Bank 31 December 2019 <i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
<i>Non-derivative asset:</i>								
	18	330,193	334,913	334,913	-	-	-	-
Placements with banks	18	130,101,496	130,349,182	109,711,899	19,956,318	-	680,965	-
Investment securities	19	227,587,961	243,260,356	26,124,743	28,570,960	41,682,693	146,881,960	-
Loans and advances	20	101,899,673	98,703,405	3,108,118	18,048,749	2,208,502	4,823,751	70,514,286
Other assets	22	4,339	4,339	4,339	-	-	-	-
		459,923,662	472,652,196	139,284,013	66,576,028	43,891,195	152,386,675	70,514,286
<i>Non-derivative liabilities:</i>								
Other liabilities	25	(5,637,966)	(1,704,358)	(3,933,608)	(1,704,358)	-	-	-
Borrowings	29	(308,484,268)	(396,692,805)	-	-	(9,973,281)	(15,876,000)	(370,843,524)
		(314,122,234)	(398,397,163)	(3,933,608)	(1,704,358)	(9,973,281)	(15,876,000)	(370,843,524)
Gap (asset - liabilities)		774,045,896	871,049,359	143,217,621	68,280,386	53,864,476	168,262,675	441,357,810
Cumulative liquidity gap				143,217,621	211,498,006	265,362,482	433,625,157	874,982,967

31 December 2018 <i>In thousands of Naira</i>	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
<i>Non-derivative asset:</i>								
Cash and balances with banks	18	106,987	106,987	106,987	-	-	-	-
Placements with banks	18	63,207,151	63,457,655	63,457,655	-	-	-	-
Investment securities	19	186,167,762	204,902,674	24,544,665	28,895,000	16,492,149	134,970,860	-
Loans and advances	20	28,289,868	31,769,108	1,319,635	2,428,346	4,721,988	11,839,855	11,459,284
Other assets	22	5,517	5,517	5,517	-	-	-	-
		277,777,285	300,241,941	89,434,459	31,323,346	21,214,137	146,810,715	11,459,284
<i>Non-derivative liabilities:</i>								
Other liabilities	25	(831,527)	(831,527)	-	(831,527)	-	-	-
Borrowings	29	(151,704,062)	(212,439,568)	-	-	(1,214,332)	(1,221,004)	(210,004,232)
		(152,535,589)	(213,271,095)	-	(831,527)	(1,214,332)	(1,221,004)	(210,004,232)
Gap (asset - liabilities)		430,312,874	513,513,036	89,434,459	32,154,873	22,428,468	148,031,719	221,463,516
Cumulative liquidity gap				89,434,459	121,589,332	144,017,800	292,049,519	513,513,035

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For the year ended 31 December 2019

7 Capital management

The Group's objectives when managing capital (Tier 1 and Tier 2 capital), which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The capital adequacy ratio is the quotient of the capital base of the Group and the Group's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum capital adequacy ratio of 10% is to be maintained by Development Financial Institutions. Following the CBN guideline on regulatory capital computation, the Regulatory Risk

Reserve is excluded from the capital computation. Standardized approach has been adopted in computing the risk weighted assets for Credit, Operational and Market Risk.

The CBN Basel II regulatory capital requirements are strictly observed when managing capital and this comprises of two tiers: Tier 1 capital (only permanent shareholder's equity and disclosed reserves) and Tier 2 capital. Tier 1 capital comprises share capital, share premium, retained earnings and reserves created by appropriations of retained earnings; the carrying amount of intangible assets is deducted in arriving at Tier 1 capital. The Group is expected to maintain a minimum ratio of Tier I capital to total assets of 5%. Tier 2 capital includes the Group's qualifying loan capital and shall not exceed 33.33% of Tier 1 capital.

The Basel II capital adequacy ratio was 140.52% as at 31 December 2019 (31 December 2018: 323.19%), with Bank above the CBN minimum capital adequacy requirements of 10%. The Central Bank of Nigeria issued a circular on 18 October 2018 relating to the

treatment of IFRS expected credit loss for regulatory purposes. Banks were directed to use the balance in regulatory risk reserve as at 1 January, 2018 to offset the impact of IFRS 9 expected credit loss amount as at transition date. Where the additional ECL provision is higher than the balance in regulatory risk reserve, the excess shall be amortized in line with the transitional arrangements.

Transitional arrangement of the ECL accounting provisions for regulatory capital purpose: Using the static approach requires banks to hold static the 'Adjusted Day One Impact' and amortize on a straight-line basis over the four-year transition period by writing back to the Tier 1 capital as indicated in the table below. The Adjusted Day One Impact for the Bank is N0.237m which is the difference between the opening transitional adjustment of N0.321m, see note 17 (a), and the balance in the regulatory risk reserve as at 31 December 2017 of N0.84m.

Period	Provision to be written back	Bank
Year 1 (31 December 2018)	3/5 of Adjusted Day One Impact	N0.142m
Year 2 (31 December 2019)	2/5 of Adjusted Day One Impact	N0.95m
Year 3 (31 December 2020)	1/5 of Adjusted Day One Impact	N0.47m
Year 4 (31 December 2021)	Nil	

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

The following table provides an overview of the capital levels and risk-weighted assets (RWA):

With adjusted day 1 impact					
<i>In thousands of Naira</i>	Note	31 December 2019	31 December 2019	1 January 2019	31 December 2018
Tier 1 capital					
Ordinary share capital	30a	100,000	100,000	100,000	100,000
Share premium	30b	99,762,570	99,762,570	99,762,570	99,762,570
Retained earnings	30c	40,675,299	40,675,299	17,690,389	17,690,389
Statutory reserve	30d	18,102,257	18,102,257	8,023,196	8,023,196
Transitional adjustment		-	95	142	-
Tier 1 Capital Before Regulatory Deduction		158,640,126	158,640,221	125,576,297	125,576,155
Less:					
Intangible assets		(106,472)	(106,472)	(64,452)	(64,452)
Deferred tax assets		(1,567,866)	(1,567,866)	-	-
Investment in subsidiary - 50%		(5,687,500)	(5,687,500)	-	-
Eligible Tier 1 Capital		151,278,288	151,278,383	125,511,845	125,511,703
Tier 2 Capital Before Regulatory Deduction					
Tier 2 Capital (restricted to 1/3 of Tier 1 Capital)		50,421,053	50,421,053	39,680,808	39,680,808
Less:					
Investment in subsidiary - 50%		(5,687,500)	(5,687,500)	-	-
Eligible Tier 2 Capital		44,733,553	44,733,553	39,680,808	39,680,808
Total Eligible Capital		196,011,841	196,011,936	165,192,653	165,192,511

As shown above, DBN currently has a capital adequacy ratio of 144.86% (2018: 324.11%), which is significantly above the set benchmark of 10% for Development Finance Institutions.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

Risk-weighted assets					
Risk-weighted Amount for Credit Risk		96,507,328	96,507,328	31,474,632	31,474,632
Risk-weighted Amount for Operational Risk		42,979,964	42,979,964	19,637,714	19,637,714
Risk-weighted Amount for Market Risk		-	-	-	-
Total weighted risk assets		139,487,292	139,487,292	51,112,346	51,112,346
Capital ratios					
Risk-weighted Amount for Market Risk		140.52%	140.52%	323.20%	323.19%

Operational Risk Capital Charge computation used for Capital Adequacy Ratio calculation Gross Income Calculation for Basic Indicator Approach

<i>In thousands of Naira</i> Particulars	Year - 1	Year - 2	Year - 3
Interest Income	6,050,245	30,511,766	45,754,097
Interest Expenses	(889,105)	(4,342,680)	(8,212,029)
Net Interest Income	5,161,140	26,169,086	37,542,068
Fees and Commission Income	-	-	-
Fees and Commission Expenses	-	(104,999)	(133,242)
Net Fees and Commission Income	=	(104,999)	(133,242)
Any other operating income (please specify)	-	130,183	3,707
Total net non-interest income	-	25,184	(129,535)
Net Fees and Commission Income	5,161,140	26,194,270	37,412,533
Capital Charge for Operational Risk (Average of Year 1-3 Total Gross Income)*15%			3,438,397
Operational Risk Calibrated Risk-weighted Amount using Basic Indicator Approach			42,979,964

As shown above, DBN currently has a capital adequacy ratio of 140.52% (2018: 323.19%), which is significantly above the set benchmark of 10% for Development Finance Institutions.

Notes to the Consolidated and Separate Financial Statements

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Regulatory Minimum Capital Requirement

As a Wholesale Development Finance Institution, the Central Bank of Nigeria (CBN) requires DBN to maintain a minimum capital (i.e. minimum shareholders' fund) of N100,000,000,000 (One Hundred Billion Naira) payable over a maximum period of four (4) years.

Timeline	Cumulative
Before the grant of Approval in Principle (AIP)	20,000,000
March 2018	40,000,000
March 2019	70,000,000
March 2020	100,000,000

As at 31 December 2019, DBN has met the minimum capital requirement of N100,000,000,000 (One hundred Billion Naira), ahead of the March 2020 deadline as specifically advised to Development Bank of Nigeria Plc, by the CBN.

8 Interest income		GROUP		BANK	BANK
<i>In thousands of Naira</i>		31 December 2019		31 December 2019	31 December 2018
Placements with banks	18a	7,077,734		7,009,393	3,971,649
Investment in Treasury Bills	19a	32,600,380		32,187,248	25,983,907
Loans and advances to Participating Financial Institutions (PFIs)	20a	6,557,456		6,557,456	556,210
		46,235,570		45,754,097	30,511,766

Total interest income, calculated using the effective interest rate method reported above that relate to financial assets carried at amortized cost are N46.24 billion and N45.75billion (31 December 2018: N30.51) for Group and Bank respectively.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

9 Interest expense		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Borrowings*	29a	8,187,131		8,187,131	4,342,680
Lease expense		4,819		4,819	-
		8,191,950		8,191,950	4,342,680

The amount reported above is calculated using the effective interest method, and relates to borrowings

10 Impairment loss on financial assets		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	Notes				
Loans and Advances to PFIs: Stage 1	20(b)	637,460		637,460	95,924
Other assets	31	434,744		430,452	250,512
		1,072,204		1,067,912	346,436

11 Guarantee Income		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	Notes				
Upfront fee		180		-	-
Guarantee fee		1		-	-
		181		-	-

Upfront fee is earned at a rate of 0.6% flat on disbursed loan amount, it is a one off, non-refundable processing fee charged irrespective of the tenor of the guarantee. Guarantee fee is 1% per annum of disbursed loan amount for the guarantee of loans.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

12 Other income		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	Notes				
Interest earned on offer proceeds		-		-	130,278
Other sundry incomes		1,131		1,131	2
Loss on foreign exchange balances		-		-	(97)
		1,131		1,131	130,183

Other income earned during the year largely relates to a refund earned by the Bank from the Industrial Training Fund (ITF) Levy for providing relevant training to its staff.

13 Fees and commission & Guarantee expenses		GROUP		BANK	BANK
Fees and commission		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Custodian fees on treasury bills		133,242		133,242	104,999
		133,242		133,242	104,999
Guarantee expenses		GROUP		BANK	BANK
<i>In thousands of Naira</i>		31 December 2019		31 December 2019	31 December 2018
Guarantee fees		360		-	-
		360		-	-

Notes to the Consolidated and Separate Financial Statements

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14 Personnel expenses

		GROUP		BANK	BANK
In thousands of Naira		31 December 2019		31 December 2019	31 December 2018
Wages and salaries		966,033		911,168	714,008
Pension contribution		48,999		46,405	35,893
Other allowances		644,353		628,738	506,049
		1,659,385		1,586,311	1,255,950
The number of employees, excluding the non-executive directors in employment as at:					
		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
Executive Management		1		1	
Senior Management		16		13	13
Middle Management		8		7	
Officer		17		16	
		42		37	25
		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
Below N1,000,000		-		-	
N1,000,001 - N 3,000,000		-		-	-
N3,000,001 - N 6,000,000		5		5	
N6,000,001 - N 9,000,000		6		5	
N9,000,001 - N 15,000,000		7		7	
N15,000,001 and above		24		20	14
		42		37	25

Notes to the Consolidated and Separate Financial Statements

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The remuneration paid to directors are as follows:

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
Fees as director		55,000		55,000	58,650
Other Allowances		28,850		28,850	18,700
Other Directors' emolument		137,050		137,050	130,719
		220,900		220,900	208,069
Highest paid director		137,050		137,050	130,719
Fees and other emoluments disclosed above include amounts paid to: Chairman		10,200		10,200	10,200

15 Depreciation and amortization

		GROUP		BANK	BANK
a. In thousands of Naira	Notes	31 December 2019		31 December 2019	31 December 2018
Amortization of intangibles	23	31,547		31,547	13,983
Depreciation of property and equipment	24	324,727		319,287	150,946
		356,274		350,834	164,929

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

16 General and administrative expenses

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Office rent		14,900		14,900	57,978
Business promotion and advertisement		370,094		370,094	426,608
Donations		35,250		35,250	42,000
Legal and secretarial fees		19,651		-	7,868
Electricity expenses		11,150		11,150	7,138
Audit fees		19,000		15,000	10,500
Professional services		381,449		358,596	483,215
Other expenses		83,543		80,274	15,592
Other Board expenses		88,985		88,985	31,824
Newspapers and periodicals		9,542		9,542	5,139
Corporate subscriptions		13,665		13,665	10,838
Office consumables		15,657		15,657	10,077
Staff welfare		13,553		13,553	5,269
Insurance Expenses		56,238		54,703	39,653
Maintenance		12,136		11,747	4,877
Stationery, IT and Communication expenses		130,835		128,207	52,934
Travels and Hotels		136,185		124,662	93,197
Recruitment & Training, Subscription and Contract cost		373,688		337,567	131,807
Director Emolument and expenses		82,350		82,350	77,349
Bank Charges		6,653		6,641	2,145
Foreign exchange loss		2,343		2,343	-
		1,876,867		1,774,886	1,516,010

Notes to the Consolidated and Separate Financial Statements

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Taxation

a. Tax Expense

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
i <i>Minimum Tax</i>					
Minimum Tax		228,776		228,776	-
		228,776		228,776	-
ii <i>Current Tax</i>					
Tertiary Education Tax		43,135		43,135	-
NITDA Levy (see note 17c)		329,468		326,501	229,109
Nigerian Police Trust Fund levy		1,631		1,631	-
iii <i>Deferred Tax</i>					
Deferred Tax credit (see (b) below)		(1,567,866)		(1,546,819)	-
		(1,193,632)		(1,175,552)	229,109
		(964,856)		(946,776)	229,109
Reconciliation of effective tax rate - Group		31 December 2019			
<i>In thousands of Naira</i>					
Profit before tax					32,946,600
Income tax using the domestic corporation tax rate @ 30%				30%	9,883,980
<i>Tax effect of:</i>					
Non-deductible expenses				1.9%	630,675
Tax exempt income				-30.0%	(9,867,588)
Current year utilized loss				-2.0%	(647,067)
Minimum tax				0.7%	228,776
Information technology tax levy				1.0%	329,468
Education tax				0.1%	43,135
Nigerian Police Trust Fund levy				0.0%	1,631
Recognition of previously unrecognized deferred tax asset				-5.0%	(1,631,272)
Changes in estimates relating to prior years				0.2%	63,406
				-3%	(964,856)

Notes to the Consolidated and Separate Financial Statements

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Reconciliation of effective tax rate - Bank		December 2019		31 December 2018
<i>In thousands of Naira</i>				
Profit before tax		32,650,093		22,910,945
Income tax using the domestic corporation tax rate @ 30%	30%	9,795,028	30%	6,873,284
<i>Tax effect of:</i>				
Non-deductible expenses	1.8%	595,688	1.4%	313,657
Tax exempt income	-29.8%	(9,743,648)	-34.0%	(7,795,172)
Current year utilized loss	-2.0%	(647,067)	2.7%	608,231
Minimum tax	0.7%	228,776	0.0%	-
Information technology tax levy	1.0%	326,501	1.0%	229,109
Education tax	0.1%	43,135	0.0%	-
Nigerian Police Trust Fund levy	0.0%	1,631	0.0%	-
Recognition of previously unrecognized deferred tax asset	-5.0%	(1,631,272)	0.0%	-
Changes in estimates relating to prior years	0.3%	84,453	0.0%	-
	-3%	(946,776)	1%	229,109

b Deferred tax asset

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The deferred tax assets of the Group which relates primarily to timing difference in the recognition of unrelieved tax losses have been recognized in these financial statements. The Group's deferred tax asset balance is as a result of unutilized capital allowances and tax losses, resulting from significant tax exempt income on government securities. Despite the Group making an accounting profit (profit before tax) of N32.72 billion (Bank: N32.42 billion); it made a taxable profit of N2.127 billion (Bank: N2.127 billion); this was a result of the tax exemption granted to treasury bills (as the Group's major source of income was its investment income on treasury bills). Deferred tax assets have been

recognized in the accounts since the timing of the utilization of the deferred tax assets has become certain. Refer to note 5.2(d) for significant judgment and estimate related to the computation of the unrecognized deferred tax assets.

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There are no unrecognized deferred tax asset during the year ended 31 December 2019 (31 December 2018: N1,631,273,000)

	GROUP		BANK	BANK
	31 December 2019		December 2019	31 December 2018
<i>In thousands of Naira</i>				
Unutilized capital allowances	142,912		142,912	-
Provisions	751,685		751,685	-
Unrealised foreign exchange difference	(362)		(362)	-
Unrelieved tax losses	673,631		652,584	-
	1,567,866		1,546,819	-
The movement in the deferred tax asset during the year was as follows:	GROUP		BANK	BANK
	31 December 2019		December 2019	31 December 2018
<i>In thousands of Naira</i>				
Balance, beginning of the year	-		-	-
<i>Recognized in profit or loss:</i>				
Recognition of previously unrecognized deferred tax asset	1,631,272		1,631,272	-
Unutilized capital allowances	85,283		85,283	-
Provisions	477,726		477,726	-
Unrealized foreign exchange difference	(393)		(393)	-
Unrelieved tax losses	(626,021)		(626,021)	-
Balance, end of the year	1,567,866		1,546,819	-

c. Current income tax liability

	GROUP		BANK	BANK
	31 December 2019		December 2019	31 December 2018
<i>In thousands of Naira</i>				
Balance, beginning of the year	229,109		229,109	41,032
<i>Charge for the period:</i>				
Minimum tax	228,776		228,776	-
Current tax	374,234		371,267	229,109
Tax paid	(229,109)		(229,109)	(41,032)
	603,010		600,043	229,109

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		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Office rent		14,900		14,900	57,978
Business promotion and advertisement		370,094		370,094	426,608
Donations		35,250		35,250	42,000
Legal and secretarial fees		19,651		-	7,868
Electricity expenses		11,150		11,150	7,138
Audit fees		19,000		15,000	10,500
Professional services		381,449		358,596	483,215
Other expenses					

18 Cash and cash equivalents

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Treasury Single Account with Central Bank of Nigeria (i)		289,715		289,715	49,730
Other current account balances with Central Bank of Nigeria (ii)		9,497		9,497	1,125
Current account balances with local banks		1,091,278		30,981	56,132
		1,390,490		330,193	106,987
Placements with local banks (iii)		131,524,765		130,349,182	63,457,655
		132,915,255		130,679,375	63,564,642
Less: Allowance for impairment		(251,672)		(247,686)	(250,504)
		132,663,583		130,431,689	63,314,138

(i) This represents balances held in the Treasury Single Account with the Central Bank of Nigeria and available for the Group and Bank's use.

(ii) This represents balances in development partners collection accounts with the Central Bank of Nigeria available for the Group and Bank's use without restriction

(iii) Placements with local banks comprise deposits with maturity of less than 90 days from the value date of the instruments.

Movement in Placements with local banks		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Opening		63,457,655		63,457,655	42,796,131
Purchase of placements with local banks		855,878,413		854,771,171	682,008,572
Interest Income earned on placements with local banks		7,077,734		7,009,393	3,971,649
Proceeds from matured placements with local banks		(788,682,326)		(788,682,326)	(665,173,660)
Interest received		(6,206,711)		(6,206,711)	(145,037)
Closing		131,524,765		130,349,182	63,457,655

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19 Investment securities

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Investments in treasury bills (measured at amortized cost)		237,447,679		228,021,240	186,167,770
Less: Allowance for impairment		(433,585)		(433,279)	(8)
		237,014,094		227,587,961	186,167,762

a. Movement in Investment Securities

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Opening balance		186,167,762		186,167,762	108,761,980
Purchase of treasury bills		261,273,725		251,224,887	321,647,652
Interest income on treasury bills (see note 8)		32,600,380		32,187,248	25,983,907
Interest received		(25,345,838)		(25,310,307)	(26,289,133)
Maturity of treasury bills		(217,248,358)		(216,248,358)	(243,936,636)
Less: Allowance for impairment		(433,577)		(433,271)	(8)
Closing balance		237,014,093		227,587,961	186,167,762

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

20 Loans and advances to customers

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
Loans and advances to PFIs at amortised cost		102,637,013		102,637,013	28,389,748
Less: Allowance for impairment (see (b))		(737,340)		(737,340)	(99,880)
		101,899,673		101,899,673	28,289,868

The carrying value of the loans and advances approximate the fair value of the loans

a. Movement in Loans and advances to PFIs at amortised cost

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Principal		28,188,690		28,188,690	182,821
Impairment		(99,880)		(99,880)	(3,635)
Interest		201,058		201,058	2,477
Opening		28,289,868		28,289,868	181,663
December 2017 impairment re-measurement		-		-	321
Impairment charge during the year		(637,460)		(637,460)	(95,924)
Loans disbursed		107,056,996		107,056,996	31,011,969
Interest income on loans		6,557,456		6,557,456	556,210
Loan principal payments received		(33,672,354)		(33,672,354)	(3,006,743)
Interest received		(5,694,833)		(5,694,833)	(357,629)
Closing		101,899,673		101,899,673	28,289,868
Closing - Loans and advances to PFIs		101,899,673		101,899,673	28,289,868
Principal		101,573,332		101,573,332	28,088,810
Impairment		(737,340)		(737,340)	(99,880)
Interest		1,063,681		1,063,681	201,058

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Movement in allowances for impairment		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Balance at 1 January		99,880		99,880	3,635
Remeasurement of December 31, 2017 impairment				-	321
Charge for the year (see note 10)		637,460		637,460	95,924
Closing balance		737,340		737,340	99,880

21 Investment in Subsidiary

a. Subsidiaries

		31 December 2019			
In thousands of Naira	Notes	% Holding	Cost	Impairment	Carrying Value
Impact Credit Guarantee Limited		100	11,375,000	-	11,375,000
		100	11,375,000	-	11,375,000

b. Movement in gross investment in subsidiary

		BANK		
			31 December 2019	31 December 2018
<i>In thousands of Naira</i>				
Balance as at the beginning of the year			-	-
Additions			11,375,000	-
Balance as at end of year			11,375,000	-

c. General information about the subsidiary

i Impact Credit Guarantee Limited

This wholly owned subsidiary, incorporated on 8 March 2019 as a limited liability company, was set up to carry on the business of issuing credit guarantees to participating financial institutions (PFI) in respect of loans granted to eligible businesses in the Micro, Small and Medium Enterprises (MSME) sector. The subsidiary's principal place of business is 952/953 Idejo Street, Victoria Island, Lagos.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

Condensed results of consolidated entity - Impact Credit Guarantee Limited

Statement of Profit or Loss and Other Comprehensive Income

	31 December 2019	31 December 2018	
<i>In thousands of Naira</i>			
Interest Income	481,473	-	
Guarantee Fee Income	181	-	
Guarantee Expense	360	-	
Operating Income	482,014	-	
Impairment loss on financial assets	4,292	-	
Personnel Expenses	73,074	-	
Depreciation Expenses	5,440	-	
General & Administrative Expenses	101,981	-	
Total Expenses	184,787	-	
Profit for the period before taxation	297,227	-	
Tax expense	(2,965)	-	
Profit for the period after taxation	294,262	-	
Other comprehensive income for the period, net of tax	-	-	
Total comprehensive income for the period	294,262	-	

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

Statement of Financial Position

	31 December 2019	31 December 2018	
<i>In thousands of Naira</i>			
Assets			
Cash and cash equivalents	2,231,894	-	
Investment securities	9,426,133	-	
Property and equipment	68,982	-	
Intangible assets	-	-	
Other assets	9,222	-	
Total Assets	11,736,231	-	
Liabilities			
Other liabilities	63,164	-	
Employee benefit obligation	1,111	-	
Current income tax payable	(18,080)	-	
Provision for guarantee	449	-	
Total Liabilities	46,644	-	
Equity			
Share capital	100,000	-	
Share premium	11,275,000	-	
Retained earnings	314,588	-	
Total Equity	11,689,588	-	
Total liabilities and equity	11,736,232	-	

Notes to the Consolidated and Separate Financial Statements

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22 Other assets

		GROUP		BANK	BANK
<i>In thousands of Naira</i>		31 December 2019		31 December 2019	31 December 2018
<i>Financial assets</i>	<i>Notes</i>				
Cash Advances		4,339		4,339	5,268
Fee Receivables		270		-	-
Other Receivables		-		-	249
		4,609		4,339	5,517
<i>Non-financial assets</i>					
Prepaid expenses		94,017		90,131	162,098
WHT receivables		337,025		331,959	230,487
		431,042		422,090	392,584
Total		435,651		426,429	398,102

23 Intangible Assets

		GROUP		BANK	BANK
<i>In thousands of Naira</i>	<i>Notes</i>	31 December 2019		31 December 2019	31 December 2018
<i>Cost</i>					
Opening Balance		79,832		79,832	11,076
Additions		73,567		73,567	68,756
Closing Balance		153,399		153,399	79,832
<i>Amortization</i>					
<i>Opening Balance</i>		15,380		15,380	1,397
Charge during the period	15	31,547		31,547	13,983
Closing balance		46,927		46,927	15,380
Carrying amount as at 1 January 2019		64,452		64,452	9,679
Carrying amount as at 31 December 2019		106,472		106,472	64,452

Intangible assets include software and licences

- i) There were no impairment losses on intangible assets during the year (31 December 2018: Nil)
- ii) There were no capitalized borrowing cost related to acquisition of intangible assets during the year. (31 December 2018: Nil)

- iii) There were no liens or encumbrances on intangible assets as at the year end (31 December 2018: Nil)
- iv) All intangible assets are non-current. All intangible assets have finite useful lives and are amortized over three years.

- v) There are no internally generated intangible assets
- vi) No leased assets are included in the above intangible assets account.
- vii) There are no capital commitments as at year end (31 December 2018: Nil; 31 December 2017: Nil)

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

24 Property and equipment

Group	Note	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement	Right of Use Assets (ROU)	Work in Progress	Total
<i>In thousands of naira</i>									
<i>Cost</i>									
Balance as at 1 January 2019		536,198	64,772	82,081	43,479	40,015	-	-	766,545
Recognition of right-of-use asset on initial application of IFRS 16		-	-	-	-	-	106,231	-	106,231
Additions during the period		208,794	29,447	113,318	32,265	56,750	256,011	5,894	702,479
Disposals		-	-	(413)	-	-	-	-	(413)
Balance as at 31 December 2019		744,992	94,219	194,986	75,744	96,765	362,242	5,894	1,574,842
<i>Accumulated Depreciation</i>									
Balance as at 1 January 2019		138,605	13,426	23,007	7,289	9,772	-	-	192,099
Charge for the year	15	152,345	16,314	46,740	12,230	40,671	56,426	-	324,727
Disposals		-	-	(138)	-	-	-	-	(138)
Balance as at 31 December 2019		290,950	29,740	69,609	19,519	50,443	56,426	-	516,687
Carrying amount as at 1 January 2019		397,593	51,346	59,074	36,190	30,243	106,231	-	680,677
Carrying amount as at 31 December 2019		454,042	64,479	125,377	56,225	46,322	305,816	5,894	1,058,155

- i) There were no impairment losses on any class of property and equipment during the year. (31 December 2018: Nil)
- ii) There were no capitalized borrowing cost related to acquisition of property and equipment during the year. (31 December 2018: Nil)

- iii) There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2018: Nil)
- iv) There were no capital commitments as at year end. (31 December 2018: Nil)

- v) The Right of Use (ROU) asset relates to the DBN's lease of its Abuja and Lagos offices

Bank	Note	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement	Right of Use Assets (ROU)	Work in Progress	Total
<i>In thousands of naira</i>									
<i>Cost</i>									
Balance as at 1 January 2019		536,198	64,772	82,081	43,479	40,015	-	-	766,545
Recognition of right-of-use asset on initial application of IFRS 16		-	-	-	-	-	106,231	-	106,231
Additions during the period		135,074	28,949	113,318	32,061	56,750	256,011	5,894	628,057
Disposals		-	-	(413)	-	-	-	-	(413)
Balance as at 31 December 2019		671,272	93,721	194,986	75,540	96,765	362,242	5,894	1,500,420
<i>Accumulated Depreciation</i>									
Balance as at 1 January 2019		138,605	13,426	23,007	7,289	9,772	-	-	192,099
Charge for the year	15	146,947	16,283	46,740	12,220	40,671	56,426	-	319,287
Disposals		-	-	(138)	-	-	-	-	(138)
Balance as at 31 December 2019		285,552	29,709	69,609	19,509	50,443	56,426	-	511,248
Carrying amount as at 1 January 2019		397,593	51,346	59,074	36,190	30,243	106,231	-	680,677
Carrying amount as at 31 December 2019		385,720	64,012	125,377	56,031	46,322	305,816	5,894	989,172

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	Note	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement	Right of Use Assets (ROU)	Work in Progress	Total
<i>In thousands of naira</i>									
<i>Cost</i>									
Balance as at 1 January 2018		279,603	27,253	33,808	13,605	-	-	-	354,269
Additions during the period		256,595	37,519	48,273	33,548	36,340	-	-	412,275
Reclassifications		-	-	-	(3,675)	3,675	-	-	-
Balance as at 31 December 2018		536,198	64,772	82,081	43,478	40,015	-	-	766,544
<i>Accumulated Depreciation</i>									
Balance as at 1 January 2018		31,457	3,691	4,500	1,505	-	-	-	41,153
Charge for the year	15	107,148	9,735	18,507	6,885	8,671	-	-	150,946
Reclassifications		-	-	-	(1,101)	1,101	-	-	-
Balance as at 31 December 2018		138,605	13,426	23,007	7,289	9,772	-	-	192,099
Carrying amount as at 1 January 2018		248,146	23,562	29,308	12,100	-	-	-	313,116
Carrying amount as at 31 December 2018		397,592	51,346	59,073	36,189	30,244	-	-	574,445

- i) There were no impairment losses on any class of property and equipment during the year. (31 December 2018: Nil)
- ii) There were no capitalized borrowing cost related to acquisition of property and equipment during the year. (31 December 2018: Nil)
- iii) There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2018: Nil)
- iv) There were no capital commitments as at year end. (31 December 2018: Nil)
- v) The Right of Use (ROU) asset relates to the DBN's lease of it's Abuja and Lagos offices.

a) Work in Progress

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Leasehold Improvement		3,843		3,843	-
Office Equipment		1,156		1,156	-
Furniture and Fittings		895		895	-
		5,894		5,894	-

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

25 Other liabilities

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
<i>Financial Liabilities</i>					
Audit fees		19,500		19,500	15,000
Accrued directors emolument		-		-	26,000
Accrued performance bonus (see note (i))		628,738		628,738	611,208
Payables to vendors		714,313		655,935	141,813
Sundry creditors - Other payables USD		179,996		179,996	-
Lease liability		201,391		201,391	-
Deposit from Participating Financial Institutions		3,933,608		3,933,608	-
		5,677,546		5,619,168	794,021
<i>Non Financial liabilities</i>					
PAYE payable		4,579		966	142
NHF payable		32		1	32
WHT payable		17,887		17,831	18,016
NSITF payable		543		-	3,095
ITF payable		543		-	16,220
		23,584		18,798	37,505
Total		5,701,130		5,637,966	831,526

- i. Accrued performance bonus relates to accrual for 5% of the Bank's profit in respect of employee performance bonus approved by the Directors

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26 Employee benefit obligation

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Defined pension contribution					
Opening balance		-		-	230
Additions during the year		1,111		-	35,893
Payments		-		-	(36,123)
Balance, end of the year		1,111		-	-

27 Deposit for shares

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
	Notes				
Balance, beginning of the year		-		-	20,639,965
Additions		-		-	-
Transfer to share capital and premium (see note 30(b)(i))		-		-	(20,639,965)
Balance, end of the year		-		-	-

28 Provision for guarantee

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
	Notes				
Balance, beginning of the year		-		-	-
Guarantee expense for the period		360		-	-
Deferred Guarantee Income		89		-	-
Claims paid during the period		-		-	-
Balance, end of the year		449		-	-

This amount represents the total provisions for guarantees initially recognized, less the cumulative amounts of income recognized with respect to guarantee contracts entered into by the Group.

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29 Borrowings

Borrowings comprise loans from the Federal Government of Nigeria, received and to be repaid in Naira, for on-lending to Participating Financial Institutions, who on-lend these funds to eligible

MSMEs in Nigeria. The exposure of borrowings to interest rate risks and liquidity risks can be found at Note 6.5a and Note 6.6 respectively. The Federal Government of Nigeria obtained the financing from the International Development Partners, and the carrying amounts are as analysed below:

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
International Bank for Reconstruction and Development (IBRD)					
(see note (i))		134,397,521		134,397,521	38,521,098
Agence Francaise de developpement (AFD) (see note (ii))		29,384,615		29,384,615	14,519,544
KfW German Development Bank (see note (iii))		58,135,863		58,135,863	61,814,573
African Development Bank (AfDB) (see note (iv))		72,019,793		72,019,793	27,242,684
African Development Fund (Fund of AfDB) (see note (iv))		14,546,476		14,546,476	9,606,163
Balance, end of the year		308,484,268		308,484,268	151,704,062

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

i) The amount due to International Bank for Reconstruction and Development (IBRD) of N134.4 billion (Principal: N129,182,985, Interest: N5,214,536) represents the carrying amount of the first, second, third and fourth drawdown of the World Bank's US\$480 million commitment to the Federal Government of Nigeria ("FGN"). A subsidiary agreement exists between the FGN and DBN denominated in Naira, in respect of this borrowing. The purpose of the borrowing is to provide funds to Micro, Small and Medium Scale Enterprises (MSMEs) through eligible Participating Financial Institutions (PFIs). The first tranche of the borrowing was received on 29 August 2017 and the loans are repayable (in Naira) in 42

semi-annual instalments; with a moratorium of 5 years on principal repayment. The interest rate is 4 % per annum; and the last repayment date of the facility is 15 October 2036.

ii) The amount due to Agence Francaise de developpement ("AFD") of N29.4 billion (Principal: N27,784,545, Interest: N1,600,070) represents the carrying amount of the first and second drawdown of the AFD's \$130 million commitment to the Federal Government of Nigeria ("FGN"). A subsidiary agreement exists between the FGN and DBN denominated in Naira, in respect of this borrowing. The purpose of the borrowing is to provide funds to Micro, Small and Medium Scale Enterprises (MSMEs)

through eligible Participating Financial Institutions (PFIs). The first tranche of the borrowing was received on 7 September 2017 and the loan is repayable (in Naira) in 20 semi-annual instalments, with the first payment due on 31 October 2020 and last due on 30 April 2030. The interest rate is 3.55 % per annum.

iii) The amount due to KfW German Development Bank ("KfW") of N58.1 billion (Principal: N58,129,509, Interest: N6,354) represents the carrying amount of the N24.4billion first tranche, N11.4billion second tranche, N11.1billion third tranche and N11.2billion fourth tranche of total drawdown of the KfW's \$200 million commitment to the Federal Government

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of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). Although, the Development Bank of Nigeria and the Federal Government of Nigeria ("FGN") are both named borrowers in the borrowing agreement with the foreign development partner; the funds are received directly from KfW by the FGN; who undertakes to provide the funding to DBN. The purpose of the borrowing is to provide funds to Micro, Small and Medium Scale Enterprises (MSMEs) through eligible Participating Financial Institutions (PFIs). The first tranche of the borrowing was received on 12 October 2017 and the loan is repayable (in Naira) in semi-annual instalments, with the first payment due on 30 December 2019 and last due on 30 December 2029. The interest rate is 3.99 % per annum.

iv) The amount due to African Development Bank ("AfDB") of N72 billion (Principal: N69,764,965, Interest: N2,254,828) represents the carrying amount of the first and second drawdown of the AfDB's \$400 million commitment to the Federal Government of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). Although, the Development Bank of Nigeria and the Federal Government of Nigeria ("FGN") are both named borrowers in the borrowing agreement with the foreign development partner; the funds are received directly from AfDB by the FGN; who undertakes to provide the funding to DBN. The inflows were received on 27 March, 2018 and 10 October, 2019 and the loans are repayable (in Naira) in semi-annual instalments over 15 years in 30 equal instalments with the last instalment due on 15 October 2034. The interest rate is 4 % per

annum. African development fund ("ADF") is a special fund of the African Development Bank ("AfDB"). The N14.5 billion (Principal: N14,362,233, Interest: N184,243) ADF represents the carrying amount of the first, second and third tranches of the ADF borrowing commitment to the Federal Government of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). The actual inflow of the three tranches were received on 31 January 2018, 9 April, 2018 and 11 October 2019 respectively and the loans are repayable (in Naira) in semi-annual instalments over 15 years in 30 equal instalments with the last instalment due on 15 October 2044. The interest rate is 1 % per annum.

a Movement in borrowings

		GROUP		BANK	BANK
	Notes	31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Principal		147,423,910		147,423,910	87,010,614
Interest		4,280,152		4,280,152	887,770
Opening		151,704,062		151,704,062	87,898,384
Long term debt inflow		154,706,802		154,706,802	60,411,962
Long term principal repayment		(2,906,475)		(2,906,475)	-
Interest expense for the year		8,187,131		8,187,131	4,342,680
Interest paid		(3,207,252)		(3,207,252)	(950,298)
Closing		308,484,268		308,484,268	151,702,728
Principal		299,224,237		299,224,237	147,423,910
Interest		9,260,031		9,260,031	4,280,152

The carrying amount of the borrowings approximate the fair value of the borrowings

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30 Capital and reserves

a Ordinary share capital

		GROUP		BANK	BANK
	Notes	31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Authorised ordinary share capital					
100,000,000 shares of N1 each		100,000		100,000	100,000
		100,000		100,000	100,000
Issued and paid up: 100,000,000 ordinary shares at N1 each					
Opening balance		100,000		100,000	40,000
Addition (see b(i) below)		-		-	60,000
Closing balance		100,000		100,000	100,000

Addition relates to the payment for the 60 million ordinary shares allotted to the Federal Ministry of Finance Incorporated (MOFI), Nigeria Sovereign Investment Authority (NSIA), African Development Bank and European Investment Bank during the year ended 31 December 2018. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets

b Share premium

		GROUP		BANK	BANK
	Notes	31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>					
Balance, beginning of the year		99,762,570		99,762,570	39,940,842
Additions to share capital (see b(i) below)		-		-	59,940,000
Share issue costs		-		-	(118,272)
Balance, end of the year		99,762,570		99,762,570	99,762,570

The share premium of N99,762,570,000 represents a premium of N998 per share on 100 million ordinary shares paid up by the Bank's shareholders as at the year ended 31 December 2018.

Notes to the Consolidated and Separate Financial Statements

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l) Proceeds from issue of share capital

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
Proceeds from issue of shares				-	39,360,035
Transfer from deposit for shares				-	20,639,965
				-	60,000,000
<i>Applied to:</i>					
Share capital (see note (a))				-	(60,000)
Share premium (see note (b))				-	(59,940,000)
				-	(60,000,000)

c Retained earnings

This account represents the retained earnings of the Group and Bank up to the statement of financial position date. The movement in this account during the year was as follows:

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
Balance, beginning of the year		17,690,386		17,690,386	2,281,255
Re-measurement of impairment as at 1 January, 2018 (see note 5.1(c))		-		-	(321)
Profit for the year		33,911,459		33,596,871	22,681,836
Transfer to statutory reserves (see note 30(d))		(10,079,061)		(10,079,061)	(6,804,550)
Transfer to regulatory risk reserves (see note 30(e))		(847,485)		(847,485)	(467,831)
Balance, end of the year		40,675,299		40,360,711	17,690,389

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

d Statutory Reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

As at 31 December 2019, the Bank's statutory reserves is less than its paid up share capital of N100 billion; hence 30% of the profit after tax was appropriated to the Statutory Reserve.

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
Balance, beginning of the year		8,023,196		8,023,196	1,218,646
Transfer from appropriation (see note 30(c))		10,079,061		10,079,061	6,804,550
Balance, end of year		18,102,257		18,102,257	8,023,196

e Regulatory risk reserves

The regulatory risk reserve represents the difference between the impairment on loans and advances computed under Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and the expected credit loss model required by IFRS 9 for the years ended 31 December 2018 and 31 December 2019. As at 31 December 2019, the Bank's NGAAP provision was higher than the IFRS impairment; hence, a transfer of N847.485 million (2018: N467.831 million) was made to the Regulatory risk reserve

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
Balance, beginning of the year		467,915		467,915	84
Transfer from appropriation (see note 30(c))		847,485		847,485	467,831
Balance, end of year		1,315,400		1,315,400	467,915

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

31 Cash flow workings

a Changes in working capital

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
i Other liabilities					
Opening		831,527	424,566	831,526	424,566
Movement		4,869,603	406,961	4,806,440	406,953
Closing	25	5,701,130	831,527	5,637,966	831,527
ii Employee benefit obligation					
Opening			-	-	230
Movement			1,111	-	(230)
Closing	26		1,111	-	-
iii Other assets					
Opening			398,102	398,102	59,464
Recognition of right-of-use asset on initial application of IFRS 16	24		(106,231)	(106,231)	-
Movement			143,780	134,558	338,638
Closing	22		435,651	426,429	398,102
iv Provision for guarantee					
Opening			-	-	-
Movement			449	-	-
Closing	28		449	-	-
v Impairment loss on financial assets - Other Assets					
Opening			250,512	250,512	-
Movement			434,744	430,452	250,512
Closing			685,256	680,964	250,512
Impairment loss on financial assets - Cash and cash equivalent	18		251,672	247,686	125,256
Impairment loss on financial assets - Investment Securities	19		433,585	433,279	125,256
vi Impairment loss on placements with local banks					
Opening			250,504	250,504	(8)
Movement			1,168	(2,818)	250,512
Closing	18		251,672	247,686	250,504

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

b Property and equipment

i Gain on disposal of property and equipment

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
Proceeds from disposal		287		287	-
Cost of assets		413		413	-
Accumulated depreciation		(138)		(138)	-
Carrying value		275		275	-
Gain on disposal		12		12	

ii Purchase of property and equipment

Additions to property and equipment		702,479		628,057	412,275
Additions: Right of Use Assets (see b(ii) below)		(256,011)		(256,011)	-
Purchase of property and equipment		446,468		372,046	412,275

c Right of Use Assets (ROU) and Payment of lease liability

		GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
<i>In thousands of Naira</i>	<i>Notes</i>				
i. Payment of principal and interest on lease liability					
Interest payment on lease liability		4,819		4,819	-
Payment of lease liabilities		54,621		54,621	-
		59,440		59,440	-
ii Additions to right of use asset (ROU):					
Cash portion		59,440		59,440	-
Non-cash portion		196,571		196,571	-
	24	256,011		256,011	-

The cash portion of the addition to ROU assets represents actual cash payments made

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

d. Gross earnings

<i>In thousands of Naira</i>	Notes	GROUP		BANK	BANK
		31 December 2019		31 December 2019	31 December 2018
Interest income		46,235,570		45,754,097	30,511,766
Guarantee income		181		-	-
Other income		1,131		1,131	130,183
Closing		46,236,882		45,755,228	30,641,949

32 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes directors and key management personnel.

a. Group

i. Transactions with key management personnel

The Group's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel includes

close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel has been identified as the Managing director of the Group. The Group did not have any transactions with key management personnel except for the following compensation disclosed below:

<i>In thousands of Naira</i>				BANK
				31 December 2018
Salaries and wages				130,142
Pension contribution				6,908
				137,050

ii Other related parties and balances are listed below:

<i>In thousands of Naira</i>	Relationship	Nature	Note	BANK
				31 December 2018
Related entities				
Federal Government of Nigeria (represented by the Minister of Finance)	Shareholder	Additional borrowings received	29	154,706,802
		Principal repayments made	29	2,906,475
		Interest expense incurred	29	8,187,131
		Interest repayments made	29	3,207,252

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

b Bank

i Transactions with key management personnel

The Bank's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel has been identified as the Managing director of the Bank. The Bank did not have any transactions with key management personnel except for the following compensation disclosed below:

<i>In thousands of Naira</i>	BANK	BANK
	31 December 2019	31 December 2018
Salaries and wages	130,142	124,126
Pension contribution	6,908	6,593
	137,050	130,719

<i>In thousands of Naira</i>	Relationship	Nature	Note	BANK
				31 December 2018
Related entities				
Federal Government of Nigeria (represented by the Minister of Finance)	Shareholder	Additional borrowings received	29	154,706,802
		Principal repayments made	29	2,906,475
		Interest expense incurred	29	8,187,131
		Interest repayments made	29	3,207,252

<i>In thousands of Naira</i>	Relationship	Nature	Note	BANK
				31 December 2018
Related entities				
Federal Government of Nigeria (represented by the Minister of Finance)	Shareholder	Additional borrowings received	29	60,411,962
		Interest expense incurred	29	4,342,680
		Interest repayments made	29	950,298

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

33 Events after the reporting date

There were no events after the end of the reporting period which could have a material effect on the financial statements of the Bank which have not been recognised and/or disclosed in the financial statements.

34 Commitments

The Group has the commitment of the Federal Government of Nigeria (FGN) who is to provide loan funding for on-lending to MSMEs. To achieve this, the FGN is in contract with the following foreign development partners to obtain the financing for the loan funding:

Foreign Development Partner In thousand dollars	Amount
World Bank	480,000
KfW (German Development Bank)	200,000
Agence Francaise de developpement	130,000
African Development Bank	450,000
	1,260,000

The funds are long tenor loans to the Group and will be drawn down contingent upon meeting certain disbursement linked indicators. See note 29 for details of drawdown on borrowings as at 31 December 2019.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

35. The following table shows the analysis of assets and liabilities and on the basis of their current/ non-current classification.

Group	31 December 2018			
	Note	Amount	Current	Non Current
Assets				
Cash and cash equivalents	18	132,663,583	132,663,583	-
Investment securities	19	237,014,094	237,014,094	-
Loans and advances to customers	20	101,899,673	28,380,826	73,518,847
Investment in subsidiaries	21	-	-	-
Deferred tax asset	17b	1,567,866	-	1,567,866
Other assets	22	435,651	435,651	-
Intangible assets	23	106,472	-	106,472
Property and equipment	24	1,058,155	-	1,058,155
Total Assets		474,745,494	398,494,154	76,251,340
Liabilities				
Other liabilities	25	5,701,130	5,701,130	-
Employee benefit obligation	26	1,111	1,111	-
Provision for guarantee	28	449	449	-
Current income tax liability	17c	603,010	603,010	-
Borrowings	29	308,484,268	25,512,907	282,971,361
Total Liabilities		314,789,968	31,818,607	282,971,361

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

Group		31 December 2019		
In thousands of Naira	Note	Amount	Current	Non Current
Assets				
Cash and cash equivalents	18	130,431,689	130,431,689	
Investment securities	19	227,587,961	227,587,961	
Loans and advances to customers	20	101,899,673		101,899,673
Investment in subsidiaries	21	11,375,000		11,375,000
Deferred tax asset	17b	1,546,819		1,546,819
Other assets	22	426,429	426,429	
Intangible assets	23	106,472		106,472
Property and equipment	24	989,172		989,172
Total Assets		474,363,215	358,446,079	115,917,136
Liabilities				
Other liabilities	25	5,637,966	5,637,966	
Current income tax liability	17c	600,043	600,043	
Borrowings	29	308,484,268	25,512,907	282,971,361
Total Liabilities		314,722,277	31,750,916	282,971,361

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

Group		31 December 2019		
In thousands of Naira	Note	Amount	Current	Non Current
Assets				
Cash and cash equivalents	18	63,314,138	63,314,138	-
Investment securities	19	186,167,762	186,167,762	-
Loans and advances to customers	20	28,289,868	4,852,637	23,437,231
Investment in subsidiaries	21	-	-	-
Other assets	22	398,102	318,429	79,673
Intangible assets	23	64,452	-	64,453
Property and equipment	24	574,445	-	574,445
Total Assets		278,808,767	254,652,966	24,155,801
Liabilities				
Other liabilities	25	831,526	831,527	-
Current income tax liability	17c	229,109	229,109	-
Borrowings	29	151,704,062	771,916	150,932,146
Total Liabilities		152,764,698	1,832,552	150,932,146

36 Dividend

The directors have not proposed any dividend in the year ended 31 December 2019 (31 December 2018: Nil).

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2019

37 Changes in presentation and classification of comparatives

Certain changes were made to the presentation and classification of line items on the consolidated and separate statement of cash flow. The changes were made in order to achieve fairer presentation and had no impact on the net assets of profit for the year as previously reported. Further details are shown below:

Group				
In thousands of Naira	Note	As previously reported	Reclassification/ re-presentation	As restated
Cash flows from operating activities:				
Interest expense on borrowings	a	-	4,342,680	4,342,680
Total Impact on net cash flows used in operating activities		(4,699,722)	4,342,680	(357,042)
Net Cash flows used in investing activities		(78,192,047)	-	(78,192,047)
Cash flows from financing activities				
Repayment of interest on borrowings	a	-	(950,298)	(950,298)
Proceeds from long term borrowing	a	63,804,344	(3,392,382)	60,411,962
Total impact on net cash flows from financing activities		103,046,107	(4,342,680)	98,703,427
Net increase in cash and cash equivalents		20,154,338	-	20,154,338
Cash and cash equivalents, beginning of year		43,159,800	-	43,159,800
Cash and cash equivalents, end of year		63,314,138	-	63,314,138

a. Proceeds from long term borrowings which was previously presented as a net figure has been split into interest expense on borrowings, repayment of interest on borrowings and proceeds from long term borrowings.

Other National Disclosures

OTHER NATIONAL DISCLOSURES VALUE ADDED STATEMENT

Group		
<i>In thousands of Naira</i>	31 December 2019	%
Gross income	46,236,882	
Interest expense	(8,191,950)	
Impairment loss on loans	(1,072,204)	
Bought in materials and services	(1,893,040)	
	35,079,688	
Applied to pay:		
Employees		
- Employees as personnel expenses	1,659,385	4%
Government		
- Taxation	(1,193,632)	-3%
Retained in business		
Replacement of property and equipment/Intangibles	702,479	2%
- Increase in reserves	33,911,456	97%
	35,079,688	100%

This statement represents the distribution of the wealth created through the use of the Group's assets and its employees' efforts

OTHER NATIONAL DISCLOSURES VALUE ADDED STATEMENT

Bank				
<i>In thousands of Naira</i>	31 December 2019	%	31 December 2018	%
Gross income	45,755,228		30,511,766	
Interest expense	(8,191,950)		(4,342,680)	
Impairment loss on loans	(1,067,912)		(346,436)	
Bought in materials and services	(1,859,681)		(1,516,010)	
	34,635,685		24,306,639	
Applied to pay:				
Employees				
- Employees as personnel expenses	1,586,311	5%	1,255,950	5%
Government				
- Taxation	(1,175,552)	-3%	229,109	1%
Retained in business				
Replacement of property and equipment/Intangibles	628,057	2%	164,929	1%
- Increase in reserves	33,596,869	97%	22,656,652	93%
	34,635,685	100%	24,306,640	100%

This statement represents the distribution of the wealth created through the use of the Bank's assets and its employees' efforts

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY

Group	
<i>In thousands of Naira</i>	31 December 2019
ASSETS EMPLOYED	
Assets	
Cash and balances with central banks	132,663,583
Investment securities	237,014,094
Loans and advances	101,899,673
Investment in subsidiaries	-
Deferred tax asset	1,567,866
Other assets	435,651
Intangible assets	106,472
Property and equipment	1,058,155
Total assets	474,745,494
Liabilities	
Other liabilities	5,701,130
Employee benefit obligation	1,111
Deposit for shares	-
Provision for guarantee	449
Current income tax payable	603,010
Borrowings	308,484,268
Total liabilities	314,789,968

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY

Group	
<i>In thousands of Naira</i>	31 December 2019
Equity	
Share capital	100,000
Share premium	99,762,570
Retained earnings	40,675,299
Other reserves:	
Statutory reserves	18,102,257
Regulatory risk reserve	1,315,400
Total equity	159,955,526
Total liabilities and equity	474,745,494
Gross income	46,236,882
Profit/(Loss) before income tax	32,946,600
Taxation	1,193,632
Profit/(Loss) for the year	33,911,456

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY

BANK					
<i>In thousands of Naira</i>	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
ASSETS EMPLOYED					
Assets					
Cash and cash equivalents	130,431,689	63,314,138	43,159,800	19,600,122	19,991,920
Investment securities	227,587,961	186,167,762	108,761,980	-	-
Loans and advances	101,899,673	28,289,868	182,306	-	-
Investment in subsidiaries	11,375,000	-	-	-	-
Deferred tax asset	1,546,819	-	-	-	-
Other assets	426,429	398,102	59,457	23,100	1,408
Intangible assets	106,472	64,452	9,679	-	-
Property and equipment	989,172	574,445	313,116	-	-
Total assets	474,363,215	278,808,767	152,486,338	19,623,222	19,993,328
Liabilities					
Accruals and other payables	5,637,966	831,526	424,565	164,546	152,930
Employee benefit obligation	-	-	230	22,561	7,431
Deposit for shares	-	-	20,639,965	-	19,990,000
Current income tax payable	600,043	229,109	41,032	-	-
Borrowings	308,484,268	151,704,062	87,899,719	-	-
Total liabilities	314,722,277	152,764,697	109,005,511	187,107	20,150,361

OTHER NATIONAL DISCLOSURES FINANCIAL SUMMARY

BANK					
<i>In thousands of Naira</i>	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
ASSETS EMPLOYED					
Equity					
Share capital	100,000	100,000	40,000	20,000	10,000
Share premium	99,762,570	99,762,570	39,940,842	19,978,284	-
Retained earnings	40,360,711	17,690,389	2,281,255	(562,169)	(167,033)
Other reserves:					
Statutory reserves	18,102,257	8,023,196	1,218,646	-	-
Regulatory risk reserve	1,315,400	467,915	84	-	-
Total equity	159,640,938	126,044,070	43,480,827	19,436,115	(157,033)
Total liabilities and equity	474,363,215	278,808,767	152,486,338	19,623,222	19,993,328
Gross income	45,755,228	30,641,949	6,050,245	53,217	-
Profit/(Loss) before income tax	32,650,093	22,910,945	4,103,186	(395,136)	(160,453)
Taxation	1,175,552	(229,109)	(41,032)	-	-
Profit/(Loss) for the year	33,596,869	22,681,836	4,062,154	(395,136)	(160,453)



Financing Sustainable Growth

Appendices



Appendices

GRI DISCLOSURE	INDIVIDUAL DISCLOSURE ITEMS	LOCATION IN REPORT
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102-3	Location of headquarters	Page 16
102-4	Location of operations	Page 16
102-5	Nature and ownership of firm	Page 6
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102-8	Total number of employees -by employment contract permanent & temporary by gender, region, employment type	Page 54
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