



DBN
Development
Bank of Nigeria
RC 1215724

...Financing Sustainable Growth

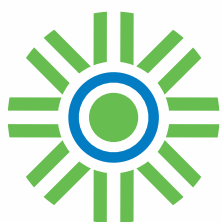
FOSTERING SUSTAINABLE ECONOMIC GROWTH



@DevBankNG



I N T R O D U C I N G



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...Financing Sustainable Growth

Positioned to be the nation's primary development finance institution; promoting sustainable growth and development, DBN exists to alleviate financing constraints faced by Micro Small & Medium Scale Enterprises (MSMEs) in Nigeria.

DBN is set-up to provide funding and risk sharing guarantees through Participating Financial Institutions (PFIs) to end beneficiaries.

These PFIs include Commercial Banks, Microfinance Banks, Development Finance Institutions (DFIs) and other

Financial Institutions regulated by the Central Bank of Nigeria.

DBN loan repayment tenure is flexible (up to 10 years with a moratorium period of up to 18 months) and the interest rates are on a market-conforming and fully financially sustainable basis.

For information on how to access DBN loans, kindly visit our website at www.devbankng.com or email us at info@devbankng.com.

www.devbankng.com

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Acronyms

S/NO	Terms	Definitions
1.	AADFI	Association of African Development Finance Institutions
2.	AFD	French Development Agency
3.	AfDB	African Development Bank
4.	ALCO	Assets and Liabilities Committee
5.	ALM	Asset Liability Management
6.	AML	Anti-Money Laundering
7.	BACC	Board Audit and Compliance Committee
8.	BCRC	Board Credit and Risk Committee
9.	BFC	Board Finance Committee
10.	BNGC	Board Nominations and Governance Committee
11.	BU	Business Unit
12.	CAMA	Companies and Allied Matters Act
13.	CEO	Chief Executive Officer
14.	CFT	Combating the Financing of Terrorism
15.	CSR	Corporate Social Responsibility
16.	DBN	Development Bank of Nigeria
17.	DBSA	Development Bank of South Africa
18.	DCMC	Debt Capital Markets Conference
19.	DFIs	Development Finance Institutions
20.	E&S	Environmental and Social
21.	EIB	European Investment Bank
22.	ERGP	Economic Recovery and Growth Plan
23.	ERM	Enterprise Risk Management
24.	ESMS	Environmental and Social Management System
25.	ESRM	Environmental and Social Risk Management
26.	FGN	Federal Government of Nigeria
27.	FMDQ	FMDQ
28.	FMOF	Federal Ministry of Finance
29.	GDP	Gross Domestic Product
30.	GRI	Global Reporting Initiative
31.	GVA	Gross Value Added
32.	HDI	Human Development Index
33.	IBRD	International Bank for Reconstruction and Development
34.	IFRS	International Financial Reporting Standards
35.	IIRC	International Integrated Reporting Council
36.	<IR>	Integrated Reporting
37.	ISMS	Information Security Management System
38.	ISO	International Organization for Standardization
39.	IT	Information Technology
40.	ITSC	Information Technology Steering Committee



S/NO	Terms	Definitions
41.	KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
42.	KPI	Key Performance Indicator
43.	M&E	Monitoring & Evaluation
44.	MANCO	Management Committee
45.	MCRC	Management Credit and Risk Committee
46.	MSMEs	Micro, Small and Medium Enterprises
47.	NASME	Nigerian Association of Small and Medium Enterprises
48.	NBS	Nigerian Bureau of Statistics
49.	NCCG	Nigeria Code of Corporate Governance
50.	NCR	National Collateral Registry
51.	NFIU	Nigerian Financial Intelligent Unit
52.	NPL	Non-Performing Loans
53.	NSBPs	Nigerian Sustainable Banking Principles
54.	NSIA	Nigeria Sovereign Investment Authority
55.	PFI	Participatory Financial Institution
56.	PwC	PricewaterhouseCoopers
57.	RMCS	Regional Member Countries
58.	SDGS	Sustainable Development Goals
59.	SEC	Stock Exchange Commission
60.	SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
61.	SOP	Standard Operating Procedure
62.	TSKB	Türkiye İsmail Kalkınma Bankası (Industrial Development Bank of Turkey)
63.	UN	United Nations
64.	UNEP FI	United Nations Environmental Program Financial Initiative
65.	WimBiz	Women in Management, Business and Public Services

Corporate Philosophy

Vision Statement



To be Nigeria's primary development finance institution; promoting growth and sustainability

Mission Statement



To facilitate sustainable socio-economic development through the provision of finance to Nigeria's underserved MSMEs through eligible financial intermediaries

Core Values

- S** Sustainability
- T** Transparency
- E** Excellence
- D** Diversity
- I** Innovation

Corporate Information



BOARD OF DIRECTORS:

Shehu Yahaya

Chairman
Non-Executive

Uche Orji

Director
Non-Executive

Mohamed Khalif

Director
Non-Executive

Anthony Okpanachi

Managing Director/CEO

Andrew Alli

Independent Director

Bello Maccido

Independent Director

Clare Omatseye

Independent Director

Dr. Oladimeji Alo

Independent Director

Phillips Oduoza

Independent Director

COMPANY SECRETARY AND CHIEF LEGAL COUNSEL

Bashir Yusuf ¹

Shofola Osho ²

¹ Exited the Bank on the expiration of his contract on 6 February 2018

² Appointed as Company Secretary effective 12 February 2018

REGISTERED OFFICE:

Plot 1386A Tigris Crescent,
Maitama, F.C.T
Abuja, Nigeria

RC No.:

1215724

INDEPENDENT AUDITOR:

KPMG Professional Services

KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos

BANKERS:

Central Bank of Nigeria

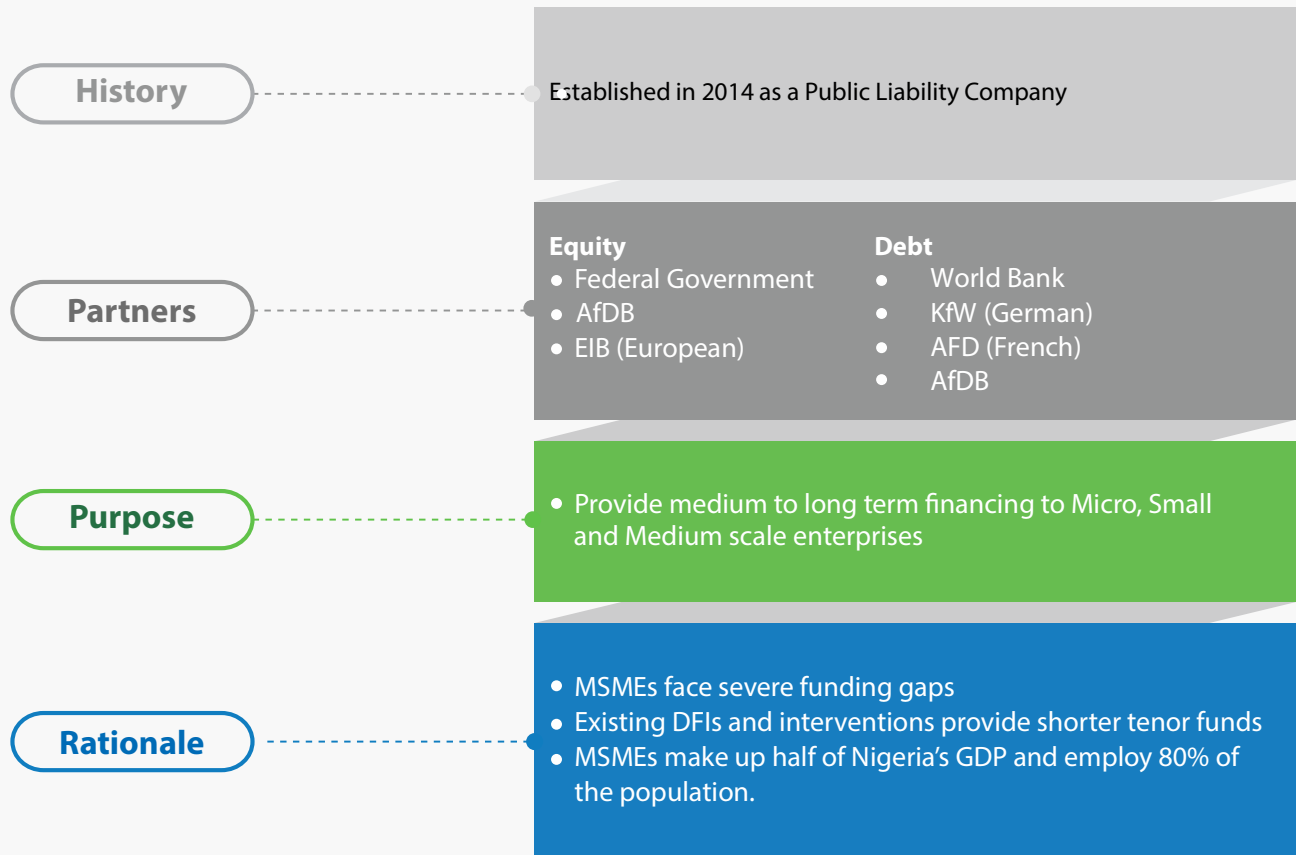
Ecobank Nigeria Limited

FirstBank of Nigeria Limited

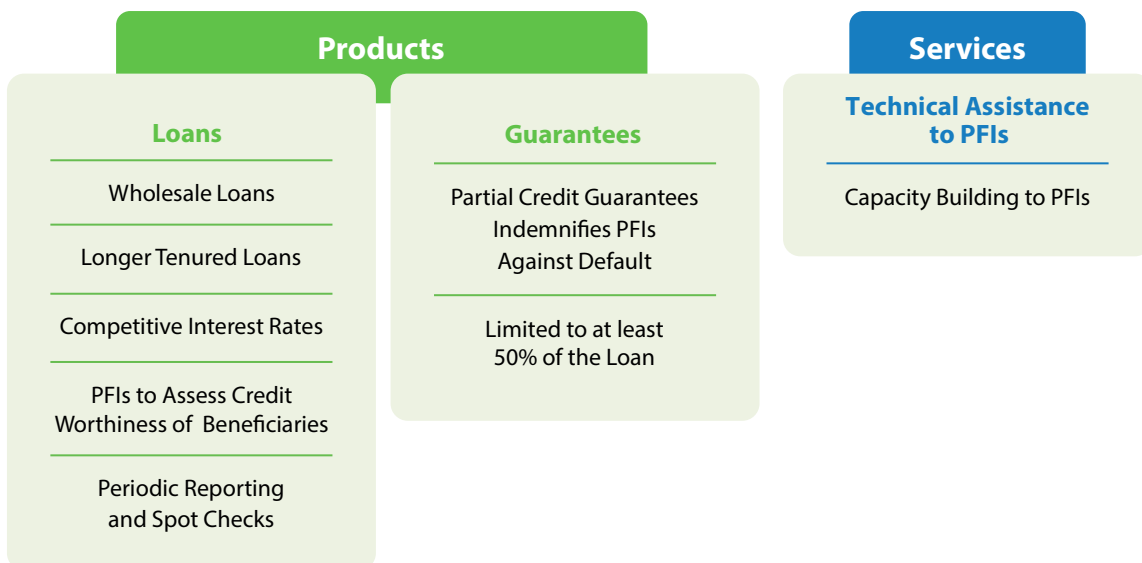
Guaranty Trust Bank Plc

United Bank for Africa Plc

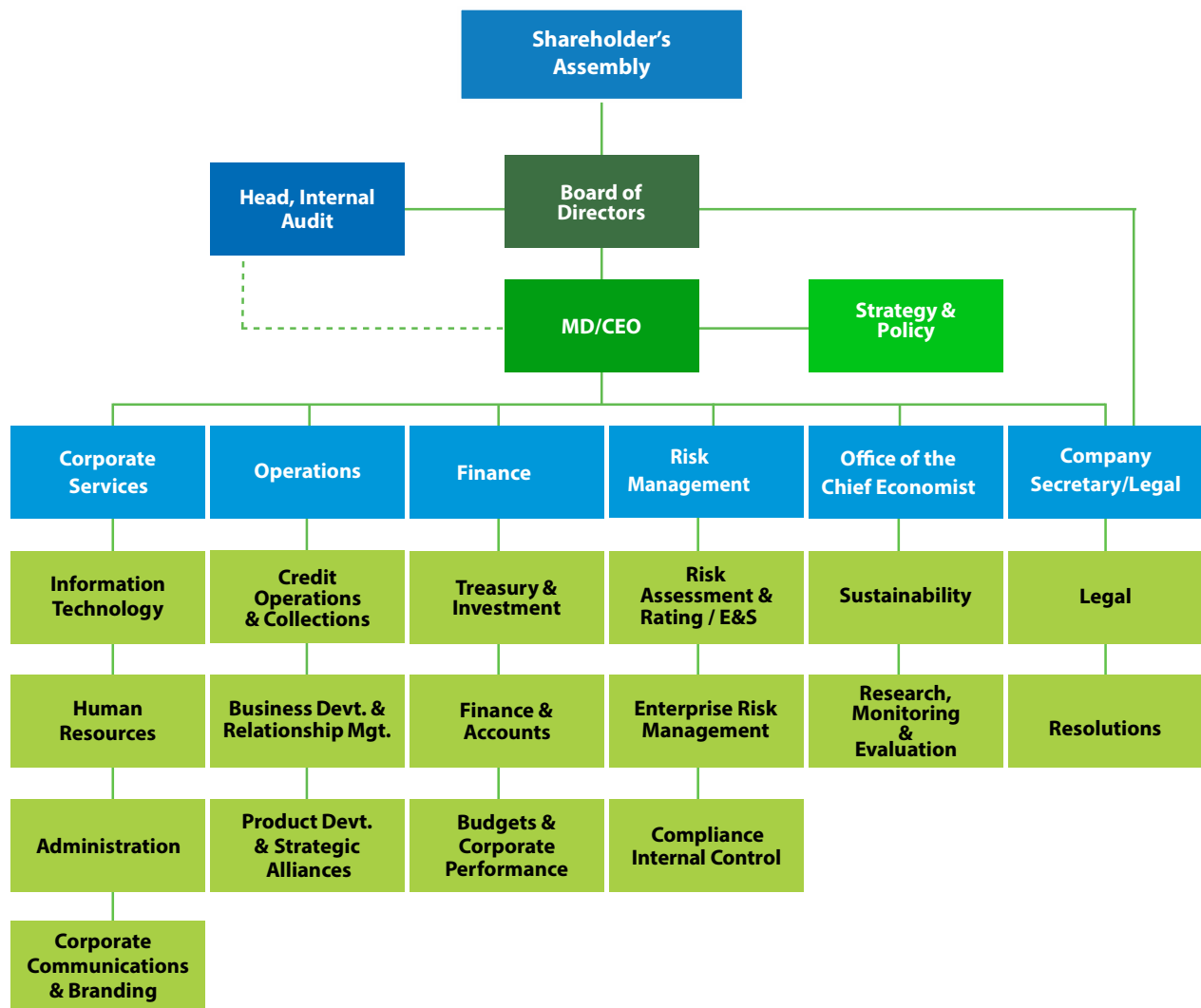
2.1 Our Operations



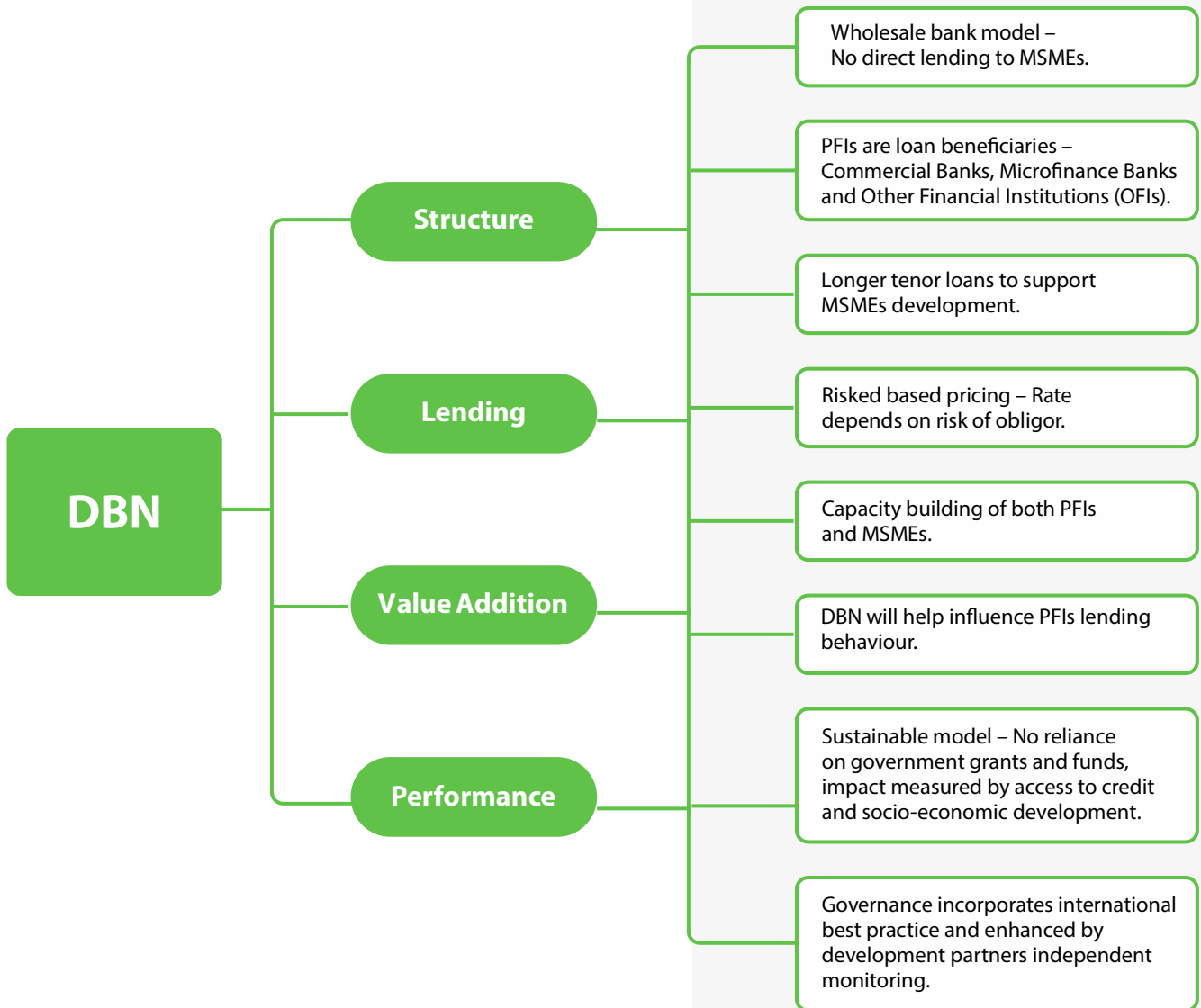
2.2 Products and Services



2.3 Organisational Structure



2.4 Differentiating factors from other Development Finance Institutions





INTEGRATED REPORT 2018



3.1 CEO's Statement



Mr. Tony Okpanachi
Managing Director/CEO
Development Bank of Nigeria Plc

CEO's Statement

Development Bank of Nigeria could not have been founded at a more auspicious time, as the World stands at the crossroads of increasing prosperity characterised by extreme poverty and environmental degradation and depletion of the Earth's resources. It is in recognition of this, that over the first two years of its existence, the Bank has made progress towards positioning itself at the nexus of economic development and sustainability.

Our maiden Integrated and Statutory report articulates the activities and initiatives at the Development Bank of Nigeria in support of our mandate of "Financing Sustainable Growth". At DBN, sustainability is a common theme across our Vision, Mission, Core Values and strategic objectives. For further information, visit: devbankng.com/cms/uploads/DBN%202018%20Sustainability%20Report.pdf

Despite being in our formative years, we have chosen to go beyond sustainability reporting to integrated reporting with the aim of providing meaningful information to all stakeholders beyond what the traditional accounting disclosures require. 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 and Social and Governance (ESG) risks. We also recognize that integrated reporting expands the definition of stakeholders beyond the board and shareholders. We are happy to position ourselves on time to mitigate non-financial risks, align to growing positive trends as we define our capitals beyond the financial capital and align our impacts to the triple bottom line of Profit, Planet and People. In addition, our integrated reporting was based on guidelines from the International Integrated Reporting Council (IIRC) framework.

Our lending operations exposes the bank to socio-environmental risks. To mitigate these risks and promote the protection of the environment, the Bank has developed an Environmental and Social Risk Management policy that guides the bank's operations in performing due diligence on the operations of our PFIs as well as requirements

for accessing funding. We also developed in-house, an automated E&S risk assessment tool to increase the effectiveness of our risk assessment processes against exposure to sectors that have high negative environmental and social impact. Our exclusion list spells out what DBN will not finance.

As part of our 5-year strategic plan, we will focus on financing green and low-carbon projects through our various PFIs. The goal, in this regard is to not only contribute to the national pledge in the Paris agreement, but also to take a leading role in the country's transition to a low carbon and resource efficient economy. The Bank has commenced promoting innovative and high impact green programs and advocating for sustainable development objectives through green interventions.

Furthermore, our strategy is closely aligned with the United Nations' Sustainable Development Goals, with particular focus on 7 goals, which speak directly to the Bank's strategic intent. For the various Sustainable Development Goals, whether it is SDG 1, which aims to end poverty in all its forms, or SDG 5, which aims to achieve gender equality and empower women and girls, we deliberately pursue these initiatives through our internal management policies such as the sustainable banking policy and framework, which spells out the minimum percentage of loans to women and youth in particular, amongst other key initiatives. We are proud to report to all our stakeholders that 72% of loans disbursed in 2018 went to women.

Finally, in the years to come we will deepen our commitment to providing access to finance for the underserved MSMEs in Nigeria in a way that preserves the wellbeing and dignity of humanity and protects the earth for future generations. We remain committed to working with various development partners and stakeholders in achieving inclusive growth and sustainable development in Nigeria.



Tony Okpanachi
MD/CEO,
Development Bank of Nigeria Plc

3.2 About the Integrated Report

DBN's Integrated report for 2018 is supplemented by our full suite of publications covering Financial, non-Financial and Governance information. This caters for the diverse needs of our broad stakeholder base as part of our comprehensive integrated reporting. Individual reports can be accessed on our website at www.devbankng.com



Financial Statements

devbankng.com/cms/uploads/DBN%202018%20Financial%20Statement.pdf



Governance Reports

devbankng.com/cms/uploads/DBN%202018%20Governance%20Report.pdf



Sustainability Reports

devbankng.com/cms/uploads/DBN%202018%20Sustainability%20Report.pdf

What it contains?

- Financial Statements
- Financial Outlook
- Risk Management
- Auditor's Report
- Corporate Governance
- Board Evaluation
- Board Committee Reports
- Sustainable Development Performance
- Alignment to the UN SDGs

What standards were used to prepare our data?

- IFRS
- Basel III
- FRC
- SEC Code of Corporate Governance
- CAMA
- CBN Code of Corporate Governance
- GRI
- UN SDGs
- CBN NSBPs
- UNEPFI

Assurance performed on data...

- Assurance on Financial Information performed by KPMG
- Corporate Governance Evaluation performed by PwC
- Data internally validated in preparation for Sustainability Assurance in the next reporting cycle



Scope and Boundary

This report covers the period 1 January 2018 to 31 December 2018 and includes material issues we have defined based on input from our Stakeholders.

This report outlines the inter-relationship with our identified capitals and the outcomes generated from the said capitals. This forms the basis for achieving our vision and performance expectations in the short to medium term, within the context of our development mandate.

Value Creation Model

The six capitals detailed across the report are inherent in the value drivers that underpin our strategy, and in our material issues. The boundary of this report extends, therefore, to our relationships outside the organisation that affect our ability to create value over time.

Financial information has been prepared on an IFRS basis, unless otherwise specified. Material non-financial information is included, where relevant. Any restatements of comparable information have been noted.

Materiality

Our materiality process involves identifying through stakeholder input issues that we consider to have the potential to substantially impact on our economic performance, our social license to operate, our environmental protection commitments and our relationships with stakeholders.

Our material issues are informed by the expectations and concerns of our stakeholders, and the social, economic and environmental context in which we operate. They are linked to our value drivers to direct the focus of our strategic objectives and management approach. We view the materiality determination process as a critical aid that facilitates integrated thinking. Further improvements to enhance stakeholder input into the material issues' determination process will be rolled out in 2019.

How we determined our material issues

- Generated a list of material issues following a review of internal reports, stakeholder expectations, external research reports and peer benchmarking.
- Engaged with stakeholders to test the completeness of the list of material issues.
- Mapped the list of material issues to strategic objectives and development outcomes.
- Developed a final list of material issues and obtained Board buy-in.



3.3 Responsibility for the Report

The board acknowledges its responsibility of ensuring the integrity of this Integrated Report, which in the board's opinion addresses all the issues that are material to the Bank's ability to create value and fairly presents the integrated performance of Development Bank of Nigeria. We believe that this report has been prepared in accordance with the IIRC <IR> framework. This report was approved by the board of directors on 22 April 2019.

Shehu Yahaya	– Chairman
Anthony Okpanachi	– Managing Director
Uche Orji	– Director
Mohamed Kalif	– Director
Bello Maccido	– Independent Director
Dr. Oladimeji Alo	– Independent Director
Phillips Oduoza	– Independent Director
Andrew Alli	– Independent Director
Clare Omatseye	– Independent Director

3.4 First Time Reporter

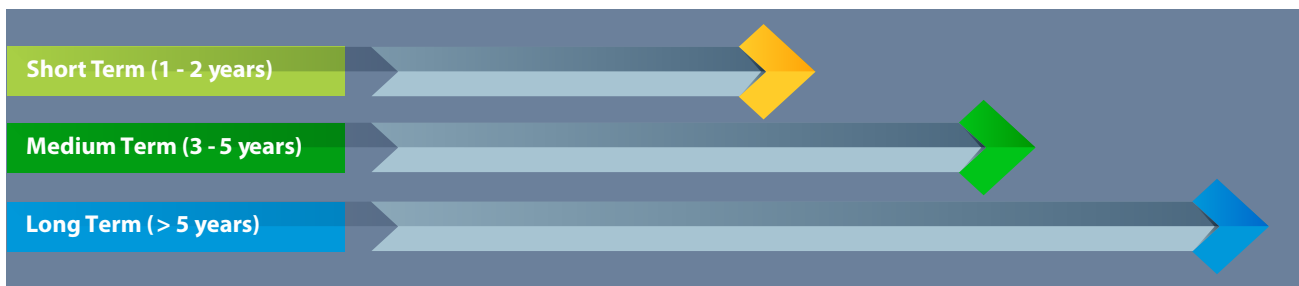
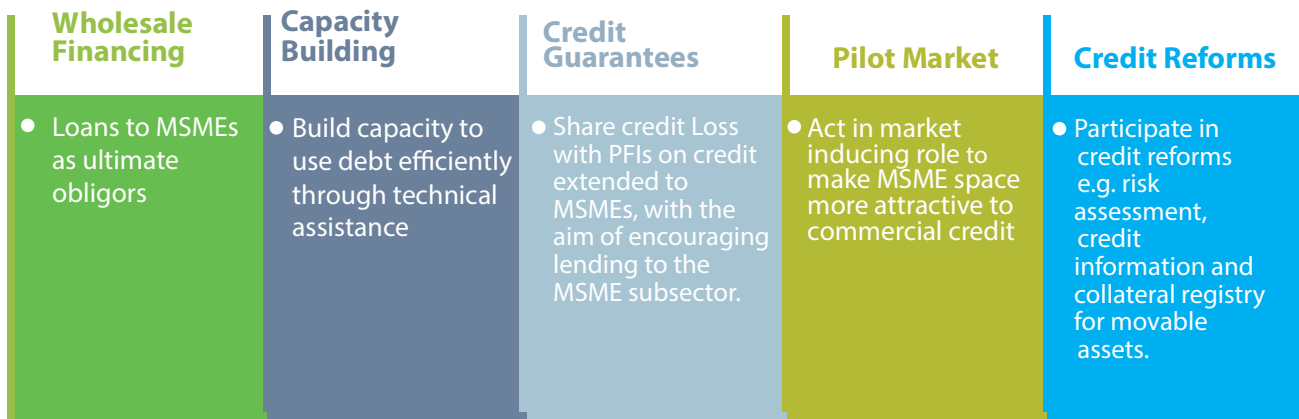
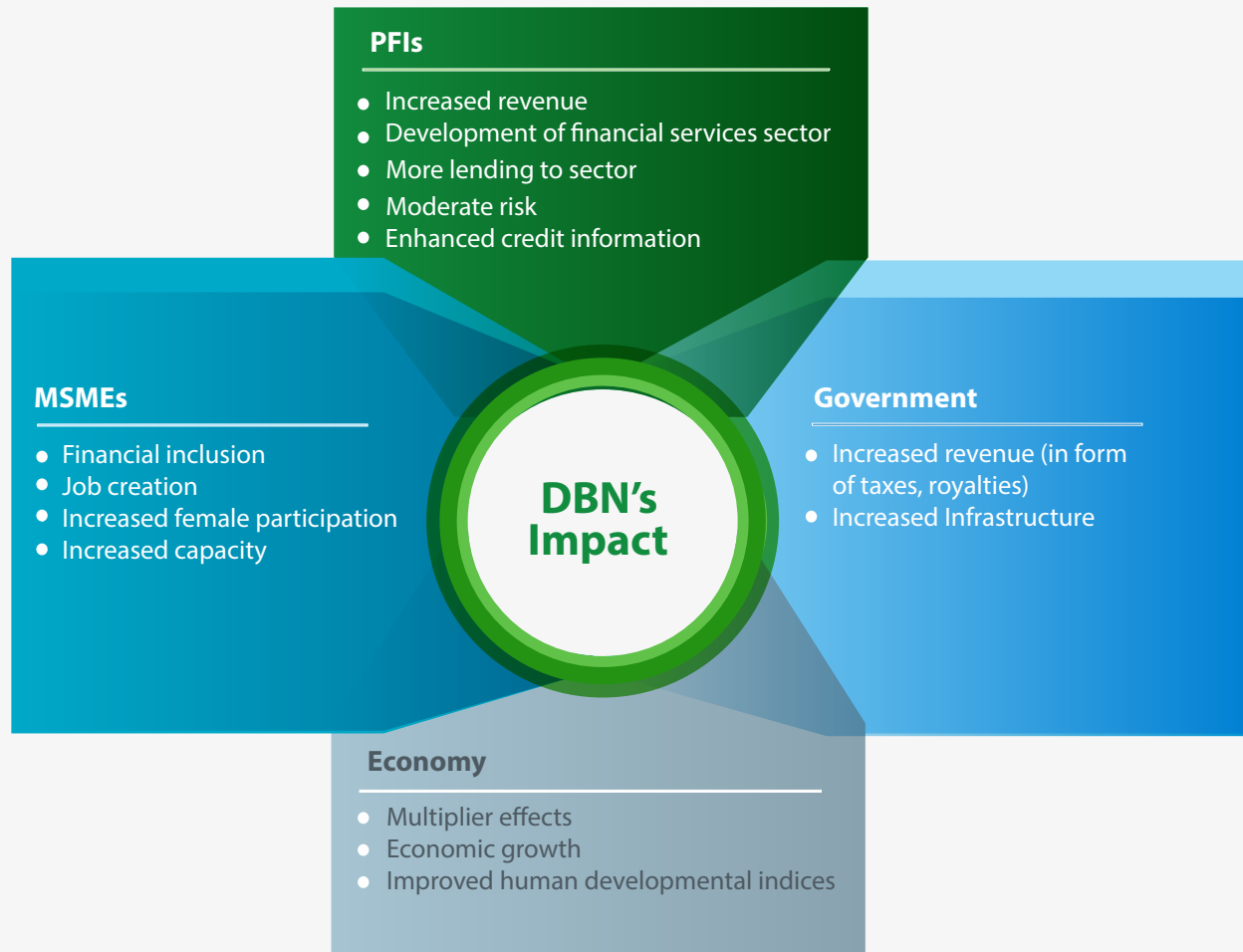
DBN believes that transparently sharing future expectations and risks as well as today's performance in meeting stakeholder expectations is very important and has decided to publish the first Integrated Report in the development finance sector in Nigeria.

DBN's Integrated Report should serve as a positive influence and a guide for other companies and organizations that intend to clearly communicate their value creation through integrated reporting in line with efforts towards the economic development of Nigeria.

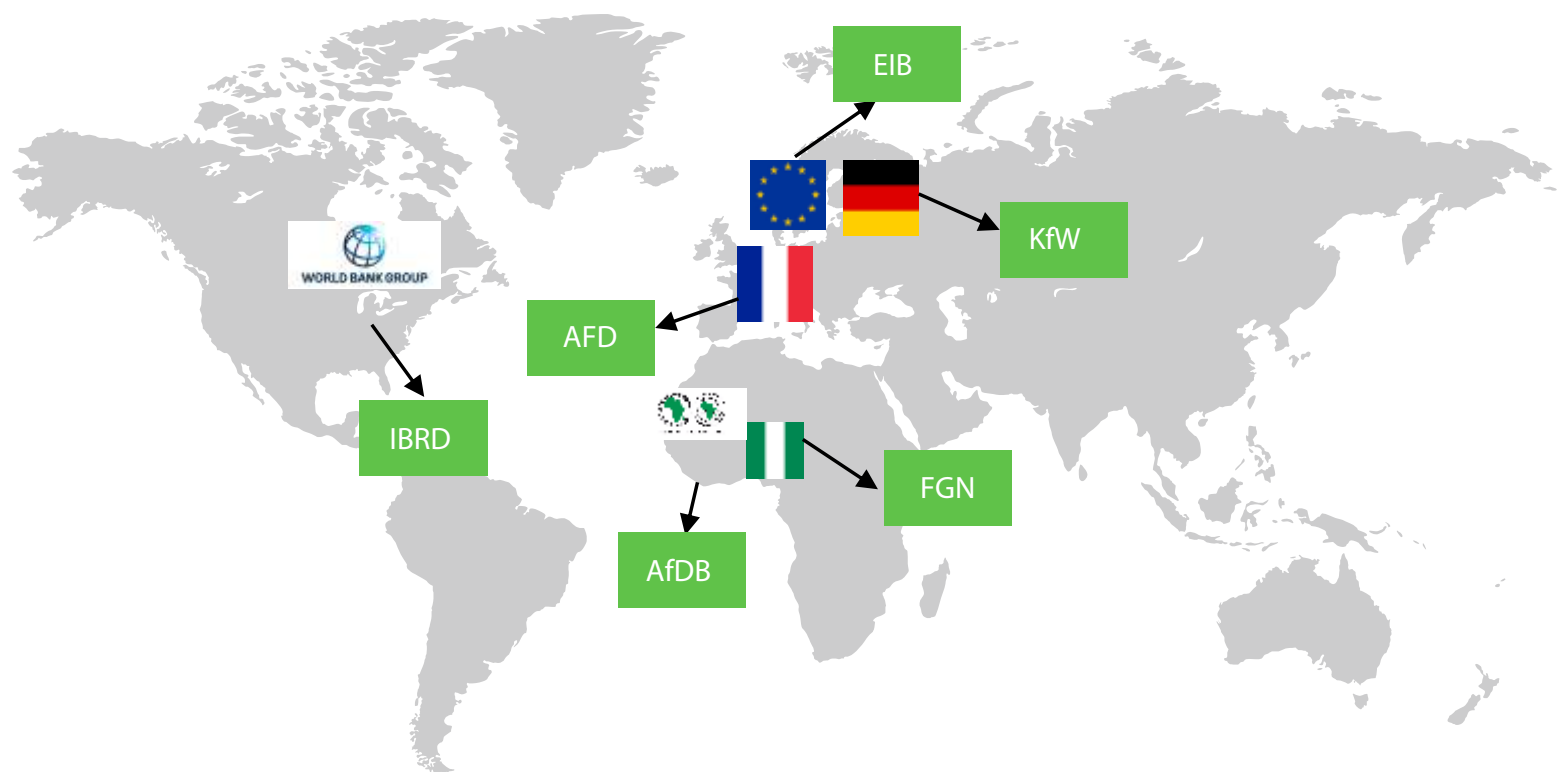
3.5 Extent of our Operations

Data contained in this report highlights performance in 2018 which represents our first full functioning year and as such limits our ability to perform a trend analysis against our 2017 performance.

3.6 Impact & Projections



3.7 Partners



EQUITY	DEBT
- Ministry of Finance Incorporated – 60% - Nigeria Sovereign Investment Authority (NSIA) – 15% - African Development Bank (AfDB) - 18% - European Investment Bank (EIB) - 7% } FGN	- International Bank for Reconstruction and Development (IBRD) - German Development Bank (KfW) - French Development Agency (AFD) - African Development Bank (AfDB)

3.8 Strategic Partners



The Nigeria Sovereign Investment Authority (“NSIA” or “The Authority”) is an agency of the Federation set up to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure, providing stabilisation support in times of economic stress.



The Federal Ministry of Finance was first established in 1958 to replace the Finance Department. The Ministry is responsible for the management and control of Nigeria's public finance. Its mission is to manage the nation's finance in an open, transparent, accountable and efficient manner that delivers on the country's development priorities.



Established to promote economic and social development efforts on the continent, the African Development Bank (AfDB) Group comprises of 3 entities: the African Development Bank (AfDB) which is the parent institution, created following an agreement signed by 23 founding member states on August 14, 1963 in Khartoum, Sudan. The overarching objective of the African Development Bank (AfDB) Group is to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction.



The European Investment Bank (EIB) is the lending arm of the European Union. EIB is one of the world's largest multilateral lender and the biggest provider of climate finance, helping the economy, creating jobs and promoting equality. The EIB Group has two parts: the European Investment Bank and the European Investment Fund.



The Agence Française de Développement (AFD) funds, supports and accelerates the transitions to a fairer and more sustainable world.

Focusing on climate, biodiversity, peace, education, urban development, health and governance, the AFD teams carry out more than 4,000 projects in France's overseas departments and territories and 115 other countries.

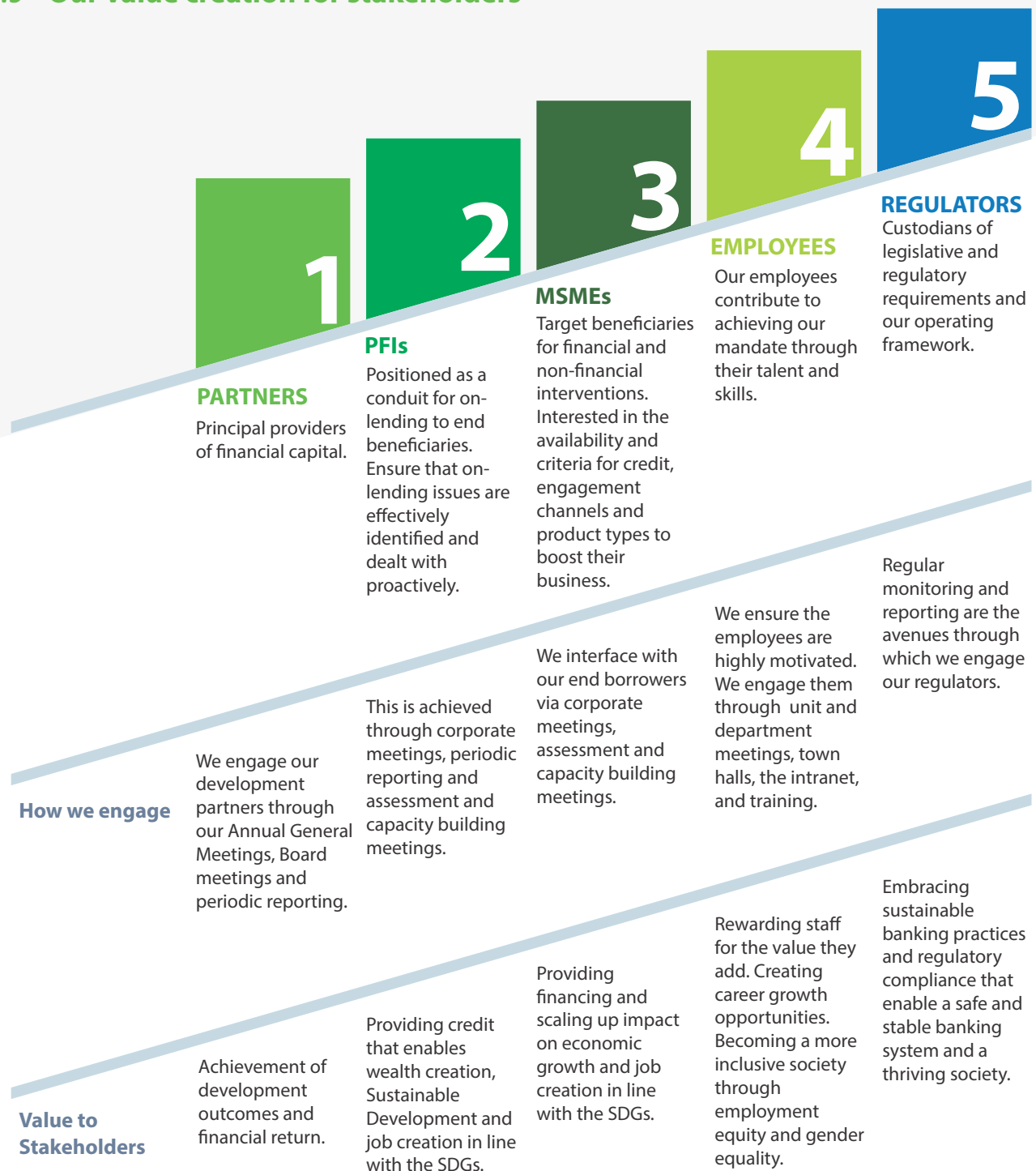


KfW assists the German Government in financing and supporting programmes and projects that mainly involve public sector players in developing countries and emerging economies. The goal of the KfW Development Bank is to help partner countries fight poverty, maintain peace, protect both the environment and the climate and shape globalisation in an appropriate way.



The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries. Its five institutions share a commitment to reducing poverty, increasing shared prosperity, and promoting sustainable development.

3.9 Our value creation for stakeholders



3.10 Impacts and Objectives

Impact Indicators	Period	Impact Objectives	Outcome Indicators
● GDP Growth ● Job Creation ● Poverty Alleviation ● Financial Inclusion ● Economic Diversification	Short-Term Outcomes	Ease and Increased Access to Finance	● Perception on process of accessing a DBN loan from the PFIs ● Loan amount requested by MSMEs vs loan amount approved by PFIs
		Equitable distribution of loans by Sector, Gender, Youths and Start-Ups	● Number of female MSMEs ● Number of youth MSMEs ● Distribution of MSMEs across key sectors ● Number of startups financed
	Medium-Term Outcomes	Increase in Total Value of Assets of MSMEs	● % increase in machinery, equipment and facilities ● % increase in landed assets ● % increase in financial assets
		Creation of Employment	● Number of direct and indirect jobs created ● Quality of jobs created ● Average salary levels of employees
		Increased Production & Turnover of MSMEs	● Loan utilization rates ● % increase in turnover of MSMEs ● % increase in production levels ● % increase in customer base for the services sector
		Value Chain Enhancement	● Number of value chain additions in business operations ● Number of additional mechanized processes ● % Increase in value of raw materials purchased



Impact Indicators	Period	Impact Objectives	Outcome Indicators
	Long-Term Outcomes	Increased Economic Rate of Return	• % contribution to GDP growth by sectors • % increase in tax paid to the Government • Aggregate contribution to GDP
		Improved Human Development Index	• Number of direct and indirect jobs created • Quality of jobs created - average salary levels of employees • % Increase in income for employees

3.11 Our Foundation



Our Capitals

 FINANCIAL CAPITAL	• Provision of Medium and Long Term Loans • Guarantees • Robust Capital
 HUMAN CAPITAL	• Investing in Employees • Training and Development • Diversity, Equity and Inclusion
 NATURAL CAPITAL	• E&S Risk Management • Sustainable Banking • Green Initiatives
 INTELLECTUAL CAPITAL	• Capacity Building • Products and Services • Economic and Sector Publications
 MANUFACTURED CAPITAL	• Facilities Management • IT Infrastructure • Procurement and Administration
 SOCIAL CAPITAL	• Relationship and Alliances • Social Investments • Stakeholder Engagement

3.12 Our Capitals

IIRC Capitals (Facets of resources)	Capital definition	Value Created	Impact on other capitals
Financial Capital			
Pool of funds available for use in the production of services obtained through financing, debt, equity, or grants, or generated through operations or investments.	DBN's financial capital relates to the debt funding received from development partners and the shareholders' equity as well as financial resources available.	N30 billion financing provided to MSMEs	
		Capital investment in expanding access to finance	
		Investment in property, plant and equipment	
	Core Business Processes: 1. Financial Management 2. Treasury and Investment Management 3. Operations	Investment in research & development and MSME capacity building	
		Investment in skills & development	
	Key Business activities: 1. Access to funds 2. Generating more funds 3. Managing and allocation of funds 4. Disbursing funds 5. Investing funds 6. Budgeting and planning	N42 million in social investments	
Intellectual Capital			
Organizational, knowledge-based intangibles, including:	DBN's Intellectual capital is defined by the brand identity and communication strategy, innovation capacity, product and services knowledge and development, investments in ICT systems, processes and technology.	Robust M&E Framework	
1. Intellectual property, such as patents, copyrights, software, rights and licenses.		DBN Journal and Working Papers Series	

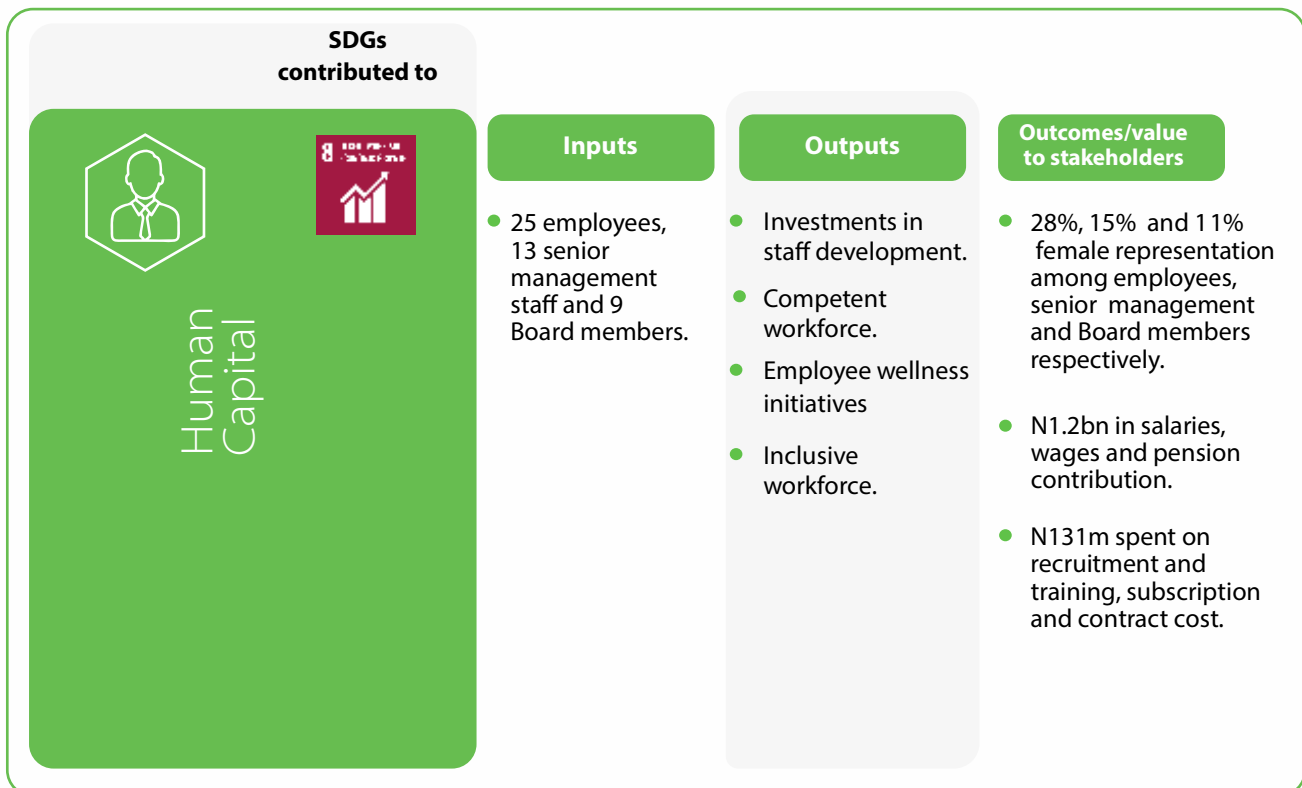
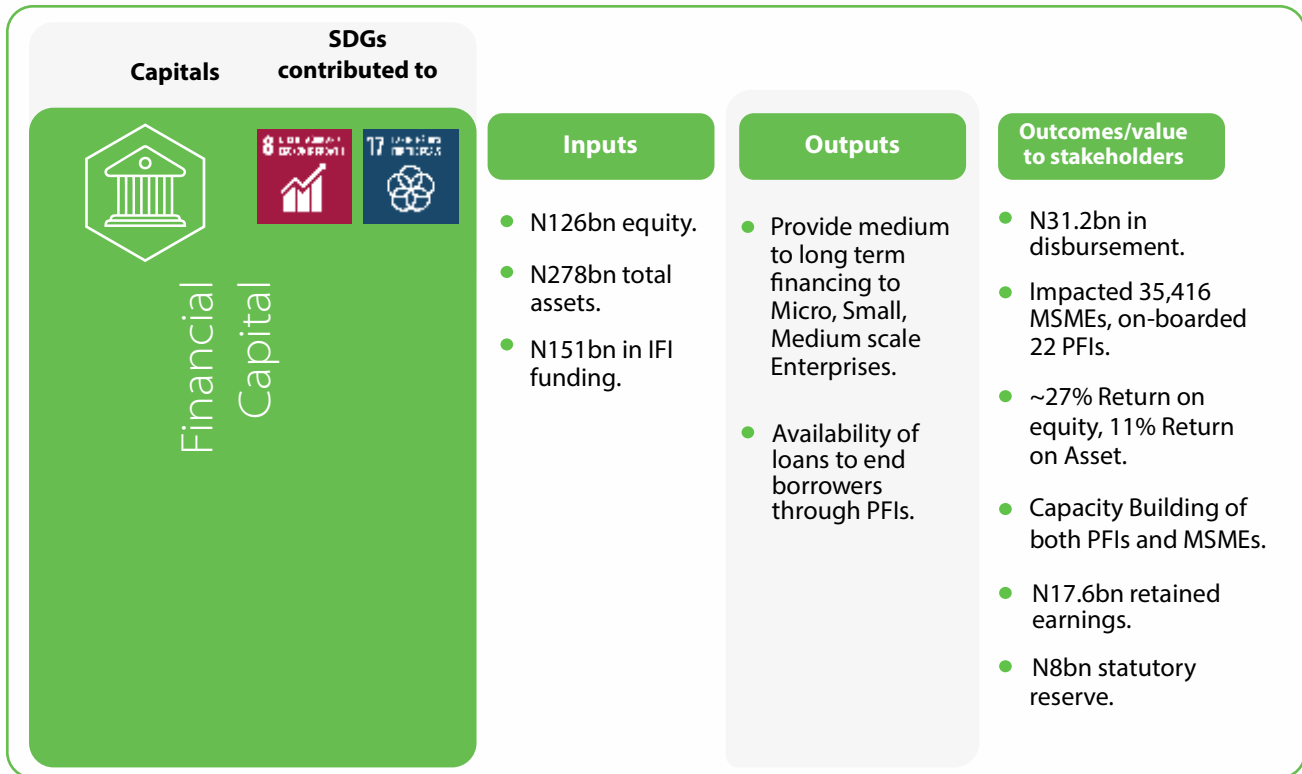
IIRC Capitals (Facets of resources)	Capital definition	Value Created	Impact on other capitals
2. Organizational capital such as tacit knowledge, systems, procedures and protocols.	Core Business Processes: 1. Risk Management 2. Internal Audit 3. IT systems Management 4. Office of the Chief Economist 5. Operations Key Business activities: 1. Generation of knowledge-based intangibles 2. Ethical business conduct and commitments 3. Product design, knowledge and development 4. Business model and business resilience	Data and Technology	
		New products	
Natural Capital			
All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of DBN It includes: 1. Air, water, land, minerals and forests 2. Biodiversity and eco-system health.	DBN's natural capital are the environmental resources and processes that aid the provision of services, and include processes that extract or convert natural raw materials. This also includes the investments in green initiatives as well as use and discharge of environmental resources. Core Business Processes: 1. Risk Management 2. Administration 3. Financial Management 4. Waste Management 5. Procurement	E&S Risk Management	
		Climate Change	
		Infrastructural Development	

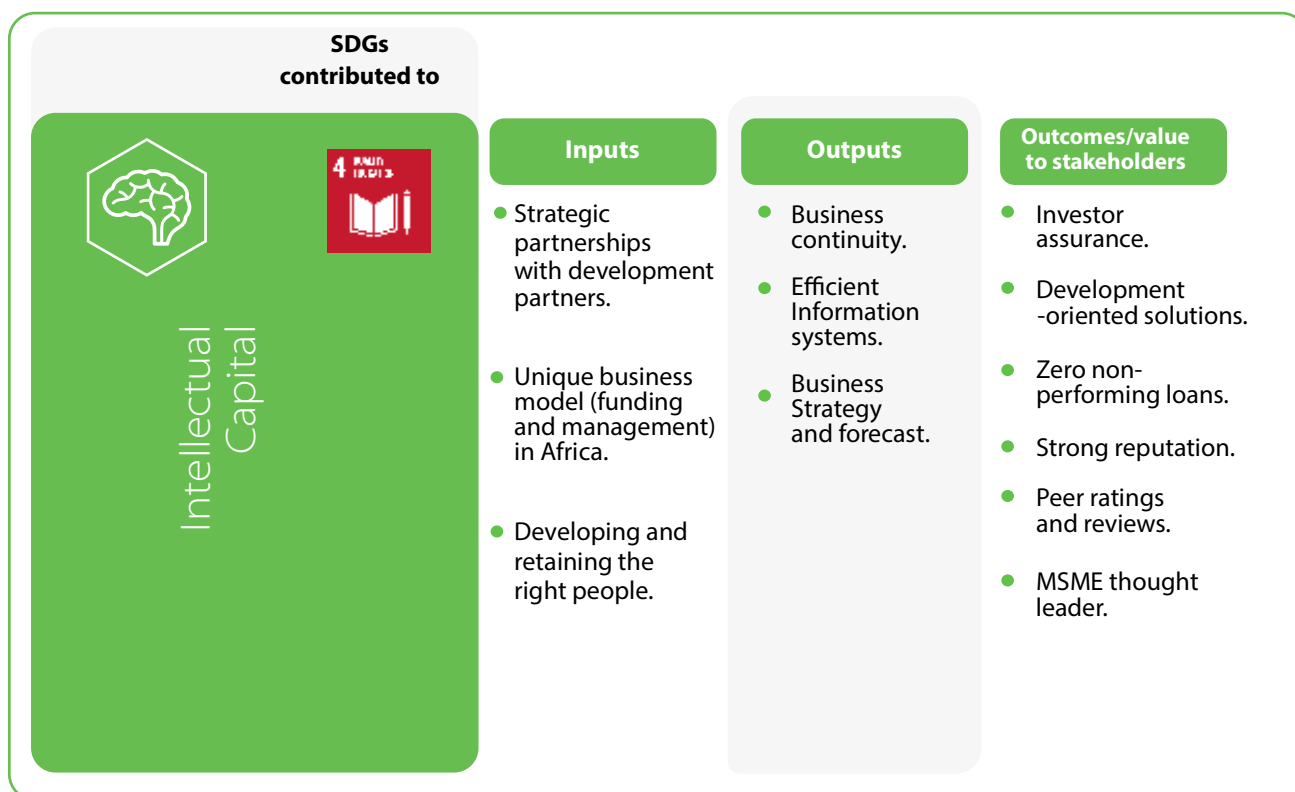
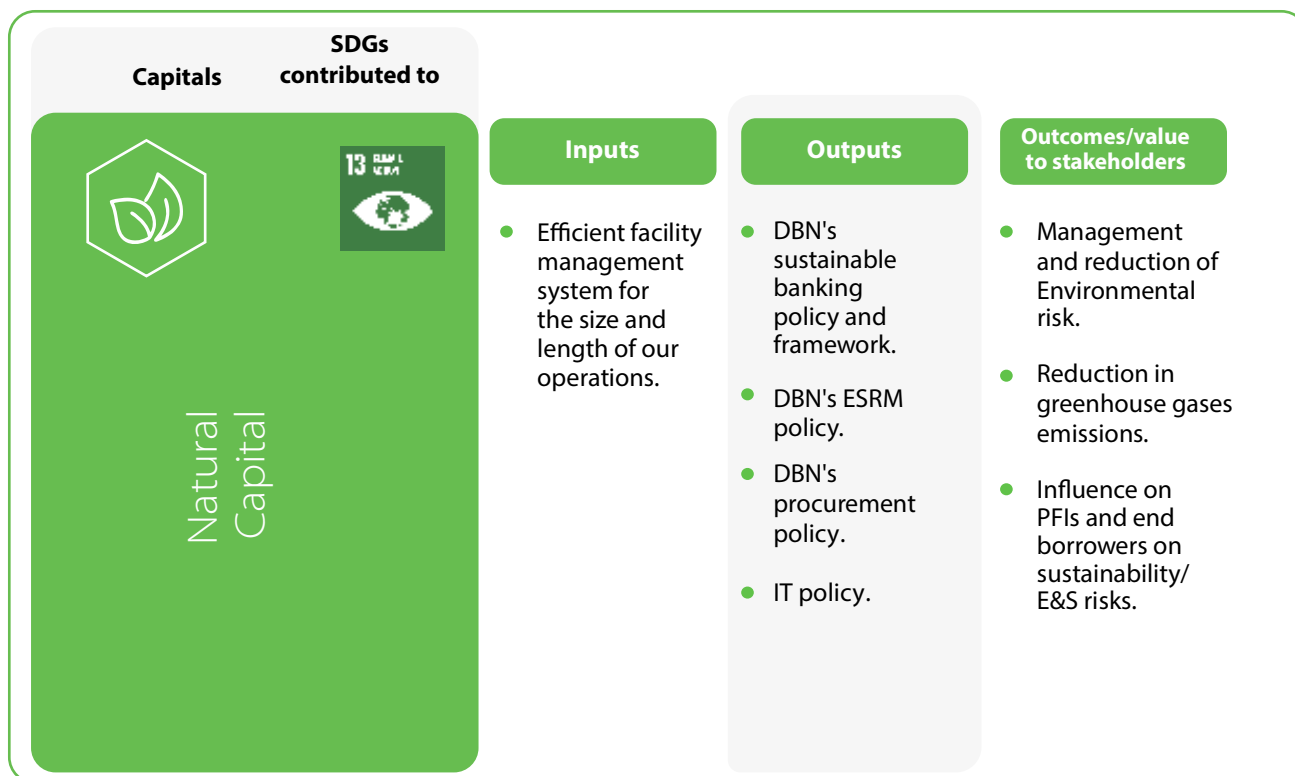
IIRC Capitals (Facets of resources)	Capital definition	Value Created	Impact on other capitals
	Key Business activities: 1. Sourcing and consumption of energy resources. 2. Efficient use of resources 3. Initiatives aimed at care and responsibility for environmental resources.	Green energy promotion	 
Manufactured Capital			
Physical objects (as distinct from natural physical objects) that are available to DBN for use in the production of goods or the provision of services, including:	DBN's Manufactured Capital is defined by the physical objects, physical operational processes and infrastructure available for use in the provision of services.	Environmental Impacts Management	 
1. Buildings 2. Equipment 3. Infrastructure (such as roads, ports, bridges, waste and water treatment plants)	Core Business Processes: 1. IT Systems Management 2. Administration 3. Corporate Services 4. Waste Management 5. Procurement	Facilities Management	 
Manufactured Capital is often created by other organizations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use.	Key business activities: 1. All efforts aimed at leveraging infrastructure to deliver work. 2. Identification and provision of infrastructure		
Human Capital			
People's competencies, capabilities and experience, and their motivations to innovate.	DBN's Human Capital is defined by the people, capabilities, wellness, their competency, development as well as motivations and remunerations. This also encompasses alignment to culture and adherence/support for ethical conduct.	1. Talent attraction and retention 2. 100% staff retention 3. 1,804 training hours were achieved in 2018.	  

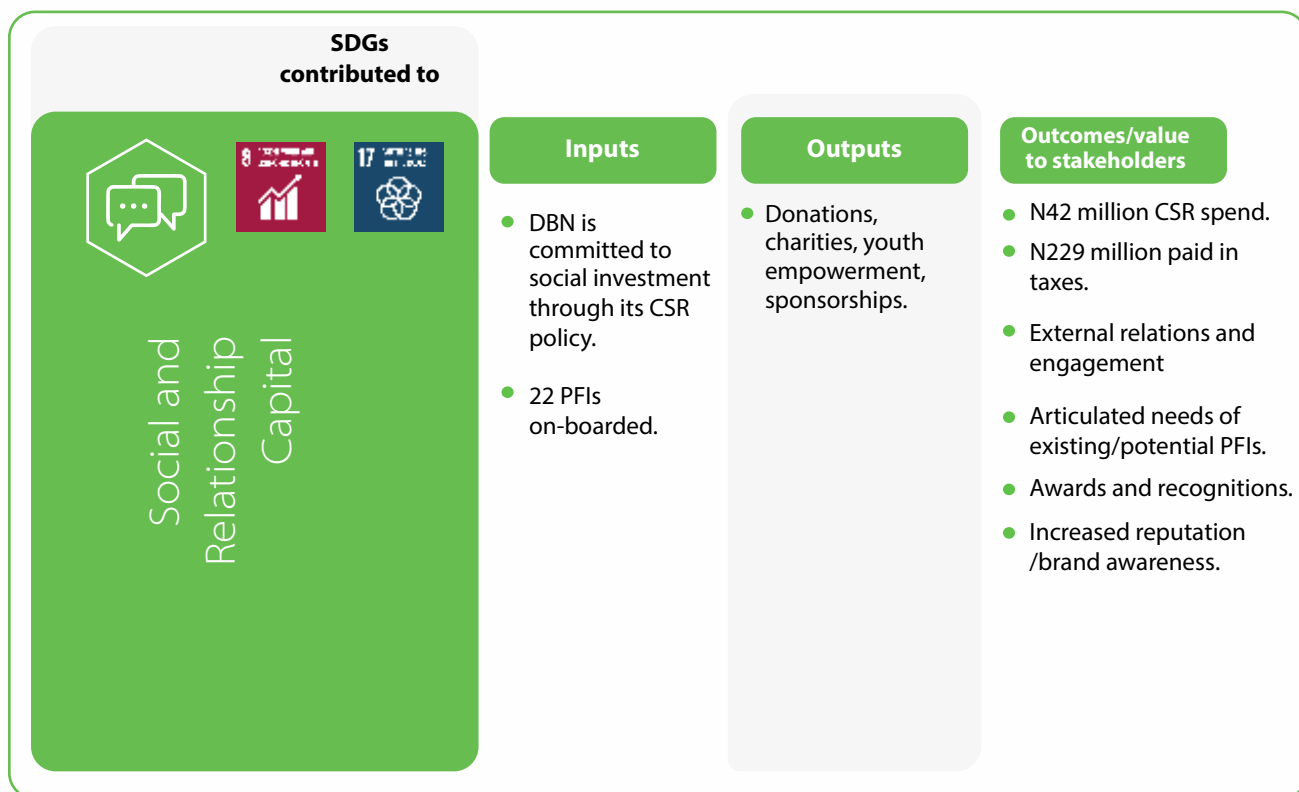
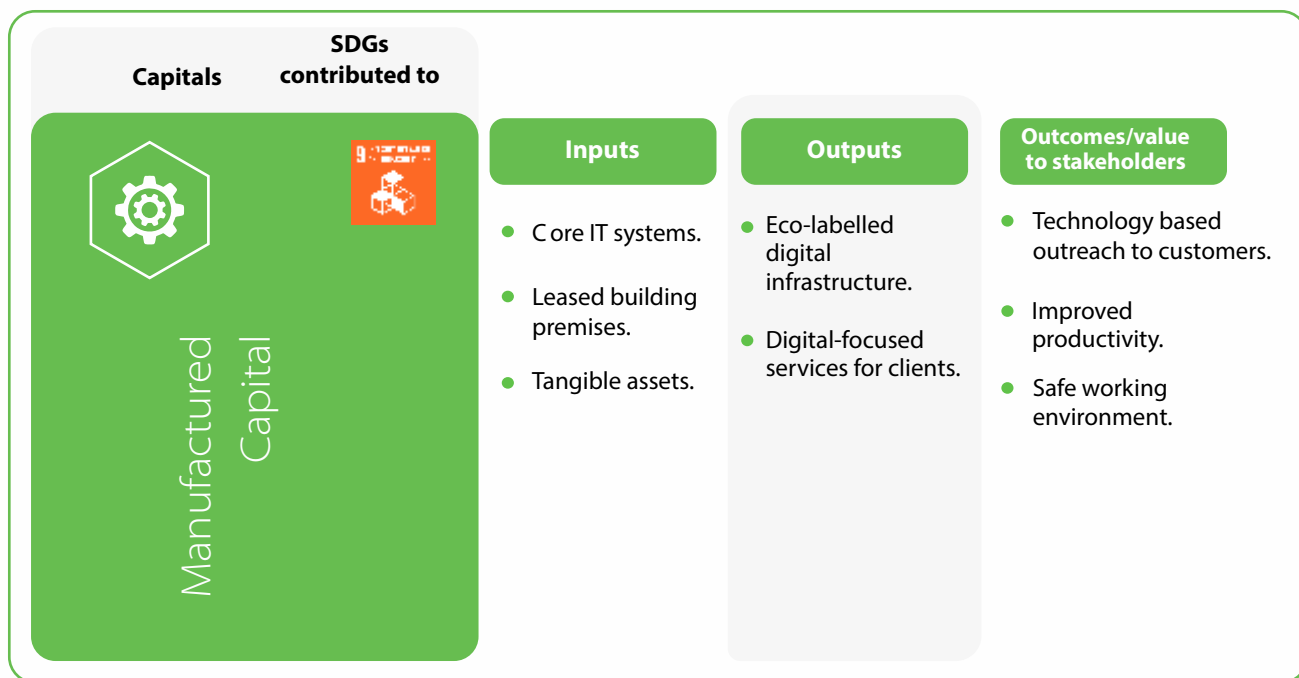
IIRC Capitals (Facets of resources)	Capital definition	Value Created	Impact on other capitals
1. Alignment with and support for an organization's governance framework, risk management approach, and ethical values	Number of employees, employee turnover as well as diversity profile would be considered under Human Capital.	Training and Development	  
2. Ability to understand, develop and implement an organization's strategy	Core Business Processes: 1. Human Resources Management	N1.2bn in remuneration and benefits	  
3. Loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate	Key business activities: 1. Identification and attraction of talents and skilled employees. 2. Talent Retention 3. Training and Development 4. Strengthening skills to deliver strategic objectives 5. Objectives setting and tracking for processes 6. Succession planning	Culture and Ethics	   
Social and Relationship Capital			
The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being.	DBN's Social and relationships capital includes efforts at engaging with people, stakeholder groups and partners to strengthen the business network. This capital defines governance, norms and values established which aid the social license to operate.	Private sector partnerships	   
Social and relationship capital includes:	Core Business Processes: 1. Credit operations and relationship management	N42million in social investments	  

IIRC Capitals (Facets of resources)	Capital definition	Value Created	Impact on other capitals
1. Shared norms, common values and behaviours 2. Key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders 3. Intangibles associated with the brand and reputation that an organization has developed 4. An organization's social license to operate	2. Corporate services 3. Stakeholder engagement and management 4. Operations Key Business activities: 1. All activities and initiatives aimed at maintaining and enhancing relationships with all stakeholders. 2. Activities aimed at conducting sustainable business via operational interactions 3. Portfolio expansion 4. Strategic alliances	New Revenue streams Advocacy Stakeholder Engagement	        

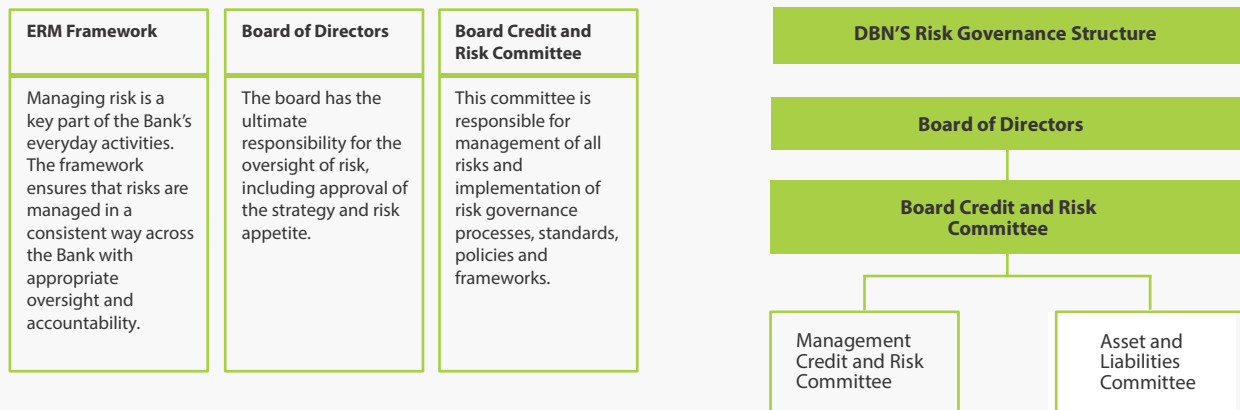
3.13 Value Proposition: Development Outcomes







3.14 Risks and Opportunities: ERM Report - Outlining Core Risks



Three lines of defense



Risk Universe



3.15 Key Enterprise – Wide Risks

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

S/N	RISKS	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.
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).
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.

S/N	RISKS	RISK DRIVERS	MITIGANTS
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 a maintenance.
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 the operations and activities of DBN.
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.	- Implementation of the ERM framework and ensuring all risks are managed. - 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.
10	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.



3.16 Managing our E&S Risks

The Environmental and Social Risk Management (ESRM) policy guides the conduct of due diligence for investment purposes. The ESRM policy considers all required covenants from our shareholders in managing environmental and social risk and leverages additional regulatory and voluntary standards for ensuring 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 engagement with DBN.

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

- We have recorded zero Non-performing loans as set out in our strategic objectives.
- We received a Low Composite Risk rating by the Central Bank of Nigeria (CBN).
- We have developed an in-house automated E&S risk assessment tool to increase the efficiency and effectiveness of our risk assessment process.
- We received an AA (Highest) rating from the AADFI in 2017 and 2018.



Our Performance across the Capitals



Financial Capital

Our financial strategy is designed to create capacity for Nigerian MSMEs over the long term and to maintain financial sustainability.

To meet our development outcomes, DBN invests for long-term growth prospects, while considering short to medium-term volatility and uncertainty in domestic and global markets.

Macro-economic volatility poses a risk to our business model. However, we have put in place a robust financial and risk management framework.



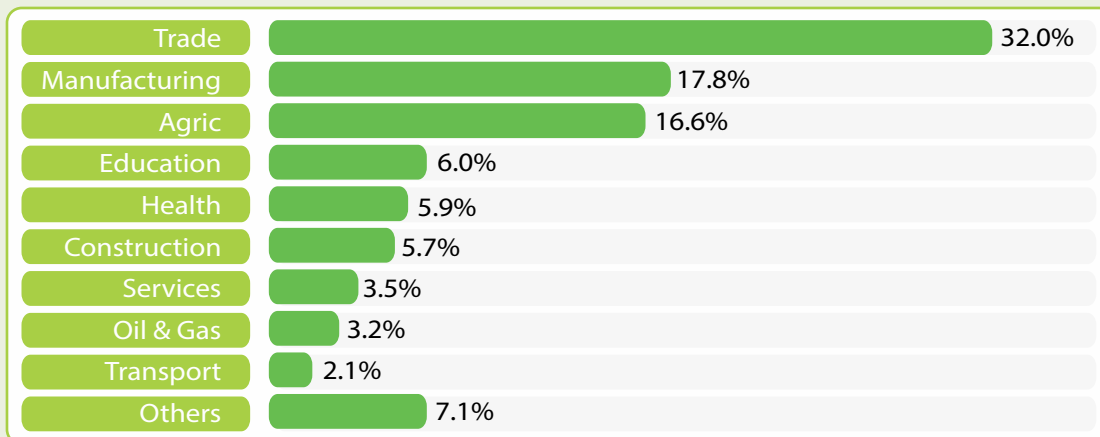
4.1 Financial Capital

DBN's core financial operations involves the provision of credit facilities for MSMEs in Nigeria. Our mission is to produce effective solutions to the long-term funding needs of businesses, thereby ensuring significant contribution to the sustainable growth of the Nigerian economy.

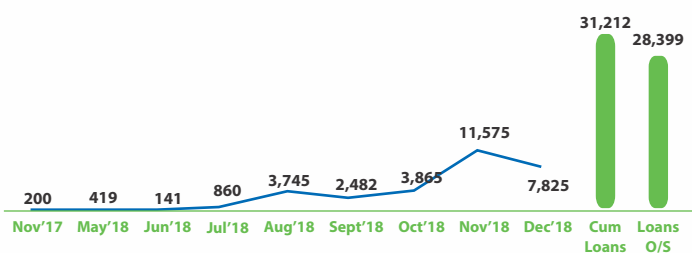


4.1.1 Loans Disbursement Dashboard

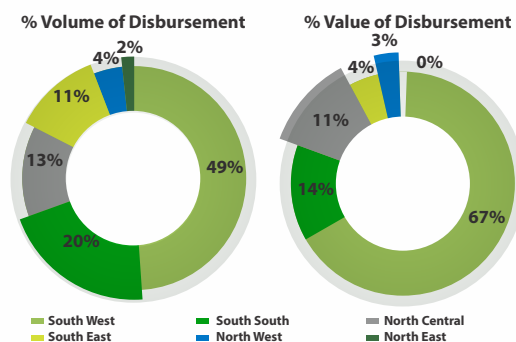
Sector Distribution (% Value of Disbursement)



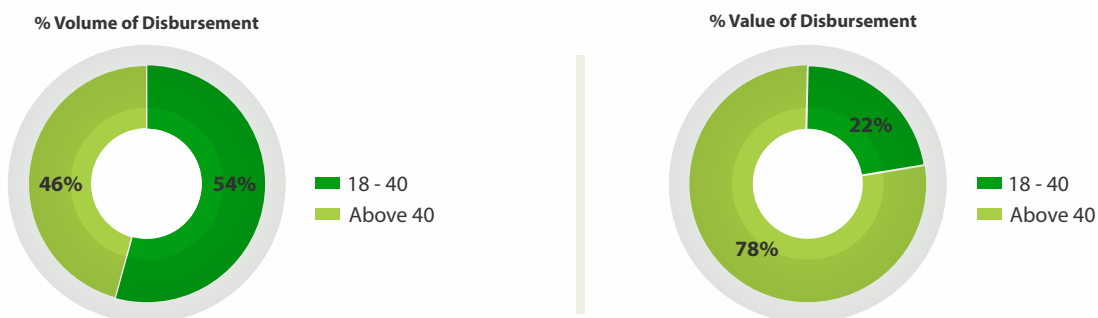
Trend of Loan Disbursements (N'm)



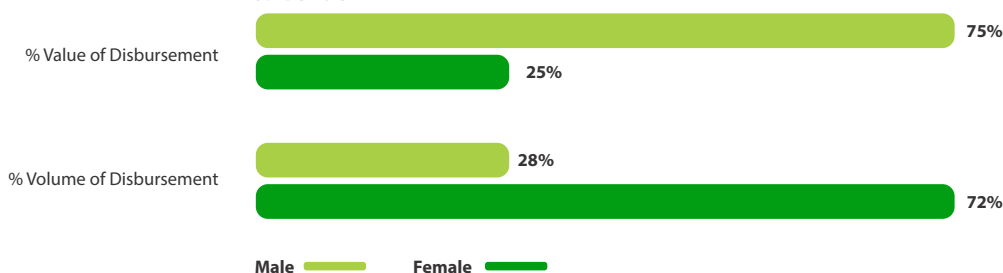
Geographical Spread



Disbursement to Youth



% Gender Mix



4.1.2 Contribution to MSMEs

Nigeria has over 37 million MSMEs, which employ over 54 million skilled and unskilled labour and contribute about 54 per cent to the GDP of the country (NBS). At DBN, our core mandate revolves around providing funding for MSMEs in Nigeria and providing financial education to ensure expansion of this key sector of the Economy. Since inception, DBN has partnered with development partners to create an impact across all geographic regions of Nigeria.

Our pilot Monitoring and Evaluation (M&E) exercise held in 2018 was commissioned to track the disbursement and utilisation of DBN loans, obtain project-level data, analyse the impact that loans disbursed have had on the MSMEs and make inferences on possible impact on Socio-Economic growth.

MSMEs representing 62% of disbursed loans as at September 2018 were sampled from across geopolitical zones to participate in the M&E exercise. A mix of qualitative and quantitative surveys, unstructured interviews and focus group discussions were employed in the data collection process.

The dominant sectors represented by the surveyed MSMEs were Education, Manufacturing and Commerce, each accounting for 22% of MSMEs surveyed, while Transportation accounted for 4% of MSMEs sampled. The primary expenditure item for MSMEs was purchase of new machinery and equipment, with more than half of loan amount utilized for this purpose.

The South-West and South-South geopolitical zones accounted for the greatest number of end-borrowers and the highest amount of loans respectively.



39% of MSMEs reported an increase in capital assets after receiving the DBN loan. The total value of assets increased by 7%. With about N2.065billion naira disbursed to the sample MSMEs, 537 new jobs were created and the overall turnover volume of the MSMEs increased by 17%.

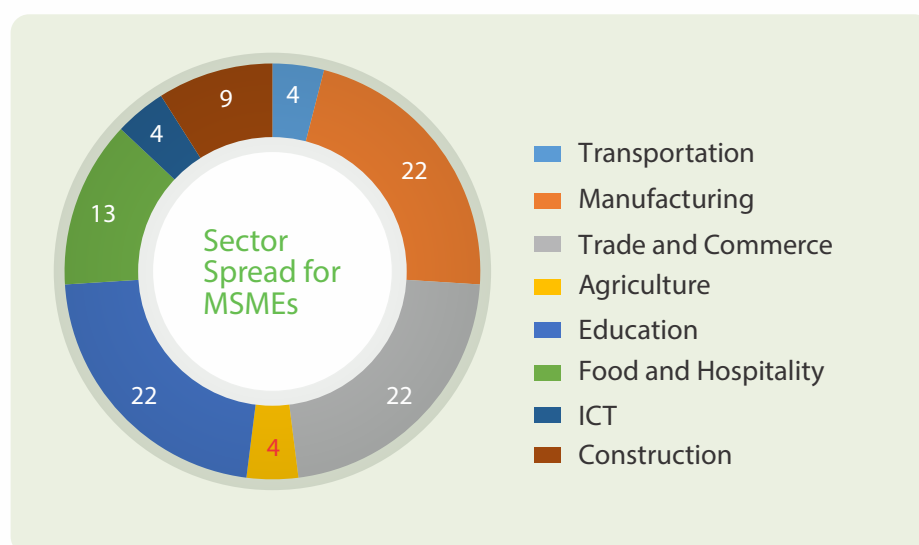
The DBN loans also created certain value chain linkages, for instance, it was possible to link expansion in the transportation business to increased value for the manufacturing and construction businesses in this study. However, the value chains were not systematically connected through a deliberate arrangement, signaling an opportunity for DBN to prioritize certain sectors to create more value and impact.

Although it was not possible to examine the effect of the loans disbursed on economic growth and Human Development Index (HDI) convincingly in the first quarter, the findings infer a positive outlook in achieving the long-term goals related to economic growth and improvement in the HDI.

The amount disbursed through PFIs to the 23 businesses included in this study was a total of N2.07Billion. The firms in the Education and Agriculture sectors only received an average of 8 and 5 Million Naira respectively, while a firm in construction sector received a loan of 500 Million Naira.

MSMEs in the Transportation sector only accounted for 4% of the total number of end-borrowers sampled however, they received 24.21% of the total loan amount disbursed. The labor-intensive production sectors such as Construction and Manufacturing received close to half of the loans disbursed-keeping up the chances of creating employment opportunities. They accounted for a total of 47% of loans disbursed.

DBN's on-lending model aims to generate beneficial impacts on economies and populations by directly or indirectly creating jobs and expanding economic opportunities for MSMEs. Investments in small business creates a value chain that generates indirect economic impacts through its income distribution effect. In addition, an indirect growth effect can be observed due to higher productivity and expanded employment which will affect the supply and prices of goods and by extension the quality of life.



4.1.3 Highlights of 2018 Financial Performance

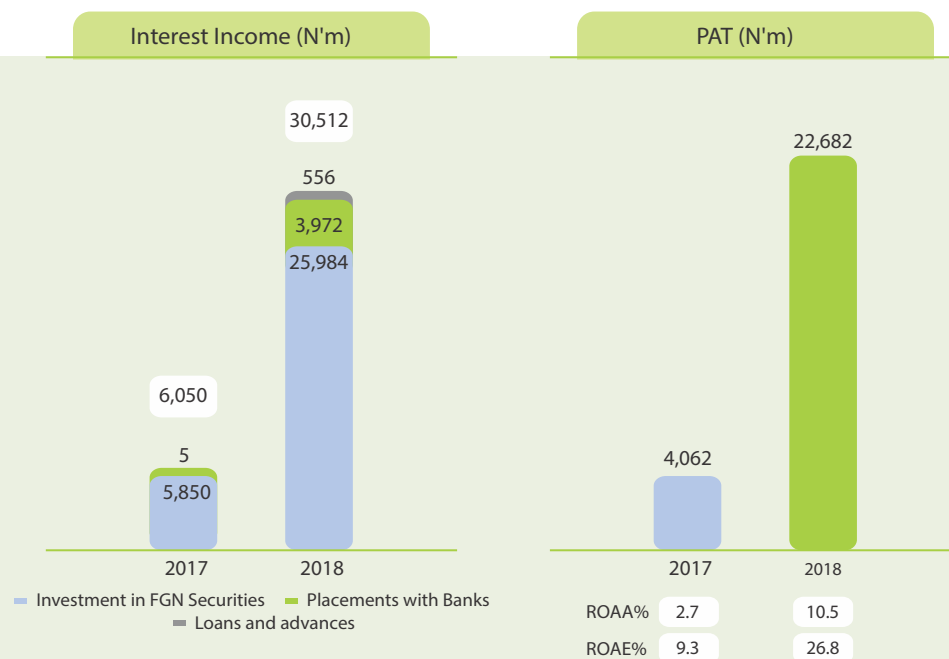
Profitability

The revenue generating model for DBN is focused on income from lending and investment activities only.

2018 being the first full year of lending operations, income from investment activities accounted for majority of interest income generated. We expect to see the income contribution from permissible investments (FGN securities and placements) decline in subsequent years as the Bank expands its lending base.

The Bank recorded interest income and profit after tax of N30.5bn and N22.7bn respectively in 2018.

DBN's return on equity stood at 26.8% as at the end of 2018 while its return on assets was 10.5%.



Impairment charges on financial assets

The impairment charges on financial assets is computed based on expected credit loss (ECL) according to IFRS 9 accounting standard.

The Bank recorded impairment loss of N346m for 2018 financial year and its NPL ratio was 0.0% as at December 31, 2018.

DBN 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 the Bank's 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.

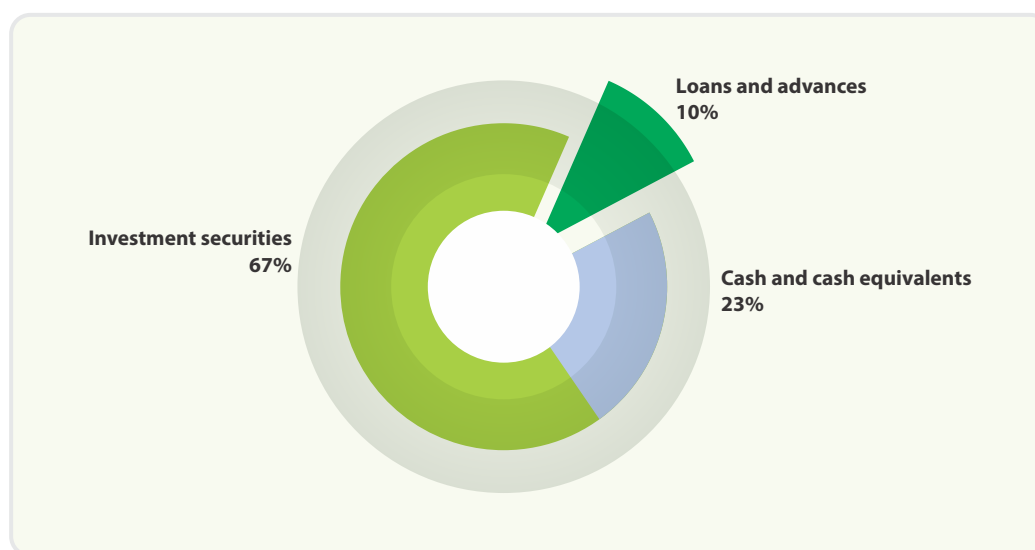
Loan Disbursement

A total of N31bn was disbursed to about 35,000 MSMEs in 2018, representing about 3%* of the Nigerian banking industry loan portfolio (gross loans) to retail & SME business segments. This performance is a good start in our journey to provide access to credit to the Nigerian MSMEs.

Outstanding loan balance stood at N28.3bn as at December 31, 2018, which represents 10% of DBN's total assets.

*Agusto & Co 2019 Banking Industry Report

Asset Composition



Equity

The Bank's equity increased to N126bn in 2018 from N43bn (2017). The increase was due to equity injection of N60bn to meet the N100bn CBN's share capital requirement for Wholesale Development Finance Institutions and 100% reinvestment of 2017 profit.

Funding

Long term debt increased by 73% to N152bn in 2018 over 2017 closing of N88bn. Additional funds were received from development partners in line with their debt commitments.

Development Partner	Debt Commitment (US\$million)
World Bank (IBRD)	480
AfDB	450
KfW	200
AFD	130
Total	1,260



4.1.4 Financial Sustainability

Statement of Financial Position (Extract)

<i>In thousands of naira</i>	2018	2017	Change
Total Assets	278,808,767	152,486,338	83%
Total Liabilities	152,764,697	109,005,511	40%
Total Equity	126,044,070	43,480,827	190%

Statement of Profit and Loss (Extract)

<i>In thousands of naira</i>	2018	2017	Change
Total Operating Income	26,194,270	5,161,140	408%
Profit for the year before taxation	22,910,945	4,103,186	458%
Tax expense	229,109	41,032	458%
Total comprehensive income for the year	22,681,836	4,062,154	458%

<i>Financial Ratios in %</i>	2018	2019	Change(BPS)
Return on Average Assets	10.5	2.7	785
Return on Average equity	26.8	9.3	1,742
Cost to Income	12.5	20.5	(796)
Capital Adequacy	324.1	370.0	412



Human Capital

The competencies, motivation and ethical work practices of our employees and service providers enable us to create commercial value and sustainable development in the short, medium and long term.

This is accompanied by occupational training, as well as comprehensive policies and procedures to build an inclusive and safe working environment.

4.2 Human Capital

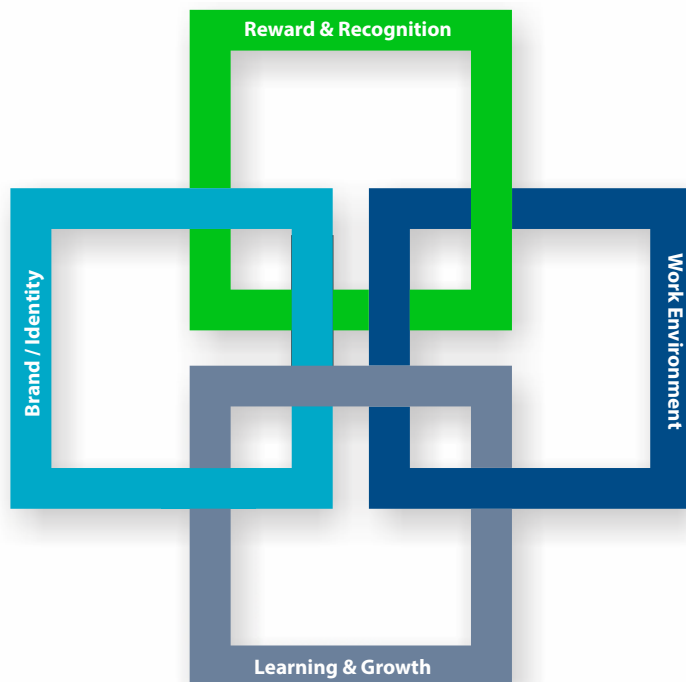
4.2.1 Employee Value Creation

We value our employees and are committed to the continuous development for enhanced performance and improved efficiency. In addition, we have embarked on a series of programs that attract and retain the best calibre of people.

Results from our Employee Value Proposition exercise have shown that we are able to retain and attract the right human talent in the highly competitive market as a result of the following factors:

- ✓ Corporate and Brand Identity
- ✓ Reward and Recognition
- ✓ Enabling Work Environment
- ✓ Learning and Development

In rolling out Human Capital policies, these indicators are translated across our business process to create a productive and inclusive workforce.



□ Work Environment & People Practices

- Equal Opportunities
- Work-life Balance
- Leadership Reputation
- Relationships

□ Reward and Recognition

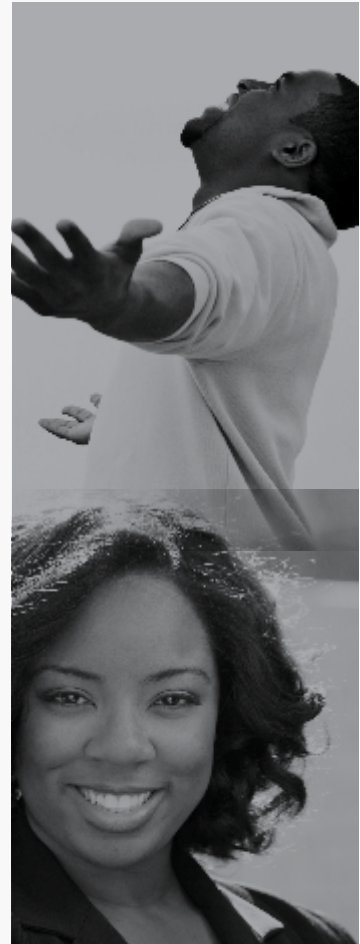
- Competitive Compensation
- Benefits(Well-being, Pension, Leave)
- Recognition

□ Corporate Brand and Identity

- Vision & Mission
- Core Values
- Corporate Social Responsibility
- Ethics

□ Growth and Learning Opportunity

- Learning
- Career Development
- Professional Development





4.2.2 Training and Development

Building sustainable human capital requires us to build a competent workforce that will support our current and future business objectives. We ensure continuous training and capacity building as a way of empowering our employees to carry out their functions efficiently while also equipping them to achieve their future career plans.

DBN employees development program is built on a robust internal training curriculum which covers technical and non-technical training. Training topics cover Fundamental Development Banking knowledge, Responsible Financing, UN SDGs and mandatory AML/CFT training. The programmes include on-the-job training, classroom sessions and web-based training programmes which are available to all staff.

Employees are also supported to write professional examinations both in terms of leave days (up to 10 days) and financial aid for approved courses. In addition, virtual learning platforms are being developed to complement in-class and other training methods.

Performance Management

To manage the career progression of our staff, we have developed a competency framework that details the required skills for each role. This allows us to drive a business case for the career progression of our staff. Furthermore a robust performance management system managed on our automated Enterprise system is in place with individual KPIs for all staff to ensure holistic internal development. The KPIs cover functional and behavioral indicators.

Management Trainee Program

A management trainee program will be initiated in 2019. This program will be a two year program with intensive training modules to build the next generation of talent for the Bank.

Succession Planning

Succession planning is important to the stability, viability and bottom line of the company. Transition remains one of the most difficult challenges that an organisation faces in today's complex era of organisational management. DBN succession planning policy ensures the process of identifying and preparing strong employees through mentoring, training and development.

4.2.3 Employee Welfare

Keeping employees motivated and vested in DBN core values is an integral part of our human resource development strategy. The Bank has implemented various initiatives to build a world class working environment for all employees. These include:

Compensation and Benefits

To ensure that employees remain committed and highly motivated, periodic industry benchmarking of remuneration is performed to ensure that DBN compensation is in the 75th percentile of peers.

Nursing mothers: Paid maternity leave for 4 months is available to all new mothers and fathers are also entitled to a paternity leave.

Health: The Bank has deployed periodic on-site health checkups by medical practitioners and this has led to increased engagement on health and well-being practices. All employees are also signed up to Health Insurance Program that provides them with access to medical care. In keeping up with the growing concern on mental health, the Bank will initiate health seminars in 2019 focused on mental wellness. Employees are also provided financial support to enrol at external gym facilities to improve physical fitness.

4.2.4 Diversity and Equality

Gender equality and diversity

At DBN we understand that a healthy mix of people across gender, sex, race and ethnicity who contribute differing points of view and opinions are crucial to workplace success.

This blend of unique experience and outlook enables DBN to be more dynamic in generating ideas towards achieving our strategic objectives. To this end, DBN facilitates equal employment opportunities based on relative ability, performance or potential and strives to build a safe work environment by taking action against inappropriate workplace and business behavior.

Our workforce gender policy defines DBN's pledge to promoting gender empowerment within its workforce in line with Principle 4 of the Nigerian Sustainable Banking .

Principles as defined by the Central Bank of Nigeria and in accordance with the Women's Empowerment Principles of the United Nations Global Compact.

DBN is committed to being an active advocate for diversity across the Financial Services sector by:

- Developing and implementing initiatives that support the leadership development and positive contribution of male and female employees at all levels of the organization.
- Promoting an inclusive workplace culture wherein everyone has the opportunity to fully participate and is valued for their distinctive skills, experiences and perspectives; and
- Incorporating diversity into business practices through socially responsible initiatives that improve the quality of life of our workforce.

The gender distribution of DBN employees is highlighted below:

	Employees		Board members		Senior management	
	Male	Female	Male	Female	Male	Female
2018	18	7	8	1	11	2
% spread	72	28	89	11	85	15
2017	8	3	8	1	4	2
% spread	73	27	89	11	67	33
% change	-1	1	0	0	18	-18

Continuous efforts are being made to improve on the number of women in the workforce to achieve best practices for gender diversity.



4.2.5 Occupational Health and Safety

The Bank maintains business premises designed with a view to guaranteeing the safety and well being of its employees and customers alike. The Bank operates both a Group Personal Accident and Group Life Insurance cover for the benefit of its employees.



Natural Capital

Our business is conducted with the utmost concern for the ecosystem where we exist and the influence that our operations have on the larger environment.

We ensure that our employees, contractors, suppliers and customers act in a responsible way to minimise any negative impact on the natural environment and communities who depend on it for their livelihoods.

Climate change remains a key aspect of our advocacy programs.

4.3 Natural Capital

4.3.1 Energy Consumption

DBN implements initiatives towards reducing its consumption of energy, mainly electricity. Initiatives to reduce consumption, including installing timers on light switches and on circuits to control air-conditioning are being planned. Consumption trends are tracked to measure our efforts towards reduction.

4.3.2 Reducing Emissions

A wide range of initiatives to lower our greenhouse gas emissions have been put in place. These include virtual communication channels for meetings as well as more efficient maintenance of our equipment sourcing. In spite of our lean workforce, DBN will begin to measure travel emissions in the near future.

4.3.3 Water

DBN is committed to responsible sourcing and consumption of water. Our facilities are managed effectively and we have plans to begin measuring, monitoring, managing and reporting our water use as standard business practice and, where possible, proactively conserve water. We also educate our employees on effective water use and conservation.

4.3.4 Waste

Waste material is disposed of through legitimate contractors at certified waste disposal facilities. Although DBN does not generate significant volumes of waste, our shared facilities at our current location helps reduce overall wastage. We are strongly committed to the 3Rs (Re-use, Reduce and Recycle) principle in the Bank.

4.3.5 Environmental Compliance

DBN through its ESRM policy operationalizes and promotes an appropriate Environmental and Social Management System (ESMS) for itself, as well as for the financial institutions it on-lends to – in order to effectively assess and manage the E&S risk exposures associated with DBN's lending activities. The ESMS is a framework that integrates ESRM into PFIs overall procedures for lending and investment operations supported by DBN.

As a condition of eligibility to receive financing from DBN, the PFIs are required to put in place and maintain an Environmental and Social Management System (ESMS) to identify, assess, manage, and monitor environmental and social risks and impacts associated with activities they finance. This should be commensurate with the nature and magnitude of such risks and impacts at the individual transaction and portfolio level. PFIs are also required to submit to DBN an Annual E&S Report on the implementation of the ESMS.



The PFIs ESMS are expected to include the following elements:

- Environmental and social policy
- Clearly defined environmental and social risk identification, assessment, and management procedures
- Organizational capacity and competency
- Monitoring and review of E&S risks of individual transactions and portfolio
- External communications mechanism

DBN also issue an Exclusion List that outlines activities DBN will not support through the provision of financial products and services. The Exclusion List is compliant with Nigerian law and is aligned to the exclusion requirements of multilateral and bilateral lenders and/or shareholders that provide financing to DBN.

4.3.6 Green Energy Promotion

Our 5-year strategic plan sets out a number of strategic initiatives including those that promote low green and carbon finance that support the Federal Government alignment to the Paris Climate Change agreement . DBN will play an active role in contributing to Nigeria's medium and long term transition to a low-carbon, resource efficient and climate resilient country.

Some of our initiatives towards building Nigeria's Green economy will include:

- Promoting innovative and high-impact green programmes and projects
- Advocating for sustainable development objectives through green interventions
- Attracting additional investments to support Nigeria's green economy development





Intellectual Capital

We continue to invest in value creation through innovation.

Our technology and capabilities are focused on building and delivering world-class products specifically designed for the African market.

To build in-house capability – and to promote local skills and content – we invest in training and development to complement our role as an advocate for development in Nigeria.

4.4 Intellectual Capital

4.4.1 ISO Certifications



International
Organization for
Standardization

In confirmation of its commitment to quality work environment and processes, the bank adhered to the certification standards of the International Organisation for Standardisation. The Bank has obtained the ISO 22301:2010 certification for Business Continuity Management, ISO 270001:2013 for Information Systems Management and ISO 20000:2011 for IT services management.

4.4.2 Financial Education

In 2018, the Bank conducted two capacity building trainings on Environmental and Social Risk Management (ESRM) to PFIs in August and December of 2018.

Our Operations staff also attended trainings (national and international) centered on the following;

1. Foundation Course on Development Finance
2. Environmental and Social Risk Management
3. Anti-Money Laundering/Counter Financing Terrorism
4. Effective Customer Services
5. SME Banking and Green Financing
6. Leadership and Strategic Management

In addition, DBN actively promotes the National Collateral Registry (NCR) on an alternative means of collateralising disbursements to our PFIs. This has led to disbursements of over N5billion to over 15,000 end-borrowers through the NCR.

4.4.3 Credit Due-Diligence

DBN's credit policy, ESRM policy and Enterprise Risk Framework set guidelines for our credit due-diligence process for on-boarding PFIs. The outcome of each due diligence process forms the core of financial and non-financial information on the PFI and is constantly updated throughout our engagement.

Our Credit risk management process considers expectations from our Development Partners as well as the World Bank's requirements:

Credit Risk Management Process:



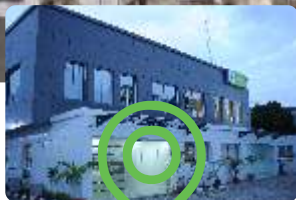


Manufactured Capital

Investment in manufactured assets enables us to generate long-term value for DBN, our shareholders and the broader economy.

We are committed to the generation of value from infrastructural development through our on-lending operations.

4.5 Manufactured Capital



LAGOS

LAGOS-DBN's Lagos office houses part of our Operations Department responsible for our on-lending relationship with the PFIs.

The Lagos office is equipped with facilities to ensure a conducive working environment, keeping in mind our principles for clean and green working spaces.



ABUJA

ABUJA-DBN's Headquarters at Tigris Crescent, Maitama Abuja is a modern shared facility. This facility is equipped with state of the art video conferencing facilities, to ease communication and reduce travel time. Faux wood panelling has been deployed to improve the serene ambience that increases productivity and the well-being of our employees. Central cooling mitigates the hot weather of Northern Nigeria and reduces cooling costs. All facilities are managed effectively by professional managers to reduce our overall carbon footprint.



DBN obtained the ISO 270001:2013 for Information Systems Management and ISO 20000:2011 for IT services management certification for its Information security infrastructure as evidence of our commitment to improving our cybersecurity practices and data protection obligations



Social Capital

The quality of our stakeholder relationships enhance our influence in the communities in which we operate.

Our core products seek to deliver economic empowerment for small businesses and we achieve this partly by strongly advocating for MSMEs through numerous public and social activities.

In keeping with SDG 17: Partnerships, we continue to leverage collaboration to build the development landscape in Nigeria.

4.6 Social Capital

4.6.1 Indirect Economic Impacts

Our internal systems also create indirect economic value due to the spending power of our employees. It is estimated that each job at DBN has a job creation multiplier effect of 4x, resulting from the commercial actions of DBN employees.

In addition, internal processes such as procurement create economic value for the numerous vendors and suppliers.

4.6.2 Procurement Sustainability

DBN's procurement policy requires contractors in DBN's institutional supply chain to comply with applicable local and international standards and requirements that provide for humane work conditions, protection of occupational safety and health, reasonable wages and benefits, respect for diversity, and other labor standards.

4.6.3 Child Labour

In line with our ESRM Policy, DBN ensures due diligence is done for all associated institutions and businesses to ensure no incidences of child labor are recorded. DBN's internal recruitment policy is also clear on prohibition of child labour and thus extends to all vendors and suppliers.

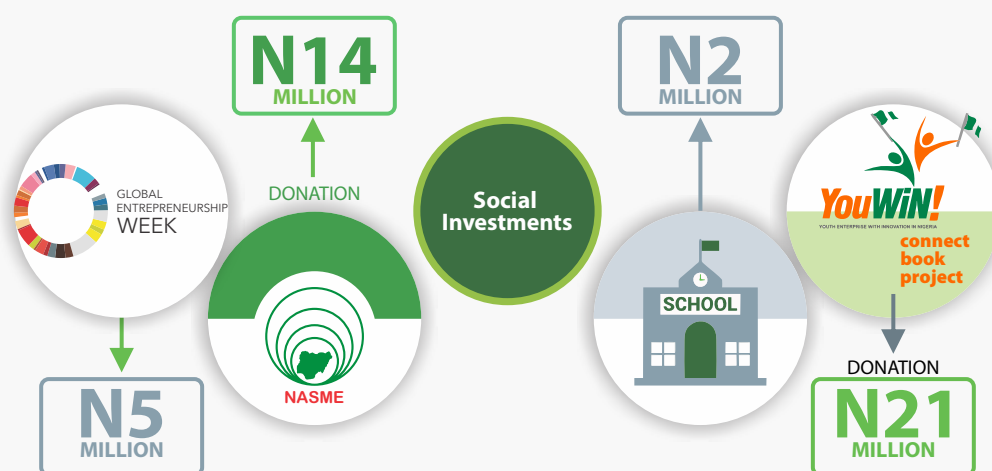
4.6.4 Social Investments

Cooperative relationships with the communities in the areas where we are active are indispensable for our business operations and key to our business success. We aim to create value not only for our company but also for the communities in which we operate.

DBN's Corporate Social Responsibility (CSR) Policy serves as the foundation of our efforts at giving back to the society as a responsible corporate citizen. In addition, the employee volunteering programme is designed to ensure cohesion and consistency to all the elements in the CSR process and to achieve high impact for all initiatives.

Our Social investments focus on material areas such as promoting human rights, providing aid to communities and protecting the environment, all while ensuring full legal compliance.

DBN identifies with the aspiration of the country and the MSME ecosystem. To this end, DBN made donations of 42 Million Naira to various organizations within the MSME space with a view to promoting its viability and development.



Donation to National Association of Small and Medium Scale Enterprises

*Buses at
NSIK Motors Limited,
Uyo*



*Factory employees at
Gadogee Limited,
Ikorodu, Lagos*



*Workers at
Sujec Aluminium,
Suleja*

*Focus Group
Discussions*





Performance Outlook

4.7 Performance Outlook

DBN aims to play a pivotal role in the sustainable development landscape in Nigeria. To this end, the bank will continue to track development impact year-on-year using laid down performance indicators. This will be evident in our overall strategy, and board commitment to development outcomes related to the SDGs that are directly correlated to our mandate.

Development outcomes will be tracked using financial and non-financial dimensions and will include such components as financial inclusion, literacy, credit reforms and gender equality.

PROPOSED ACTIVITIES FOR 2019

The activities listed below are scheduled for the 2019 Operating Year:

1. DBN Annual Lecture Series:

A thought leadership initiative to be organized by DBN, intended as a platform for robust exchange of ideas to meet the challenges and opportunities that exist in the Micro, Small and Medium Enterprises (MSMEs) segment of the Nigerian economy.

Proposed theme: *“Surviving to Thriving: MSMEs as the Key to Unlocking Inclusive Growth in Africa.”*

2. DBN Entrepreneurship Training Programme:

In addition to providing funding and risk-sharing facilities to MSMEs and Small Corporates through participating financial institutions, the Development Bank of Nigeria is also focused on building the capacity of the Nigerian MSME to make them bankable. This proposed strategy is to ensure that DBN builds a high quality and sustainable Capacity Building Programme that meets the following objectives:

1. Ensure MSMEs are well equipped with skills and competencies to prepare and execute sound and viable business proposals
2. Improve the capacity of MSMEs to access available credit
3. Improve the capacity of MSMEs for efficient funds utilization, trade, investments and access to markets

Programme Scope

1. Target Group: Nigerian based MSMEs
2. Number: 100
3. Location: Abuja and Lagos

3. DBN Service Ambassadors:

This is an initiative designed to enhance the service experience of end borrowers with the Participating Financial Institutions (PFIs) through the help of PFIs' staff representatives called Service Ambassadors.

Service Ambassadors are PFI staff who have been nominated to handle DBN enquiries by bank customers at branch levels. They will be trained to demonstrate a passion and understanding of the DBNs products and offerings, ensuring that no customer walks into their branch without having a DBN reference point and quality service delivery.

4. MSME Summits

The MSMEs Summit will be a one-day event designed to build capacity for already existing entrepreneurs and is targeted at both the Formal and Informal Sector of the country. These summits will be facilitated by renowned faculty with support by PFIs to increase access to finance for MSMEs within key markets in the 6 geo-political and economic zones of Nigeria.

Strategic Framework for the MSME Summits

Ignite: Identify target groups in clusters to ensure credibility of the summit, ignite interest in the program and invite verifiable participants.

Induce: Focus on generating interest in DBN funding by informing and educating MSMEs during the summit, as well as , clearing all doubts by addressing specific queries using Q&A sessions.

Induct: PFIs will exhibit product offerings, sign on new customers through instant registrations and provide financial advisory services to existing and prospective customers.

A woman with dark hair is smiling and holding a small green plant with both hands. The background is a solid green color. The text 'Our Approach to Sustainability' is written in white, bold, sans-serif font in the center of the image.

Our Approach to Sustainability

5.1 C-Suite Sustainability Statements



Mr. Tony Okpanachi
Managing Director/CEO

Sustainability is a core value at DBN and we are committed to doing business in ways that are good for people and the planet



Mrs. Ijeoma Ozulumba
Chief Financial Officer

Actively pursuing Financial sustainability is our way of ensuring we create value for all our stakeholders. We believe in harmonizing our financial and non-financial data in achieving our triple bottom line objectives.



Mr. Bonaventure Okhaimo
Chief Operating Officer

Our business success is hinged on our role as stimulators of socio-economic development through the services we provide.



Mr. Olu Adegbola
Chief Risk Officer

We are conscious of the fact that our long-term growth depends on how well we manage risk, including the social and environmental issues that can impede or undermine sustainable growth and value creation.



Mr. Idris Salihu
Head, Corporate Services

Year on year, we create value for all our stakeholders and strive to deliver on our commitments to fostering sustainable economic growth in Nigeria. At DBN, we respect the law, support universal human rights, protect the environment and benefit the communities where we work.



Mr. Joshua Ohioma
Head, Internal Audit

We incorporate sustainable development outcomes into our business review process.



Prof. Joseph Nnanna
Assistant Chief Economist

Our business strategy focuses on material issues relevant to our stakeholders. Our future outlook is hinged on our drive to be at the fore front of sustainable development in Nigeria. We are actively interested in promoting economic growth and and improving the Human Development index in Nigeria.

5.2 Sustainability Strategy

5.2.1 Sustainability Governance

DBN's vision for Nigeria is one of an economically prosperous and integrated resource-efficient country, self reliant and progressively free of poverty. More specific is our mission to advance development impact in Nigeria by expanding access to finance and effectively integrating and implementing sustainable development solutions.

This will also improve the quality of life for people through the development of social infrastructure and economic growth across strata.

The various management committees within DBN have a responsibility to make Sustainability a key priority of our strategy. Sustainability considerations are embedded in the mandate of the Board Committees and sound corporate governance practices have proven pivotal to delivering sustainable growth in the interest of all stakeholders.

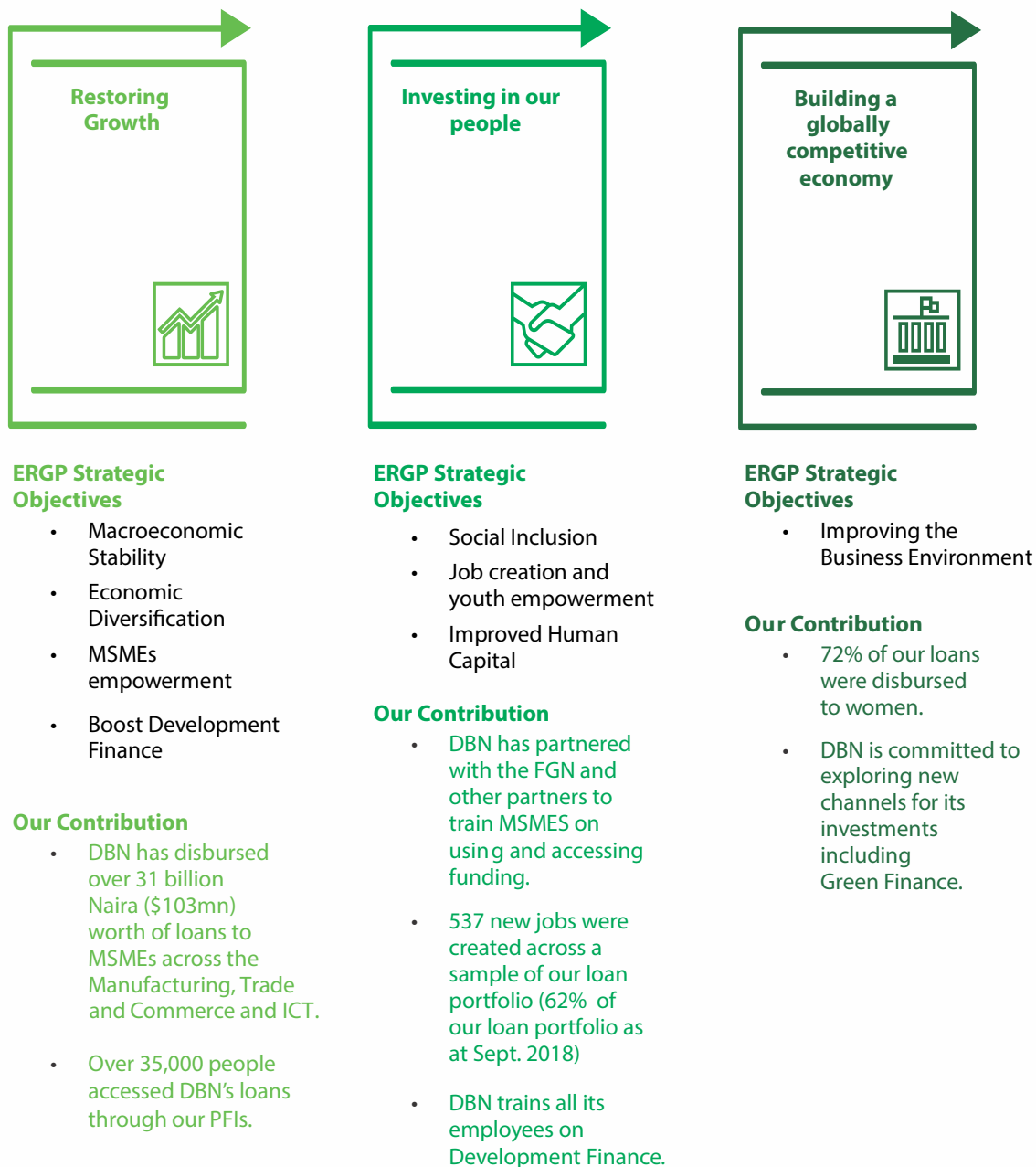
DBN's values and strategy underpin the governance structures and processes, committing the Bank to high standards of business integrity and ethics across all our activities. Governance structures and processes are reviewed regularly, and adapted to accommodate internal developments and reflect best practices.

5.2.2 Sustainability Journey



5.3 Alignment to National priorities

Doing business means a lot more than just achieving outstanding financial results. Businesses are increasingly required to act in an environmentally and socially responsible manner to combat the increasing threat of poverty, world hunger, environmental degradation and climate change. This understanding underpins our stakeholder approach and our determination to make significant contributions to Nigeria's Economic Recovery and Growth Plan (ERGP)





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Bank of Nigeria
INC 1215724

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

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Visit your Participating Financial Institution (PFI)**
Call: +234 1 906 4000 | Email: info@devbankng.com



www.devbankng.com

@DevBankNG    

6.4 Alignment to Global priorities

5.4.1 Our alignment to the SDGs

The UN SDGs set out a strategic blueprint for organisations to contribute to Sustainable Development. To this end, DBN has deliberately aligned its strategy initiatives to 8 SDGs which directly relate to our mandate. Through our products and services, we strengthen our contribution to the SDGs in a holistic and integrated manner.



SDG 1

SDG Outcome

End poverty in all its forms everywhere

Strategic Initiative

- Develop DBN internal capacity
- Training and advocacy
- "Boss Before Graduation" (CSR program for University Students)



SDG 4

SDG Outcome

Quality Education

Strategic Initiative

- Capacity building
- Advocate for MSMEs
- Priority areas/geographical spread
- Job creations by MSMEs



SDG 5

SDG Outcome

Achieve gender equality and empower all women and girls

Strategic Initiative

- Internal management policies
- Develop products with gender lens
- Capacity building for women



SDG 8

SDG Outcome

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Strategic Initiative

- Internal policies driving decent working environment
- Finance of specialised products
- Job creation outcomes



SDG 9

SDG Outcome

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Strategic Initiative

- Create Impact through MSME Advocacy and Investments
- Capacity Building
- Promote MSME Investment in Assets
- Manufacturing-key focus area



SDG 13

SDG Outcome

Take urgent action to combat climate change and its impacts

Strategic Initiative

- Green Finance Innovation
- Finance of Specialised Products
- Strategic Alliances
- Capacity Building in Green Financing



SDG 16

SDG Outcome

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels

Strategic Initiative

- Create Impact through MSME Advocacy and Investments
- MSME Mobile App development
- Engagement with regulators and public
- Social Investments in communities



SDG 17

SDG Outcome

Strengthen the means of implementation and revitalise the global partnership for sustainable development and its impacts

Strategic Initiative

- Achieve geographic and sectorial scale
- Alliances (NASME, SMEDAN), and partnerships within the MSME ecosystem
- Enhance relationships with Government and development partners

5.4.2 Our alignment to Global Sustainability Practices - UNEP FI

UNEPFI PRINCIPLES OF RESPONSIBLE BANKING	OUR ALIGNMENT
Principle 1: Alignment	
We will 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 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 the Bank's development impact on target beneficiaries. Strategic Objectives 3 (SO3) - Champion role as advocate: DBN is positioned as an advocate for the financially-underserved MSME market segment.
Principle 2: Impact	
We will continuously increase our positive impacts while reducing the negative impacts on people and environment, resulting from our activities, products and services.	DBN has developed product papers that align to specific SDG priorities. The product papers aim to increase lending to sectors and activities involving healthcare, fashion, women, entertainment and agriculture. DBN increases positive impact via the advocacy role, by making impact-oriented lending decisions and by monitoring impact indicators after loan disbursement.
Principle 3: Clients and customers	
We will 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.	The Bank 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 appropriate solutions. Through the implementation of DBN's ESRM policy, the Bank works responsibly with clients and customers to encourage and influence sustainable practices in the lending portfolio.
Principle 4: Stakeholders	
We will 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 of communication adopted by DBN to engage with its stakeholders about Bank's Corporate Identity, various 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 objectives which is to provide financing to MSMEs in all sectors. DBN's stakeholder engagement strategy is being articulated. This strategy has identified four stakeholder clusters: PFIs, MSMEs, general public as well as regulators

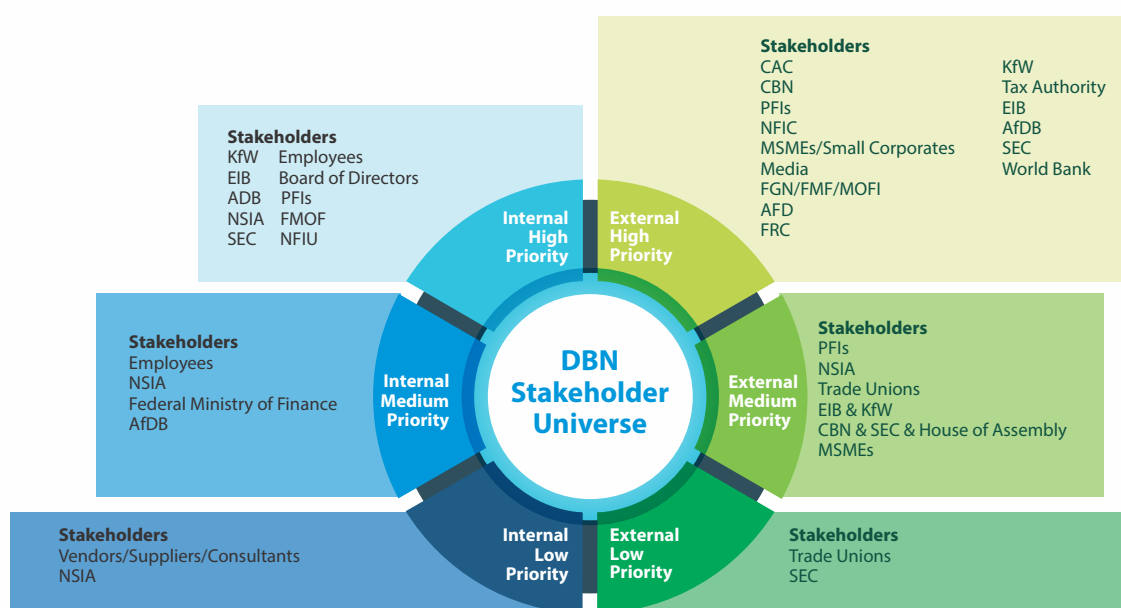
Principle 5: Governance and Target Setting	
We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts	The implementation of DBN's strategic objectives are 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 strategic initiatives.
Principle 6: Transparency and Accountability	
We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals	DBN is strategically focused on development impact and this is a core element of the strategic performance. From DBN's strategic initiatives, the Bank sets out to create an integrated reporting framework aimed at identifying, operationalizing and disclosing development impact through annual reporting.

5.5 Stakeholder Management

5.5.1 Our Stakeholders

In view of the strong local focus of our business operations, we can only be successful in the long term if we maintain cordial and cooperative relationships with the various stakeholders in the society. We seek to establish and maintain a dialogue based on trust with all relevant stakeholder groups - especially those at the local level, but also with national and international stakeholder groups. The resulting exchange of ideas and opinions helps us identify critical issues at an early stage and gain greater acceptance for our activities.

5.5.2 Stakeholder Identification and Prioritisation

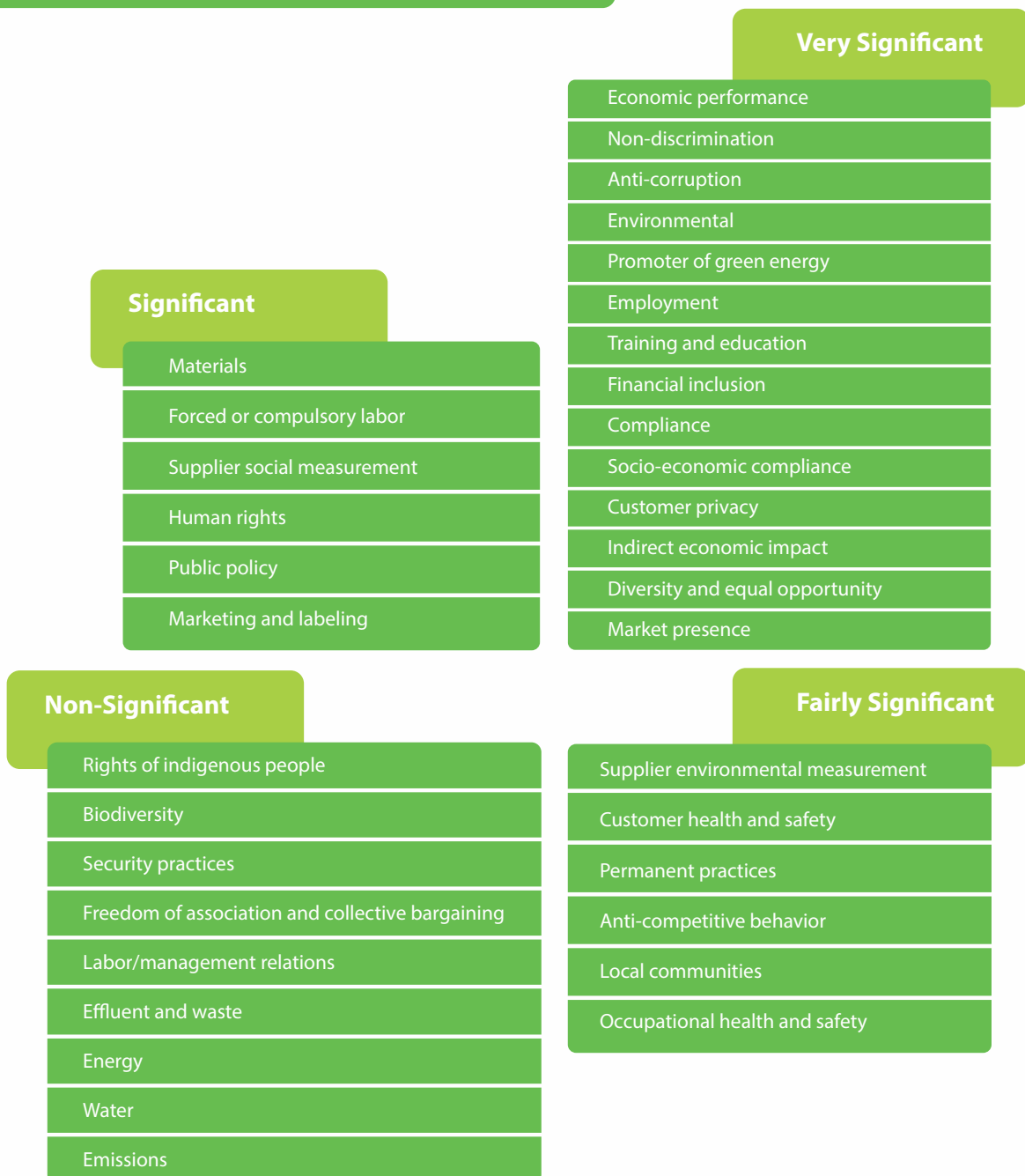


5.6 Materiality Matrix 2018

DBN defines material issues as those that have the potential to substantially impact its ability to create and sustain value for stakeholders. In identifying matters that are material, we consulted a wide range of resources, including:

- Our Business strategy and Development Partners' expectations.
- DBN's key risks identified through our Enterprise Risk Management Framework.
- The business context of a Development Finance Institution (DFI).
- The GRI Standards Suite of Sustainability disclosures.
- Our prioritised stakeholders' needs.

Outlined below is the output of our materiality process:



ESG CATEGORY	DISCLOSURE
ECONOMIC	1 Economic Performance
	2 Market Presence
	3 Indirect Economic Impacts
	4 Procurement Practices
	5 Anti-Corruption
	6 Anti-Competitive Behavior
	7 Financial Inclusion
ENVIRONMENTAL	8 Materials
	9 Energy
	10 Water
	11 Biodiversity
	12 Emissions
	13 Effluents and Waste
ENVIRONMENTAL	14 Environmental Compliance
	15 Supplier Environmental Assessment
	16 Promoter of Green Energy
SOCIAL	17 Employment
	18 Labor/Management Relations
	19 Occupational Health and Safety
	20 Training and Education
	21 Diversity and Equal Opportunity
	22 Non-Discrimination
	23 Freedom of Association and Collective Bargaining
	24 Child Labor
	25 Forced or Compulsory Labor
	26 Security Practices
	27 Rights of Indigenous Peoples
	28 Human Rights Assessment
	29 Local Communities
	30 Supplier Social Assessment
	31 Public Policy
	32 Customer Health and Safety
	33 Marketing and Labeling
	34 Customer Privacy
	35 Socioeconomic Compliance

5.7 Our Sustainable Partnerships

Academia:

DBN conducts and solicits academic research for publication in the DBN Journal of Economics and Sustainable Growth. These articles and papers cover a wide range of related topics including sustainable finance, UN SDGs, Development Economics and Green Finance. The full range of Journals published can be found on DBN's website www.devbankng.com



DBN sponsored the **2018 Global Entrepreneurship Week** hosted by the Enterprise Development Centre of the Pan Atlantic University. This event seeks to celebrate innovators and job creators who launch startups that bring ideas to life, drive economic growth and expand human development.

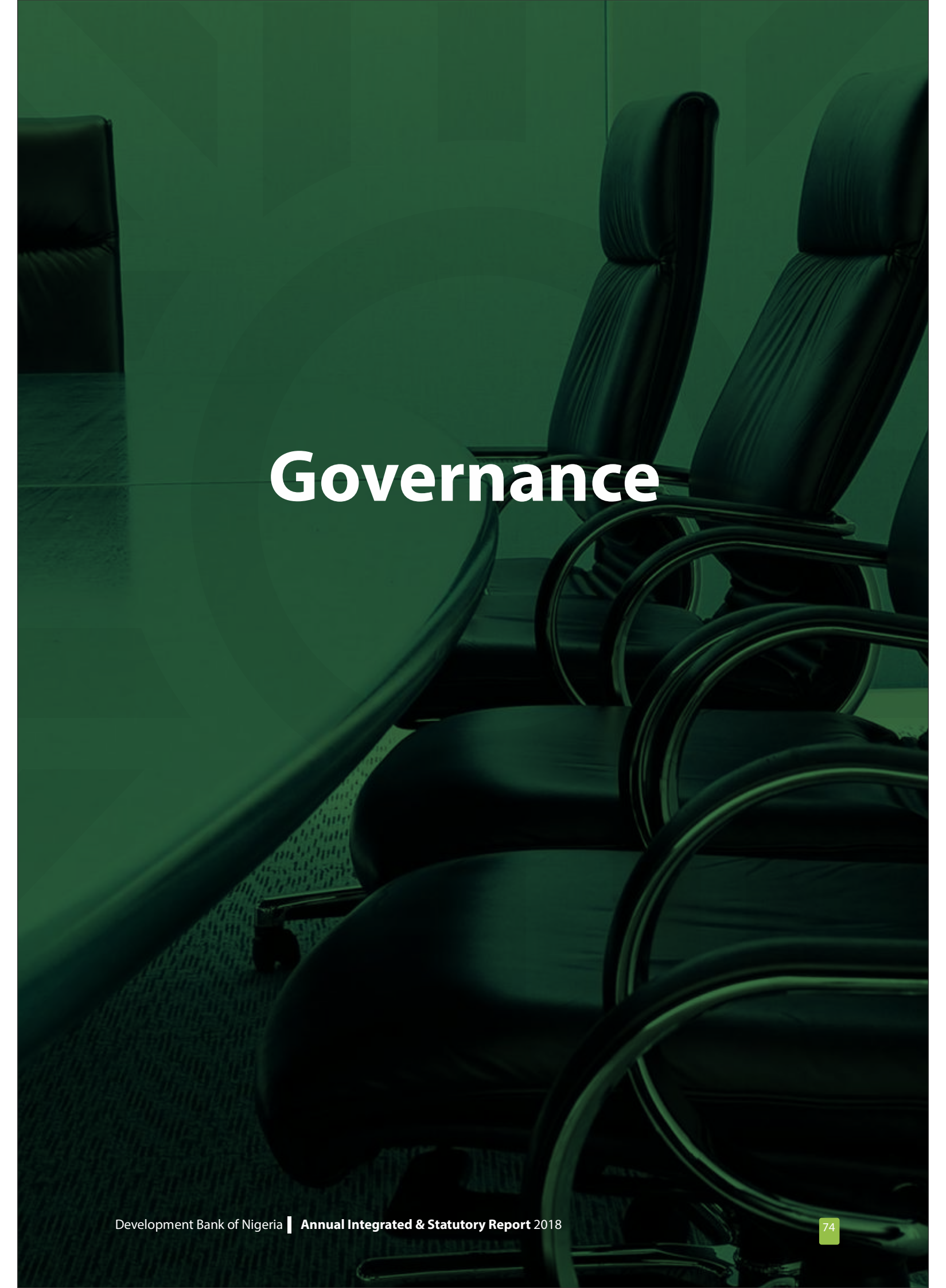


GLOBAL
ENTREPRENEURSHIP
WEEK

FMDQ – DCMC market development for green bonds.

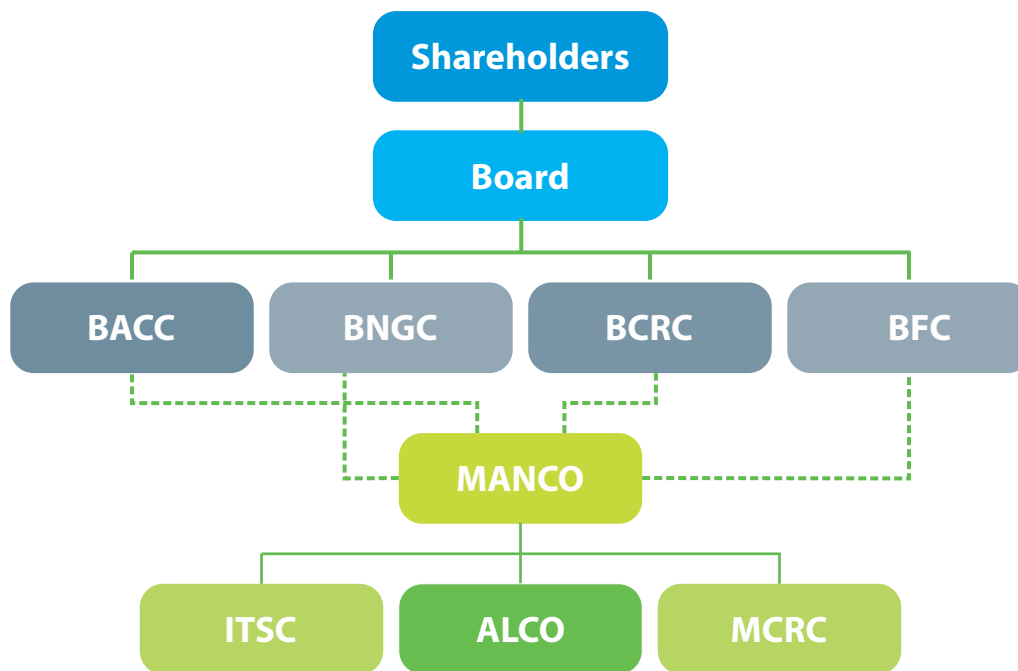
DBN is a member of the sustainable finance sub-committee of the Debt Capital Market Development Project spearheaded by FMDQ.





Governance

6.1 Governance Structure



LEGENDS

BACC: Board Audit & Compliance Committee
BCRC: Board Credit & Risk Committee

BNGC: Board Nomination and Governance Committee
MCRC: Management Credit & Risk Committee

MANCO: Management Committee
ITSC: Information Technology Steering Committee
ALCO: Assets & Liabilities Management Committee

Shareholders

- Federal Government of Nigeria
- Nigerian Sovereign Investment Authority
- African Development Bank
- European Investment Bank

Board Composition

- Nine (9) Directors
- Five (5) Independent Directors
- Three (3) Non-Executives
- One (1) Executive

Development Partners

- World Bank
- KfW Development Bank
- Agence Francaise De Developpment

Board Committees

- Board Nominations & Governance
- Board Credit & Risk Committee
- Board Audit & Compliance Committee
- Board Finance Committee

Board of Directors



6.2 Profile of Directors

PROFILE OF DIRECTORS

Dr. Shehu Yahaya
Chairman,
Board of Directors



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.

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

He had 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 at the Department of Economics in University of Sussex, UK and Head of Economics Department at Bayero University Kano, Nigeria.

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



Mr. Anthony Okpanachi
Managing Director
/ Chief Executive Officer

Mr. Tony Okpanachi was appointed Managing Director/CEO of Development Bank of Nigeria Plc (DBN) in January 2017.

He is a seasoned banker with over 26 years' experience. Before his appointment as Managing Director/CEO of DBN, he was the Deputy Managing Director of Ecobank Nigeria Limited. 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 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 holds a Master's 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.



PROFILE OF DIRECTORS

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.

She is a Member of the Pharmaceutical Society of Nigeria (PSN), an Associate Member of the Paediatric Association of Nigeria (PAN), a member of the Society of Quality in Healthcare in Nigeria (SQHN), and WISCAR (Women in Successful Careers). She sits on the Board of several reputable organizations, a Fellow of the Society for Corporate Governance Nigeria (SCGN), Director, LEAP Africa, Vice President, Lagos Business School Alumni Association (LBSAA), Director, Aspire Coronation Trust (ACT), 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 (UHC) in Nigeria and the need to adopt Global Best Practices and build Sustainable Partnerships.



Mallam Bello Maccido
Independent
Non-Executive Director

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

He had 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 Limited.

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. He was Group Chief Executive at FBN Holdings Plc.



PROFILE 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 experience was 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 Africa Finance Corporation. Mr. Alli was an Executive Director of Africa Finance Corporation since November 2008. He served as Deputy Chief Executive Officer of Travant Capital.

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 since 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.



PROFILE OF DIRECTORS

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.

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 and Executive Director, Retail Financial Services.

He was ValueCard Nigeria Limited and held Directorship position at UBA Capital Plc and 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

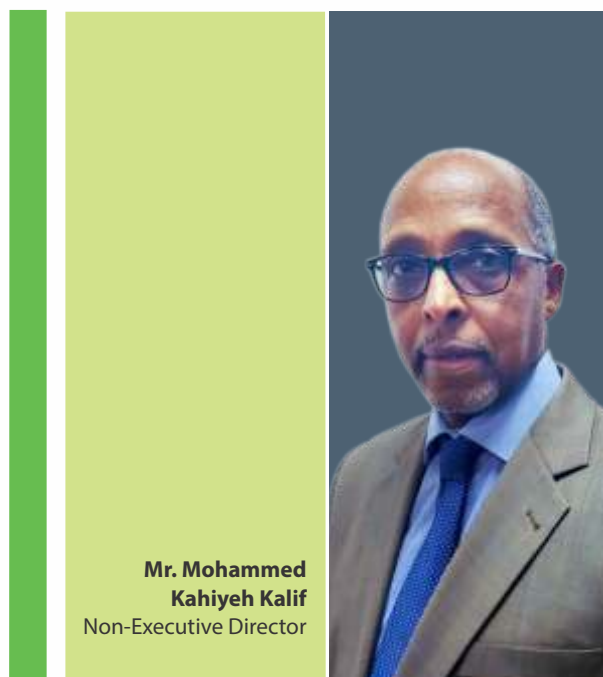


Dr. Oladimeji Alo serves as a Director at ARM Life Plc. He was the Managing Director /Chief Executive Officer of Financial Institutions Training Centre (FITC), where he contributed actively to the series of reforms in the Nigerian banking sector over a period of thirteen years.

While in the services of the international firms of Coopers & Lybrand, which later became Price Waterhouse Coopers, 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.

Dr. Alo is a scholar, a 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.

PROFILE OF DIRECTORS



Mr. Mohammed Kahiyeh Kalif has over 30 years commercial banking and development financial experience, which include risk management, business development and corporate banking relationship management.

He has strong analytical and conceptual skills with proven ability in the development and direction of business processes and has worked in close collaboration with a diverse and complex range of partners and stakeholders including commercial entities, governments, multilateral and bi-lateral agencies.

He has depth in knowledge of leadership and coaching skills with proven track record of building partnerships and delivering results that meet the needs of stakeholders. He is versatile in dialoguing and negotiating sensitive and complex issues with diverse stakeholders in a cross-cultural environment; an attribute he developed having held different key positions working for institutions in the United States of America, the Middle East and Africa.

Mr. Kalif is an American citizen. He holds an MBA from the University of Dallas, Texas, USA and a B.A. Finance from University of Central Oklahoma, USA. He started his banking career with Bright Bank, Dallas USA in 1985, and later joined Riyadh Bank, Saudi Arabia and subsequently Mashreb Bank, Dubai before leaving to join the African Development Bank as Chief Risk Officer. He represents the African Development Bank on the Board.



6.4 Corporate Governance Report

Governing Principles

The Board of Directors is committed to the adoption and observance of best-in-class corporate governance practices in steering the affairs of the Bank. The Board operates on the basis that corporate governance is an intrinsic element of business success, and as such, there is a continuous evaluation and upgrade of the Bank's practices to ensure that these enshrine, the robust practices and structures required to build a virile corporate culture that would keep the Bank's business profitable, sustainable, and an example for the Development Finance sector in Nigeria.

The Board and its Committees (Board Audit & Compliance Committee; Board Finance Committee; Board Credit & Risk Committee and the Board Nomination and Governance Committee) are governed by reference to charters which were approved by the Board of Directors.

The Board provides overall strategic and entrepreneurial direction for the Bank, and by the principle of delegation, Management is responsible for the day to day running of the Bank's business. Pursuant to this delegation, Management has established four (4) committees (the Management Committee ("MANCO"); Management Credit & Risk Committee ("MCRC"), Assets & Liabilities Management Committee ("ALCO") and the Information Technology Steering Committee ("ITSC"), which are aligned to Management responsibilities and reporting lines to the Board of Directors.

Our governance practices are enriched by our adherence to the Codes of Corporate Governance issued by the Central Bank of Nigeria ("CBN") for Development Finance Institutions, the Securities and Exchange Commission ("SEC") Code, and leading practices prescribed by the Financial Reporting Council of Nigeria ("FRCN") Code of Corporate Governance for Public Companies. Sequel to our commitment in ensuring that our governance practices are leading and well ahead of regulatory requirements, we have adopted the strictest requirements of a combination of all the aforementioned Codes of Corporate Governance in our operations.

With the support of our Development Partners, we continually strive for excellence in governance, and deliberately seek out, and adopt tested practices that guarantee the sanctity of our business model and stands us out, as a clear leader in corporate governance in our jurisdiction.

As a Development Finance Institution, we are conversant of the impact of our business on our society and ensure that sustainability is embedded in all we do. We also actively ensure that financial institutions that partner with us, adopt and adhere to minimum standards of business conduct, and in doing this, we secure sustainable value for our shareholders and stakeholders, which is a key remit of our existence.

6.5 Ethics & Compliance

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;

- A Code of Ethics, which sets out the minimum standards of ethical conduct in the Bank
- A Whistle-blowing 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 such.

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 action.



6.6 Whistle-Blowing Policy

The Whistle-blowing 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) whistle-blowers.

The Policy outlines the procedure for Whistle-blowing 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 Whistle-blowing 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 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
- 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.

There were no whistle-blowing reports during the year. The Head, Internal Audit and the Chief Compliance Officer forwards regular returns on all whistle-blowing reports to the Central Bank of Nigeria in line with the provision of the guideline for whistle-blowing for Banks and Other Financial Institutions in Nigeria issued by the Central Bank of Nigeria.



2018 ANNUAL REPORT & ACCOUNTS



7.1 Chairman's Statement



Dr. Shehu Yahaya
Chairman
Development Bank of Nigeria Plc

Chairman's Statement

Business History

DBN is a public limited liability company incorporated on 19 September, 2014 and was conceived by the Federal Government of Nigeria ("FGN") in collaboration with the World Bank ("WB"), the African Development Bank ("AfDB"), KfW Development Bank, French Agency for Development ("AFD") and the European Investment Bank ("EIB"), to address the major financing challenges faced by Micro, Small and Medium Scale Enterprises ("MSMEs"), as well as small corporates in Nigeria.

DBN obtained its final license from the Central Bank of Nigeria ("CBN") on March 29, 2017, to operate as a wholesale Development Finance Institution ("DFI"). The Shareholders of the Bank are the Federal Government of Nigeria which holds its shares through the Ministry of Finance Incorporated (MOFI), the Nigerian Sovereign Investment Authority (NSIA), the African Development Bank, and the European Investment Bank.

The Bank's shareholding structure, after a successful N60 billion Private Placement in FY 2018, expanded its capitalization from N40 billion to N100 billion, as shown below:

Final Shareholding			
	NGN m	% Holding	No. of Shares
MOFI	59,840	60%	59,840,000
NSIA	14,960	15%	14,960,000
AfDB	18,000	18%	18,000,000
EIB	7,200	7%	7,200,000
Total	100,000	100%	100,000,000

Business Overview

The Bank's vision is to be Nigeria's primary provider of development finance for MSMEs, in a sustainable and commercially viable manner. Its mission is to facilitate sustainable socio-economic development through the provision of finance to Nigeria's underserved MSMEs and small corporates through eligible financial intermediaries.

As a wholesale DFI, the Bank provides finance and partial credit guarantees to eligible financial intermediaries on a market-conforming and financially sustainable basis. DBN loans are provided across MSME sectors which include

agriculture, construction, education, food processing and hospitality, Information and Communication Technology ("ICT"), manufacturing, retail business and transportation.

In the year under review and based on the learning points from the N100 million pilot lending programme of FY 2017, the Bank enhanced its business activities with the onboarding of several Participating Financial Institutions ("PFIs") which included Commercial banks and Microfinance institutions.

Strategic Partnerships

DBN expanded its collaborative efforts by entering into several Memoranda of Understanding with institutions such as the Small and Medium Scale Enterprises Development Agency of Nigeria ("SMEDAN") and the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending ("NIRSAL"). The purpose of these efforts are to encourage synergies, share ideas, experience, information, and to coordinate efforts with institutions which have similar areas of focus, with a view to unleashing the momentum necessary to achieve a transformative impact.

The Operating Model

DBN continues to fund its operations from its capital and the loans secured from the various international financial institutions (IFIs). It will consciously structure its operations to place it in the right position to access the capital market in the medium to long term by issuing debt securities to raise the additional capital resources needed to boost its operational capabilities.

Credit Products & Service Offerings

DBN provides wholesale loans with tenors of up to 10 years to eligible PFIs for provision of loans and leases to qualifying sub-borrowers. The Bank's maximum exposure to individual MSMEs and small corporates will not exceed N100 million and N620 million respectively.

Differentiation Strategy

In order to achieve its primary objectives of helping to close the huge demand for credit by the MSMEs in Nigeria, the DBN has been set up with a number of distinguishing characteristics, some of which are:

Chairman's Statement

Sustainability

Less emphasis is placed on government intervention via subsidies. In other words, it is purely market driven, and DBN shall continue to fund itself via multiple and viable sources.

Governance

DBN was incorporated as a private sector institution with a public purpose. Executive management and independent directors were selected competitively from the private sector. Out of a Board membership of 9 directors, 5 are independent directors. This is intended to promote objectivity and independence in decision making on the Board. The World Bank, a key partner in the set-up of the DBN, attends meetings of the Board as an observer.

Following the completion of the N60 billion Private Placement in the year under review, in which the AfDB became a shareholder of the Bank, it nominated its representative to the Board, who was subsequently approved as a non-executive director.

DBN adheres to all applicable regulatory frameworks and codes prescribed by the Central Bank of Nigeria, the Corporate Affairs Commission, the Securities and Exchange Commission and the Financial Reporting Council of Nigeria.

People

DBN will continue to attract highly skilled and experienced people who have, in addition to their professional skills, competencies in other areas such as achievement orientation, leadership & impact and expertise in wholesale banking. DBN remains committed to developing the skills of all the employees to engender high levels of motivation and performance. Its employees shall continue to be selected through a competitive process.

In the current year, DBN achieved a 100% training attainment in development finance for its middle management. This will ensure that the drivers of the Bank's objectives are armed with the necessary knowledge and technical competence to sustain the culture of excellence, which is the hallmark of the organisations.

By the unique investment in people, DBN is

building a pipeline of skills that are unique for development finance in Nigeria, and necessary for sustainable advancement of the Bank going into the future.

Research and Development

The Bank will continue to explore ways to improve and increase its socio-economic developmental impact. The Bank will continue to deploy and use Information Technology to improve specific functional areas of the Bank operations so as to achieve improvement in efficiency and effectiveness of operations.

Future Plans

As the funding needs of MSMEs remain a front burner issue, the Bank will continue to play a leading role in the development of programs to support the growth of sector-specific initiatives to improve MSMEs access to funding.

As a corollary of the above, and to ensure the continued financial sustainability of the DBN, the Bank has developed a five-year corporate strategy, which shall drive the attainment of its objectives.

DBN shall develop new initiatives, such as borrowing against movable assets registered on the National Collateral Registry, based on strict acceptance criteria and pre-approved portfolio limits.

The Bank also plans to launch its credit guarantee subsidiary in Q4, 2019. The credit guarantee company is expected to de-leverage PFIs lending to MSMEs thereby incentivizing them to ramp up their financial support for the sector.

The combination of financial sustainability, good governance, innovative programs, strategic partnerships and highly skilled and motivated staff and management should enable the DBN to achieve its primary objectives and contribute to the national goals of rapid growth and poverty reduction.



Yours faithfully,
Dr. Shehu Yahaya
Chairman
Development Bank of Nigeria Plc



7.2 CEO's Statement



Mr. Tony Okpanachi
Managing Director/CEO
Development Bank of Nigeria Plc



CEO's Statement

Introduction

Distinguished Ladies and Gentlemen, this financial year, we commenced a five-year strategy for the Bank that is hinged on sustainability of our operations from Day One. I am delighted to introduce the operating activities and financial results of the Development Bank of Nigeria for the year ended 31st December 2018.

Macroeconomic Overview

The Nigerian economy expanded by 2.38 percent year on year in the last quarter of 2018 with the National Bureau of Statistics noting that the growth in real terms (year-on-year) increased by 1.81 percent in the previous quarter. The implication of the fourth quarter performance is that real GDP grew at an annual growth rate of 1.93 percent in 2018, compared to 0.82 percent recorded in 2017, an increase of 1.11 percent.

Sectoral level performance revealed an annual growth of 14.27 percent in the agricultural sector, which was an improvement from 2017 which recorded 11.29 percent. Mining and Quarrying sector contribution to GDP was 8.74 percent, a marginal decline from 8.80 percent in 2017. Despite some growth in the fourth quarter of 2018, the manufacturing sector's contribution to GDP remained static year on year at 8.86 percent. However, its annual contribution increased to 9.20 percent in 2018 from 9.18 percent in 2017. Overall, the non-oil sector grew by 2.0 percent in real terms in 2018, which was about 1.53 percent higher than the growth rate recorded in 2017. Annual contribution of the non-oil sector in 2018 was 91.40 percent compared to 91.33 percent in 2017.

Inflation

The consumer price index (CPI) fluctuated throughout the year and closed at 11.44 percent year on year. Because inflation remained relatively high, economic growth and savings in the MSME segment have been adversely impacted.

Exchange rate

The Central Bank of Nigeria has purposefully continued to ensure that the financial markets and the economy as a whole remained free from liquidity constraints and volatility. As a result of these activities the Naira exchanged at N306 in the official window, and N363 at the parallel market.

Monetary Policy Decision

The Monetary Policy Committee (MPC) meetings held in November 21st and 22nd 2018, and based on the level of economic activities in the country, the committee maintained the following indices;

- Monetary Policy Rate at 14.0%
- Asymmetric corridor around the MPR at +200/-500bps
- Cash Reserves Ratio (CRR) at 22.5% and
- Liquidity Ratio (LR) at 30.0%

Outlook for MSME's

In a continuous effort to shed light on the importance of the MSME segment of the country, the Federal Government of Nigeria in 2018 continued its push to gain momentum in achieving inclusive growth by primarily focusing on the MSME segment of the economy. This year, more emphasis was placed on diversification of the economy through agriculture. Schemes like the Anchor Borrowers Program as well as other intervention schemes played a role in boosting the real sector.

In addition, the Economic Recovery and Growth Plan (ERGP) set MSMEs as a priority with the expectation that Development Finance Institutions will act as drivers of MSME led growth. The overall outlook of the MSME segment remains promising as the collateral registry gains momentum and businesses in the segment begin to improve on their structure and ability to use debt efficiently, which will improve bank credit to the private sector.

Operating Activities and Financial Performance

Building from our activities in 2017 with the onboarding of two participating financial institutions, by the end of 2018 we had onboarded twenty-two PFIs and lent over N31 billion to over 35,000 end borrowers, of which 72 percent were women.

In addition, the Bank continued to advocate for MSMEs by developing strategic alliances with the Federal Government of Nigeria on the MSME clinics initiatives around the country, the Small and Medium Enterprise Agency of Nigeria (SMEDAN) and the Enterprise Development Centre (EDC) amongst others. Furthermore, the Bank conducted its pilot monitoring and evaluation exercise of the loans disbursed. The initial results from the M&E exercise revealed that

39 percent of MSMEs reported an increase in capital assets by 7% and turnover volume by 17%. With about N2.06bn disbursed to the sample MSMEs, 537 new jobs were created.

Looking inwards in the area of capacity building, the Bank ensured all staff were trained on development finance and key processes were automated to achieve efficiency in the Bank's operations. The Bank achieved ISO certification on ISO 20000, ISO 27001 and ISO 22301 and was assigned a rating of "Low" Risk by CBN Annual Supervisory Visit and a rating of AA (highest rating) by the Association of African Development Finance Institutions (AADFI).

In the area of research, the Bank instituted the DBN Journal of Economics and Sustainable Growth as well as DBN working paper series to provide in depth reports on current economic issues affecting the MSMEs in Nigeria and Sub-Saharan Africa. Finally, several risk framework and policy documents were developed and implemented during the year.

Key Performance Indicators

As at December 31st, 2018, the total inflows from development partners in terms of long-term borrowings amounted to N147.4 billion compared to N87.8 billion in 2017. The additional inflows in 2018 increased the Bank's total assets to N278 billion.

The Bank's gross earnings and profit before tax in 2018 amounted to N30.6 billion and N22.9 billion respectively, with a marked improvement in the contribution of interest income from loans and advances to total revenue when compared to 2017.

The bank attained the minimum capitalization requirement of N100 billion in 2018, with additional equity investment from the Federal Government of Nigeria, African Development Bank and European Investment Bank through a private placement program. The Bank closed the 2018 financial year with a total shareholders' funds of N126 billion.

Conclusion

In 2019, we remain committed to fulfilling our mandate. Emphasis in the year ahead will be placed on onboarding more participating financial institutions (PFIs) to ensure we gain wider reach and the desired impact;

commencing operations of the subsidiary company responsible for providing partial credit guarantees amongst other activities such as deepening the Bank's reach into the MSME segment. The task at hand is enormous, given the finite number of DBN's direct customers. Price distortions in the market space, the proliferations of intervention funds, banks' lack of knowledge on how to on-lend to the MSME segment and the comfortable returns on government securities are some of the challenges constraining the achievement of DBN's mandate. Despite these challenges we will work assiduously in the areas of advocacy and exploring new channels to reach the MSME segment. It is envisioned that inclusive growth can only be achieved when appropriate solutions to address the challenges of access to finance, poverty alleviation, unemployment in general, and youth unemployment in the country are implemented.

Thank you.



Tony Okpanachi
MD/CEO,
Development Bank of Nigeria Plc

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2nd Annual General Meeting of members of the **DEVELOPMENT BANK OF NIGERIA PLC** will hold at Fraser Suites, 249, Leventis Close, Central Business District, Abuja on Thursday, April 25, 2019 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended December 31, 2018 together with the Reports of the Directors, Audit Committee and External Auditors, as well as the report of the external consultants on the annual appraisal of the Board of Directors.
2. To re-elect Directors retiring by rotation.
3. To approve the remuneration of the External Auditors.
4. To elect members of the Statutory Audit Committee.

SPECIAL BUSINESS

5. To fix the remuneration of the Directors.
6. To approve the designation of Directors pursuant to Article 9.5.7 of the Bank's Articles of Association.

A. PROXY

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not also be a member. A proxy form is attached to this Notice and it is valid for the purpose of the meeting. All instruments of proxy should be duly stamped at the Stamp Duties Office and deposited at the office of the Company Secretary at The Clan Place, Plot 1386A, Tigris Crescent, Maitama, Abuja, not later than 48 hours prior to the time of the meeting.

B. STATUTORY AUDIT COMMITTEE

In accordance with S. 359 (5) of the Companies and Allied Matters Act, 1990, any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

The Central Bank of Nigeria and the Securities and Exchange Commission in their respective Codes of Corporate Governance require that at least one member of the Audit Committee should be knowledgeable in internal control processes, accounting and financial matters. Consequently, a detailed resume disclosing requisite qualification should be submitted with each nomination.

C. BIOGRAPHICAL DETAILS OF DIRECTORS FOR RE-ELECTION

Biographical details of directors standing for re-election are provided in the Annual Report and are also available on the Bank's website at www.devbankng.com.

D. QUESTIONS FROM SHAREHOLDERS

Shareholders have the right to ask questions not only at the meeting but also in writing prior to the meeting on any item contained in the Annual Report and Accounts. Please send questions, comments or observations to: The Company Secretary, Development Bank of Nigeria Plc, The Clan Place, Plot 1386A, Tigris Crescent, Maitama, Abuja not later than Friday, April 19, 2019. Questions and answers will be presented at the Annual General Meeting.

Dated this 30th day of March 2019.

BY ORDER OF THE BOARD



SHOFOLA OSHO
Company Secretary
FRC/2016/NBA/00000014944

7.4 Directors' Report for the year ended 31 December 2018

The directors present their annual report on the affairs of Development Bank of Nigeria Plc ("DBN or the Bank"), together with the financial statements and the independent auditor's report for the year ended 31 December 2018.

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 its operating license to carry on operations as a Wholesale Development Finance Institution (WDFI) from the Central Bank of Nigeria 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 being unable 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.

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.

7.5 Ownership

The issued and fully paid-up share capital of the Bank was 100,000,000 (2017: 40,000,000) ordinary shares of N1 each as at 31 December 2018.

The shareholding structure as at the balance sheet date were as shown below:

Shareholders	31 Dec 18		31 Dec 17	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
<i>In thousands</i>				
Ministry of Finance Incorporated (MOFI)	59,868,000	60%	32,000,000	80%
Nigeria Sovereign Investment Authority	14,967,000	15%	8,000,000	20%
African Development Bank (AfDB)	17,975,000	18%	-	0%
European Investment Bank (EIB)	7,190,000	7%	-	0%
Total	100,000,000	100%	40,000,000	100%

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 Bank which have not been recognized and/or disclosed in the financial statements.

7.6 Property and Equipment

Information relating to changes in property and equipment is given in Note 18 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.

7.7 Donations and Charitable Contributions

The Bank identifies with the aspiration of the country and the business environment in which it operates. To this end, the Bank made donations of ₦42 million (31 December 2017: ₦2.5 million) to various organizations during the period: (see note 13)

PURPOSE	AMOUNT
Sponsorship of 2018 global entrepreneurship week	5,000,000
Donation to National Association of Small and Medium Scale Enterprises	14,000,000
Donation to University of Nigeria	2,000,000
Donation to Youwin connect book project	21,000,000
	<u>42,000,000</u>

7.8 Human Resources

(i) Employment of disabled persons

The Bank maintains a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitudes. The Bank'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 Bank continues and appropriate training is arranged to ensure that they fit into the Bank's working environment.

(ii) Health, safety and welfare at work

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. The Bank 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 Bank 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 Programmes. The Programmes include on the job training, Classroom sessions and web-based training Programmes 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;

31 December 2018

(a) Analysis of total employees

	Gender			Gender	
	Number			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			Gender	
	Number			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%

31 December 2017

(a) Analysis of total employees

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Employees	8	3	11	73%	27%
	8	3	11	73%	27%

(b) Analysis of Board and senior management staff

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	8	1	9	89%	11%
Senior Management	4	2	6	67%	33%
	12	3	15	80%	20%

7.9 Auditors

Messrs. KPMG Professional Services was re-appointed by the Bank as auditors for the 31 December 2017 reporting period, following the expiration of the service contract with the Federal Ministry of Finance for the audit of 2014-2016 financial years. Having satisfied the relevant corporate governance rules on their tenure in office, they have indicated their willingness to continue in office as auditors to the Company. 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



Shofolahan Osho

FRC/2016/NBA/00000014944

Company Secretary

25 February 2019

7.10 Statement of Directors' Responsibilities in Relation to the Financial Statements for the Year Ended 31 December 2018

The Directors accept responsibility for the preparation of the 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 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and other Financial Institutions Act, Cap B.3, LFN, 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, LFN, 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 Bank's ability to continue as a going concern and have no reason to believe that the 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
25 February 2019



Dr. Shehu Yahaya
FRC/2019/IODN/00000019238
Director
25 February 2019



7.11 INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Development Bank of Nigeria Plc.
Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Development Bank of Nigeria Plc. (the Bank), which comprise the statement of financial position as at 31 December, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information, as set out on pages 16 to 51.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2018, and of its financial performance and its cash flows for 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, 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 Financial Statements section of our report. We are independent of the Company 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 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 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 which comprises the Directors' report, Statement of Directors responsibilities, corporate information and other national disclosures, but does not include the financial statements and our audit report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The Directors are responsible for the preparation of 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, 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 financial statements, the directors are responsible for assessing the 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 Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design 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 for 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. 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.

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 Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.



Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
25 February 2019
Lagos, Nigeria

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7.13 Statement of Profit or Loss and Other Comprehensive Income

For the year ended

In thousands of naira

	Notes	31-Dec-18	31-Dec-17
Interest income	7	30,511,766	6,050,245
Interest expense	8	(4,342,680)	(889,105)
Net Interest Income		26,169,086	5,161,140
Other income	9(a)	130,183	-
Fees and Commission expense	9(b)	(104,999)	-
Total operating income		26,194,270	5,161,140
		(346,436)	
Impairment loss on financial assets	10		(3,635)
Personal expenses	11	(1,255,950)	(624,145)
Depreciation and amortization expenses	12	(164,929)	(42,550)
General and administrative expenses	13	(1,516,010)	(387,624)
Total expenses		(3,283,325)	(1,057,954)
Profit for the year before taxation		22,910,945	4,103,186
Tax expense	14(a)	(229,109)	(41,032)
Profit for the year after taxation		22,681,836	4,062,154
Other comprehensive income for the year, net of Tax		-	-
Total comprehensive income for the year		22,681,836	4,062,154

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

7.13 Statement of Financial Position

As at

<i>In thousands of Naira</i>	<i>Note</i>	31-Dec-18	31-Dec-17
Assets			
Cash and cash equivalents	15	63,314,138	43,159,800
Investment securities	16	186,167,762	108,761,980
Loans and advances	17	28,289,868	182,306
Property and equipment	18	574,445	313,116
Intangible assets	19	64,452	9,679
Other assets	20	398,102	59,457
Total assets		278,808,767	152,486,338
Liabilities			
Accruals and other payables	21	831,526	424,565
Current income tax payable	14(c)	229,109	41,032
Employee benefit obligation	22	-	230
Deposit for shares	23	-	20,639,965
Borrowings	24	151,704,062	87,899,719
Total liabilities		152,764,697	109,005,511
Equity			
Share capital	25(a)	100,000	40,000
Share premium	25(b)	99,762,570	39,940,842
Retained earnings	25(c)	17,690,389	2,281,255
Statutory reserves	25(d)	8,023,196	1,218,646
Regulatory risk reserve	25(e)	467,915	84
Total equity		126,044,070	43,480,827
Total liabilities and equity		278,808,767	152,486,338

The financial statements were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

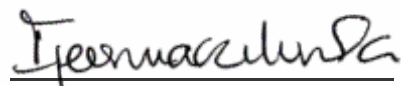


Dr. Shehu Yahaya
Director
FRC/2019/IODN/00000019238



Anthony Okpanachi
Chief Executive Officer
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Additionally certified by:



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

7.14 Statement of Changes in Equity

For the year ended 31 December 2018

<i>In thousands of naira</i>	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings/(deficit)	Total equity
Balance as at 1 January 2018	40,000	39,940,842	1,218,646	84	2,281,255	43,480,827
Re-measurement of impairment as at December 31, 2018 (see note 4.3 (b))	-	-	-	-	(321)	(321)
Profit for the year	-	-	-	-	22,681,836	22,681,836
Transfer between reserves:						
Transfer to regulatory risk reserve	-	-	-	467,831	(467,831)	-
Transfer to statutory reserve (see note 25 (d))	-	-	6,804,550	-	(6,804,550)	-
Total comprehensive income for the year	-	-	6,804,550	467,831	15,409,134	22,681,515
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 25 (a) ii)	60,000	59,821,728	-	-	-	59,881,728
Balance as at 31 December 2018	100,000	99,762,570	8,023,196	467,915	17,690,389	126,044,070
Statement of changes in equity						
For the year ended 31 December 2017						
	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Accumulated deficit	Total equity
Balance as at 1 January 2017	20,000	19,978,284	-	-	(562,169)	19,436,115
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	4,062,154	4,062,154
Transfer between reserves:						
Transfer to regulatory risk reserve	-	-	-	84	(84)	-
Transfer to statutory reserve (see note 25 (d))	-	-	1,218,646	-	(1,218,646)	-
Total comprehensive income for the year	-	-	1,218,646	84	2,843,424	4,062,154
Transactions with equity holders, recorded directly in equity:						
Issued shares paid up during the year (see note 25 (a) ii)	20,000	19,962,558	-	-	-	19,982,558
Total contributions by equity holders	20,000	19,962,558	-	-	-	19,982,558
Balance as at 31 December 2017	40,000	39,940,842	1,218,646	84	2,281,255	43,480,827

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

7.15 Statement of Cash Flows

For the year ended

In thousands of naira	Notes	31-Dec-18	31-Dec-17
Cash flows from operating activities			
Profit for the year		22,681,836	4,062,154
Adjustments for:			
Depreciation of plant and equipment	18	150,946	41,153
Amortization of Intangibles	19	13,983	1,397
Interest income on treasury bills	7	(25,983,907)	(5,850,385)
Impairment on financial assets	10	346,436	3,635
Tax expense	14(a)	229,109	41,032
Changes in:			
Net increase in Accruals and other payables	26(a)(i)	406,961	260,019
Net decrease in Employee benefit obligation	26(a)(ii)	(230)	(22,331)
Net increase in Other assets	26(a)(iii)	(338,638)	(36,357)
Net increase in loans and advances	26(a)(iv)	(28,203,807)	(185,941)
Net cash flows from operating activities		(30,697,311)	(1,685,624)
Tax paid	14(c)	(41,032)	-
Investment income received on treasury bills	16(a)	26,289,133	844,939
Impairment on other assets	26(a)(v)	(250,512)	-
		(4,699,722)	(840,685)
Cash flows from investing activities			
Purchase of treasury bills	16(a)	(321,647,652)	(112,756,534)
Proceeds from matured investment in treasury bills	16(a)	243,936,636	9,000,000
Acquisition of property and equipment	18	(412,275)	(354,269)
Purchase of intangible assets	19	(68,756)	(11,076)
Net cash flows used in investing activities		(78,192,047)	(104,121,879)
Cash flows from financing activities			
Proceeds from issue of share capital	25 (iii)	39,360,035	20,000,000
Deposit for shares	23	-	20,639,965
Proceeds from long term borrowing	26(b)	63,804,344	87,899,719
Share issue cost	25(b)	(118,272)	(17,442)
Net cash flows from financing activities		103,046,107	128,522,242
Net increase in cash and cash equivalents		20,154,338	23,559,678
Cash and cash equivalents, beginning of year		43,159,800	19,600,122
Cash and cash equivalents, end of year	15	63,314,138	43,159,800

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



7.16 General information

Reporting Entity

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 the 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.

7.17 Basis of Preparation

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

(a) Statement of Compliance with International Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 statement of financial position has been prepared in their order of liquidity. The financial statements have been prepared in the manner required by 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 B.3, LFN, 2004 and relevant Central Bank of Nigeria (CBN) Guidelines and 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, 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) Functional and Presentation Currency

The financial statements are presented in Naira, which is the Bank's presentation currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(d) 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 recognized 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 recognized in the financial statements are described in note 4.

(e) Changes in Accounting Policies

The Bank adopted IFRS 9 and IFRS 15 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Bank's financial statements. Due to the transition method chosen by the Bank in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements. The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognized on financial assets
- additional disclosures related to IFRS 9
- additional disclosures related to IFRS 15

Except for the changes below, the Bank has consistently applied the accounting policies as set out in the notes to the accounts to all periods presented in these financial statements.

(f) New standards, Interpretations and Amendments

The Bank has not early adopted any standard, interpretation and amendment that has been issued but not yet effective. The following standards became effective 1 January 2018 and have been adopted.

7.17.1 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the statement of profit or loss and OCI of interest revenue calculated using the effective interest method. Previously, the Bank disclosed this amount in the notes to the financial statements. Additionally, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information. The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below. The full impact of adopting the standard is set out in Note 3(h).

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Bank classifies financial assets under IFRS 9, see Note 4.3 (a). IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.



For an explanation of how the Bank classifies financial liabilities under IFRS 9, see Note 4.3 (a).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognized earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 3 (l).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 2(h).



7.17.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Bank initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Bank's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the new disclosure requirements.

(g) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Bank has not early adopted them in preparing these financial statements. Of those standards that are not yet effective, IFRS 16 is expected to have a significant impact on the Bank's financial statements in the period of initial application.

A. IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The actual impact of adopting the standard on 1 January 2019 may change because:

- the Bank has not finalized the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Bank presents its first financial statements that include the date of initial application.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

I. Leases in which the Bank is a lessee

The Bank has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Bank's lease portfolio, the Bank's assessment of whether it will exercise any lease renewal options and the extent to which the Bank chooses to use practical expedients and recognition exemptions.

The Bank will recognize new assets and liabilities for its operating leases of branch and office premises. The nature of expenses related to these leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities.

Previously, the Bank recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.



ii. Transition

The Bank plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Bank plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

B. Other Standards

The following amended standards are not expected to have a significant impact on the Bank's financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to References to Conceptual Framework in IFRS Standards
- IFRS 17 Insurance Contracts

3. Significant Accounting Policies

Significant accounting policies are defined as those that reflect significant judgments and uncertainties and potentially give rise to different results under different assumptions and conditions.

Except for the changes explained in Note 2(e) above, the Bank consistently applied the following accounting policies to the periods presented in the financial statements.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira, which is the Bank's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the income statement as part of the fair value gain or loss.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.



7.18 Financial Assets and Liabilities

I. Recognition and initial measurement

The Bank initially recognizes loans and advances, 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 Bank 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 FVTPL, transaction costs that are directly attributable to its acquisition or issue. The Bank does not currently apply hedge accounting.

a. Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortized cost depending on their classification.

ii. Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, 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). 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 Bank 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 Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank 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 Bank'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 Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

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 (SPPI). For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition, which may change over the life of the financial assets (such as prepayment of principal). '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 Bank 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 Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;- prepayment and extension terms;- terms that limit the Bank'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).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.



Reclassifications

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

Financial assets – Policy applicable before 1 January 2018

The Bank classified its financial assets into one of the following categories:

- Loans and receivables;
- held-to-maturity

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

iii. Derecognition

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. 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 transferred) 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 other comprehensive income is recognized in the income statement.

Financial Liabilities

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

iv. Modifications of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see 3.1 (iii) above) 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 Bank 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 below for 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 Bank 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 fees received as part of the modification 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, 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.

Financial liabilities

The Bank 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 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.

7.18.1 Policy Applicable before 1 January 2018

Financial assets

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognized and a new financial asset was recognized at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the recodification interest rate.

Financial liabilities

The Bank derecognized a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognized at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognized in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were 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.

(g) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank 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, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity. The Bank is not involved in any trading financial instrument as at the reporting period.

(h) Measurement

(i) Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(ii) 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank 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 Bank 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 Bank 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 measurement, 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.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.



(I) Impairment

IFRS 9's ECL impairment model's requirements represents the most material IFRS 9 impact. Recognition of impairment no longer depends on a reporting entity first identifying a credit loss event, instead entities are required to use more forward-looking information to recognize expected credit losses for all debt-type financial assets that are not measured at fair value through profit or loss. Impairments for expected credit losses apply to financial assets recognized at amortized cost or at fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. For financial assets recognized at amortized cost, expected credit losses are recognized in the income statement and set off against the asset in the balance sheet. However, on loan commitments and financial guarantee contracts expected credit losses are recognized as a liability. For financial assets recognized at fair value through other comprehensive income, the expected credit losses are recognized in the income statement and set off against other comprehensive income since such assets are recognized at fair value in the balance sheet.

Expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or lifetime expected credit losses, except for purchased or originated credit impaired financial assets. A loss allowance for lifetime expected credit losses is recognized for a financial asset where the credit risk of that financial asset increased significantly since initial recognition, unless the financial asset is exposed to a low level of credit risk with low risk of default and if the borrower has a strong capacity to meet its contractual cash flow obligation, as well as for certain contract assets and trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses. Loss allowances for other assets and receivables will also be measured at an amount equal to life time ECLs.

Stage allocation requirements and definition

IFRS 9 general approach to recognizing impairment is based on a three-stage process which is intended to reflect the deterioration in credit quality of financial instrument. The impairment for expected credit losses depends on whether the credit risk has increased significantly since initial recognition, the stages are;

i.) Stage 1 (performing)

If the credit risk on the financial instrument has not increased significantly since initial recognition or (where the option simplification is applied) where the financial instrument have low credit risk at the reporting date, the impairment equals the expected credit losses resulting from default events that are possible within the next 12 months. Interest revenue is calculated on the gross carrying amount of the asset.

ii.) Stage 2 (under-performing)

If the credit risk on a financial instrument has increased significantly, but with no objective evidence of credit loss event, the financial assets are transferred to stage 2 and an impairment equal to the lifetime expected credit losses is recognized. Interest revenue is still calculated on the asset's gross carrying amount.

iii.) Stage 3 (non-performing)

If a financial asset or instrument is in default or there is objective evidence of impairment at the reporting date, it is transferred to stage 3, which is the same as stage 2, except that interest income is recognized on the net carrying amount.

Financial assets are assessed as credit-impaired when:

- there is significant financial difficulty of a customer/ issuer/obligor (potential bad debt indicator);
- there is a material breach of contract, such as a default or delinquency in interest or principal payments; and

- 
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
 - it becomes probable that a counterparty/borrower may enter bankruptcy or other financial reorganization;
 - there is the disappearance of an active market for a financial asset because of financial difficulties; or
 - observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets.
 - the financial asset is 90 days past due in interest and principal repayment except for specialized loans for which the presumption is rebutted

The Bank also assesses whether there has been a reversal in the significant increase in credit risk since initial recognition on the basis of all reasonable and supportable information that is available without undue cost or effort. Evidence that the criteria for the recognition of lifetime expected credit losses are no longer met may include a history of up-to-date and timely payment performance against the modified contractual terms.

An obligor needs to demonstrate consistently good payment behavior over a period of time before the credit risk is considered to have decreased. The period of time over which the customer demonstrates good behavior determines if the loan is moved from stage 3 to stage 2 or stage

1. When the Bank has no reasonable expectations of recovering the financial asset, then the gross carrying amount of the financial asset is directly reduced in its entirety via a write off. A write-off constitutes a derecognition event.

Purchased or originated credit-impaired assets do not carry an impairment allowance, instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. The expected credit losses for purchased or originated credit impaired assets are always measured at an amount equal to lifetime expected credit losses. However, the amount recognized as a loss allowance for such assets is not the total amount of lifetime expected credit losses, but instead the changes in lifetime expected credit losses since initial recognition of the asset.



Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and 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 Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

- The market's assessment of creditworthiness as reflected in the 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.

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 Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank 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.

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 between:

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

As ECLs take into account both the amount and the timing of payments, a credit loss arises even if the Bank expects to receive all the contractual payments due, but at a later date. Development Bank of Nigeria Plc. 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 PDs, EADs and LGDs.

Significant increase in credit risk or low credit risk

For its loans to PFIs, the Bank monitors the credit risk using its Internal and External Credit Rating assigned at origination of the loans, each credit rating has an assigned PD as modelled by the Bank. A change in credit rating that will cause a movement between grades is considered a significant increase in credit risk. The Bank 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, watch list and non-performing
- actual or expected significant change in the financial instrument's internal credit rating
- identification of the loan or customer on a 'Watch list' 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 judgment 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 Bank's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgment.

The forward-looking information adopted in the Bank's IFRS 9 model include the following:

- Inflation rate
- USD exchange rate
- Real GDP growth rate

The list is not exhaustive, and the Bank 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
- National Bureau of Statistics
- International Monetary Fund
- World Bank
- 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: Default is not specifically defined in IFRS 9. The Bank'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).

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 Bank 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 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 Bank's procedures for recovery of amounts due.

Reversal of impairment

- For assets measured at amortized cost: If an event occurring after the impairment was recognized caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.
- For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognized through OCI. The bank does not have available for sale debt security.



Any subsequent recovery in the fair value of an impaired available-for-sale equity security was always recognized in OCI.

Presentation

Impairment losses were recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognized through the unwinding of the discount.

- 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 Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank 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.

Impairment losses on available-for-sale investment securities were recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

Designation at fair value through profit or loss

The Bank did not have any financial assets or financial liabilities designated as fair value through profit or loss during and as at the year ended.

(j) 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.

(k) Deposit for shares

Deposit for shares are recognized as financial liabilities as the Bank has an obligation to deliver equity or the cash amounts deposited by the counter parties. Deposit for shares are classified as capital if it is certain that the investors have relinquished their rights to withdraw their application and the Bank has allotted shares to such investors for an amount equivalent to the value. Also, any regulatory requirements in respect of allotment should have been fulfilled before any deposit for shares can be classified as capital. Deposit for shares is measured at carrying amount.

7.18.2 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 Bank 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 estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:



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 equipments; from 5 to 3 years during the year.

Assets are reviewed for impairment whenever events or changed 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) Derecognition

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.

7.18.3 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 recognized 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.

(c) Amortization

Amortization is recognized 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) Derecognition

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.

7.18.4 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.



7.18.5 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 recognized 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 recognized 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 Bank operates a defined contribution pension scheme for employees. Employees and the Bank 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 Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of the following dates:

- (a) when the Bank can no longer withdraw the offer of those benefits; and
- (b) when the Bank 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 recognized 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.

7.18.6 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 the Bank's ordinary shares

Dividends on ordinary shares are recognized in equity in the period when approved by the Bank's 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

(d) Regulatory risk reserve

This reserve warehouses difference between loan provision under prudential guideline and IFRS impairment allowance.

The Nigerian banking regulation requires the 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:

- a. Where the reserve fund is less than the paid-up share capital, a minimum of 30.0 per cent of the net profits;
or
- b. 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;
- c. No transfer to the reserve fund shall be made until all identifiable losses have been made good.
- d. 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. 3.7 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 Bank 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.



7.18.7 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.

7.18.8 Tax Expense

Tax expense comprises current and deferred tax. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or in other comprehensive income

(a) Current tax

Current tax comprises the expected tax payable on the taxable income for the year and any adjustment to the payable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any.

The current income tax charge is calculated on the basis of the tax rate enacted or substantively enacted at the reporting date in the country where the Bank operates and generate taxable income. Current tax also includes any tax arising from dividend.

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. The Bank is exempted from minimum tax in line with section 33 of the amended Companies Income Tax Act as it has 25% imported equity capital.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability methods, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rate enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognized on unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. 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.

The amount of deferred tax assets and liabilities provided are based on the expected manner of realization or settlement of the carrying amount of the asset or liability and is not discounted. 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.

7.19 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. These disclosures supplement the commentary on financial risk management. Estimates where management has applied judgments are:

- (i) Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- (ii) Determination of regulatory risk reserve
- (iii) Determination of impairment on property and equipment and intangible assets
- (iv) Determination of the fair value of financial instruments with significant unobservable inputs.
- (v) Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- (vi) Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

7.19.1 Key sources of Estimation uncertainty

(i) Impairment of financial instruments

Loans and advances to PFIs are accounted for at amortized cost and are evaluated for impairment on a basis described in accounting policy.

DBN reviews its credit portfolio continuously (at least once in a quarter) with a view to recognizing any deterioration in credit quality. Such reviews systematically classify the Bank's 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.

(ii) 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 IAS 39 for the year ended 31 December 2017 and the expected credit loss model for the year ended 31 December 2018. 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:

(a) 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.

(b) The non-distributable reserve should be classified under Tier1 as part of core capital.

The Bank has complied with the requirements of the guidelines as follows: As at 31 December 2018, the difference between the Prudential provision and IFRS impairment was N467.915 million (December 2017: N0.084 million) requiring additional transfer of N467.831 million (December 2017: N0.084 million) 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.

(iii) Statement of prudential adjustments

In thousands of Naira

	31-Dec-18	31-Dec-17
Impairment on loans and advances per IFRS	99,880	3,635
Provision on loans and advances per Prudential Guidelines	567,795	3,719
Regulatory Risk Reserve	467,915	84

The movement in the Regulatory risk reserve during the year is shown below:

Balance, beginning of the year	84	-
Transfer during the year	467,831	84
Balance, end of the year	467,915	84

(iv) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of 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.



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

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

(i) Financial asset and financial liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories.

(ii) 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.

(iii) 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 realizable values. Management's judgment is also required when assessing whether a previously recognized impairment loss should be reversed.

(iv) Recognition of deferred assets

Deferred tax assets were recognized on the basis described in note 3.9 (b). 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 14 (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.

(v) Determination of fair value of financial instruments

The Bank's accounting policy on fair value measurements is discussed in note 4.3 (a). The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- 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.

7.19.3 Financial Assets and Liabilities

a. Accounting classification, measurement basis and fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

31 December 2018						
<i>In thousands of Naira</i>	<i>Note</i>	Amortized Cost	FVTPL	FVOCI	Total carrying amount	Fair value*
Cash and cash equivalents	15	63,564,642	-	-	63,564,642	63,564,642
Investment Securities	16	186,167,770	-	-	186,167,770	186,118,251
Loans and advances	17	28,289,868	-	-	28,289,868	28,289,868
Other assets [^]	20	5,517	-	-	5,517	5,517
		278,027,797	-	-	278,027,797	277,978,279
Accruals and other payables ^{^^}	21	794,021	-	-	794,021	794,021
Borrowings	24	151,704,062	-	-	151,704,062	151,704,062
		152,498,083	-	-	152,498,083	152,498,083

31 December 2017						
<i>In thousands of Naira</i>	<i>Note</i>	Held-to-maturity	Loans and receivables at amortized cost	Other Financial Liabilities	Total carrying amount	Fair value
Cash and cash equivalents	15	-	43,159,800	-	43,159,800	43,159,800
Investment securities	16	108,761,980	-	-	108,761,980	110,358,286
Loans and advances	17	-	182,306	-	182,306	185,820
Other assets	20	-	2,372	-	2,372	2,372
		108,761,980	43,344,478	-	152,106,458	153,706,278
Accruals and other payables ^{^^}	21	-	-	402,521	402,521	402,521
Deposits for shares	23	-	-	20,639,965	20,639,965	20,639,965
Borrowings	24	-	-	87,899,719	87,899,719	90,986,728
		-	-	108,942,205	108,942,205	112,029,214

[^] The Bank's other assets exclude prepayment of N162 million (Dec. 17: N37.6 million) which is not a financial asset and other statutory deductions such as WHT receivables

^{^^} Accruals and other payables exclude statutory deductions such as WHT payables etc.

*Fair value determination

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to financial liabilities without a specific maturity. The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments.

Financial instruments measured at fair value

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 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

Financial instruments not measured at fair value 31 December 2018

Fair value information for financial assets and financial liabilities not measured at fair value have not been disclosed because of the following reasons:

- (i) Cash and cash equivalents consists of cash on hand, current balances with banks and placements.
 - The carrying amounts of current balances with banks is a reasonable approximation of fair value which is the amount receivable on demand
 - The estimated fair value of fixed bearing placements is based on discounted cash flows using prevailing money market rates for the debts. The carrying amount represents the fair value which is receivable at maturity.
- (ii) Loans and receivables consists of loans advanced to staff. The estimated fair value of loans and receivables represents the market values of the loans, arrived at by recalculating the carrying amount of the loans using the estimated market rate. The carrying amount of loans and receivables is at amortized cost.
- (iii) The carrying amounts of other assets and other liabilities are reasonable approximation of their fair values which are repayable on demand.

b. classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018

31 December 2018 <i>In thousands of Naira</i>	Note	Original classification under IAS 9	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	15	Loans and receivables	Amortized cost	-	63,564,642
Investment Securities	16	investments	Amortized cost	186,167,770	186,167,770
Loans and advances	17	receivables	Amortized cost	28,289,868	28,289,868
Other assets [^]	20	receivables	Amortized cost	-	5,517
				214,457,637	278,027,797
Accruals and other payables ^{^^}	21	FVTPL	FVTPL (held- for trading)	-	794,021
Deposits for shares	23	Amortized cost	Amortized cost	-	-
Borrowings	24	Amortized cost	Amortized cost	151,704,062	151,704,062
				151,704,062	152,498,083

The Bank's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3.1. The application of these policies resulted in the reclassifications set out in the table above and explained below:- All debt securities are held by the Bank in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortized cost under IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

31 December 2017	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	IAS 39 carrying amount 31 December 2018
<i>In thousands of Naira</i>				
Financial assets				
Amortised cost				
Cash and cash equivalents:	43,159,800			
Opening balance				
Remeasurement				
Closing balance				43,159,800
Investment Securities:				
Opening balance	108,761,980			
Remeasurement				
Closing balance				108,761,980
Loans and advances:				
Opening balance	182,306			
Remeasurement				
Closing balance				182,306
Other assets [^]	2,372			2,372
Total amortised cost				152,106,458
Financial liabilities				
Amortised cost				
Deposits for shares	20,639,965			20,639,965
Borrowings	87,899,719			87,899,719
Total amortised cost				108,539,683
FVTPL				
Trading liabilities	402,521			402,521
Total FVTPL				402,521

The following table reconciles:

- the closing impairment allowance for financial assets under IAS 39 and provisions for loan commitments and financial guarantee contracts under IAS 37 Provisions, Contingent Liabilities and Contingent Assets as at 31 December 2017; to
- the opening ECL allowance determined under IFRS 9 as at 1 January 2018.

31 December 2017	31 December 2017 (IAS 39/IAS 37)	Reclassification	Remeasurement	1 January 2018 (IFRS 9)
<i>In thousands of Naira</i>				
Loans and receivables and held-to-maturity securities under IAS 39/financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, loans and advances to banks and loans and advances to customers)	3,635		321	3,956
Total	3,635	-	321	3,956



7.20 Financial Risk Management

7.20.1 Introduction and overview

This note presents information about the Bank's exposure to financial risks, the Bank's risk management policies/frameworks and processes for measuring and managing these risk; and the Bank's management of capital. Further quantitative disclosures are included in the financial statements.

7.20.2 Enterprise Risk Management

The underlying premise of Bank's Enterprise Risk Management is that every entity exists to provide value for its stakeholders. The Bank faces uncertainty that presents both risk and opportunities in pursuit of its mandate and these uncertainties can either erode or enhance value. At DBN, 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 shareholders' demand. The Bank 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 continuous 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;
- * 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 Bank has made significant progress in its risk management process. The existing Risk Management Framework and Credit Policy Manual were revised to reflect changes in the business structure and operating environment. The revised framework (Enterprise Risk Management (ERM) Framework) addresses specific risk areas such as credit, market, liquidity, operational, compliance and reputational risks. Also, the following standalone policies were introduced:

- * The Information Security Risk Framework.
- * Business Continuity Management Policy.
- * Stress Testing Framework.
- * IFRS 9 Impairment Policy and Model Documentation

The full implementation of the requirements of these revised and new policies and frameworks are on-going under the oversight of the Board Credit and Risk Management Committee (BCRC), which is tasked with the responsibility of monitoring the implementation of the policies and framework on behalf of the Board of Directors.

To ensure seamless service and 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.

7.20.3 Risk Management Governance Structure

The following Management committees, comprising of senior management staff support the Management Committee in performing its risk management roles:

- (i) 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; and
- (ii) 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. Development Bank of Nigeria Plc. ("the Bank") have exposures to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital. Further quantitative disclosures are included throughout these financial statements.

7.20.4 Credit Risk Management

Credit risk is the risk that a borrower or counterparty may not be able to honor its repayment obligations as and when due and in accordance with agreed loan terms and conditions; thereby exposing the Bank to the risk of loss of earnings, capital impairment. Credit risks arise anytime the Bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit in Development Bank of Nigeria Plc. is guided by its 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.

We recognize the fact that our main asset is our loan portfolio. Therefore, we actively safeguard and strive to continually improve the health of the portfolio. We scrutinize all PFI applications and ensure they meet our eligibility criteria, execute the Master Lending Agreement and have no exceptions during our due diligence and conduct rigorous analysis before loan disbursement. The Bank weeds out non eligible Participating Financial Institutions (PFIs) 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 Bank'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 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 Bank's Basel II framework and strategy.

The pricing of each credit granted is cost based and also reflects the level of risks inherent in the obligor. Subject to competitive forces, Development Bank of Nigeria Plc 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.

Principal Credit Policies

The following are the principal credit policies of the Bank:

- Credit Policy Manual: The core objective is to define in detail, the credit process of DBN and outline its objectives, scope and responsibilities. This helps reduce bias and subjectivity in the credit decisions made at various levels of authorities within the Bank. 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.

- **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 to the Bank in the event of a default by PFI. The Policy proffers the collateral acceptable as security from PFIs based on their category.
- **Enterprise-wide Risk Management Policy:** The core objective is to provide reasonable degree of assurance to the Board of Directors that the risks threatening the Bank'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.

Credit process

The Bank's credit process starts with assessment of PFIs. Credits are initiated by the Relationship Management team and the proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, 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 analyzed 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.

(a) 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. Development Bank of Nigeria Plc. employs a robust credit rating system in the determination of the PFI risks and thus allows the Bank to maintain its asset quality at a desired level.

In Development Bank of Nigeria Plc., 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 Bank. The Risk rating methodology incorporates credit risk rating models which estimate risk of PFI default risk.

All Development Bank of Nigeria's businesses that extend credit are subject to the Credit Policy Manual.

Credit Risk Rating Models in Development Bank of Nigeria Plc.

The Bank's risk rating model for measuring the risk of PFIs is based on the CAMELS Rating system.

Risk Rating Process

In Development Bank of Nigeria Plc., 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

In Development Bank of Nigeria Plc., 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

Development Bank of Nigeria Plc. 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 Bank's portfolio while avoiding excessive rating concentrations. The grade is composed by numbers from 1 to 10 (or AAA to D).

The risk rating scale and the external rating equivalent is detailed below

Grade	Scale	Explanatory Note
1+	AAA	PFI's are judged to be of the highest quality, subject to the lowest level of credit risk.
1	AA+	
1-	AA	PFI's are judged to be of high quality and are subject to very low credit risk.
2+	AA-	
2	A+	
2-	A	PFI's are judged to be upper-medium grade and are subject to low credit risk.
3+	A-	
3	BBB+	PFI's are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
3-	BBB	
4+	BBB-	
4	BB+	
4-	BB	PFI's are judged to be speculative and are subject to substantial credit risk.
5+	BB-	
5	B+	
5-	B	PFI's are considered speculative and are subject to high credit risk.
6+	B-	
Grade	Scale	Explanatory Note
6	CCC+	
6-	CCC	PFI's are judged to be speculative of poor standing and are subject to very high credit risk.
7	CCC-	
8	CC	PFI's are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and
9	C	PFI's are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
10	D	Lost.

(b) 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 Bank.

Collateral Policy

It is the Bank's policy that all credit exposures are adequately collateralized. 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.

In Development Bank of Nigeria Plc., strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Bank is the collateralization of the exposures, by first priority 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 securitization, 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 Bank's policy that all credit exposures are adequately collateralized. Credit risk mitigation is an activity of reducing credit risk in an exposure.

© Credit Quality

The following table sets out information about the credit quality of financial assets measured at amortized 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 3.1(i).

<i>In thousands of Naira</i>	Stage 1	31 Dec 2018		Total	31 Dec 2017 Total
	Stage 2	Stage 3			
Loans and advances to customers at amortised cost					
(B) - Low-fair risk	12,926,650	-	-	12,926,650	185,941
(B-) Higher risk	15,463,098	-	-	15,463,098	-
Gross loans	28,389,748	-	-	28,389,749	185,941
Loss allowance	(99,880)			(99,880)	(3,635)
Carrying amount	28,289,868	-	-	28,289,869	182,306

Exposure to credit risk

Credit risk exposures relating to financial assets are as follows:

	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Collectively impaired:									
Cash and cash equivalents	15	63,564,642	43,159,800	-	-	-	-	-	-
Performing loans and advances	17	-	-	28,389,748	185,941	-	-	-	-
Investment securities	16	-	-	-	-	186,167,770	108,761,980	-	-
Other assets		-	-	-	-	-	-	5,517	2,372
Gross amount		63,564,642	43,159,800	28,389,748	185,941	186,167,770	108,761,980	5,517	2,372
Allowance for impairment		(250,504)	-	(99,880)	(3,635)	(8)	-	-	-
Carrying amount		63,314,138	43,159,800	28,289,868	182,306	186,167,762	108,761,980	5,517	2,372
Total carrying amount-amortised cost		63,314,138	43,159,800	28,289,868	182,306	186,167,762	108,761,980	5,517	2,372

Balances included in Other Assets above are those subject to credit risks. The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2018 and 31 December 2017, 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.

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 2018	-	(3,635)
Impairment loss recognised	-	(99,880)
Amounts written off	-	3,635
	-	(99,880)

(i) *Cash and cash equivalents*

The Bank 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

(ii) *Investment securities*

The Bank 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 2018 (2017: Nil)

(iii) *Other assets*

The Bank'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.

(d) Credit concentration

The Bank 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:

	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Carrying amount	15,16,17,20	63,564,642	43,159,800	28,289,868	182,306	186,167,770	108,761,980	5,517	2,372
Concentration by sector:									
Finance		63,513,788	43,012,591	28,289,868	182,306	-	-	-	-
Government		50,854	147,209	-	-	186,167,770	108,761,980	-	-
Others		-	-	-	-	-	-	5,517	2,372
		63,564,642	43,159,800	28,289,868	182,306	186,167,770	108,761,980	5,517	2,372

Concentration by location:		31 Dec 2018		31 Dec 2017		31 Dec 2018		31 Dec 2017	
<i>In thousands of Naira</i>		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Abuja		50,854	147,209	-	-	186,167,770	108,761,980	5,517	2,372
North East		-	-	282,899	-	-	-	-	-
North West		-	-	848,696	-	-	-	-	-
North Central		-	-	3,111,885	-	-	-	-	-
South South		-	-	3,960,581	87,950	-	-	-	-
South West		63,513,788	43,012,591	18,954,211	96,132	-	-	-	-
South East		-	-	1,131,595	-	-	-	-	-
		63,564,642	43,159,800	28,289,868	184,082	186,167,770	108,761,980	5,517	2,372

Concentration by location for loans and receivables are measured based on the location of the borrower. Concentration by location for Investment securities are measured based on the location of the issuer

(e) Estimate of the fair value of collateral and other security enhancements

There are no collaterals held against other financial assets. There were also no repossessed collateral during the year

Collateral held and other credit enhancements and their financial effect

The general credit worthiness 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 Bank generally requests that corporate borrowers provide it. The Bank 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 bank does not sell or replete the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on credit worthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

7.20.5 Market Risk Management

Definition

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 Bank's income or the value of its portfolios. Development Bank of Nigeria Plc. is mainly exposed to market risk arising from non-traded interest rate risk in its banking book.

Market risk management and control

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. The Bank is exposed to market risk mainly through adverse movements in interest rates.

Development Bank of Nigeria Plc. manages market risk 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 Bank's Chief Risk Officer, who then present 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, the Bank's risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

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. Development Bank of Nigeria Plc. has a dedicated risk team with the sole responsibility of implementing the market risk section of the Enterprise Risk

Management Framework.

Identifying the growing importance of market risks in the Bank's operations, management has continued to ensure adequate internal controls and capital resources to address these risks.

DBN uses a range of tools for managing market risk which include:

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 Bank performs two main



type 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 Development Bank of Nigeria Plc's treasury activities in line with the defined risk appetite of the Bank. 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.

(a) Interest rate risk: Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Bank is exposed to interest rate risk through the interest bearing assets and liabilities in its banking book. Interest rate risk in the Banking Book (IRRBB) is the risk to earnings or capital arising from movement of interest rates. It generally arises from:

Re-Pricing Risk, risks related to the timing mismatch in the maturity and re-pricing of assets and liabilities and off balance sheet short and long term positions.

Basis Risk, risks arising from hedging exposure to one interest rate with exposure to a rate which reprises 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 Bank'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.

Development Bank of Nigeria Plc's 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 Bank'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 Bank 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 Bank. 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 Bank's non-trading activities.

Interest-rate risk is monitored with a Re-pricing 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 Bank's interest rate gap position on financial instruments is as follows:

Re-pricing period								
31 December 2018								
In thousands of Naira	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	-	-	-	-	-	-	106,987	106,987
Placements with Banks	63,457,655	-	-	-	-	63,457,655	-	63,207,151
Investment securities	15,284,166	24,787,279	-	146,096,325	-	186,167,770	-	186,167,762
Loans and advances	-	92,820	913,030	3,946,667	23,437,231	28,389,748	-	28,289,868
Other assets	-	-	-	-	-	-	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								
Accruals and payables	-	-	-	-	-	-	(794,021)	(794,021)
Borrowings	(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

Re-pricing period								
Up to 1								
	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	363,669	-	-	-	-	363,669	-	363,669
Placements with banks	42,796,131	-	-	-	-	42,796,131	-	42,796,131
Investment securities	1,135,286	17,993,782	47,786,010	41,846,902	-	108,761,980	-	108,761,980
Loans and advances	16,419	32,071	41,189	49,096	47,166	185,941	-	182,306
Other assets	-	-	-	-	-	-	2,372	2,372
	44,311,505	18,025,853	47,827,199	41,895,998	47,166	152,107,721	2,372	152,106,458
Accruals and other payables	-	-	-	-	-	-	(402,521)	(402,521)
Deposits for shares	-	-	-	-	-	-	(20,639,965)	(20,639,965)
Interest-bearing borrowings	-	(654,399)	(95)	(185)	(87,242,370)	(87,897,049)	-	(87,899,719)
	-	(654,399)	(95)	(185)	(87,242,370)	(87,897,049)	(21,042,486)	(108,942,205)
Total interest re-pricing gap	44,311,505	17,371,454	47,827,104	41,895,813	(87,195,204)	64,210,671	(21,040,114)	43,164,254

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)

Time Band	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	(1,028,500)	1,028,500
6 months	(9,130)	9,130
12 months	(1,500,430)	1,500,430
	(2,538,060)	2,538,060

Interest sensitivity analysis - 31 December 2017

Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000)

Time Band	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
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 Bank 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 optimize 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 Bank's financial condition to adverse movements in exchange rates.

The Bank 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 the Bank's operations, financial position and cash flows. The Bank did not enter into any forward exchange contracts to manage currency risk fluctuations.

The table below summarizes the Bank's financial instruments at carrying amount, categorized by currency:

Financial instruments by currency			
<i>In thousands of Naira</i>			
	Total	Naira N	US \$
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	-
Accruals and other payables	794,021	794,021	-
	152,498,083	152,498,083	-
Net FCY Exposure			3,643
31 December 2017			
	Total	Naira	US\$
Cash and cash equivalents	43,159,800	43,158,951	849
Investment securities	108,761,980	108,761,980	-
Loans and advances	182,306	182,306	-
Other assets	2,372	2,372	-
	152,106,458	152,105,609	849
Borrowings	87,899,719	87,899,719	-
Accruals and other payables	402,521	402,521	-
Deposit for shares	20,639,965	20,639,965	-
	108,942,205	108,942,205	-
Net FCY Exposure			849

7.20.6 Liquidity Risk Management

Liquidity Risk is the current or prospective risk to earnings and capital arising from the Bank's inability to meet its liabilities when they fall due without incurring unacceptable losses. Liquidity risk is considered a major risk for the Bank. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation.

The Bank 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 Bank 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.



The Bank's 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 analyze and monitors our liquidity risk and ensures excess liquidity is maintained.

The Board approved the ALM Manual, including establishing liquidity risk tolerance levels. The Bank'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 Bank'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 Bank's 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 unrecognized loan commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising Cash and balances with banks and debt securities issued by federal government, which can be readily sold to meet liquidity requirements.

Quantifications

Development Bank of Nigeria Plc. has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

- a) Funding and Liquidity planning;
- b) Liquidity Gap Analysis; and
- c) Ratio Analysis.

7.21 Residual Contractual Maturities of Financial Assets and Liabilities

31 December 2018	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<i>In thousands of Naira</i>							
<i>Non-derivative asset:</i>							
Cash and balances with banks	106,987	106,987	106,987	-	-	-	-
Placements with Banks	63,207,151	63,457,655	63,457,655	-	-	-	-
Investment securities	186,167,762	204,902,674	24,544,665	28,895,000	16,492,149	134,970,860	-
Loans and advances	28,289,868	31,769,108	1,319,635	2,428,346	4,721,988	11,839,855	11,459,284
Other assets	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>							
Accruals and other payables	794,021	794,021	-	794,021	-	-	-
Borrowings	151,704,062	213,211,484	771,916	-	1,214,332	1,221,004	210,004,232
	152,498,083	214,005,505	771,916	794,021	1,214,332	1,221,004	210,004,232
Gap (asset liabilities)	125,279,202	86,236,436	88,662,543	30,529,325	19,999,805	145,589,711	(198,544,948)
Cumulative liquidity gap			88,662,543	119,191,868	139,191,673	284,781,384	86,236,436

31 December 2017	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
<i>In thousands of Naira</i>							
<i>Non-derivative asset:</i>							
Cash and balances with banks	363,669	363,669	363,669	-	-	-	-
Placements with Banks	42,796,131	42,897,660	42,897,660	-	-	-	-
Investment securities	108,761,980	117,700,886	1,142,767	18,685,445	51,010,376	46,862,298	-
Loans and advances	182,306	205,339	18,929	36,428	46,160	54,633	49,189
Other assets	2,372	2,372	2,372	-	-	-	-
	152,106,458	161,169,926	44,425,397	18,721,873	51,056,536	46,916,931	49,189
<i>Non-derivative liabilities:</i>							
Accruals and other payables	402,521	402,521	-	402,521	-	-	-
Borrowings	87,899,719	122,182,841	-	1,251,631	964,849	1,735,627	118,230,734
	88,302,240	122,585,362	-	1,654,152	964,849	1,735,627	118,230,734
Gap (asset - liabilities)	63,804,218	38,584,564	44,425,397	17,067,721	50,091,687	45,181,304	(118,181,545)
Cumulative liquidity gap			44,425,397	61,493,118	111,584,805	156,766,109	38,584,564

6. Capital management

The Bank's objectives when managing 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 Bank'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 Bank and the Bank'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 Bank is expected to maintain a minimum ratio of Tier I capital to total assets of 5%. Tier 2 capital includes the Bank's qualifying loan capital and shall not exceed 100% of Tier 1 capital.

The Basel II capital adequacy ratio was 324.11% for the Bank, as at 31 December 2018 (31 December 2017: 319.98%), with Bank above the CBN minimum capital adequacy requirements of 15%. 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 0 (1 January 2018)	4/5 of Adjusted Day One Impact	N0.19m
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	-

The following table provides an overview of the capital levels and risk-weighted assets (RWA):

In thousands of Naira	Note	With adjusted day 1 impact		With adjusted day 1 impact	
		31 December 2018	31 December 2018	1 January 2018	31 December 2017
Tier 1 capital					
Ordinary share capital	25a(ii)	100,000	100,000	40,000	40,000
Share premium	25(b)	99,762,570	99,762,570	39,940,842	39,940,842
Retained earnings	25(c)	17,690,389	17,690,389	2,281,255	2,281,255
Statutory reserve	25(d)	8,023,196	8,023,196	1,218,646	1,218,646
Regulatory risk reserve	25(e)	467,915	467,915	84	84
Transitional adjustment		-	142	190	-
Tier 1 Capital Before Regulatory Deduction		126,044,070	126,044,212	43,481,017	43,480,827
Less:					
Intangible assets		(64,452)	(64,452)	(9,679)	(9,679)
Eligible Tier 1 Capital		125,979,618	125,979,760	43,471,338	43,471,148
Eligible Tier 2 Capital		39,680,808	39,680,808	-	-

Risk-weighted assets				
Risk-weighted Amount for Credit Risk	31,474,632	31,474,632	8,697,317	8,697,317
Risk-weighted Amount for Operational Risk	19,637,714	19,637,714	4,888,459	4,888,459
Risk-weighted Amount for Market Risk	-	-	-	-
Total weighted risk assets	51,112,346	51,112,346	13,585,776	13,585,776
Capital ratios				
Risk weighted Capital Adequacy Ratio (CAR)	324.11%	324.11%	319.98%	319.98%

As shown above, the Bank currently has a capital adequacy ratio of 324.11% (2017: 319.98%), which is significantly above the set benchmark of 10% for Development Finance Institutions, due to the fact that the Bank just commenced operations

Regulatory Minimum Capital Requirement

As a Wholesale Development Finance Institution, the Central Bank of Nigeria (CBN) requires the Bank 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 minimum capital requirement
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 2018, the Bank 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.

7 Interest Income		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Loans and Advances to Participating Financial Institutions (PFIs)	556,210	5,177
Placements with banks	3,971,649	194,683
Investment in Treasury Bills	25,983,907	5,850,385
	30,511,766	6,050,245
8 Interest Expense		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Borrowings	4,342,680	889,105
	4,342,680	889,105
9 (a) Other income and fees		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Interest earned on offer proceeds	130,278	-
Other sundry incomes	2	-
Loss on foreign exchange balances	(97)	-
	130,183	-
(b) Fees and commission expense		
Custodian fees on treasury bills	104,999	-
	104,999	-
10 Impairment Charge on financial instruments		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Loans and Advances to PFIs: - Collective impairment (See note 17(a))	95,924	3,635
-Other assets Collective impairment (See note 17(a))	250,512	-
	346,436	3,635
11 Personnel expenses		
Personnel expenses comprise:		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Wages and salaries	714,008	393,658
Pension contribution	35,893	18,508
Other allowances	506,049	211,979
	1,255,950	624,145
(i) The number of employees, excluding the non-executive directors in the Bank's employment as at:		
<i>Number</i>	31-Dec-18	31-Dec-17
Executive Management	1	1
Senior Management	13	6
Middle Management	3	3
Officer	8	1
	25	11
(ii) Employees, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following ranges:		
<i>Number</i>	31-Dec-18	31-Dec-17
Below N1,000,000	1	-
N1,000,001 - N 3,000,000	-	5
N3,000,001 - N 6,000,000	6	1
N6,000,001 - N 9,000,000	1	1
N9,000,001 - N 15,000,000	3	-
N15,000,001 and above	14	4
	25	11
(b) Director's remuneration		
The remuneration paid to directors are as follows:		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Fees as director	58,650	41,744
Other Allowances	18,700	16,650
Other Directors' emolument	130,719	96,912
	208,069	155,306
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	10,200	6,014
Highest paid director	130,719	96,912

12 Depreciation and amortization expenses	31-Dec-18	31-Dec-17
<i>In thousands of naira</i>		
Amortization of intangibles (see note (19))	13,983	1,397
Depreciation of property and equipment (see note (18))	150,946	41,153
	164,929	42,550

13 General and administrative expenses	31-Dec-18	31-Dec-17
<i>In thousands of naira</i>		
Office rent	57,978	28,721
Business promotion and advertisement	426,608	22,872
Donations	42,000	2,500
Legal and secretarial fees	7,868	4,616
Electricity expenses	7,138	4,640
Audit fees	10,500	10,000
Professional services	483,215	118,466
Other Board expenses	31,824	16,154
Newspapers and periodicals	5,139	2,095
Corporate subscriptions	10,838	1,854
Office consumables	10,077	10,072
Staff welfare	5,269	1,235
Insurance Expenses	39,653	7,674
Maintenance	4,877	1,472
Stationery, IT and Communication expenses	52,934	4,531
Travels and Hotels	93,197	26,618
Recruitment & Training, Subscription and Contract cost	131,807	62,398
Director Emolument and expenses	77,350	58,395
Bank Charges	2,146	435
Other expenses	15,592	2,875
	1,516,010	387,624

14 Taxation	31-Dec-18	31-Dec-17
(a) Income tax expense		
<i>In thousands of naira</i>		
Current tax expense		
Company Income Tax	-	-
Tertiary Education Tax	-	-
NITDA Levy (see note 14c)	229,109	41,032
	229,109	41,032
Deferred tax expense/ (reversal)	-	-
Total income tax expense	229,109	41,032

The Bank is exempted from minimum tax in line with section 33 of the amended Companies Income Tax Act as it has 25% imported equity.

Reconciliation of effective tax rate	31-Dec-18	31-Dec-17
<i>In thousands of naira</i>		
Profit/(loss) before tax	22,910,945	4,103,186
Income tax using the domestic corporation tax rate @ 30%	30% 6,873,284	30% 1,230,956
Tax effect of:		
Non-deductible expenses	1% 313,657	0% 14,299
Tax exempt income	34% (7,795,172)	-43% (1,755,115)
Information technology tax levy	1% 229,109	1% 41,032
Current year unutilized loss	3% 608,231	12% 509,861
	1% 229,109	1% 41,032

(b) Unrecognized 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 Bank which relates primarily to timing difference in the recognition of unrelieved tax losses were not recognized in these financial statements. The Bank's deferred tax asset balance is as a result of unutilized capital allowances and tax losses for the year, resulting from significant tax exempt income on government securities. Despite the Bank making an accounting profit of N22.9 billion; it made a taxable loss of N2.068 billion; this was a result of the tax exemption granted to treasury bills (as the Bank's major source of income was its investment income on treasury bills). Deferred tax assets have not been recognized in the accounts since the timing of the utilization of the deferred tax assets is uncertain.

Refer to note 4.2 (iv) for significant judgment and estimate related to the computation of the unrecognized deferred tax assets. The unrecognized deferred tax asset during the year is attributable to the following:

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Unutilized capital allowances	57,630	14,178
Allowance for impairment	273,959	1,090
Revaluations	31	-
Unrelieved tax losses	1,299,652	678,511
	1,631,272	693,779

The movement in the unrecognized deferred tax asset during the year was as follows:		
<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Balance, beginning of the year	693,779	168,651
Unrecognized credit for the year	937,492	525,128
Balance, end of the year	1,631,272	693,779

(c) Current income tax payable

The movement in current income tax payable balance is as follows:

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Balance, beginning of the year	41,032	-
Current income tax charge (See note 14a)	229,109	41,032
Tax paid	(41,032)	-
Balance, end of the year	229,109	41,032

15 Cash and cash equivalents

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Treasury Single Account with Central Bank of Nigeria (i)	49,730	26,984
Other current account balances with Central Bank of Nigeria (ii)	1,125	120,225
Current account balances with local banks	56,132	216,460
Placements with local banks (iii)	63,457,655	42,796,131
	63,564,642	43,159,800
Less: Allowance for impairment	(250,504)	-
	63,314,138	43,159,800

- (i) This represents balances held in the Treasury Single Account with the Central Bank of Nigeria and available for the bank's use.
- (ii) This represents balances in development partners collection accounts with the Central Bank of Nigeria
- (iii) Placements with local banks comprise deposits with maturity of less than 90 days from the value date of the Instruments. All deposits were subject to an average variable interest rate of 11.12% (2017: 10.88%).

16 Investment securities

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Investments in treasury bills (measured at amortized cost)	186,167,770	108,761,980
	186,167,770	108,761,980
Less: Allowance for impairment	(8)	-
	186,167,762	108,761,980

(a) Movement in Investment Securities

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Opening balance as at January, 2018	108,761,980	-
Acquisition of treasury bills	321,647,652	112,756,534
Interest income on treasury bills (see note 7)	25,983,907	5,850,385
Interest received	(26,289,133)	(844,939)
Maturity of treasury bills	(243,936,636)	(9,000,000)
Less: Allowance for impairment	(8)	-
Closing balance as at December 31, 2018	186,167,762	108,761,980

17	Loans and advances <i>In thousands of naira</i>	31-Dec-18	31-Dec-17
	Loans and advances to PFIs at amortised cost	28,389,748	185,941
	Less: Allowance for impairment (see note a)	(99,880)	(3,635)
		28,289,868	182,306

(a)	Movement and allowances for impairment <i>In thousands of naira</i>	31-Dec-18	31-Dec-17
	Collective allowances for impairment		
	Balance at 1 January	3,635	-
	Remeasurement of December 31, 2017 impairment	321	-
	Charge for the year (see note 10)	95,924	3,635
	Closing Balance	99,880	3,635

18	Property and equipment <i>In thousands of naira</i>					
	Property, plant and equipment					
	The movement on these accounts during the year was as follows:					
	<i>In thousands of naira</i>	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement
	Cost					
	Balance as at 1 January 2018	279,603	27,253	33,808	13,605	-
	Additions during the period	256,595	37,519	48,273	33,548	36,340
	Reclassifications	-	-	-	(3,675)	3,675
	Balance as at 31 December 2018	536,198	64,772	82,081	43,478	40,015
	Balance as at 1 January 2017	-	-	-	-	-
	Additions during the period	279,603	27,253	33,808	13,605	-
	Balance as at 31 December 2017	279,603	27,253	33,808	13,605	-
	Accumulated Depreciation					
	Balance as at 1 January 2018	31,457	3,691	4,500	1,505	-
	Charge for the year	107,148	9,735	18,507	6,885	8,671
	Reclassifications	-	-	-	(1,101)	1,101
	Balance as at 31 December 2018	138,605	13,426	23,007	7,289	9,772
	Balance as at 1 January 2017	-	-	-	-	-
	Depreciation for the period	31,457	3,691	4,500	1,505	-
	Balance as at 31 December 2017	31,457	3,691	4,500	1,505	-
	Carrying Amounts					
	At 31 December 2018	397,593	51,346	59,074	36,189	30,243
	At 31 December 2017	248,146	23,562	29,308	12,100	-

- (i) There were no impairment losses on any class of property and equipment during the year (31 December 2017: Nil)
- (ii) There were no capitalized borrowing cost related to acquisition of property and equipment during the year (31 December 2017: Nil)
- (iii) There were no liens or encumbrances on the Bank's assets as at the year-end (31 December 2017: Nil). None of the Bank's assets have been pledged as security for borrowing.
- (iv) No leased assets are included in the above property and equipment account.
- (v) The Bank had no capital commitments as at year end (31 December 2017: Nil)
- (vi) The Bank changed depreciation rate on computer equipment to 33.3% during the 2018 financial year (2017: 20%)
- (vii) The change in the depreciation estimate for computer equipment to 33.3% during the 2018 financial year resulted in an increase in depreciation charge for the year of N3,701,425.76.

19 Intangible assets
In thousands of naira

	31-Dec-18	31-Dec-17
Cost		
Opening Balance	11,076	-
Additions	68,756	11,076
Closing Balance	79,832	11,076
Amortization		
Opening Balance	1,397	-
Charge during the period	13,983	1,397
Closing balance	15,380	1,397
Carrying Amounts	64,452	9,679

- (i) There were no impairment losses on intangible assets during the year (31 December 2017: Nil)
- (ii) There were no capitalized borrowing cost related to acquisition of intangible assets during the year (31 December 2017: Nil)
- (iii) There were no liens or encumbrances on the Bank's intangible assets as at the year-end (31 December 2017: Nil) amortization estimate from five years to three years during the financial year. This change resulted in an increased amortization charge for the year of N2,796,473.57
- (v) The Bank does not have internally generated intangible assets
- (vi) No leased assets are included in the above intangible assets account.
- (vii) The Bank had no capital commitments as at year end (31 December 2017: Nil)

20 Other Assets
In thousands of naira

	31-Dec-18	31-Dec-17
Financial assets		
Cash Advances	5,268	950
Other Receivables	249	1,422
	5,517	2,372
Non-financial assets		
Prepaid expenses	162,098	37,617
WHT receivables	230,487	19,468
	392,585	57,085
	398,102	59,457

21 Accruals and other payables
In thousands of naira

	31-Dec-18	31-Dec-17
Financial Liabilities		
Payable to Federal Ministry of Finance (see note(i))	-	100,000
Audit fees	15,000	46,450
Accrued directors emolument	26,000	26,000
Accrued performance bonus (see note(ii))	611,208	205,159
Payables to vendors	141,813	24,912
	794,021	402,521
Non-Financial liabilities		
PAYE payable	142	8,595
NHF Payable	32	16
WHT Payable	18,016	1,081
NSITF Payable	3,095	6,176
ITF Payable	16,220	6,176
	37,505	22,044
	831,526	424,565

- (i) The amount is due to the Federal Ministry of Finance for the funds made available during the pre-operational stage of the Bank and is a zero interest loan, which is repayable on demand. This was subsequently repaid in 2018.
- (ii) Accrued performance bonus relates to accrual for 5% of the Bank's profit in respect of employee performance bonus approved by the Directors

22 Employee benefit obligation

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Defined pension contribution		
Opening balance	230	22,561
Additions during the year	35,893	30,802
Payments	(36,123)	(53,133)
	-	230

23 Deposit for shares

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Balance, beginning of the year	20,639,965	-
Additions	-	20,639,965
Transfer to share capital and premium (see note 25 (b) (iii))	(20,639,965)	-
Balance, end of year	-	20,639,965

24 Borrowings

Borrowings comprise loans from the Federal Government of Nigeria for on-lending to Participating Financial Institutions, who on-lend these funds to eligible MSMEs in Nigeria. The Federal Government of Nigeria obtained the financing from the International Development Partners, as analyzed below:

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
International bank for reconstruction and development (IBRD) (see note (i))	38,521,098	37,058,779
Agence Francaise de developpement (AFD) (see note (ii))	14,519,544	14,027,136
KfW German Development Bank (see note (iii))	61,814,573	36,813,804
African Development Bank (AfDB) (see note (iv))	27,242,684	-
African Development Fund (Fund of AfDB) (see note (iv))	9,606,163	-
	151,704,062	87,899,719

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 N38.521 billion represents the carrying amount of the first and second 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 loan is 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 April 2038

(ii) The amount due to Agence Francaise de developpement ("AFD") of N14.519 billion represents the carrying amount of the first 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 N61.81 billion represents the carrying amount of first tranche (N24.86 billion), second tranche (N12.45 billion), third tranche (N12.27 billion) and fourth tranche (N12.23 billion) of total drawdown of the KfW's \$200 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 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 N27.2 billion represents the carrying amount of the first 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 inflow was received on 27 March, 2018 and the loan is repayable (in Naira) in semi-annual instalments over 15 years in 30 equal instalments. The interest rate is 4 % per annum. African development fund ("ADF") is a special fund of the African Development Bank ("AfDB"). The N9.6 billion ADF represents the carrying amount of the first and second tranches of the ADF borrowing commitment to the Federal Government of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). The actual inflow of the two tranches were received on 31 January 2018 and 9 April, 2018 respectively. The interest rate is 1 % per annum.

25 Capital and Reserves

(a) Ordinary share capital			
<i>In thousands of naira</i>		31-Dec-18	31-Dec-17
(i) Authorised ordinary share capital			
100,000,000 shares of ₦ 1 each (2017: 100,000,000 shares)		100,000	100,000
		100,000	100,000
(ii) Issued and paid up : 100,000,000 ordinary shares at ₦ 1 each (2017: 40,000,000)			
<i>In thousands of naira</i>		31 Dec 18	31 Dec 17
Opening balance		40,000	20,000
Addition (See note (ii))		60,000	20,000
		100,000	40,000
(iii) Additions relates to the payment for the 20 million ordinary shares allotted to the Federal Government of Nigeria during the year ended 31 December 2016 ;			
(b) Share premium			
Movement in share premium is as follows:			
<i>In thousands of naira</i>		31-Dec-18	31-Dec-17
Balance, beginning of the year		39,940,842	19,978,284
Additions to share capital (see note(ii))		59,940,000	19,980,000
Share issue costs		(118,272)	(17,442)
Balance, end of year		99,762,570	39,940,842
(i) This represent premium of N999 on 100 million ordinary shares paid up by the Bank's shareholders as at the year ended 31 December 2018.			
(i) Proceeds from issue of share capital			
<i>In thousands of naira</i>		31-Dec-18	31-Dec-17
Proceeds from issue of shares		39,360,035	20,000,000
Transfer from deposit for shares (see note 23)		20,639,965	20,000,000
		60,000,000	
Applied to:			
Share capital (see note ii)		(60,000)	(20,000)
Share premium (see note (b))		(59,940,000)	(19,980,000)
		(60,000,000)	(20,000,000)
-			

(c) **Retained earnings**

This account represents the retained earnings of the Bank up to the statement of financial position date. The movement in this account during the year was as follows:

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Balance, beginning of the year	2,281,255	(562,169)
Profit for the year	22,681,836	4,062,154
Transfer to statutory reserves (see note 25(d))	(6,804,550)	(1,218,646)
Transfer to regulatory risk reserves (see note 25(e))	(467,831)	(84)
Balance, end of year	17,690,710	2,281,255

(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 2018, 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

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Balance, beginning of the year	1,218,646	-
Transfer from appropriation (see note 25(c))	6,804,550	1,218,646
Balance, end of year	8,023,196	1,218,646

(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 incurred loss model required by IFRS under IAS 39 for the year ended 31 December 2017 and the expected credit loss model for the year ended 31 December 2018.

As at 31 December 2018, the Bank's NGAAP provision was higher than the IFRS impairment; hence, a transfer of N467.831 million (2017: N0.084 million) was made to the Regulatory risk reserve

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Balance, beginning of the year	84	-
Transfer from appropriation (see note 4.1(iii))	467,831	84
Balance, end of year	467,915	84

8 Cash Flow Workings

(a) **Changes in working capital**

(i) **Accruals and other payables**

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Opening balance	(424,565)	(164,546)
Closing balance	831,526	424,565
Movement	406,961	260,019

(ii) **Net decrease in Employee benefit obligation**

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Opening balance	230	22,561
Closing balance	-	(230)
Movement	230	22,331

(iii) **Net increase in Other assets**

<i>In thousands of naira</i>	31-Dec-18	31-Dec-17
Opening balance	(59,457)	(23,100)
Closing balance	398,102	59,457
Movement	338,645	36,357



(iv) Changes in loans and advances to PFIs			
<i>In thousands of naira</i>			
		31-Dec-18	31-Dec-17
Opening balance		(182,306)	-
December 2017 impairment re - measurement		321	-
Collective impairment charge during the year	17a	95,924	3,635
Closing balance	17	28,289,868	182,306
Movement		28,203,807	185,941

(v) Impairment on other assets			
Treasury bills		8	-
Bank placements		250,504	-
		250,512	-

(b) Cash flows from financing activities

(i) Proceeds from long term borrowing			
<i>In thousands of naira</i>			
		31- Dec - 18	31-Dec-17
Opening balance		87,899,719	-
Long term debt inflow during the year		60,413,296	87,010,614
Accrued interest for the year		3,391,048	889,105
Closing balance		151,704,062	87,899,719
Movement		63,804,344	87,899,719

9 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) Transactions with key management personnel
The Bank's key management personnel and

<i>In thousands of naira</i>	Notes	31-Dec-18	31-Dec-17
Salaries and wages		124,126	92,622
Pension contribution		6,593	4,291
	11(b)	130,719	96,913

- b(ii) Other related parties and balances are listed below:

<i>In thousands of Naira</i>		31 December 2018		
Related entities	Relationship	Nature	Note	Balance
Federal Ministry of Finance	Shareholder	Payable* Deposit for Shares	21 23(i)	-
Federal Government of Nigeria (represented by the Minister of Finance)	Shareholder	Borrowing	24	151,704,062

<i>In thousands of Naira</i>		31 December 2017		
Related entities	Relationship	Nature	Note	Balance
Federal Ministry of Finance	Shareholder	Payable* Deposit for Shares	21 23(i)	100,000 20,639,965
Federal Government of Nigeria (represented by the Minister of Finance)	Shareholder	Borrowing	24	87,899,719

* Payable to FMOF: are funds made available during the pre -operational stage of the Bank.

28 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.

29 Contingent liabilities and commitments

The Bank has the commitment of the Federal Government of Nigeria (FGN) 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	Dec 2018 (\$'000)	Dec 2017 (\$'000)
World Bank	480,000	480,000
KfW (German Development Bank)	200,000	200,000
Agence Francaise de developpement	130,000	130,000
African Development Bank	450,000	-
	1,260,000	810,000

The funds are long tenor loans to the Bank and will be drawn down contingent upon meeting certain disbursement linked indicators. See note 24 for details of drawdown on borrowings as at 31 December 2018.

30 The following table shows the analysis of the Bank's assets and liabilities and on the basis of their current/ non-current classification.

In thousands of Naira

	Note	Carrying Amount	Current	Non Current	Carrying Amount	Current	Non Current
ASSETS							
Cash and cash equivalents	15	63,314,138	63,314,138	-	43,159,800	43,159,800	-
Investment securities	16	186,167,762	186,167,762	-	108,761,980	108,761,980	-
Loans and advances	17	28,289,868	4,852,637	23,437,231	182,306	135,140	47,166
Property and equipment	18	574,445	-	574,445	313,116	-	313,116
Intangible assets	19	64,452	-	64,452	9,679	-	9,679
Other assets	20	398,102	318,429	79,673	59,457	32,465	26,992
Total Assets		278,808,767	254,652,966	24,155,801	152,486,338	152,089,385	396,953
Liabilities							
Accruals and other payables	21	831,526	831,526	-	424,565	309,939	114,626
Current income tax payable	14(c)	229,109	229,109	-	41,032	41,032	-
Employee benefit obligation	22	-	-	-	230	230	-
Deposit for shares	23	-	-	-	20,639,965	20,639,965	-
Borrowings	24	151,704,062	771,916	150,932,146	87,899,719	654,679	87,245,040
Total Liabilities		152,764,697	1,832,551	150,932,146	109,005,511	21,645,845	87,359,666



Other National Disclosures

10.1 Other National Disclosures

Value Added Statement <i>For the year ended 31 December 2018</i>				
<i>In thousands of naira</i>	31 DEC 2018	%	31 DEC 2017	%
Gross income	30,511,766		6,050,245	
Interest expense	(4,342,680)		(889,105)	
Impairment loss on loans	(346,436)		(3,635)	
Bought in materials and services	(1,516,010)		(387,624)	
Value added/ (eroded)	24,306,640	100	4,769,881	100
Applied to pay:				
Employees				
- Employees as personnel expenses	1,255,950	5	624,145	13
Government				
- Taxation	229,109	1	41,032	1
Retained in business				
Replacement of property and equipment/Intangibles	164,929	1	42,550	1
- Increase in reserves	22,656,652	93	4,062,154	85
Value added/ (eroded)	24,306,640	100	4,769,881	100

10.2 Other Information

Financial Summary

<i>In thousands of Naira</i>	31 DEC 2018	31 DEC 2017	31 DEC 2016	31 DEC 2015	31 DEC 2014
Assets					
Cash and cash equivalents	63,314,138	43,159,800	19,600,122	19,991,920	-
Loans and advances	28,289,868	182,306	-	-	-
Investment securities	186,167,762	108,761,980	-	-	-
Property and equipment	574,445	313,116	-	-	-
Intangible assets	64,452	9,679	-	-	-
Other assets	398,102	59,457	23,100	1,408	-
Total assets	278,808,767	152,486,338	19,623,222	19,993,328	-
Liabilities					
Borrowings	151,704,062	87,899,719	-	-	6,580
Accruals and other payables	831,526	424,565	164,546	152,930	-
Employee benefit obligation	-	230	22,561	7,431	-
Current income tax payable	229,109	41,032	-	-	-
Deposit for shares	-	20,639,965	-	19,990,000	-
Total liabilities	152,764,697	109,005,511	187,107	20,150,361	6,580
Equity					
Share capital	100,000	40,000	20,000	10,000	-
Share premium	99,762,570	39,940,842	19,978,284	-	-
Statutory reserves	8,023,196	1,218,646	-	-	-
Regulatory risk reserve	467,915	84	-	-	-
Retained earnings	17,690,389	2,281,255	(562,169)	(167,033)	(6,580)
Total equity	126,044,070	43,480,827	19,436,115	(157,033)	(6,580)
Total liabilities and equity	278,808,767	152,486,338	19,623,222	19,993,328	-
Gross income	<u>30,641,949</u>	<u>6,050,245</u>	<u>53,217</u>	<u>-</u>	<u>-</u>
Profit/(Loss) before income tax	<u>22,910,945</u>	<u>4,103,186</u>	<u>(395,136)</u>	<u>(160,453)</u>	<u>(6,580)</u>
Profit/(Loss) for the year	<u>22,681,836</u>	<u>4,062,154</u>	<u>(395,136)</u>	<u>(160,453)</u>	<u>(6,580)</u>



10.3 Liquidity Contingency Funding Plan

The Liquidity Contingency Funding Plan (“LCFP”) consists of policies, actions and processes necessary for the prevention, management and containment of a liquidity crisis in the Development Bank of Nigeria Plc. (“DBN” or “the Bank”) where such an event should happen. The plan is also developed in line with the Central Bank of Nigeria (CBN) contingency planning framework and DBN's Asset Liability Management Policy.

The Plan harnesses the Bank's strategy for handling a liquidity crisis. It describes procedures for managing and making up cash flow shortfalls in stressed liquidity situations. The Plan is built upon the output of stress tests and scenario analysis on the Bank's capital, and is likewise expected to limit disruptions of DBN's services due to liquidity distress.

The Board has established an Asset and Liability Management Committee (ALCO) and has delegated authority to this committee to manage the Bank's Balance Sheet. The LCFP is reviewed by the ALCO and approved by the Board of Directors, at least every two years. However, the ALCO can recommend a revision on the occurrence of a major market event or development that the committee believes can render the LCFP inadequate.

The ALCO has the primary responsibility for recommending to the Board of Directors prudent asset/liability management policies and reviewing the liquidity and contingency funding conditions of the Bank.

The Board of Directors is responsible for approving and reviewing the Asset and Liability Management and Investment Policies, including the Liquidity Contingency Funding Plan and for assuring that the Bank's funding is managed in accordance with these policies. The Board reviews these policies and approves same whenever they are prepared and presented by management.

The Bank follows established and approved procedures to address liquidity crisis events and fall back on identified and documented back-up sources of funds during crisis events.

Development Bank of Nigeria Plc constantly monitors its liquidity metrics to ensure that it is within the CBN prescribed minimum, and that the bank can meet its maturing obligations as they fall due.

[illegible]

PROXY FORM

SECOND ANNUAL GENERAL MEETING TO BE HELD in the meeting room, FRASER SUITES, 249, Leventis Close, Central Business District, Abuja on Thursday, April 25, 2019 at 11.00 a.m. to transact the following business:

"I / We

(Name of Shareholder in block letters)

the undersigned, being a member of the above named Company hereby appoint,
_____ or the Chairman of the meeting as our Proxy to vote for us and on our behalf
at the Annual General Meeting of the Company to be held on Thursday, April 25, 2019 and at any adjournment thereof."

Unless otherwise instructed, the Proxy will vote or abstain from voting as he/she thinks fit.

Dated this _____ day of _____ 2019

Seal / Signature _____

		RESOLUTION	FOR	AGAINST
I/We desire this proxy to be used in favour of/or against the resolution as indicated alongside.	1.	To receive the Audited Financial Statements for the year ended December 31, 2018, together with the Reports of the Directors, Audit Committee and External Auditors, as well as the report of the external consultants on the annual appraisal of the Board of Directors.		
	2.	To re-elect Mrs. Clare Omatseye as an Independent Non-executive Director.		
	3.	To re-elect Mallam Bello Maccido as an Independent Non-executive Director.		
	4.	To re-elect Mr. Mr. Phillips Oduoza as an Independent Non-executive Director.		
	5.	To approve the remuneration of the External Auditors.		
	6.	To elect members of the Statutory Audit Committee.		
	7.	To fix the remuneration of the Directors.		
	8.	To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Dr. Shehu Yahaya, as its lead for Government Relations.		
	9.	To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Mr. Anthony Okpanachi, in the area of Financial Inclusion.		
	10.	To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Mrs. Clare Omatseye, in the area of MSME Financing.		
	11.	1)To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Mr. Phillips Oduoza, in the area of Credit & Risk Management.		



PROXY FORM CONT.

		RESOLUTION	FOR	AGAINST
		12. To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Mallam Bello Maccido, in the area of Finance & Accounting.		
		13. To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Mr. Andrew Alli, in the area of Audit.		
		14. To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Dr. Oladimeji Alo, in the area of Performance Management & Human Resources		
		15. To approve, pursuant to Article 9.5.7 of the Bank's Articles of Association, the Board of Director's designation of Mr. Uche Orji, as the Board's Development Partner Interface.		
		Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion		

NOTES:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in his stead. Such a proxy need not be a member of the Company. All instruments of proxy should be completed and deposited with the Company Secretary, COMPANY SECRETARIAT AND LEGAL DEPARTMENT, DEVELOPMENT BANK OF NIGERIA PLC, THE CLAN PLACE, PLOT 1386A, TIGRIS CRESCENT, MAITAMA, ABUJA not later than 48 hours to the meeting.
2. Where the appointor is a corporation, this form may be under seal or under hand of any officer or attorney duly authorized.
3. The proxy will be used only in the event of poll being directed or demanded.
4. In the case of joint holders, the signature of anyone of them will suffice, but the names of all joint holders should be shown.



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