

GMB MICROFINANCE
BANK LIMITED

RC:205592



2020
ANNUAL
R eport
AND
Accounts

Board Of Directors



Mr. Martin E. Anachebe



Mr. Kenechukwu I. Uboma
Managing Director



Chief (Sir)
Engr. Christian Okoye



Sir Onuora Onyekwelu Nwanna
Chairman



Chief (Sir) Austin A. Leleh



Dame Oby
Anachebe (Mrs)



Sir. Dr. Engr.
Innocent Akuvue



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GMB MICROFINANCE BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020
BANK MISSION AND VISION AND DATE OF APPROVAL

Date of Approval

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2020 WERE AUTHORIZED FOR ISSUE AT THE BOARD OF DIRECTORS MEETING OF 25TH MARCH 2021.

THE CENTRAL BANK OF NIGERIA HAVE ALSO APPROVED THE FINANCIAL STATEMENTS VIA THEIR LETTER OF 30TH Sept, 2021

Our Vision

TO REMAIN A TRUSTWORTHY FINANCIAL INSTITUTION WITH AN EDGE IN MICROFINANCE

Our Mission

OUR VISION WILL BE ACHIEVED THROUGH MOBILIZATION AND ACCESS TO FUNDS TO MICRO, SMALL AND MEDIUM ENTREPRENEURS WITH A VIEW TO CREATING SUPERIOR VALUES TO ALL OUR STAKEHOLDERS.

Our Philosophy

OUR PHILOSOPHY IS ANCORED ON THE EARNEST NEED TO ASSIST MICRO, SMALL AND MEDIUM ENTERPRISES TO ACCESS FUNDS AND IMPROVE THEIR BUSINESSES WITH A VIEW TO IMPROVING THEIR OVERALL WELFARE. TO ACHIEVE THIS WE ADOPT SIMPLE BUSINESS SOLUTIONS UNDERSTANDABLE TO THEM AND BENEFICIAL TO ALL OUR CUSTOMERS

Our Ethics

IN OUR BUSINESS WE ATTEST TO THE HIGHEST ETHICAL PRACTICE, STANDARDS AND INTERGRITY AS WE DEAL WITH ALL STAKEHOLDERS – CUSTOMERS, SHAREHOLDERS, REGULATORY AUTHORITIES AND STAFF.

Our People Management

WE DO NOT TAKE FOR GRANTED THAT OUR BUSINESS IS PEOPLE CENTERED. WE ARE CONTINUALLY IN COMMUNICATIONS WITH ALL STAKEHOLDERS AND HAVE SINCE OUR EXISTENCE CONTINUED TO IMPACT POSITIVELY ON OUR NEIGHBOURHOOD AND OUR ENVIRONMENT.

NOTICE OF MEETING

Notice is hereby given that the 24th Annual General Meeting of GMB Microfinance Bank Limited, will be held at the Nibo Civic centre, Eke market Square, Nibo on Friday, 24th December 2021 by 09am prompt. To transact the following business.

A. ORDINARY BUSINESS

1. To receive the Accounts and Report thereon for the year ended 31st December, 2020
2. To Appoint New Directors
3. To approve remuneration for Directors
4. To Make Resolution for Downscaling
5. To authorized the Board to fix the remuneration of the External auditors
6. To elect members of the Audit Committee
7. To consider any other business that may be lawfully be transacted at an Annual General Meeting

A member of the company entitled to attend and vote is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the company.

Note: Proxy forms are available at the bank and must be executed and registered on or before 4pm of 17th December, 2021 with the Head, Corporate Affairs of the bank.



Assoc. Prof. Sir Ifeanyi O. Nwanna
FRC/2015/CIBN/00000011821
Secretary to the Board

DATED: 1st June, 2021



CORPORATE INFORMATION

DIRECTORS:

MR.O.O. NWANNA
MR. M.E ANACHEBE
CHIEF A. A. LELEH
ENG. CHRISTIAN OKOYE
MRS OBY ANACHEBE
SIR ENGR. INNO AKUVUE
MR. K. UBOMA

CHAIRMAN
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR
MANAGING DIRECTOR

COMPANY SECRETARY:

DR. I O. NWANNA
COMMUNITY PLAZA,
EKE MARKET SQUARE, GREAT.

MANAGEMENT TEAM:

K. I UBOMA
ENEH OBINNA
C. EZEIBEKWE MRS
T.N. NWANKWO ODIDIKA MRS
NWOSU
OKAFOR FRANCES
OKOYE PEACE

MANAGING DIRECTOR
SENIOR MANAGER
MANAGER
HEAD, BRANCH OPERATIONS CHRISTIAN
HEAD OPERATIONS HQ
INTERNAL AUDITOR
DEPUTY HEAD, CREDIT & MARKETING

REGISTERED OFFICE

COMMUNITY PLAZA
EKE MARKET SQUARE
NIBO
AWKA SOUTH, L.G.A.
ANAMBRA STATE

CAC NUMBER:

205592

BANKERS:

FIRST BANK OF NIGERIA PLC, AWKA
ACCESS BANK PLC, AWKA
UNITED BANK FOR AFRICA PLC, AWKA
GUARANTY TRUST BANK PLC, AWKA
ECOBANK PLC, AWKA
FCMB PLC, AWKA
STANBIC IBTC PLC, AWKA
ZENITH BANK PLC, AWKA

AUDITORS:

MESSRS PAUL UHEGWU & CO
(CHARTERED ACCOUNTANTS)
29 IKEGBUNAM STREET TRANS - EKULU
ENUGU
PHONE: 08134460203

CHAIRMAN'S STATEMENT For the year ended 31st December 2020



As has been our practice and also in keeping with the regulation and good corporate obligations under the Companies and Allied matters Act, this general meeting is called to consider the report and accounts of your bank for the year

ended 31st December 2020.

I am therefore very pleased to welcome all our stakeholders present. At this meeting your directors shall be laying before you a report and accounts of a standard commensurate with our size and complexity but without compromise of any legal requirements of the regulatory authorities – the CBN, NDIC, FRC, and the CAC. It is the 24th Annual General Meeting of your bank – GMB Microfinance Bank Ltd.

OUR OPERATING ENVIRONMENT IN 2020

The year 2020 was particularly a difficult year for business globally. The global pandemic of COVID 19 took the whole world by surprise. Not even the most advanced clime was shielded from its effects.

The major effects of COVID 19 were felt in many sectors of the economy worldwide - an unprecedented health issues resulting in infections, hospitalizations and deaths. This resulted in restrictions and lockdowns resulting in remote working for institutions that can afford it. As a result there were various disruptions on virtually all sectors of the economy. Notably among them were crash in crude oil production, sales and prizes which happens to be Nigeria's mainstay and reliance for foreign exchange earnings. The financial markets were not spared and same goes for the education sector as schools were shut down for months. International travels

and tourism came virtually to a standstill at a point.

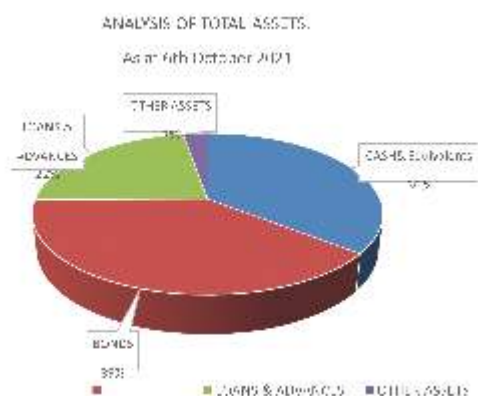
On the socio – economic front the nations continued to drive on a volatile, uncertain, complex and ambiguous terrain. Strives, agitations for self – actualizations and regional autonomy, banditry and kidnapping for ransom was prevalent all over our operating environment.

GROWTH OF YOUR BANK.

In our last report, we raised a hope of optimism and assured that the confidence level in our operations of deposits from customers has long been contained and that the deposits were then moving on to the right quadrant. This positive move continued on this trajectory on to the end of 2020 and has continued till date. Deposits as at 31st December 2020 stood at N 585million as against N426million in the previous year. Our assets grew to N795million at the end of December 2020 as against a figure of N643million in 2019. I give you my assurances that the assets of your bank is still on a growth trajectory as we recently on the 6th of October, 2021 celebrated a milestone achievement of N1,000,000,000.00 (One Billion Naira) in assets backed by strong fundamentals. I want to assure you that we are more confident more than ever that the customer confidence level is no longer impaired in spite of the insistence of the regulators for a recapitalization of all microfinance banks in Nigeria.

One million units in any currency is never a small amount. This is more so in an economy where next to majority of the population live on the borderlines of poverty. To achieve one thousand times of that amount cannot go unnoticed.

It is on this note that the Board of Directors of GMB Microfinance Bank Ltd announced with Gratitude to all our stakeholders, especially our numerous customers, our achievement of a milestone of N1,000,000,000.00 in TOTAL ASSETS as at close of business on 6th October, 2021.



It signifies a measure of confidence reposed on us by our numerous depositors and other customers. This confidence is further accentuated by the good corporate governance exhibited by the management of the bank.

Above all, it places us in another capacity to serve our customers in the grant of SME loans, Agricultural loans, Conventional loans Micro loans, Bank overdrafts, Equipment leasing, Invoice factoring, Hires purchase arrangements for Tri – cycles & other vehicle etc.

It is more gratifying to note that 75% of these assets are in cash and cash equivalents as well as in gilt – edge securities suitably backed up and secured.

OPERATING RESULTS FOR THE YEAR.

Given the noted the devastating effect of COVID 19 on the global business coupled with the volatile and unpredictable operating environment in Nigeria, we could not attain our set targets for the year under review.

In 2020, we continued our strategy of avoiding as much as possible all toxic lending's. This resulted to a marginal increase in loans and advances but ensured that we did not lose any of our shareholders' funds. Competition was rife and the crash of money market operations coupled with the other challenges lead to the abysmal performance in the year. Operating income declined to N96million as against N115million in 2019. Profit available for distribution declined to N7.5million from a figure of N15.0million in 2019.

Nevertheless, we have maintained a strong cash reserve ratio and this helped to restore the confidence of our customers especially during the lockdowns occasioned by COVID 19.

APPROPRIATIONS FROM THE ACCOUNT

In line with the provisions governing the administration of Microfinance Banks in Nigeria your directors have after an in-depth considerations of the statutory reserve transferred only the sum of N937,492 since we have exceeded the mandatory minimum of N5,000,000.00 and the balance of N6,562.447 to general reserve. In view of the paltry earnings, and also in consideration of our capitalization project, your Board of Directors are unable to declare any payment of dividend this year.

THE FUTURE – BEYOND 2020

You will recall that the tenure of five directors of your board members comes to an end at the end of this meeting. In line with your mandate, your board has ensured that the incoming board is comprised of individuals with experience, knowledge and skills that make them capable of filling vacancies that will arise on the Board. The new directors were selected for the skills, knowledge and experience as well as regulatory factors. At the appropriate time within this meeting, the proposed new directors will be presented to you for your approval and if ratified the bank will be putting them forward to the regulatory authorities for registration and recognition.

At the last AGM we sought that you renew to us your mandate to purse and accomplish the programme of recapitalization and financial re – engineering of the bank. Our priorities this year was influenced and determined by the role of the Central Bank in the implementation of the recapitalization programme. Your board has been following the developments and has made a change in strategic thinking, leading to our choice to now remain as GMB Microfinance Bank Ltd with the retention of our branch in Onitsha and the potential of opening more branches within five contiguous local governments to our Head Office in Nibo.

To achieve this, we need to shore our capital to at least N200million. We therefore appeal to all those who have made commitment to the establishment of our earlier proposed NIBTON Microfinance bank to key into this strategic arrangement. We are confident that this will be achieved and look forward to your speedy reactions as time is of an essence, we have till 30th April 2022 to completely realize this strategy

C O R P O R A T E S O C I A L RESPONSIBILITY

In 2020 we faced the challenges of COVID 19. While the lockdown of businesses persisted, it threw up challenges that are not reported until now. We saw the outcry of people from various communities and the surge in crime. Our stakeholders and community were not shielded from these challenges.

The directors of your bank - GMB Microfinance Bank Ltd, assessed the scenario and decided to lead a coalition of partners to rescue our stakeholders from the effects and outcome of the pandemic. To the glory of God, your directors raised voluntarily on their own the sum of N1million to this fund and our coalition partners contributed the sum of N9 million. This sum was distributed across many demographics' – elderly, the sick and vulnerable, the youths, women groups, the Churches, the vigilantes and various villages etc. A comprehensive report of this has been rendered to NIBO UNION. We thank immensely our coalition partners for the trust they had on us to deliver the funds seamlessly. We are resolute in undertaking projects that will impact our community and have resolved not to lower their commitment in community's health programme and had continued to work with Nibo Union and supported the diaspora free health outreach to our community. In this

regard your bank made a contribution of N600,000.00 to the Nibo Hospital project.

CONCLUSION

The challenges of 2020 were unprecedented for businesses in Nigeria and even tougher for the microfinance industry. The outlook for the coming years is that it might be tougher given the emerging economic situations and the regulatory guidelines and directives ahead of us. I trust that the in – coming directors of your board will scale the hurdles without fail. I therefore solicit for the corporation of all stakeholders to enable them make this seamless. I cannot end without a show of appreciation to every one of our stakeholders – our numerous customers for their implicit confidence on us and to our regulators for their guidance and direction of the microfinance sector in the Nigerian financial landscape. To our management and staff, tougher years ahead of us and the board will encourage you to be ready to face the challenges.

To my colleagues on the Board, we have shared the responsibilities of piloting the affairs of the bank to an enviable height and I thank you for jointly sharing the responsibilities with me. It has made the burden too light for me to bear as the Chairman. With your support, I am certain that the in – coming board will build on the foundations already established and take the bank to a new height.



SIR ONNYNWANNA
FRC/2015/ICAN/00000010691
Chairman Board of Directors.

REPORT OF THE DIRECTORS

The Directors submit their report, together with the Audited Financial Statements of the Bank for the year ended 31 December, 2020.

1. PRINCIPAL ACTIVITIES:

The principal activities of the Bank include general microfinance and banking business, such as accepting of deposits and giving of micro credits to customers.

2. RESULT FOR THE YEAR:

	2020	2019
	₦	₦
3 Net Profit for the year before Taxation	9,7499,939	22,874,948
Provision for Taxation	(2,000,000)	(6,900,000)
Net Profit after Taxation	7,499,939	15,974,948

3. DIVIDEND

The directors did not propose any dividend for the 2020 financial year.

This is not recognized as a liability in the accounts and is only recognizable when approved by shareholders at the annual General Meeting in accordance with IFRS

4. LEGAL FORM:

The Bank which commenced operations in Nigeria on 26 July, 1993 as a company limited by shares was incorporated on 30 September, 1992 as “NIBO COMMUNITY BANK NIGERIA LIMITED” with RC Number 205592. The name was changed by a Special Resolution of the shareholders in November, 2008 to NIBO MICROFINANCE BANK LIMITED. On 14th February, 2018, also by a special resolution the name of the bank was changed to **GMB MICROFINANCE BANK LTD**

5. DIRECTORS AND THEIR INTEREST:

The interest of the Directors in the issued share capital of the company as recorded in the register of Directors' shareholding as at the date of this report is as follows:

Names	Shareholdings	
	2020	2019
MR. O.O. NWANNA	5,006,667	5,006,667
MR. M.E. ANACHEBE	5,000,667	5,000,667
CHIEF A. A. LELEH	5,000,000	5,000,000
ENGR. CHRISTIAN OKOYE	5,206,667	5,206,667
MRS. OBY ANACHEBE	5,000,000	5,000,000
ENGR. INNOCENT AKUVUE	259,777	259,777
MR. K. UBOMA	20,000	20,000

REPORT OF THE DIRECTORS

1. STATEMENT OF DIRECTORS' RESPONSIBILITIES:

The Companies and Allied Matters Act 2004 and the Banks and Other Financial Institutions Act, 1991 require the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Bank at the end of the year and of its profit or loss.

- i. Maintain proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act, 2004 and Other Financial Institutions Act, 1991 and other directives of the regulatory authorities.
- ii. Establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- iii. Prepare its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with:

- International Financial Reporting Standards (IFRS);
- Financial Reporting Council of Nigeria (FRC) Act;
- Prudential Guidelines for Licensed Banks;
- Relevant Circulars issued by the Central Bank of Nigeria;
- The requirements of the Banks and Other Financial Institutions Act; and
- The requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of the profit for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

2. GOING CONCERN

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 years ahead.

Resulting from the above, the Directors have a reasonable expectation that the Bank has adequate resources to continue operations for the foreseeable future. Thus, Directors continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

3. SUMMARY OF SHAREHOLDINGS:

Classes

Directors
Community Development Associations
Individuals

Number of shareholdings

2020	2019
25,493,778	25,493,778
14,026,639	14,026,639
10,479,583	10,479,583
<u>50,000,000</u>	<u>50,000,000</u>

9. SUBSTANTIAL INTEREST IN SHARES

The ordinary shares of the company as at 31 December, 2020 were all held by Nigerian Citizens and Associations.

REPORT OF THE DIRECTORS (CONT'D)

10. EMPLOYMENT AND EMPLOYEES:

- i) It is the policy of the Bank that there should be no discrimination in considering applications for employment, including those from disabled persons. All employees, whether or not disabled are given equal opportunities to develop their experience and knowledge. As at 31 December, 2020 the Bank employed no disabled person.
- ii) **HEALTH, SAFETY AT WORK AND WELFARE OF EMPLOYEES:**
Health and safety regulations are in force in the Bank and the employees are aware of such regulations. The Bank provides subsidy towards medical, transportation and housing to all employees.
- iii) **EMPLOYEES INVOLVEMENT AND TRAINING:**
The Bank is committed to keeping employees as fully informed as possible regarding her performance and progress, and seeking their views where ever practicable on matters, which particularly affects them as employees. Employees training are afforded both internally and externally, in their relevant careers.

11. POST BALANCE SHEET EVENTS

The Directors are not aware of any post balance sheet event which had not been adequately provided for and which could have had a material effect on the state of affairs of the Bank as at 31 December, 2020.

12. AUDITORS

The Auditors, Messrs Paul Uhegwu and Company, has indicated their willingness to continue in office and will continue in accordance with Section 357(2) of the Companies and Allied Matters Act, 2004.

BY ORDER OF THE BOARD



DR. I.O. NWANNA
FRC/2015/CIBN/00000011821
SECRETARY

15 March, 2021

CORPORATE GOVERNANCE

GMB'S Articles of Incorporation provide a legal framework of our structure and purpose as a bank as mandated by the Corporate Affairs Commission and approved by the Central Bank of Nigeria. This lays the basic procedures which we follow. It spells out the various rights and privileges of all stakeholders- shareholders, directors, creditors and staff.

In addition to the foregoing our Corporate Governance guidelines are also subject to various directives and guidelines from the financial supervisory bodies in Nigeria. We have therefore adopted principles to establish a common set of expectations to assist the board in performing their duties in compliance with applicable requirements to reach the expectation of all stakeholders.

GMB's corporate governance is therefore in line with the regulatory framework for Microfinance Banks in Nigeria.

There is a board of seven members drawn from diverse professions who bring to bear their various attributes as they sit in the board. The directors are strategic shareholders who take active interest in the oversight functions of the bank. The bank however reserved a seat for a representative of the community who may or may not be a strategic shareholder.

The key responsibilities of the Board are as follows:

Formulate and approve the long, medium and short term strategic plans of the bank. Articulate the strategic plans into a financial plan for implementation by management

Determine the approval and expenditure limits for capital, recurrent and credit/loan limits for the credit committee and management committee.

Review the financial matrix of the bank and ensure that the bank's fundamentals are in tandon with the envisaged long to medium and short term strategies of the bank and with regulations
Monitor the implementations of the strategic

plan which is dovetailed into financial plan through the Board's various committees.

Identify, prioritize and management of all risks, which term includes financial, market, compliance and reputational risks that the bank may face.

Ensure the implementation and the monitoring of the risk management framework as laid down by the board.

Approve appointments of management team of the bank which term includes the Managing Director and all managers that report to the Managing Director.

Approve the human resources structure for the bank

Establish an acceptable accounting policy to ensure the completeness and reliability of its records.

Institute a reliable internal control system that takes care of internal audit and other administrative controls and review periodically the internal control systems reports and compliance issues and remediation plans.

Approve remuneration packages for management and staff as well as performance incentive schemes.

Establish and approve changes in any strategic plans as to contents and forms including timing. Review the appointment of consultants for effectiveness and value addition.

Ensure compliance to all known laws and ensure immediate compliance of laws as soon as they become known or brought to the knowledge of the board.

Directors are kept abreast with topics related to the bank's business, including accounting and finance, leadership, risk assessment, industry practices, general management and strategic planning including directives from regulatory authorities.

In addition to the above structure there is the various board committees on credit and risk

management, assets and liability and human resources and disciplinary administration. The board is resolute in ensuring that the Bank remains on a very good corporate governance pedestal.

The Management team which is headed by the Managing Director/Chief Executive is charged with the responsibility of the day-to-day administration of the Bank. Their activities and performance is monitored by the board through the Board's oversight functions.

As a public interest entity we are committed to reporting standards. In line with this requirement we are improving tremendously on disclosures in our annual accounts laid before members and also for the generality of stakeholders.

The Bank continues to increase its communication with its stakeholders. Shareholders are kept at breast with developments at the Bank through its annual general meetings including extra – ordinary meetings and get- together to discuss matters of interest to them, customers forum are a regular feature as a feedback mechanism to ensure that the Bank understands the needs of satisfied and disgruntled customers with a view to improvement.

The Bank is regularly but statutorily examined by the regulatory authorities. It files monthly returns with CBN, NDIC and conforms and complies with the provisions of Anti-money laundering and combating of Terrorist Financing Act.

In addition to the foregoing at the Bank, there is an Audit Committee made up of shareholders and management and two directors. This is a bid to ensure and entrench accountability, transparency and openness in the reporting of our operations.

RISK MANAGEMENT

Risk Management is the identification, evaluation, and prioritization of the effect of uncertainty on objectives, followed by coordinated and economical application of

resources to minimize, monitor and control the probability or impact of unfortunate events or to maximize the realization of opportunities. Risk management's objective is to assure uncertainties do not deflect the business goals

Risks can come from various sources including uncertainty in financial markets, threats from project failures (at any phase in design, development, production, or sustainment life-cycles), legal liabilities, credit risk, accidents, act of God, deliberate attack from an adversary, or events of uncertain or unpredictability. There are two types of events i.e. negative events can be classified as risks while positive events are classified as opportunities.

Strategies to manage threat (uncertainties with negative consequences) typically include avoiding the threat, reducing the negative effect or probability of the threat, transferring all or part of the threat to another party, and even retaining some or all of the potential or actual consequences of a particular threat, and the opposites for opportunities (uncertain future states with benefits).

There is no endeavor with risks and there is no business as risky as banking

We therefore recognize the need for a bank – wide risk management system. A primary responsibility of management is to provide shareholders, directors and regulators with an assurance that the risks the bank takes are prudent ones and that the bank is following a practical risk management program.

Management assess risks inherent in the bank's business and operating environment, ensure that adequate risk management guidelines are incorporated in the bank's policies and procedures and will establish an on-going risk management system.

Management information system is reviewed periodically to ensure that sufficient information is provided to directors and management to permit them to evaluate compliance with the bank's risk management system.

The Risk Management System assess the entire spectrum of the Bank's risks including but not limited to **credit risk, market risk financial risks, reputational risks and operational risks**. These are the broad risk categories which contain subcategories. Our system evaluates and manages the risks throughout the organization. It is acknowledged that the Bank has managed risks continually in the past and that this risk management system is designed to view and manage the risks of the bank in an overall continuum including their interrelationships.

STRATEGIC THINKING

GMB adopts a pragmatic strategic plan which includes an annual budget and a mid to long term thinking and scan of the operating environment.

The budget is a management tool used in the planning, execution and controlling the activities of our bank to ensure that we have a road map as to where we want to be, how to get there and ensure that we are on – course to our destination. It is an annual statement of intentions. Here we try to envisage our goals for the future and how to achieve the goals.

It is a prediction of the financial activities and situation of the bank over a future time period, generally one year for annual budgets and 3 – 5 years for strategic plans. Although a prediction, it is not a guess work as it has to be based on reasonable quantitative reasoning, judgments and values.

This budget is a joint production of staff, management and the board of directors. It will also require a joint effort for the implementation, supervision and control of the underlying activities.

It is believed that this budget will motivate GMB to reach its goals and also assist in the monitoring of progress towards those goals. It is our candid belief that this pragmatic thinking will help board and management make decisions about the bank, manage the financial resources of this Great and Grand Bank and avoid certain problems before they occur.

This budget provides a plan so that everyone in GMB has a similar of where the Bank is going during the plan period. In doing so, the board establishes yard sticks upon which performances are gauged. These yard sticks are our performance indicators.

KEY PERFORMANCE INDICATORS

In line with our strategic operational plan, the Bank has established key performance indicators termed KPIs. They ensure that we have radar that pilots and sterns the ship as we cruise. It is also a measurement of the performance of our bank over time. These indices are – trustworthiness, risk asset control and expenses or cost to income. They are not just exoteric as in trustworthiness but are backed up empirically.

The first key performance index is KPI 1 TRUSTWORTHINESS

Trustworthiness comes from service delivery to stakeholders – customers, shareholders, governments and regulatory agencies. Our aim is to provide services to customers in a way conducive and convenient to them consistent with cost. The performance of this indicator will be measured by the growth in customer base – deposits and loans.

The second is KPI 2 RISK ASSETS CONTROL

It is very important that we ensure that loan administration is sound. This starts with the assessment of the loan customer before, during and after the grant of the loan. Reviews are made to ensure an early detection of delinquency and follow up. The bottom line for this will be attainment of regulatory standards on portfolio at risk and impairment.

While the third performance indicator is KPI 3 EXPENSES TO INCOME

The Bank recognizes that the cost of doing business in the microfinance sector is high but we remain resolute in ensuring that this is brought down. We will ensure that our cost profile is low relative to income. Efforts will be made to ensure that the cost elements in various fields are curtailed in the generation of revenue.

As we operate in a competitive market, all efforts will be geared towards increasing the revenue base to ensure that we improve our cost to income ratio considerably.

SUSTAINABILITY REPORT

GMB as a public interest entity has an inherent obligation to comply with a number of obligations to both its internal and external publics. The Bank in 2020 continued its determination to abide to the best industry standards and practices within its means and size.

In our sustainability quest we have ensured that our operations compare with peer's performance standards and applicable national environmental and social

obligations and strive to ensure continued impact on our community and environment.

We shall not shift our responsibility of using our banking and other activities in shaping the sustainability of all our stakeholders – customers, suppliers, workers and communities where we operate.

Our trustworthiness enjoins us to be at the vanguard of creating awareness amongst our stakeholders on the utmost need, costs and benefits of ensuring a sustainable society and the consequences of not doing so. We have in the past been instrumental to some social programmes in the community where we operate. We are currently leading an advocacy for our community/stakeholders comprehensive health insurance programme that will be keyed into the National Health Insurance Scheme of the Federal Government of Nigeria. We shall continue to intervene in such areas like sanitation, water, education, culture and environmental and erosion control.

The Bank will continue to uphold its affirmative position on gender equality as exemplified on the management and staff positions including directorship positions.

GMB has adopted the Nigeria Sustainable Banking Principles. This implies that the Bank will not be involved nor finance any operation that will have any negative impact on the community or the environment of the society in which we operate. We are committed to the on – going banking reforms as enunciated by the regulatory authorities.

Our internal processes are being constantly reviewed for relevance and cost effectiveness in our bid to sustainability

TECHNOLOGY

As the banking industry in Nigeria braces up for its final lap of the run to FSS2020, it is the intention of GMB not to be left behind. GMB intends to play a robust and vital role in the Financial Systems Strategy 2020 policy of the Federal Government of Nigeria.

GMB's plan for the FSS 2020 is to take its' pride of place within the Micro, Small and Medium Enterprises financial services – the engine of growth in any economy. This will involve the deepening of the outreach in various directions. It calls for leveraging technology to drive services that would add value to customers and stakeholders. We therefore would like to use the opportunity of the recent selection of GMB by the Central Bank of Nigeria to participate in the pilot phase/roll out of Unified Information Technology (Core and Agent Banking Solution) Platform for Microfinance Banks in Nigeria to advance our out- reach and customer base.

NOTES TO THE ACCOUNTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of Preparation

(a) Statement of Compliance

The bank's financial statements for the year 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements comply with the Companies and Allied Matters Act, Cap C20, LFN 2004, the Financial Reporting Council of Nigeria Act, 2011, the Bank's and Other Financial Institutions Act of Nigeria and relevant circulars of the Central Bank of Nigeria.

The financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the notes.

(b) Functional and presentation currency

The financial statements are presented in naira, which is the bank's functional currency; except where indicated, financial information presented in Naira has been rounded to the nearest whole number.

(c) Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for the following items in the statement of financial position:

Financial instruments at fair value through profit or loss are measured at fair value;
Loans and receivables and held to maturity financial assets and financial liabilities which are measured at amortized cost.

(d) Use of estimates and judgements

The preparation of the 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 come from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are disclosed in note 3.

3 IFRS 9: Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and DE recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The bank is assessing the potential impact resulting from the application of IFRS 9 on its financial statements.

3.1 Financial Assets and Liabilities

- * In accordance with IFRS9, all financial assets and liabilities - which include derivative financial instruments - have to be recognized in the statement of financial position and measured in accordance with their assigned category.
- * The bank has assessed the Expected Credit Loss as a financial asset impairment testing model which
- * Addresses the criticism of backward looking

reaction to credit losses as experienced in IAS 39 by being forward looking in the recognition of **possible** and **actual** credit losses arising from default events while holding a portfolio of financial assets. Our model flow chart is as follows:

The Impairment Flow Chart



liability for compliance with IFRS 9.

3.2 Initial recognition and measurement

The bank initially recognizes loans and advances, deposits, treasury bills, securities on the settlement date. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the settlement date which is the date on which the bank becomes a party to the contractual provision of the instrument.

3.1 Subsequent measurement

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

3.2 Classification and related measurement

Management determines the classification of its financial instruments at initial recognition depending on the nature and purpose of financial assets and management intentions.

(a) Financial assets

The Bank classifies its financial assets in terms of the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale financial assets.

(I) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the bank as fair value through profit or loss upon initial recognition. At the reporting dates covered by these financial statements, the bank designated certain financial

assets as at fair value through profit or loss. This designation cannot be subsequently changed.

Financial assets may be designated at fair value through profit or loss when:

The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or

A group of financial assets is managed and its performance evaluated on a fair value basis. Subsequent to initial recognition, the fair values are evaluated at each reporting date. All gains and losses arising from changes therein are recognized in profit or loss in 'net gains on financial instruments designated at fair value through profit or loss'. Financial assets at fair value through profit or loss consist of equity instrument. The bank does not however have such

4 The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. Towards this GMB adopted IFRS 9 for the first time in the preparation of the accounts for the **year ended 31st December 2019. The 2020 Financial Statement is the second year of adoption.**

5 IFRS

5.1 The International Financial Reporting Standard (IFRS) was adopted in the Nigerian banking sector on January 1, 2012 as part of measures to improve reporting practices, transparency and disclosures in the sector. GMB Microfinance Bank Ltd as a public reporting entity adopted the IFRS in their accounts for the year ended 31st December 2014 following directives of the Financial Reporting Council of Nigeria. The adoption of the IFRS and its subsequent directive by the Nigerian Financial Reporting Council of Nigeria implies that all revisions to existing standards as well as new accounting standards issued by the International Accounting Standards Board (IASB) must be adopted by all reporting public entities.

The IASB issued the final version of IFRS 9 (Financial Instruments) to replace IAS 39 (Financial Instruments: Recognition and Measurement) requiring all reporting entities that have adopted IFRS to implement the new accounting standard.

IFRS 9 prescribes new guidelines for the classification and measurement of financial assets and liabilities, making fundamental changes to the methodology for measuring impairment losses, by replacing the "incurred loss" methodology with a

forward-looking “expected loss” model. The implementation of IFRS 9, especially the Expected Loss Impairment Methodology requires considerable judgement by GMB in the preparation of these financial statements

5.2 IFRS 9 requires GMB, at each reporting date, to assess a valuation to every Financial Asset and Liability at its reporting date and determine whether the credit risk on a debt instrument measured at Amortized Cost and Fair Value through Other Comprehensive Income (FVOCI) has increased significantly since initial recognition. This is determined using among other factors the change in the risk of a default occurring over the expected life of the instrument. Factors that can indicate significance increase in credit risk are but not limited to the following:

- Changes to contractual terms,
- Existing or forecast adverse changes in economy e.g. unemployment rates etc.,
- Significant adverse changes in operating results e.g. actual or expected decline in revenues etc.,
- Credit deterioration on other financial instruments of the borrower.
- Significant change in the value of the collateral,
- Adverse change in the quality of the guarantee/support by parent,
- Expected or actual breach of contracts,
- Increase in the extent of delayed payments.
- Significant financial difficulty of the borrower,
- Breach of contract (e.g. default or delinquency in payments).
- Granting of a concession to the borrower,
- Bankruptcy or other financial reorganization, or
- Disappearance of an active market for the financial asset because of financial difficulties.

The directors of GMB Microfinance Bank Ltd have put in place policies and systems as well as governance arrangements and controls to identify instances where their exposures have suffered significant increase in credit risk. The directors have adopted sound Expected Credit Loss methodologies commensurate with their size, complexity, structure and risk profile which reflect the probability-weighted outcome, and best available forward-looking information. These have been determined with reasonable and supportable information without undue cost and effort.

5.3 In this respect GMB in the preparation of the financial statements have grouped her financial

risk assets – loans into three groups or stages. They are as follows:

Stage 1	-	Performing
Stage 2	-	Underperforming
Stage 3	-	Non – Performing

Impairment for all the stages are measured using the Expected Credit Loss model with a probability of default assigned to each group. The expected Credit Loss is therefore a weighted average of the probability of default and the Exposure at Default.

5.3.1 Stage 1 items are those that have not shown a significant increase in risk since its acquisition or first measurements or assessments. For loans and advances they are characterized by their performance. GMB has in the abundance of caution given these stages a probability of default of 0.01 and put into a 12 month expected credit loss.

5.3.2 Stage 2 items are those that have shown a significant increase in risk since its first recognition or in subsequent assessments. They are characterized by their performance in the second 30 days of their first recognition. The directors are of the judgement that the probability of default for these loans is

0.4. This in effect places such assets on a watch of 30 – 60days.

In addition to the 90 days probationary period above, GMB expects to observe a further probationary period of 90 days to upgrade from Stage 2 to 1 if the probability of default should be judged to reduce to 0.01. If however it does not improve it is left in this basket. Should there be a deterioration of the further Significant loss in the probability of default, it is then put into stage 3.

5.3.3 The Stage 3 items are items that are credit impaired whose status is non – performing. Their expected credit loss is calculated on a Lifetime Expected Credit Loss model.

From our experience, adjudge these to be recoverable up to 10% with time. We have therefore placed a probability rate of default to be 0 .92 on these groups.

As with the other stages – 1 & 2 they will be reevaluated periodically to ascertain if there has been any significant improvement that will warrant their reclassification to state 2 and subsequently to stage 1 after the required probationary period. For the avoidance of doubt, we shall observe a probationary period of 180 days before upgrading financial assets from Lifetime ECL (Stage 3) to 12- months ECL (Stage 1).

**OTHER RELEVANT NOTES EXTRACTED FROM THE SCHEDULE
TO THE FINANCIAL STATEMENTS**

	31-Dec-20		31-Dec-19	
	<u>Carrying amount</u>	<u>Fair Value</u>	<u>Carrying amount</u>	<u>Fair Value</u>
	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>	<u>N'000</u>
Financial assets				
Cash and cash equivalents	318,079	318,079	56,182	56,182
Loans and advances	186,077	186,077	194,461	194,461
Financial assets - Amortized cost	<u>254,351</u>	<u>254,351</u>	<u>350,930</u>	<u>350,930</u>
	<u>758,507</u>	<u>758,507</u>	<u>601,573</u>	<u>601,573</u>
Financial liabilities				
Deposits from customers	585,242	585,242	426,034	426,034
Debt issued and other borrowed funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>585,242</u>	<u>585,242</u>	<u>426,034</u>	<u>426,034</u>

	2020	2019
	N'000	N'000
Credit loss expense (Note 16 (a))		
Loans and advances to customers	199,953	234,707
Expected Credit Loss(Note 16a)	(13,877)	(40,246)
	<u>186,076</u>	<u>194,461</u>
ECL Staging analysis of loans and advances (Note 2(b)&2(c))		
Performing - Stage 1	177,900	173,488
Under Performing - Stage 2	15,752	34,482
Non- Performing - Stage 3	<u>6,301</u>	<u>26,737</u>
	199,953	234,707
Expected Credit Loss	<u>(13,877)</u>	<u>40,246</u>
	<u>186,076</u>	<u>194,461</u>

Expected Credit Loss allowance for loans and advances (Note 2)

At 1 January 2020	40,246	31,910
Charge for the year	5,819	8,336
Recoveries for the year	(9,385)	-
Amounts written off for the year	<u>(22,804)</u>	=
At 31 December 2020	<u>13,877</u>	<u>40,246</u>
Specific impairment	12,098	38,511
General impairment	<u>1,779</u>	<u>1,735</u>
	<u>13,877</u>	<u>0,246</u>

Expected Loss on all other Assets (Note 16)

Loans	13,877	40,246
Bank Balances	213	213
Other known losses	<u>2,034</u>	<u>1,500</u>
	<u>16,124</u>	<u>41,959</u>

Regulatory Risk Reserve (Note 11 b)

At 1 January	-	-
Transfer from retained earnings	<u>10,408</u>	<u>10,408</u>
	<u>10,408</u>	<u>10,408</u>

6. Collateral

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

Collateral received in the form of cash is recorded on the statement of financial

position with a corresponding liability. Collateral received in other forms is not recorded in the statement of financial position. These items are assigned to deposits received from other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

7. Interest Income and Expenses

Interest income and expense for all interest-bearing financial instruments are

recognized within 'interest income' and 'interest expense' in the statement of Comprehensive Income using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a 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 asset or liability (or, where appropriate the next re-pricing date) to the carrying amount of the financial asset or financial liability.

8. Fees and Commission

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate which is used in the computation of interest income.

Other fees and commission income are recognized as the related services are performed

9. Dividends

Dividend income is recognized when the right to receive income is established at an Annual General meeting of the bank,

7 Income Tax Expense

Tax expense comprises current and deferred tax. Current and deferred tax is recognized as a deduction in the statement of Comprehensive Income except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

(a) Current income tax

Income tax is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense (income) for the period except for current tax related to items that are charged or credited in other comprehensive income-or directly to equity. In these circumstances, current tax is charged or credited to other

comprehensive income or to equity.

8 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short term liquid investments with original maturities of three months or less, which are subject to an insignificant risk of changes in value, and are used by the bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

9 Statement of Cash flows

The statement of cash flows shows the changes in cash and cash equivalents arising during the year from operating activities, investing activities and financing activities.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in impairment allowances, as well as changes from receivables and liabilities. In addition, all income and expensed from cash transactions that are attributable to investing or financing activities are eliminated.

The cash flows from investing and financing activities are determined by using the indirect method. The bank's assignment of the cash flows to operating, investing and financing category depends on the bank's business model (management approach). Interest and - dividends received and interest paid are classified as operating cash flows, while dividends paid are included in financing activities.

13 Property, Plant and Equipment

(i) Recognition and measurement

All property and equipment used by the bank is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

When parts of an item of property, plant and equipment have different useful lives, they

are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred

(iii) Depreciation

Freehold Land is not depreciated. Depreciation of other assets is calculated using the straight- line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Improvements on Leasehold	%10
Motor Vehicles	25
Office Equipment	20
Furniture and Fittings	10
Plant and Machinery Equipment	10

The assets' residual values, depreciation methods and useful lives are reviewed annually, and adjusted if appropriate.

(i) De-recognition

An item of property and equipment is derecognized in .disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is recognized.

14. Leases

Leases are divided into finance leases and operating leases

(a) The Bank is the Lessee and holds an Operating Lease at its Branches.

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The bank has two operating lease details which are contained in Appendix III to the accounts.

15. Intangible Assets Computer software

Software acquired by the bank is stated at cost with office equipment's and amortized less accumulated depreciation. Any obsolesce are written off in the year they occur irrespective of their estimated useful life. 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.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

16. PENSION COSTS

The Bank operates a defined pension scheme in accordance with the Pension Reform Act 2004 as amended. Members of staff are required to select a pension fund administrator of their choice. The scheme is contributory, by the Bank as employer and the employees as staff. It is managed by Pension Fund Administrators (PFAs) as chosen by each employee.

17 PROVISIONS

Provision is recognized when the Bank has a present obligation whether legal or constructive as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations in accordance with the statements of Accounting Standard.

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF THE BANK

In accordance with provisions of section 359 (6) of the Companies and Allied Matters Act 2004, the members of Audit Committee of GMB Microfinance Bank Limited, hereby report as follows:

- We have collectively undertaken responsibility as contained in our letter of appointment and the terms of reference in accordance with section 359 (6) of the Companies and Allied Matters Act, 2004 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We ascertained that the scope of execution of both the external and internal audits for year ended 31 December, 2020 were satisfactory with regard to queries raised by the external auditor.
- We obtained the assurance of the External Auditors that necessary cooperation was received from management in the course of their statutory audit as well as their satisfaction with management responses to the External Auditor's recommendations as contained in their report on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.
- We looked into status of performance of insider related credits and are satisfied that the balances are in line with actions of management thereto. In 2019 the balance was **N2,410,650** against **N3,104,967** in 2020.

We are therefore of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed practices and that the scope and planning of both the external and internal audits for the year ended 31 December, 2020 were satisfactory and reinforce the Bank's internal control systems.

DEACON BERTRAM O. ANENE FRC/2014/ANAN/0000012007

Chairman, Audit

Committee Dated:

15th March, 2021

Members of the Audit Committee

Deacon Bertram O. Anene, Chief Kenneth Okpanum, Comrade Mike Okoye, Chief Sir Innocent Akuvue, Mr. Kene Uboma, Okafor Frances (Secretary)



29, Ikegbunam Street
Trans - Ekwulu
Enugu
Phone: 08134460203

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS

Report on the Financial Statements

We have audited the accompanying financial statement of GMB Microfinance Bank Ltd. comprising of the statement of financial position as at 31st December, 2020, statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of the bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act, 2004 and the Banks and Other Financial Institutions Act, 1991 and for internal control, as the Directors deem necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with international standards on auditing. Those standards require that we comply with ethical requirement and plan and perform our audit to obtain reasonable assurance that the financial statements are free from materials misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the Auditors' judgment, including the assessment of the risks of material misstatement of the financials statement whether due to fraud or error. In making those risk assessment, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the bank as at 31 December, 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and requirements of the Companies and Allied Matters Act, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 1991.

Report on other legal requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) The bank has kept proper books of account, so far as appears from our examination of those books.
- iii) The bank's statement of financial position, statement of comprehensive income and statement of changes in equity are in agreement with the books of account;
- iv) The company for the first time applied IFRS 9 on the accounts for the year 2019
- v) The information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in the note to the financial statement;
- vi) As disclosed in the Notes, the bank did not contravene or pay any penalty for contravention of relevant circulars issued by the Central Bank of Nigeria

ENUGU, NIGERIA

22 MARCH, 2021




PAUL N. UHEGWU
FRC/2014/ICAN/00000005664
FOR: PAUL UHEGWU & CO

(CHARTERED ACCOUNTANTS)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2020

	NOTES	2020 ₦	2019 ₦
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	1(a-d)	318,078,672	267,550,712
Investment Held to Maturity	1(e)	254,351,305	139,350,305
Loans and Advances	2	186,076,642	194,461,171
Other Assets	3	20,260,380	27,458,578
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment	4	16,624,013	14,211,055
TOTAL ASSETS		795,391,012	643,031,821
<u>EQUITY AND LIABILITIES</u>			
<u>LIABILITIES</u>			
Deposit from Customers	5	585,241,607	426,034,317
Current Taxation	6	156,777	185,700
Dividend Payable	7	6,758,126	14,696,995
Other Payables	8	18,354,755	16,232,067
		620,511,265	457,149,079
<u>EQUITY</u>			
Share Capital	9	50,000,000	50,000,000
Share Premium	10	9,453,554	9,453,554
Statutory Reserve	11	77,170,781	76,233,289
Regulatory Risk Reserve	11b	10,408,000	10,408,000
General Reserve	12	37,847,412	39,787,899
Shareholders' Fund		184,879,747	185,882,742
TOTAL EQUITY AND LIABILITIES		795,391,012	643,031,821

These Financial Statements were approved by the Board of Directors On 25th March, 2021 and signed on its behalf by:


MR. O.O. NWANNA

CHAIRMAN

FRC/2015/ICAN/00000010691


MR. K. UBOMA

MANAGING DIRECTOR

FRC/2014/CIBN/00000010243

The accounting policies on page 9 and the notes on pages 13 to 19 form part of these accounts.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2020**

	NOTES	2020 ₦	2019 ₦
Interest Income	13	52,625,029	72,288,344
Interest Expense	14	(5,538,850)	(6,361,128)
Net Interest Income		47,086,179	65,927,216
Impairment Charges	16	(5,819,273)	(8,335,730)
Net Interest Income After Impairment Charges		41,266,906	57,591,486
Other Income	15	54,390,091	49,503,226
Operating Income		95,656,997	107,093,712
Overheads	16b	(82,161,496)	(79,704,327)
Depreciation	4	(3,995,562)	(4,514,437)
Profit Before Tax		9,499,939	22,874,948
Income Tax Provision		(2,000,000)	(6,900,000)
Profit after Tax Available for Distribution		7,499,939	15,974,948
Appropriation			
Transfer to Statutory Reserve	11	(937,492)	(1,996,869)
Transferred to General Reserve		6,562,447	13,978,079
Earnings Per Share (Kobo)		<u>15</u>	<u>32</u>

The accounting policies on page 9 and the notes on pages 13 to 19 form part of these accounts.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2020**

	SHARE CAPITAL ₦	SHARE PREMIUM ₦	STATUTORY RESERVE ₦	REGULATORY RISK RESERVE ₦	GENERAL RESERVE ₦	TOTAL ₦
Balance at 1 January 2020	50,000,000	9,453,554	76,233,289	10,408,000	39,787,899	185,882,742
Transfer to Dividend Payable	-	-	-	-	-	-
Prior Year Adjustment	-	-	-	-	(8,502,934)	(8,502,934)
Comprehensive Loss for the Year:						
Profit for the Year	-	-	937,492	-	6,562,447	7,499,939
Balance at 31 December, 2020	50,000,000	9,453,554	77,170,781	10,408,000	37,847,412	184,879,747
Balance at 1 January, 2019	50,000,000	9,453,554	74,236,420	10,408,000	39,207,046	183,305,020
Dividend Payable	-	-	-	-	(10,000,000)	(10,000,000)
Comprehensive Income for the Year:						
Profit for the Year	-	-	1,996,869	-	13,978,079	15,974,948
Prior Year Adjustment	-	-	-	-	(3,397,226)	(3,397,226)
Balance at 31 December, 2019	50,000,000	9,453,554	76,233,289	10,408,000	39,787,899	185,882,742

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER, 2020

	2020 ₦	2019 ₦
OPERATING ACTIVITIES		
Net Profit for the Year Before Taxation	9,499,939	22,874,948
Adjustment for Non-Cash Items:		
Depreciation	3,995,562	4,514,437
Recoveries Made	-	-
Provision Written Off	(32,189,061)	-
Impairment for Risk Assets	5,819,061	8,335,730
Prior Year Adjustment	(8,502,934)	(3,397,226)
Cash Generated Before Working Capital Changes	<u>(20,366,821)</u>	<u>32,327,889</u>
<u>Changes in Operating Assets And Liabilities</u>		
Loans and Advances	34,754,317	70,412,485
Other Assets	7,198,198	(5,711,688)
Deposit and Other Accounts	159,207,290	39,650,224
Other Payables	<u>2,122,688</u>	<u>(2,613,042)</u>
	203,282,493	101,737,979
Tax Paid	<u>(2,028,923)</u>	<u>(9,146,540)</u>
Net Change in Operating Assets and Liabilities	<u>201,253,570</u>	<u>92,591,439</u>
Net Cash (Spent on)/from Operating Activities	<u>180,886,749</u>	<u>124,919,328</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of Property, Plant and Equipment	(7,418,900)	(3,867,950)
FGN Stock	<u>(115,001,000)</u>	<u>(51,023,387)</u>
Net Cash (Spent on)/ from Investing Activities	<u>(122,419,900)</u>	<u>(54,891,337)</u>
<u>FINANCING ACTIVITIES</u>		
Dividend Paid	(7,938,869)	(1,002,280)
Share Capital	-	-
Share Premium	-	-
Net Cashflow from Financing Activities	<u>(7,938,869)</u>	<u>(1,002,280)</u>
Net Change in Cash and Cash Equivalents:	50,527,980	69,025,712
Cash and Cash Equivalents at the Beginning of the Year:	267,550,712	198,525,000
Balance at End of the year	<u>318,078,692</u>	<u>267,550,712</u>
Cash and Cash Equivalents at the End of the Year:		
Cash in Hand	6,514,584	2,405,199
Treasury Bill	20,000,000	95,000,000
Cash at Bank	81,564,108	53,564,873
Placements	<u>210,000,000</u>	<u>116,580,640</u>
Balance at End of the Year	<u>318,078,692</u>	<u>267,550,712</u>

NOTES TO FINANCIAL STATEMENTS

	2020 ₦	2019 ₦
1 CASH AND SHORT –TERM FUNDS		
1(a) Cash in Hand	6,514,564	2,405,199
1(b) Treasury Bill		
FBN	-	50,000,000
FBN Quest	20,000,000	20,000,000
Diamond/Access	-	15,000,000
Zenith Bank Plc	-	10,000,000
	<u>20,000,000</u>	<u>95,000,000</u>
1(c) Balances With Other Banks		
Zenith Bank Agency Account	9,560,763	-
FCMB Plc	5,310,369	3,924,859
Diamond/Access Bank Plc	23,870,255	37,533,632
Fidelity Bank Plc	8,683,117	(279,626)
Guaranty Trust Bank Plc, Awka	5,458,687	1,856,936
Access Bank Plc, Awka	725,172	100,051
First Bank of Nigeria Plc-Account 1	13,454,835	8,870,847
United Bank of Africa Plc, Enugu	1,356,362	452,352
United Bank for Africa Plc, Awka,	6,859,723	138,851
GTB – Sub Account	1,298,754	1,102,023
United Bank for Africa Plc, Enugu	27,025	27,025
Zenith Bank Plc	<u>5,170,073</u>	<u>50,950</u>
	81,777,135	53,777,900
Impairment Provisions	<u>(213,027)</u>	<u>(213,027)</u>
1(d) Placements	<u>81,564,108</u>	<u>53,564,873</u>
First City Monument Bank Plc	-	60,000,000
United Bank for Africa Plc	10,000,000	29,475,211
Heritage Bank Limited	200,000,000	
First City Monument Bank Plc II	-	27,105,429
	<u>210,000,000</u>	<u>116,580,640</u>
Total Cash and Cash Equivalent	<u>318,078,672</u>	<u>267,550,712</u>
1(e) Investment Held To Maturity		
Kakawa Discount House	-	35,000,000
FGN Savings Bond	30,000,000	30,000,000
Stanbic Mutual Fund	4,349,305	4,349,305
FGN Savings Bond III	20,000,000	20,000,000
FGN Savings Bond I	50,000,000	-
FGN Savings Bond II	50,000,000	-
FGN Sukuku Savings Bond	50,001,000	-
FGN Bond	<u>50,001,000</u>	<u>50,001,000</u>
	<u>254,351,305</u>	<u>139,350,305</u>
2 LOANS AND ADVANCES		
2(a) Summary of Loans and Advances		
Overdrafts	51,304,639	174,729,117
Sundry Loans	<u>148,648,851</u>	<u>59,978,690</u>
	199,953,490	234,707,807
Less: Impairment for Risk Assets (Note 2c)	<u>(13,876,848)</u>	<u>(40,246,636)</u>
	<u>186,076,642</u>	<u>194,461,171</u>
	2020 N	2019 N
2(b) Analysis of Loans and Advances Loans		
And Advances are analyzed as to Security		
as follows:		
Secured Against Real Estates	73,982,791	86,956,237
Otherwise Secured Unsecured	57,986,651	68,926,448
	<u>67,984,048</u>	<u>78,825,122</u>
	<u>199,953,490</u>	<u>234,707,807</u>

CLASSIFICATION OF LOANS & ADVANCES (2020)

2c	Stage	Classification	Initial Recognition (IR)	Probability of Default (PD)	Expected Credit Loss (ECL)	Net Carrying Cost
	1	Performing	177,900,100	0.01	1,779,001	176,121,099
	2	Under- performing	15,752,446	0.4	6,300,978	9,451,468
	3	Non- performing	6,300,944	0.9245	5,796,869	504,075
		Total	199,953,490		13,876,848	186,076,642

CLASSIFICATION OF LOANS & ADVANCES (2019)

Stage	Classification	Initial Recognition (IR)	Probability of Default (PD)	Expected Credit Loss (ECL)	Net Carrying Cost
1	Performing	173,488,388	0.01	1,734,883	171,753,504
2	Under- performing	34,482,384	0.4	13,792,954	20,689,430
3	Non- performing	26,737,035	0.9245	24,718,798	2,018,237
	Total	234,707,807		40,246,636	194,461,171

2d	Expected Credit Loss on Loans	2020	2019
	Principal	N	N
	Balance at 1 January	40,246,636	31,910,906
	Provision written Off	(32,187,061)	-
	Charged for the Year (Note 16a)	5,819,273	8,335,730
	Balance at 31 December	<u>13,876,848</u>	<u>40,246,636</u>
	Made Up As Follows:		
	Specific Impairment	12,097,847	38,511,345
	General Impairment	<u>1,779,001</u>	<u>1,735,291</u>
		<u>13,876,848</u>	<u>40,246,636</u>
	Interest		
	Balance at 1 January	-	-
	Interest No Longer Required	-	-
	Addition During the Year	-	-
	Balance as at 31st December	-	-
	Total at 31 December	<u>13,876,848</u>	<u>40,246,636</u>
2e	Maturity Profile of Loans and Advances		
	These are as follows:		
	Under 1 month	1,995,349	3,643,000
	1 – 3 months	15,996,279	19,496,000
	3 – 6 months	131,969,303	152,891,000
	6 – 12 months	33,992,093	39,584,600
	Over 12 months	16,000,466	19,093,207
		<u>199,953,490</u>	<u>234,707,807</u>
2f	Sectorial Analysis of Loan and Advance		
	Agriculture and Forestry	5,998,605	6,241,000
	Trade and Commerce	171,960,001	203,705,000
	Transport and Communication	10,876,528	12,767,000
	Consumer/Personal	6,168,626	7,240,000
	Health	740,000	832,000
	Education	240,000	442,000
	Manufacturing and Food Processing	-	185,000
	Mining & Quarry	-	-
	Real Estate and Construction	3,969,730	3,295,000
		<u>199,953,490</u>	<u>234,707,807</u>

ENDED 31 DECEMBER, 2020 NOTES TO FINANCIAL STATEMENTS (CONT'D)

3	OTHER ASSETS		
	ATM Stock	384,650	789,162
	WIP – Computer/Office Equipment	28,500	82,500
	Leasehold prepayment (Appendix III)	7,041,669	7,500,000
	Cash Shortage	137,605	128,105
	Stationery Stock Account	142,137	6,715
	Cheque Books	194,293	207,173
	Interest Receivable – Placement and other Investment	9,995,966	12,298,686
	Prepaid Insurance	1,399,760	622,650
	Cash Advance	479,400	3,961,178
	3 – Line Settlement Account	456,400	458,400
	Interest Receivable - Others	-	-
	Sundry Debtors	-	1,159,726
	PAYE	-	242,183
	Staff Social Account	-	2,100
		<u>20,260,380</u>	<u>27,458,578</u>

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER,
2020 NOTES TO FINANCIAL STATEMENTS (CONTD)**

**4. PROPERTY, PLANT AND
EQUIPMENT**

	LEASEHOLD IMPROVEMENTS	OFFICE EQUIP.	MOTOR VEHICLES	FURNITURE AND FITTINGS	PLANT AND MACHINERY	TOTAL
	₦	₦	₦	₦	₦	₦
COST						
At 1 January, 2020	1,796,695	18,161,849	13,458,483	11,661,943	2,563,250	47,642,220
Additions	36,800	148,000	7,234,100	-	-	7,418,900
Disposal	-	-	-	-	-	-
At 31 December, 2020	1,833,495	18,309,849	20,692,583	11,661,943	2,563,250	55,061,120
DEPRECIATION						
At 1 January, 2020	1,761,545	12,954,172	11,770,933	5,172,844	1,771,671	33,431,165
Adjustment	-	1,010,380	-	-	-	1,010,380
Charges for the year	-	1,830,100	867,671	1,087,811	209,980	3,995,562
At 31 December, 2020	1,761,545	15,794,652	12,638,604	6,260,655	1,981,651	38,437,107
NET BOOK VALUE						
At 31 December, 2020	71,950	3,525,577	8,053,979	5,401,288	581,599	16,624,013
At 31 December, 2019	35,150	5,207,677	1,687,550	6,489,099	791,579	14,211,055

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2020 N	2019 N
5. DEPOSITS AND OTHER ACCOUNTS		
Savings Deposit Account – Corporate	149,966	476,619
Current Deposit Account- Personal	71,142,392	9,182,026
Savings Deposit Account - Personal	347,714,356	278,529,664
Current Deposit Account - Corporate	21,734,811	15,316,715
Fixed Deposit Account	45,571,965	26,458,530
Secured Savings	5,061,800	5,930,700
Current Account – Staff	818,037	472,662
Daily Savings Account	77,922,752	67,339,421
Kid Care Savings	2,610,540	3,320,779
GMB Executive Savings	12,515,374	19,007,201
	<u>585,241,607</u>	<u>426,034,93</u>
5(a) Maturity Profile of Deposits		
Under 1 month	525,844,484	385,435,617
1 - 3 months	-	-
3 - 6 months	-	-
6 - 12 months	59,397,123	40,598,7000
	<u>585,241,607</u>	<u>426,034,317</u>
6 TAXATION		
6(a) Per Profit and Loss Accounts		
Income Tax Based on Profit for the Year	2,000,000	6,794,706
Education Tax for the Year	-	135,294
	<u>2,000,000</u>	<u>6,900,000</u>
6(b) Per Balance Sheet		
Balance at 1 January	185,700	2,432,240
Additional Assessment (FIRS)	-	-
Provision Per Profit and Loss Account	2,000,000	6,900,000
Payment made during the Year	<u>(2,028,923)</u>	<u>(9,146,540)</u>
Balance at 31 December	<u>156,777</u>	<u>185,700</u>
7 UNCLAIMED DIVIDEND		
Balance at 1 January	14,696,995	5,669,275
Approved decided for the year	-	10,000,000
Payments made during the year	<u>(7,938,869)</u>	<u>(1,002,280)</u>
Balance at 31 December	<u>6,758,126</u>	<u>14,696,995</u>
8 OTHER PAYABLES		
Sundry Creditors	1,871,921	2,008,780
Deposit for Shares	17,000	17,000
Accrued Interest on Fixed Deposit	300,681	600,160
Accrued Expenses	520,000	520,000
Accrued Audit Fee	500,000	500,000
Cash Surplus	710,108	597,063
Nigerian Life and Pension	2,176,518	830,040
Sundry Persons Account	3,725,023	2,463,762
Withholding Tax Account	2,598,297	2,013,723
Deferred Credit	135,014	1,323,151
PAYE	1,082,432	-
VAT Account	221,711	73,774
Accrued Staff Benefit	-	1,953,976
Credit Bureau Charge	564,168	273,274
Fidelity Pension	200,705	35,329
First Guarantee Pension	225,823	114,392
Stamp Duty Fee	992,400	324,350
Staff Social Account	297,086	-
Staff Pension Account	49,671	578,293
Other Known Losses	2,034,717	1,500,00
Leadway Pension	126,480	-
Donation Ezike Day Brochure	5,000	5,000
	<u>18,354,755</u>	<u>16,232,067</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2020 ₦	2019 ₦
9		
<u>SHARE CAPITAL</u>		
<u>Authorised</u>		
50,000,000 Ordinary Shares of ₦1.00 each	<u>50,000,000</u>	<u>50,000,000</u>
<u>Issued and Fully Paid</u>		
Balance at 1 January	50,000,000	50,000,000
Issued During the Year	-	-
Balance at 31 December	<u>50,000,000</u>	<u>50,000,000</u>
10		
<u>SHARE PREMIUM</u>		
Balance at 1 January	9,453,554	9,453,554
Issued During the year	-	-
Balance at 31 December	<u>9,453,554</u>	<u>9,453,554</u>
11		
<u>STATUTORY RESERVE</u>		
Balance at 1 January	76,233,289	74,236,420
Transfer from Profit and Loss Account	937,492	1,996,869
Balance at 31 December	<u>77,170,781</u>	<u>76,233,289</u>
11(b)		
<u>REGULATORY RISK RESERVE</u>		
Balance 1 January	10,408,000	10,408,000
During the year	-	-
Balance 31 December	<u>10,408,000</u>	<u>10,408,000</u>
12		
<u>GENERAL RESERVE</u>		
Balance at 1 January	39,787,899	39,207,046
Prior Year Adjustment	(8,502,934)	(3,397,226)
Dividend Payable	-	(10,000,000)
Transfer from Profit and Loss Account	6,562,447	13,978,079
Balance at 31 December	<u>37,847,412</u>	<u>39,787,899</u>
SHAREHOLDERS' FUND	<u>184,879,747</u>	<u>185,882,742</u>
13		
<u>INTEREST INCOME</u>		
Interest Received - DSS	11,606,783	12,604,520
Loans and Advances	41,018,246	59,683,824
	<u>52,625,029</u>	<u>72,288,344</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2020 ₦	2019 ₦
14		
<u>INTEREST EXPENSE</u>		
Interest Paid on Savings Deposit Accounts	4,745,795	4,631,773
Interest Paid on Fixed Deposit Accounts	<u>793,055</u>	<u>1,729,355</u>
	<u>5,538,850</u>	<u>6,361,128</u>
15		
<u>OTHER INCOME</u>		
Commission on Turnover (COT)	-	-
Interest Received on Treasury Bill	864,662	11,246,092
Bad Debt Recovered	9,385,168	-
Interest Received on FGN Bond	21,189,724	14,536,826
Sundry Income	10,000	38,000
Other Fees and Commissions	12,147,525	11,592,381
Interest Received on Placements	10,793,008	12,088,927
	<u>54,390,087</u>	<u>49,502,226</u>

16a	IMPAIRMENT FOR RISK ASSETS	Loans	Bank Balances	Other Known Losses	Total
		₦	₦	₦	₦
	Balance at 1 January	40,246,636	213,027	1,500,000	41,959,663
	Charges during the year	5,819,273	-	534,717	6,353,990
	Bad Debt Recovered	-	-	-	-
	Prov. Written Off	(32,189,061)	-	-	(32,189,061)
	Balance at 31 December	<u>13,876,848</u>	<u>213,027</u>	<u>2,034,717</u>	<u>16,124,592</u>

16(b) Overheads

See Appendix 1 on page 34 for details.

2020 ₦	2019 ₦
<u>82,182,546</u>	<u>79,704,327</u>

ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER, 2020
NOTES ON THE FINANCIAL STATEMENTS (CONT'D)

17. INFORMATION ON EMPLOYEES AND DIRECTORS

17(a) Employees:

- i. The average monthly number of persons in the employment of the Bank during the year was 28 persons

CATEGORY	<u>2020</u>	<u>2019</u>
Senior Management	7	7
Middle Management	12	12
Others	<u>38</u>	<u>38</u>
Total	<u>57</u>	<u>57</u>

- I. Employees cost for the above persons for Salaries, Allowance and other Benefits were **N41,657,231**(for 2019 - **N34,800,652**)
- ii. The number of senior employees of the bank other than Directors who earned more than:

	<u>2020</u>	<u>2019</u>
Below ₦200,000 in the year	3	3
₦200,001 - ₦300,000	3	3
₦300,001 - ₦500,000	36	36
₦500,001 - ₦1,000,000	13	13
₦1,000,001 and Above	2	2

17(b) Directors' Remuneration

- i. The Chairman and other Directors of the Bank were paid the sum of **₦1,500,000** during the year.

	<u>2020</u>	<u>2019</u>
	<u>₦</u>	<u>₦</u>
ii. Directors other Expenses	<u>2,838,538</u>	<u>5,608,199</u>

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

- i. The Directors are of the opinion that all known liabilities and commitments have been taken into accounts in the preparation of the financial statements.
- ii. No provision has been made for contingent liabilities in respect of legal actions against the Bank as there is no such legal action.

18. FRAUD AND FORGERIES

During the year there was no incident of fraud and forgery.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020
STATEMENT OF VALUE ADDED

	2020		2019	
	₦	%	₦	%
Gross Earnings	107,014,116		121,790,570	
Interest Expense	(5,538,850)		(6,361,128)	
	101,475,266		115,429,442	
Overheads	(40,503,261)		(34,903,675)	
Provision for Risk Assets	(5,819,273)		(8,335,730)	
VALUE ADDED	55,152,732	100.00	72,190,037	100.00
<u>Applied as Follows</u>				
To Pay Employees:				
Salaries and Other Benefits	41,657,231	75.54	34,800,652	53.06
To Pay Government:				
Company Tax	2,000,000	3.62	6,900,000	9.56
To Pay Providers of Capital:				
Dividend	-	-	10,000,000	13.85
To Provide for Future Replacement of Assets and Expansion of Business:				
Depreciation	3,995,562	7.24	4,514,437	6.25
Statutory Reserve	937,492	1.70	1,559,369	2.16
Retained in the Business	6,562,447	11.90	10,915,579	15.12
	55,152,732	100.00	72,190,037	100.00

Value added represents the additional wealth which the Bank has been able to create by its own and its employees' efforts. This statement shows the allocation of that wealth among the employees, shareholders, government and that retained for the future replacement of fixed assets and creation of more wealth.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2020
FIVE-YEAR FINANCIAL SUMMARY

	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000	2016 ₦'000
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	318,079	267,551	198,525	237,028	265,657
Loans and Advances	186,077	194,461	273,209	246,534	150,355
Other Assets	20,260	27,459	21,747	22,036	25,164
Held to Maturity	254,351	139,350	88,327	65,000	35,000
<u>NON-CURRENT ASSETS</u>					
Property, Plant and Equipment	16,624	14,211	14,857	17,119	20,142
TOTAL ASSETS	<u>795,391</u>	<u>643,032</u>	<u>596,666</u>	<u>586,758</u>	<u>496,318</u>
<u>EQUITY AND LIABILITIES</u>					
<u>LIABILITIES</u>					
Deposits and Other Accounts	575,242	426,034	386,384	397,664	343,961
Taxation Payable	157	186	2,432	1,858	1,379
Unclaimed Dividend	6,758	14,697	5,699	10,010	3,772
Other Payables	28,355	16,232	18,845	11,514	10,971
Total Liabilities	<u>610,511</u>	<u>457,149</u>	<u>413,361</u>	<u>421,046</u>	<u>360,084</u>
<u>EQUITY</u>					
Share Capital	50,000	50,000	50,000	50,000	45,273
Share Premium	9,454	9,454	9,453	9,453	-
Statutory Reserve	77,171	76,233	74,236	67,406	61,168
Regulatory Risk Reserve	10,408	10,408	10,408	10,408	10,408
General Reserve	37,847	39,788	39,207	28,445	19,385
Shareholders' Fund	<u>184,880</u>	<u>185,883</u>	<u>183,305</u>	<u>165,712</u>	<u>136,234</u>
TOTAL EQUITY AND LIABILITIES	<u>795,391</u>	<u>643,032</u>	<u>596,666</u>	<u>586,758</u>	<u>496,318</u>
Gross Earnings	101,015	121,791	134,785	125,599	87,092
Profit Before Taxation	9,500	22,875	33,821	26,453	14,117
Taxation	(2,000)	(6,900)	(6,500)	(1,500)	(1,200)
Profit After Taxation	<u>7,500</u>	<u>15,975</u>	<u>27,321</u>	<u>24,953</u>	<u>12,917</u>
Earnings per share (Kobo)	<u>15k</u>	<u>32k</u>	<u>54k</u>	<u>50k</u>	<u>29k</u>

APPENDIX 1

OVERHEADS

	2020 ₦	2019 ₦
Directors' Expenses	2,838,538	5,608,199
Salaries and Allowances	41,657,231	34,800,652
Staff Training and Development	99,458	-
Postages and Telephone/Communication Expenses	2,586,990	3,006,500
Rent and Rates	2,699,999	2,662,000
Transport and Travelling	2,149,630	3,235,310
Hotel and Entertainment	554,480	598,550
Printing and Stationery	1,953,150	1,968,370
Legal/Professional Filling & Secretarial Fees	490,100	3,032,123
Audit Fees	500,000	500,000
Insurance and Licensing	3,589,169	3,246,519
Cleaning and Sanitation	745,750	471,890
Electricity and Lighting	587,000	500,050
Subscription	107,800	95,000
Directors Remuneration	1,500,000	1,500,000
Fuel, Oil and Lubricants	4,125,016	2,590,335
Newspapers and Periodicals	66,000	56,850
Pension Cost	3,101,534	2,460,347
Annual General Meeting	3,000	531,500
Advertisement and Publicity	183,900	1,798,850
Bank Charges	1,548,728	1,834,198
VAT	-	205,536
Security Expenses	98,500	107,640
Stamp Duty and Filing Fees	2,800	29,260
Social Responsibility Expenses	557,000	511,860
Association Dues	250,000	200,000

Repairs and Maintenance: -

- Furniture and Fittings	144,500	7,400
- Motor Vehicle	4,943,120	4,111,120
- Office Equipment	2,101,242	1,569,210
- Generating Set	927,900	627,400
- Leasehold Improvement	246,590	86,440
General Expenses	290,660	203,110
Condolences Expenses	331,000	187,000
Recovery Expenses	759,265	898,300
Industrial Training Fund	442,500	404,450
	<u>82,182,546</u>	<u>79,704,327</u>

APPENDIX III

BREAKDOWN OF PREPAYMENTS ON LEASEHOLD AS AT 31ST DECEMBER, 2020

Location	Purpose	Annual Lease	Period	Lease payment	Yrs Occupied	Yrs Outstanding	Lease C/F
Head Quarter Nibo	Head Office	500,000.00	25yrs	12,500,000.00	14 yrs	11 years+1 Month	5,541,669
23 Market Rd Osha	Branch Office	2,000,000.00	1yr	2,000,000.00	3 months	9 months	1,500,000
							7,041,669

GMB MICROFINANCE BANK LTD (RC: 205592)

Community Plaza, Eke Market Square; P. O. Box 500 Nibo.
Tel: 0706784192, 08036748206 e-mail: nibomfb@yahoo.com

PROXY FORM

(Please complete in Block Letters)
I/We
of

Being a member/members of Nibo
Microfinance Bank Ltd
hereby appoint *

.....
of
or failing him/her, the Chairman of
the meeting as my/our proxy to the
34th Annual General Meeting of the
Company to be held by 09.00am on
Friday 24th December, 2021 and at
Community Plaza, Eke Market Nibo

	Resolution **	For	Against
1	To receive the Accounts and Report		
2	To Elect New Directors		
3	To Approve remuneration of Directors		
4	To Make Resolution for Downscaling		
5	To Elect Members Of The Audit Committee		
6	To authorize the Board to fix the remuneration of the External Auditors		
7	To Consider any other business that may be lawfully be transacted at an Annual General		
** Please indicate with and 'X' in the appropriate space how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain at his/her discretion.			

As witness my/our hand(s) thisday of2021

signed

- Note:** (i) THIS PROXY FORM SHOULD NOT BE COMPLETED AND RETURNED IF THE MEMEBER WILL BE ATTENDING THE MEETING.
- (ii) A member entitled to attend and vote at the general meeting is entitled to and may, if he/she wishes, appoint a proxy to act for him/her. All proxy forms must be deposited at the registered office of the company shown overleaf not less than 48 hours before the time for holding the meeting. A proxy need not be a member of the company.
- (iii) The Chairman of the meeting has been printed on the form to ensure that someone will be at the meeting to act as your proxy but if you wish you may appoint someone else instead, by entering the person's name in the Blank spaces (marked *) above.
- (iv) In the case of joint shareholders, any of such may complete the form but the names of all joint shareholders must be stated.
- (v) It is a requirement of the law under the stamp duties Act Cap.411 – Law of the federal Republic of Nigeria, 1990 – that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must be duly stamped by the commissioner for Stamp Duties.
- (vi) If the share holder is a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

GMB MICROFINANCE BANK LIMITED

RC:205592



Instant Cash Withdrawal from
any banks ATM Card

Fund transfer to any bank

Cash deposit to any of the
commercial banks account

Bills payment i.e electricity
bill, Dstv, Airtime etc.

**POS
AVAILABLE
HERE**

...We remain the trustworthy financial institution with an edge in microfinancing



CBN Licenced



Member CIBN



NDIC Insured



Authorized by CAC



Member NAMB



EFCC Compliant



Shareholders' Delight

GMB MICROFINANCE BANK LIMITED

RC:205592



SME Business Finance

...We remain the trustworthy financial institution with an edge in microfinancing



CBN Licenced



Member CIBN



NDIC Insured



Authorized by CAC



Member NAMB



EFCC Compliant



Shareholders' Delight