

GMB MICROFINANCE
BANK LIMITED

RC:205592



2019
Annual
REPORT
AND
ACCOUNTS

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GMB MICROFINANCE BANK LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019

BANK MISSION AND VISION

Date of Approval

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019 WERE AUTHORIZED FOR ISSUE AT THE BOARD OF DIRECTORS MEETING OF 25TH MARCH, 2020.

THE CENTRAL BANK OF NIGERIA HAVE ALSO APPROVED THE FINANCIAL STATEMENTS VIA THEIR LETTER OF 11TH MAY, 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 INTEGRITY 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 23rd Annual General Meeting of GMB Microfinance Bank Limited will be held at the Nibo Civic Center, Eke Market Square, Nibo on Friday, 25th June, 2021 at 10:00 am prompt to transact the following businesses.

A. ORDINARY BUSINESS

1. To receive the Accounts and Report thereon for the year ended 31st December 2019
2. To propose Dividend
3. To re-elect Directors
4. To approve remuneration for Directors
5. To authorize 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.

B. SPECIAL BUSINESS

Special Resolution to pursue the CBN recapitalization directive and bring it to a logical conclusion

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.

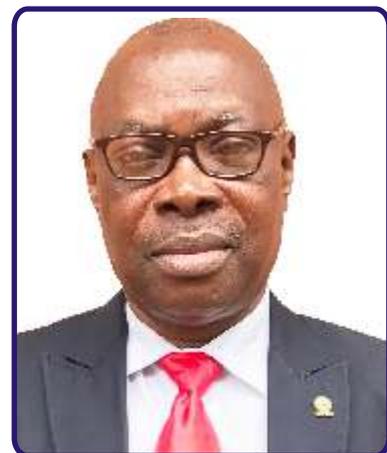
Note: Proxy forms are available at the Bank and must be executed and registered on or before 4 pm of 18th June, 2021 with the Head, Corporate Services of the Bank.

By Order of the Board



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

DATED: 1st June, 2021



CORPORATE INFORMATION

DIRECTORS:

CHIEF (SIR) ONUORA O. NWANNA	CHAIRMAN
MR. MARTIN E. ANACHEBE	DIRECTOR
CHIEF (SIR) AUSTIN A. LELEH	DIRECTOR
CHIEF (SIR) ENGR. CHRISTIAN OKOYE	DIRECTOR
DAME OBY ANACHEBE (MRS)	DIRECTOR
CHIEF (SIR) DR. ENGR. INNOCENT AKUVUE	DIRECTOR
MR. KENECHUKWU I. UBOMA	MANAGING DIRECTOR

COMPANY SECRETARY:

ASSOC. PROF. SIR IFEANYI O. NWANNA

MANAGEMENT TEAM:

K. I UBOMA	MANAGING DIRECTOR
ENEH OBINNA	SENIOR MANAGER
C. EZEIBEKWE (MRS)	BRANCH MANAGER
T.N. NWANKWO ODIDIKA (MRS)	HEAD, BRANCH OPERATIONS
OKOYE PEACE	DEPUTY HEAD, CREDIT AND MARKETING
CHRISTIAN NWOSU	HEAD OPERATIONS HQ
FRANCES OKAFOR	INTERNAL AUDITOR

REGISTERED OFFICE

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

BRANCH

24 NEW MARKET RD /
VENN RD. JUNCTION
ONITSHA
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
FCMB PLC, AWKA
ACCESS (DIAMOND) BANK PLC, AWKA
STANBIC IBTC PLC, AWKA
ZENITH BANK PLC, AWKA

AUDITORS:

MESSRS AGOCHUKWU OKPALAOKA & CO
(CHARTERED ACCOUNTANTS)
40/42 NEW CEMETERY ROAD
P.O. BOX 5534
ONITSHA.
PHONE: 08075190686

2019 CHAIRMAN'S STATEMENT



In consonance with our legal obligations under the Companies and Allied matters Act and also with resolve as enshrined in our corporate governance on the engagement of our stakeholders and to quality of reporting standards commensurate with our size and complexity of our operations and without compromise of the minimum statutory reporting standards, I am glad to welcome you to the 23rd Annual General Meeting of your bank – GMB Microfinance Bank Ltd. This is the General meeting for the financial year ended 31st December 2019. This meeting should have been held in the year 2020 but we are all witnesses to the events of that year culminating in a global pandemic. Nigeria had a good share of interruption of activities at all levels of administration including approvals from regulatory authorities. Although coming late, it is better late than not. It is however gratifying to note that we are still within the statutory stipulated time frame of 18 months interval between two annual general meetings.

You will find attached to this report as in the past, high standards of and quality of financial disclosure as we attach a high level of importance to the quality of disclosure in our annual report and accounts. We have also provided information not just on the financial, but also on the non-financial aspects of our business. We shall as has been our practice in the past annual general meetings be presenting graphical illustrations which we believe will assist and aid members here present to understand the financial statements and make constructive suggestion as you are called to the ordinary business of the day.

2019 OPERATING ENVIRONMENT

In 2019 Nigeria continued to run a VUCA economic environment, volatile, uncertain, complex and ambiguous all through the year. 2019 was an election year and as in previous election years, all attention of political governance was focused on the general elections with its adverse effects on our business. On the socio – economic axis, the insecurity of life and property which hitherto limited to the north east geo – political area of Nigeria worsened to include on a scale

never before, the emergence of kidnapping for ransom, herders and farmers clashes all over the country. Economic growth was sluggish characterized by slow recovery of Lackluster policy implementation impacts, Unemployment continues to trend upward Oil prices still low coupled with production cuts Inflation increases marginally, driven mainly by base effects and uncertainty around the outcome of the elections and continuity of existing policies and or fulfillment of electioneering promises.

GROWTH OF YOUR BANK.

In the previous year – 2018 we alerted you of the apparent decrease in customers confidence not limited to your bank alone but it cut across the whole microfinance banking sub sector of the economy as a result of the wrong signals read by depositors following the directive of the Central Bank of Nigeria to all Microfinance Banks in Nigeria to recapitalize. This wrong signal, signaled the massive withdrawal of funds by depositors and in the last two months leading to 31st December 2018 there was a net outflow of funds of over N150million. We raised a hope of optimism that the situation has long been contained and that the deposits were then moving on to the right quadrant. This positive move continued in its trajectory on to the end of 2019 and has continued till date. Growth in its assets stood at N643million as against N597million in the previous year end. I want to assure you that this figure is still growing and 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.

OPERATING RESULTS FOR THE YEAR.

The volatile and unpredictable operating environment, gave rise to the non – attainment of our goals in operating income and by extension the profit available for distribution. In 2019 the money market operations were highly regulated by the Central Bank of Nigeria. This led to a crash of interest rates on money market operations thus affecting our gross earnings. This situation has continued in the ensuing periods and still persists till this moment. We therefore ended the year with a total income of N107m as against N115m the previous year. The net profit available for distribution in 2019 declined from N27, 320.309.00 in 2018 to N15974948.00.

In 2019, the strategy was to avoid as much as possible all toxic lending and a write – off of all fully provided non – performing loans in line with the extant laws and

guidelines. This enabled us to marginally improve on our income after impairments resulting in an overall decline in Loans and Advances but ensured that we did not lose any of our shareholders' funds.

We have continued to maintain more than adequate cash reserve ratio as a result of the crash in money market operations and have thus ensured that we met all demands of our customers as and when due and also on instant demand for all our customers. This has enabled us to quickly build up the confidence of our customers in the months following the panic withdrawals. Your board is determined to keep up the processes that has ensured that this was possible

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 N1996869 since we have exceeded the mandatory minimum of N5000000.00 and the balance of N13978079 to general reserve out of which a dividend of N10,000,000.00 is being recommended for your approval at this meeting.

THE FUTURE – YEAR 2020 & BEYOND

The tenure of five directors of the board ends at the next annual general meeting. Following your mandate at the last AGM, your board has thought out a clear framework for the Board's succession planning. This was fully discussed at the breakfast meeting of high net – worth shareholders from the community. We however note as explained at the breakfast meeting that the incoming board should be comprised of individuals with experience, knowledge and skills that make them capable of filling vacancies that will arise on the Board. The board has long identified potential shareholders that possess the required attributes. The potential directors were selected for the skills, knowledge and experience as well as regulatory factors. The process of selection and appointment was, and will continue to remain, transparent.

Also at the breakfast meeting the board espoused fully the strategy of the bank to meet the recapitalization goals required of our bank by the Central Bank of Nigeria. In accordance with you mandate at the last AGM, your board of directors are working on a step down to a unit I Tier microfinance bank. In this regard therefore relevant applications have been made to the Central Bank of Nigeria and we are very hopeful of a positive outcome.

The priorities of the Board for the coming year shall be influenced and determined by the role of the Central

Bank in the implementation of the recapitalization programme... The primary focus of the Board, therefore, shall be to ensure maximization of shareholder value through optimal allocation of financial, capital and human resources such that no stakeholder will be left out of the re-engineering programme being envisaged by the board.

We would therefore seek that you renew to us your mandate to purse and accomplish the programme of recapitalization and financial re – engineering of the bank.

CORPORATE SOCIAL RESPONSIBILITY

In 2019, we continued our engagements with various stakeholders, with a view of impacting on our society. Relationship was maintained with various religious groups in and around our community as well as trade groups. The board is 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 support of diaspora free health outreach to our community...

CONCLUSION

The year 2019 was a tough year for the microfinance industry in Nigeria. My prediction is that the coming years might be tougher given the emerging economic situations in Nigeria and the regulatory guidelines and directives ahead of us. Nevertheless, our responsibilities as your board is to go over the hurdles without fail. I therefore solicit for the corporation of all stakeholders to enable us 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, we give God the Glory for another year free of unnecessary issues. We have tougher years ahead of us and the board will encourage you to be ready to face the challenges.

Do I need to thank my colleagues on the Board? I leave that to your judgement. My guess is that your answer is yes, so I say well done to my colleagues on the board.



SIR ONYNNWANNA
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, 2019.

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:**

	2019	2018
	₦	₦
3 Net Profit for the year before Taxation	22,874,948	27,119,464
Provision for Taxation	<u>(6,900,000)</u>	<u>(6,500,000)</u>
Net Profit after Taxation	<u><u>15,974,948</u></u>	<u><u>20,619,464</u></u>

3. **DIVIDEND**

The directors propose a dividend of 20k per share amounting to N10,000,000.00. 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. **LEGALFORM:**

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

	2019	2018
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	<u>20,000</u>	<u>20,000</u>

REPORT OF THE DIRECTORS

6. 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.

7. 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.

8. SUMMARY OF SHAREHOLDINGS:

Classes	Number of shareholdings	
	2019	2018
Directors	25,493,778	25,493,778
Community Development Associations	14,026,639	14,026,639
Individuals	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, 2019 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, 2019 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 wherever 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, 2019.

12. AUDITORS

The Auditors, Messrs Agochukwu Okpalaoka 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



ASSOC. PROF. SIR IFEANYI O. NWANNA
FRC/2015/CIBN/00000011821
SECRETARY

25th March, 2020

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 tention 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 abreast 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 are 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 a radar that pilots and steers 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 2019 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.

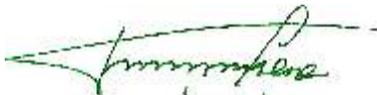
GMB's plan for the FSS 2020 is to take its pride of place within the Micro, Small and Medium Enterprises financial services – the engine of growth in any economy. This will involve the deepening of the outreach in various directions. It calls for leveraging technology to drive services that would add 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.

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, 2019 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 2018 the balance was **N2, 693,366** against **N2, 410,650** in 2019.

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, 2019 were satisfactory and reinforce the Bank's internal control systems.



DEACON BERTRAM O. ANENE
FRC/2014/ANAN/0000012007
Chairman, Audit Committee
Dated: 25th March, 2020

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)



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, 2019, 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, 2019 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
- 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

ONITSHA, NIGERIA

9th April

....., 2020




E.A OKPALAOKA
FRC/2014/ICAN/0000007850
FOR: AGOCHUKWU OKPALAOKA & CO
(CHARTERED ACCOUNTANTS)

OTHER OFFICES:

PARTNERS:
LAGOS:
ENUGU:
PHARCOURT:

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C. C. Nwuya FCA, FCTI, MBA

Tel: 08075190690
Tel: 08075190686
Tel: 084 612921

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2019**

	NOTES	2019 ₦	2018 ₦
Interest Income	18	72,288,344	74,294,863
Interest Expense	19	<u>(6,361,128)</u>	<u>(5,828,252)</u>
Net Interest Income		65,927,216	68,466,611
Impairment Charges	21	<u>(8,335,730)</u>	<u>(13,593,385)</u>
Net Interest Income After Impairment Charges		57,591,486	54,873,226
Fees and Commission	20	-	475,382
Interest on Treasury Bill	20	11,246,092	5,243,727
Bad Debts Recovered	20	-	8,000,444
Interest on FGN Bond	20	14,536,826	6,910,972
Other Fees	20	11,630,381	12,054,527
Interest on Placement	20	<u>12,088,927</u>	<u>27,805,304</u>
Operating Income		107,093,712	115,363,582
Overheads	21(b)	(79,704,327)	(77,753,360)
Depreciation	26	<u>(4,514,437)</u>	<u>(3,789,413)</u>
Profit Before Tax		22,874,948	33,820,809
Income Tax Provision		<u>(6,900,000)</u>	<u>(6,500,000)</u>
Profit after Tax Available for Distribution		15,974,948	27,320,809
Appropriation			
Transfer to Statutory Reserve	33	(1,996,869)	(6,830,202)
Transferred to General Reserve		<u>13,978,079</u>	<u>20,490,607</u>
Earnings Per Share (Kobo)		<u>32</u>	<u>54</u>

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2019

	NOTES	2019 ₦	2018 ₦
<u>CURRENT ASSETS</u>			
Cash & Cash Equivalents	22	267,550,712	198,525,000
Investment Held to Maturity	23	139,350,305	88,326,918
Loans and Advances	24	194,461,171	273,209,386
Other Assets	25	27,458,578	21,746,890
<u>NON CURRENT ASSETS</u>			
Property, Plant and Equipment	26	14,211,055	14,857,543
TOTAL ASSETS		643,031,821	596,665,737
<u>EQUITY AND LIABILITIES</u>			
<u>LIABILITIES</u>			
Deposit from Customers	27	426,034,317	386,384,093
Current Taxation	28	185,700	2,432,240
Dividend Payable	29	14,696,995	5,699,275
Other Payables	30	16,232,067	18,845,109
		457,149,079	413,360,717
<u>EQUITY</u>			
Share Capital	31	50,000,000	50,000,000
Share Premium	32	9,453,554	9,453,554
Statutory Reserve	33	76,233,289	74,236,420
Regulatory Risk Reserve	34	10,408,000	10,408,000
Retained Earnings	35	39,787,899	39,207,046
Shareholders' Fund		185,882,742	183,305,020
TOTAL EQUITY AND LIABILITIES		643,031,821	596,665,737

These Financial Statements were approved by the Board of Directors
On 25th March, 2020 and signed on its behalf by:


.....
MR. O.O. NWANNA


.....
MR. K. UBOMA

} CHAIRMAN

FRC/2015/ICAN/00000010691

} MANAGING DIRECTOR

FRC/2014/CIBN/00000010243

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2019**

	SHARE CAPITAL ₦	SHARE PREMIUM ₦	STATUTORY RESERVE ₦	REGULATORY RISK RESERVE ₦	RETAINED EARNINGS ₦	TOTAL ₦
Balance at 1 January 2019	50,000,000	9,453,554	74,236,420	10,408,000	39,207,046	183,305,020
Transfer to Dividend Payable	-	-	-	-	(10,000,000)	(10,000,000)
Prior Year Adjustment	-	-	-	-	(3,397,226)	(3,397,226)
<u>Comprehensive Income for the Year:</u>						
Profit for the Year	-	-	1,996,869	-	13,978,079	15,974,948
Balance at 31 December, 2019	50,000,000	9,453,554	76,233,289	10,408,000	39,787,899	185,822,742
Balance at 1 January, 2018	50,000,000	9,453,554	67,406,218	10,408,000	28,445,043	165,712,815
Transfer to Dividend Payable	-	-	-	-	(10,000,000)	(10,000,000)
Comprehensive Income for the Year:						
Profit for the Year	-	-	6,830,202	-	20,490,607	27,320,809
Prior Year Adjustment	-	-	-	-	271,396	271,396
Balance at 31 December, 2018	50,000,000	9,453,554	74,236,420	10,408,000	39,207,046	183,305,020

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER, 2019

	2019	2018
	₦	₦
OPERATING ACTIVITIES		
Net Profit for the Year Before Taxation	22,874,948	33,820,809
Adjustment for Non-Cash Items:		
Depreciation	4,514,437	3,789,413
Recoveries Made	-	(1,199,099)
Lease Amortization	-	2,500,000
Provision Written Back	-	(7,034,037)
Impairment for Risk Assets	8,335,730	13,593,385
Prior Year Adjustment	(3,397,226)	(271,396)
Cash Generated Before Working Capital Changes	<u>32,327,889</u>	<u>45,199,075</u>
<u>Changes in Operating Assets And Liabilities</u>		
Loans and Advances	70,412,485	(36,584,034)
Other Assets	(5,711,688)	1,522,349
Deposit and Other Accounts	39,650,224	(11,104,710)
Other Payables	(2,613,042)	7,356,123
	<u>101,737,979</u>	<u>(38,810,272)</u>
Tax Paid	(9,146,540)	(5,925,315)
Net Change in Operating Assets and Liabilities	<u>92,591,439</u>	<u>(43,829,012)</u>
Net Cash (Spent on)/from Operating Activities	<u>124,919,328</u>	<u>463,488</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of Property, Plant and Equipment	(3,867,950)	(1,527,580)
FGN Stock	(51,023,387)	(23,326,918)
Net Cash (Spent on)/ from Investing Activities	<u>(54,891,337)</u>	<u>(24,854,498)</u>
<u>FINANCING ACTIVITIES</u>		
Dividend Paid	(1,002,280)	(14,310,767)
Share Capital	-	-
Share Premium	-	-
Net Cashflow from Financing Activities	<u>(1,002,280)</u>	<u>(14,310,767)</u>
Net Change in Cash and Cash Equivalents:	69,025,712	(38,701,777)
Cash and Cash Equivalents at the Beginning of the Year:	198,525,000	237,226,777
Balance at End of the year	<u><u>267,550,712</u></u>	<u><u>198,525,000</u></u>
Cash and Cash Equivalents at the End of the Year:		
Cash in Hand	2,405,199	10,869,029
Treasury Bill	95,000,000	33,000,000
Cash at Bank	53,564,873	41,537,057
Placements	<u>116,580,640</u>	<u>113,118,914</u>
Balance at End of the Year	<u><u>267,550,712</u></u>	<u><u>198,525,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS

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 2019 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:

This has enabled us to assess all financial assets and liability for compliance with IFRS 9.

The Impairment Flow Chart



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.

3.3 Subsequent measurement

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

3.4 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 is adopting IFRS 9 for the first time in the preparation of the accounts for the year ended 31st December 2019.

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-19		31-Dec-18	
	<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	56,182	56,182	52,619	52,619
Loans and advances	194,461	194,461	273,209	273,209
Financial assets - Amortised cost	350,930	350,930	234,444	234,444
	601,573	601,573	560,272	560,272
Financial liabilities				
Deposits from customers	426,034	426,034	386,384	386,384
Debt issued and other borrowed funds	-	-	-	-
	426,034	426,034	386,384	386,384

Credit loss expense (Note 16 (a))

	2019	2018
	N'000	N'000
Loans and advances to customers	234,707	305,120
Expected Credit Loss(Note 16a)	-40,246	-31,911
Bad debt recovered	-	-
	194,461	273,209

ECL Staging analysis of loans and advances (Note 2(b)&2(c))

	2019	2018
	N'000	N'000
Performing - Stage 1	173,488	261,998
Under Performing - Stage 2	34,482	25,190
Non- Performing - Stage 3	26,737	17,932
	234,707	305,120
Expected Credit Loss	-40,246	-31,911
	194,461	273,209

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

At 1 January 2018	31,910	25,018
Charge for the year	8,336	13,593
Recoveries for the year		
Amounts written off for the year	-	- 6,701
At 31 December 2018	40,246	31,910
Specific impairment	38,511	29,581
General impairment	1,735	2,329
	40,246	31,910

Expected Loss on all other Assets (Note 16)

Loans	40,246	31,910
Bank Balances	213	213
Other known losses	1,500	1,500
	41,959	33,623

Regulatory Risk Reserve (Note 11 b)

At 1 January	-	-
Transfer from retained earnings	10,408	10,408
	10,408	10,408

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 repricing 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.

10 Income Tax Expense

Tax expense comprises current and deferred tax. Current and deferred tax are 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.

11 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.

12 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.

(iv) 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	₦	₦
18 <u>INTEREST INCOME</u>		
Interest Received - DSS	12,604,520	11,876,250
Loans and Advances	59,683,824	62,418,613
	72,288,344	74,294,863
19 <u>INTEREST EXPENSE</u>		
Interest Paid on Savings Deposit Accounts	4,631,773	4,588,479
Interest Paid on Fixed Deposit Accounts	1,729,355	1,239,773
	6,361,128	5,828,252
20 <u>OTHER INCOME</u>		
Commission on Turnover (COT)	-	475,382
Interest Received on Treasury Bill	11,246,092	5,243,727
Bad Debt Recovered	-	8,000,444
Interest Received on FGN Bond	14,536,826	6,910,972
Sundry Income	38,000	20,000
Other Fees and Commissions	11,592,381	12,054,527
Interest Received on Placements	12,088,927	27,805,304
	49,502,226	60,490,356

21 <u>IMPAIRMENT FOR RISK ASSETS</u>	Loans	Bank Balances	Other Known Losses	Total
	₦	₦	₦	₦
Balance at 1 January	31,910,906	213,027	1,500,000	33,623,933
Charges during the year	8,335,730	-	-	8,335,730
Balance at 31 December	40,246,636	213,027	1,500,000	41,959,663

	2019	2018
	₦	₦
21(b) <u>Overheads</u>		
See Appendix 1 on page 35 for details.	79,74,327	77,753,360

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019 NOTES TO FINANCIAL STATEMENTS

	2019 ₦	2018 ₦	
22	<u>CASH AND SHORT –TERM FUNDS</u>		
22(a)	Cash in Hand	2,405,199	10,869,029
22(b)	<u>Treasury Bill</u>		
	FBN	50,000,000	-
	FBN Quest	20,000,000	20,000,000
	Diamond/Access	15,000,000	-
	Zenith Bank Plc	10,000,000	-
	Guaranty Trust Bank Plc	-	13,000,000
		<u>95,000,000</u>	<u>33,000,000</u>
22(c)	<u>Balances With Other Banks</u>		
	FCMB Plc	3,924,859	535,479
	Diamond/Access Bank Plc	37,533,632	5,694,981
	Fidelity Bank Plc	(279,626)	1,053,811
	Guaranty Trust Bank Plc, Awka	1,856,936	1,056,656
	Access Bank Plc, Awka	100,051	150,535
	First Bank of Nigeria Plc-Account 1	8,870,847	15,030,160
	United Bank of Africa Plc, Enugu	452,352	980,020
	United Bank for Africa Plc, Awka,	138,851	3,611,606
	GTB – Sub Account	1,102,023	538,556
	United Bank for Africa Plc, Enugu	27,025	30,331
	Zenith Bank Plc	50,950	13,067,949
		<u>53,777,900</u>	<u>41,750,084</u>
	Impairment Provisions	(213,027)	(213,027)
		<u>53,564,873</u>	<u>41,537,057</u>
22(d)	<u>Placements</u>		
	First City Monument Bank Plc	60,000,000	85,000,000
	United Bank for Africa Plc	29,475,211	28,118,914
	First City Monument Bank Plc II	27,105,429	-
		<u>116,580,640</u>	<u>113,118,914</u>
		<u>267,550,712</u>	<u>198,525,000</u>
23	<u>INVESTMENT HELD TO MATURITY</u>		
	Kakawa Discount House	35,000,000	35,000,000
	FGN Savings Bond	30,000,000	30,000,000
	Stanbic Mutual Fund	4,349,305	3,326,918
	FGN Savings Bond III	20,000,000	20,000,000
	FGN Fund	50,001,000	-
		<u>139,350,305</u>	<u>88,326,918</u>
24	<u>LOANS AND ADVANCES</u>		
24(a)	<u>Summary of Loans and Advances</u>		
	Overdrafts	174,729,117	62,987,931
	Sundry Loans	59,978,690	242,132,361
		<u>234,707,807</u>	<u>305,120,292</u>
	Less: Impairment for Risk Assets (Note 24c)	(40,246,636)	(31,910,906)
		<u>194,461,171</u>	<u>273,209,386</u>
24(b)	<u>Analysis of Loans and Advances</u>		
	Loans and Advances are analyzed as to Security as follows:		
	Secured Against Real Estates	86,956,237	137,304,314
	Otherwise Secured	68,926,448	67,126,464
	Unsecured	78,825,122	100,689,514
		<u>234,707,807</u>	<u>305,120,292</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019 NOTES TO FINANCIAL STATEMENTS

24(c)	Stage	<u>CLASSIFICATION OF LOANS AND ADVANCES</u> Classification	Initial Recognition (IR)	Probability of Default (PD)	Expected Credit Loss (ECL)	Net Carrying Cost
	1	Performing	173,488,388	0.10	1,734,883	171,753,504
	2	Under-performing	334,482,384	0.4	13,792,954	20,689,430
	3	Non-performing	26,737,035	0.9245	24,718,798	2,018,237
		Total	<u>334,707,807</u>		<u>40,246,636</u>	<u>194,461,171</u>

24(c)	Stage	<u>CLASSIFICATION OF LOANS AND ADVANCES FOR THE YEAR ENDED 31 DECEMBER, 2018</u> Classification	Initial Recognition (IR)	Probability of Default (PD)	Expected Credit Loss (ECL)	Net Carrying Cost
	1	Performing	258,107,944	0.01	2,381,079	255,338,540
	2	Under-performing	27,173,484	0.4	10,869,394	16,304,090
	3	Non-performing	19,968,019	0.9245	18,460,433	1,507,585
		Total	<u>305,249,446</u>		<u>31,910,906</u>	<u>273,338,540</u>

	2019 N	2018 N
24(d) Expected Credit Loss on Loan Principal		
Balance at 1 January	31,910,906	25,018,866
Provision written Back	8,335,730	(6,701,345)
Charged for the Year (Note 16a)		
Balance at 31 December	<u>40,246,636</u>	<u>234,707,807</u>
Made up as Follows:		
Specific Impairment	38,511,345	29,581,273
24(e) General Impairment	<u>1,735,291</u>	<u>2,329,633</u>
	<u>40,246,636</u>	<u>31,910,906</u>
Interest		
Balance at 1 January	-	1,849,522
Interest No Longer Required	-	(1,849,522)
Addition During the Year	-	-
Balance as at 31 st December	-	-
Total at 31 December	<u>40,246,636</u>	<u>31,910,906</u>
25. Maturity Profile of Loans and Advances		
These are as follows:		
Under 1 month	3,643,000	4,491,000
1 – 3 months	19,496,000	27,179,000
3 – 6 months	152,891,000	133,562,000
6 – 12 months	39,584,600	64,288,000
Over 12 months	<u>19,093,207</u>	<u>75,100,292</u>
	<u>234,707,807</u>	<u>305,120,292</u>
Sectorial Analysis of Loan and Advance		
Agriculture and Forestry	6,241,000	12,496,000
Manufacturing and Food Processing	185,000	-
Trade and Commerce	203,705,000	194,562,000
Transport and Communication	12,767,000	2,830,000
Mining and Quarry	-	1,000,000
Consumer/Personal	7,240,807	16,130,000
Health	832,000	1,930,000
Education	442,000	92,151,292
Real Estate and Construction	<u>3,295,000</u>	<u>151,000</u>
	<u>234,707,807</u>	<u>305,120,292</u>
OTHER ASSETS		
ATM Stock	789,162	806,465
WIP – Computer/Office Equipment	82,500	-
Leasehold prepayment (Appendix III)	7,500,000	10,000,000
Cash Shortage	128,105	99,830
Stationery Stock Account	6,715	61,255
Cheque Books	207,173	224,423
Interest Receivable - Placement and Other Investment	12,298,686	4,249,474
Prepaid Advance	622,650	213,409
Cash Advance	3,961,178	1,310,327
3 – Line Settlement Account	458,400	603,000
Interest Receivable – Others	-	3,990,197
Sundry Debtors	1,159,726	188,510
PAYE	242,183	-
Staff Social Account	<u>2,100</u>	<u>-</u>
	<u>27,458,578</u>	<u>21,746,890</u>

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019
NOTES TO FINANCIAL STATEMENTS (CONTD)**

26. PROPERTY, PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	OFFICE EQUIP.	MOTOR VEHICLES	FURNITURE AND FITTINGS	PLANT AND MACHINERY	TOTAL
	₦	₦	₦	₦	₦	₦
<u>COST/VALUATION</u>						
At 1 January, 2019	1,757,695	16,970,499	11,208,483	11,661,943	2,175,650	43,774,270
Additions	39,000	1,191,350	2,250,000	-	387,600	3,867,950
Disposal	-	-	-	-	-	-
At 31 December, 2019	<u>1,796,695</u>	<u>18,161,849</u>	<u>13,458,483</u>	<u>11,661,943</u>	<u>2,563,250</u>	<u>47,642,220</u>
<u>DEPRECIATION</u>						
At 1 January, 2019	1,757,645	10,597,710	11,208,433	4,008,264	1,344,676	28,916,728
Disposal	-	-	-	-	-	-
Charges for the year	3,900	2,356,462	562,500	1,164,580	426,995	4,514,437
At 31 December, 2019	<u>1,761,545</u>	<u>12,954,172</u>	<u>11,770,933</u>	<u>5,172,844</u>	<u>1,771,671</u>	<u>33,431,165</u>
<u>NET BOOK VALUE</u>						
At 31 December, 2019	<u>35,150</u>	<u>5,207,677</u>	<u>1,687,550</u>	<u>6,489,099</u>	<u>791,579</u>	<u>14,211,055</u>
At 31 December, 2018	<u>50</u>	<u>6,372,789</u>	<u>50</u>	<u>7,653,680</u>	<u>830,974</u>	<u>14,857,543</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	₦	₦
27. <u>DEPOSITS AND OTHER ACCOUNTS</u>		
Savings Deposit Account – Corporate	476,619	21,005
Current Deposit Account- Personal	9,182,026	12,884,361
Savings Deposit Account - Personal	278,529,664	258,977,772
Current Deposit Account - Corporate	15,316,715	15,832,217
Fixed Deposit Account	26,458,530	23,571,840
Secured Savings	5,930,700	11,421,800
Current Account – Staff	472,662	593,673
Daily Savings Account	67,339,421	56,614,521
Kid Care Savings	3,320,779	1,012,222
GMB Executive Savings	19,007,201	5,454,682
	<u>426,034,317</u>	<u>386,384,093</u>
27(a) <u>Maturity Profile of Deposits</u>		
Under 1 month	385,435,617	357,388,025
1 - 3 months	-	4,563,000
3 - 6 months	-	3,316,000
6 - 12 months	40,598,700	21,117,068
	<u>426,034,317</u>	<u>386,384,093</u>
28 <u>TAXATION</u>		
28(a) <u>Per Profit and Loss Accounts</u>		
Income Tax Based on Profit for the Year	6,764,706	6,000,000
Education Tax for the Year	135,294	500,000
	<u>6,900,000</u>	<u>6,500,000</u>
28(b) <u>Per Balance Sheet</u>		
Balance at 1 January	2,432,240	1,857,555
Provision Per Profit and Loss Account	6,900,000	6,500,000
Payment made during the Year	(9,146,540)	(5,925,315)
Balance at 31 December	<u>185,700</u>	<u>2,432,240</u>
29 <u>UNCLAIMED DIVIDEND</u>		
Balance at 1 January	5,699,275	10,010,042
Approved decided for the year	10,000,000	10,000,000
Payments made during the year	(1,002,280)	(14,310,767)
Balance at 31 December	<u>14,696,995</u>	<u>5,699,275</u>
30 <u>OTHER PAYABLES</u>		
Sundry Creditors	2,008,780	881,921
Deposit for Shares	17,000	17,000
Accrued Interest on Fixed Deposit	600,160	600,160
Accrued Expenses	520,000	520,000
Accrued Audit Fee	500,000	500,000
Cash Surplus	597,063	423,823
Nigerian Life and Pension	830,040	1,317,813
Sundry Persons Account	2,463,762	2,636,121
Withholding Tax Account	2,013,723	2,328,655
Deferred Credit	1,323,151	476,048
PAYE	-	419,977
VAT Account	73,774	245,140
Accrued Staff Benefit	1,953,976	5,453,976
Credit Bureau Charge	273,274	126,166
Fidelity Pension	35,329	125,792
First Guarantee Pension	114,392	140,457
Stamp Duty Fee	824,350	609,850
WIP – Leasehold	-	9,660
Staff Pension Account	578,293	368,350
Other Known Losses	1,500,000	1,500,000
Staff Social Account	-	144,200
Donation Ezike Day Brochure	5,000	-
	<u>16,232,067</u>	<u>18,845,109</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	2019	2018
	₱	₱
31		
<u>SHARE CAPITAL</u>		
<u>Authorised</u>		
50,000,000 Ordinary Shares of ₱1.00 each	50,000,000	50,000,000
	<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	50,000,000	50,000,000
	<u>50,000,000</u>	<u>50,000,000</u>
32		
<u>SHARE PREMIUM</u>		
Balance at 1 January	9,453,554	9,453,554
Issued During the year	-	-
Balance at 31 December	9,453,554	9,453,554
	<u>9,453,554</u>	<u>9,453,554</u>
33		
<u>STATUTORY RESERVE</u>		
Balance at 1 January	74,236,420	67,496,218
Transfer from Profit and Loss Account	1,996,869	6,830,202
Balance at 31 December	76,233,289	74,236,420
	<u>76,233,289</u>	<u>74,236,420</u>
34		
<u>REGULATORY RISK RESERVE</u>		
Balance 1 January	10,408,000	10,408,000
Transfer from Retained Earnings	-	-
Balance 31 December	10,408,000	10,408,000
	<u>10,408,000</u>	<u>10,408,000</u>
35		
<u>RETAINED EARNINGS</u>		
Balance at 1 January	39,207,046	28,445,043
Prior Year Adjustment	(3,397,226)	271,396
Transfer to Dividend Payable	(10,000,000)	(10,000,000)
Transfer from Profit and Loss Account	13,978,079	20,490,607
Balance at 31 December	39,787,899	39,207,046
	<u>39,787,899</u>	<u>39,207,046</u>
SHAREHOLDERS' FUND	<u>185,882,742</u>	<u>183,305,020</u>

ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER, 2019
NOTES ON THE FINANCIAL STATEMENTS (CONT'D)

36. **INFORMATION ON EMPLOYEES AND DIRECTORS**

36(a) **Employees:**

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

CATEGORY	<u>2019</u>	<u>2018</u>
Senior Management	7	7
Middle Management	12	12
Others	<u>38</u>	<u>38</u>
Total	<u>57</u>	<u>57</u>

- ii. Employees cost for the above persons for Salaries, Allowance and other Benefits were **₦36,570,094** (for 2018 - **₦26,773,100**)

- iii. The number of senior employees of the bank other than Directors who earned more than:

	<u>2019</u>	<u>2018</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	<u>2</u>	<u>2</u>

36(b) **Directors' Remuneration**

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

<u>2019</u>	<u>2018</u>
₦	₦
<u>5,608,199</u>	<u>5,277,437</u>

- ii. **Directors other Expenses**

37. **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.

38. **FRAUD AND FORGERIES**

During the year there was no incident of fraud and forger

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2019
STATEMENT OF VALUE ADDED

	2019		2018	
	₦	%	₦	%
Gross Earnings	121,790,570		134,785,219	
Interest Expense	(6,361,128)		(5,828,252)	
	<u>115,429,442</u>		<u>128,956,967</u>	
Overheads	(34,903,675)		(31,183,266)	
Provision for Risk Assets	(8,335,730)		(13,593,385)	
VALUE ADDED	<u><u>72,190,037</u></u>	<u><u>100.00</u></u>	<u><u>84,180,316</u></u>	<u><u>100.00</u></u>

Applied as Follows

To Pay Employees:

Salaries and Other Benefits	38,300,652	53.06	36,570,094	43.44
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To Pay Government:

Company Tax	6,900,000	9.56	6,500,000	7.72
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To Pay Providers of Capital:

Dividend	10,000,000	13.85	10,000,000	11.88
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To Provide for Future Replacement of Assets and Expansion of Business:

Depreciation	4,514,437	6.25	3,789,413	4.50
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Statutory Reserve	1,559,369	2.16	6,830,202	8.12
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Retained in the Business	10,915,579	15.12	20,490,607	24.34
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	<u><u>72,190,037</u></u>	<u><u>100.00</u></u>	<u><u>84,180,316</u></u>	<u><u>100.00</u></u>
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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, 2019 FIVE-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	₦'000	₦'000	₦'000	₦'000	₦'000
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	267,551	198,525	237,028	265,657	306,238
Loans and Advances	194,461	273,209	246,534	150,355	67,348
Other Assets	27,459	21,747	22,036	25,164	38,481
Held to Maturity	139,350	88,327	65,000	35,000	35,000
<u>NON-CURRENT ASSETS</u>					
Property, Plant and Equipment	14,211	14,857	17,119	20,142	4,009
TOTAL ASSETS	643,032	596,666	586,758	496,318	451,076
<u>EQUITY AND LIABILITIES</u>					
<u>LIABILITIES</u>					
Deposits and Other Accounts	426,034	386,384	397,664	343,961	298,656
Taxation Payable	186	2,432	1,858	1,379	1,469
Unclaimed Dividend	14,697	5,699	10,010	3,772	2,631
Other Payables	16,232	18,845	11,514	10,971	15,948
Total Liabilities	457,149	413,361	421,046	360,084	318,705
<u>EQUITY</u>					
Share Capital	50,000	50,000	50,000	45,273	45,273
Share Premium	9,454	9,454	9,453	-	-
Statutory Reserve	76,233	74,236	67,406	61,168	57,938
Regulatory Risk Reserve	10,408	10,408	10,408	10,408	-
General Reserve	39,788	39,207	28,445	19,385	29,160
Shareholders' Fund	185,883	183,305	165,712	136,234	132,371
TOTAL EQUITY AND LIABILITIES	643,032	596,666	586,758	496,318	451,076
<u>Gross Earnings</u>					
Profit Before Taxation	22,875	33,821	26,453	14,117	16,394
Taxation	(6,900)	(6,500)	1,500	(1,200)	(1,200)
Profit After Taxation	15,975	27,321	24,953	12,917	15,194
Earnings per share (Kobo)	32k	54k	50k	29k	34k

APPENDIX 1

OVERHEADS

	2019 ₦	2018 ₦
Directors' Expenses	5,608,199	5,277,437
Salaries and Allowances	34,800,652	36,570,094
Staff Training and Development	-	172,700
Postages and Telephone/Communication Expenses	3,006,500	2,212,290
Rent and Rates	2,662,000	2,597,500
Transport and Travelling	3,235,310	1,743,840
Hotel and Entertainment	598,550	572,560
Printing and Stationery	1,968,370	3,185,410
Legal/Professional Filing & Secretarial Fees	3,032,123	2,503,751
Audit Fees	500,000	500,000
Insurance and Licensing	3,246,519	2,781,594
Cleaning and Sanitation	471,890	365,870
Electricity and Lighting	500,050	488,870
Subscription	95,000	46,900
Directors Remuneration	1,500,000	1,500,000
Fuel, Oil and Lubricants	2,590,335	1,945,680
Newspapers and Periodicals	56,850	65,350
Pension Cost	2,460,347	2,372,872
Annual General Meeting	531,500	623,500
Advertisement and Publicity	1,798,850	196,200
Bank Charges	1,834,198	775,778
VAT	205,536	310,913
Security Expenses	107,640	16,200
Stamp Duty and Filing Fees	29,260	16,300
Social Responsibility Expenses	511,860	2,824,170
Association Dues	200,000	315,000
Repairs and Maintenance: -		
- Furniture and Fittings	65,758	-
- Motor Vehicle	7,400	15,202
- Office Equipment	4,111,120	4,071,056
- Generating Set	1,569,210	2,041,463
- Leasehold Improvement	627,400	345,500
	86,440	137,900
General Expenses	203,110	461,210
Condolences Expenses	187,000	170,960
Recovery Expenses	898,300	226,760
Industrial Training Fund	404,450	302,471
	<u>79,704,327</u>	<u>77,753,360</u>

APPENDIX II

**BREAKDOWN OF PREPAYMENTS ON LEASEHOLD
AS AT 31ST DECEMBER, 2019**

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	13 yrs	12 years	6,000,000
23 Market Rd Osha	Branch Office	2,000,000.00	5yrs	10,000,000.00	4 yrs and 3 months	9 months	1,500,000
							7,500,000

PROXY FORM

(Please complete in Block Letters)

I/We.....
of.....

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

.....
of.....

or failing him/her, the Chairman of the
meeting as my/our proxy to the 23rd
Annual General Meeting of the Company
to be held by 10:00am on Friday, 25th
June, 2021 and at Community Plaza, Eke
Market Square, Nibo, Awka South
L.G.A., Anambra State.

As witness my/our hand(s) this day of 2021

signed

	Resolution	For	Against
1.	To receive the Report and Accounts		
2.	To Propose Dividend		
3.	To re-elect directors		
4.	To approve remuneration for Directors		
5.	To elect Members of the Audit Committee		
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		
* * Please indicate with an '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.			

- Note:**
- (i) THIS PROXY FORM SHOULD NOT BE COMPLETED AND RETURNED IF THE MEMBER 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.

Affix
Postage
stamp
here

The Board Secretary
GMB Microfinance Bank Limited
Community Plaza
Eke Market Square, Nibo
Anambra State

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