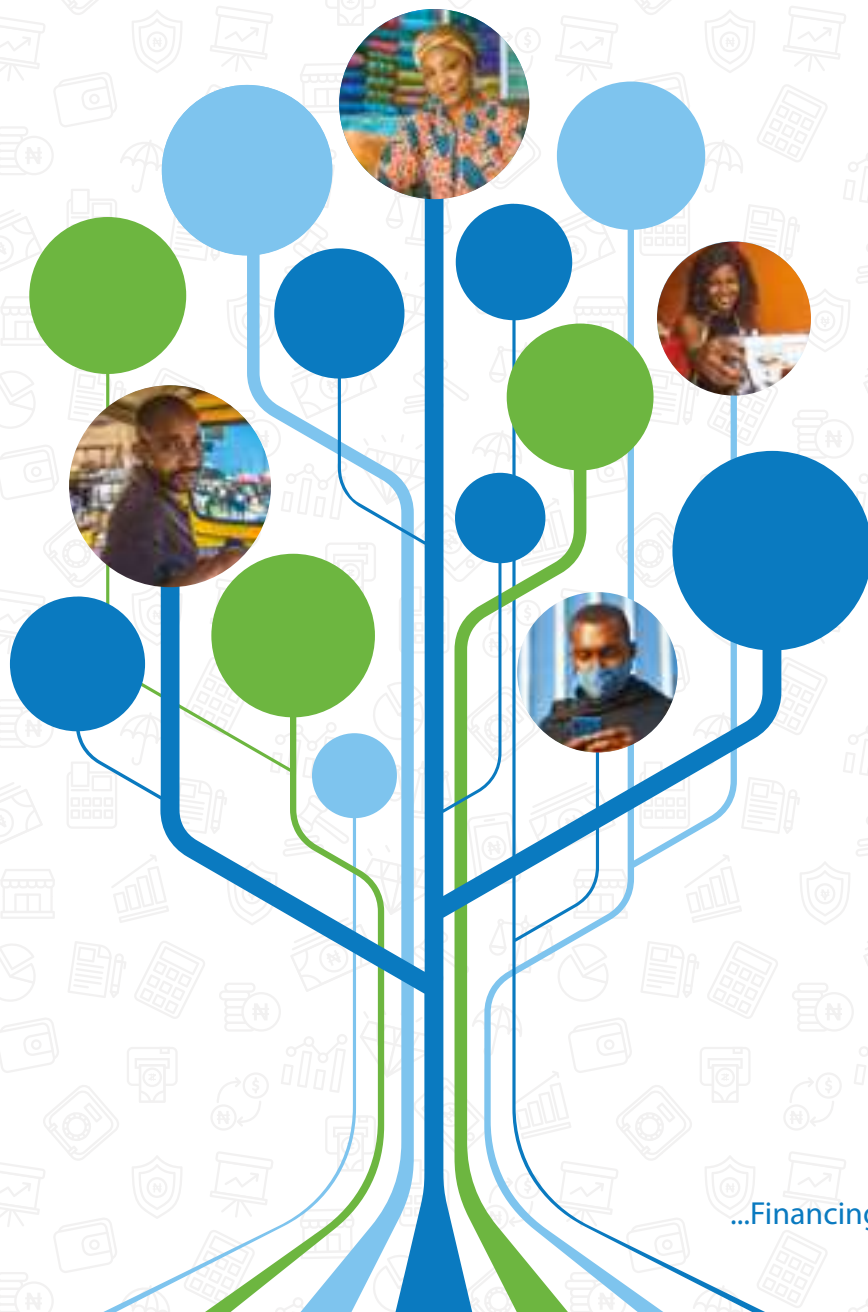




DBN
Development
Bank of Nigeria

ANNUAL INTEGRATED AND STATUTORY REPORT 2020



...Financing Sustainable Growth



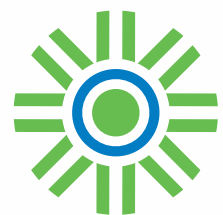
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Over **55%**
women

HAVE ACCESSED
FINANCING TO
LevelUp

OPEN



DBN

Development
Bank of Nigeria

RC 1215724

...Financing Sustainable Growth

Women are taking the lead in business, thanks to MSME financing available through Commercial Banks, Microfinance banks and other Development Finance Institutions in partnership with the Development Bank of Nigeria.

We are Nigeria's primary development financial institution; promoting growth and sustainability.



2020

ANNUAL INTEGRATED &
STATUTORY REPORT

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ABOUT THIS REPORT



DBN
Development
Bank of Nigeria

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

Our Third Integrated Report provides information and performance data on the operations of the Development Bank of Nigeria (DBN) during the calendar year 2020. The report focuses on the issues that are most material to our business and our stakeholders. It contains information on the execution of our core mandates whilst also giving insight into our financial performance during the year.

The decision and process to issue an integrated report has been carried out through a participatory and interactive approach involving the Bank's senior management and employees. Under DBN's sustainable banking approach, integrated reporting is an ever-developing process. To this end, at DBN, we believe comments and opinions from stakeholders will help shape the corporate strategy and contribute to the high-quality value creation process.

This report has been guided by local and international standards, which include the Nigerian Sustainable Banking Principles (NSBPs), Global Reporting Initiative (GRI) standards and reporting criteria as well as the United Nations Sustainable Development Goals (SDGs).

This report reflects a higher standard in our approach to reporting.



For more information on our other initiatives and achievements, please visit our website:
www.devbankng.com

ABOUT DBN



History of the Development Bank of Nigeria

The Development Bank of Nigeria (DBN) was conceived by the Federal Government of Nigeria (FGN) in collaboration with global development partners to address the major financing challenges facing Micro, Small and Medium Scale Enterprises (MSMEs) in Nigeria. Our main objective is to alleviate financing constraints faced by MSMEs and small corporates in Nigeria. We do this through the provision of financing and partial credit guarantees to eligible financial intermediaries on a market-conforming and fully financially sustainable basis.

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

In addition, we play a focal and catalytic role in providing funding and risk-sharing facilities by incentivizing financial institutions, predominantly deposit-money and microfinance banks. In addition, we improve the capacity of our financial intermediaries by providing them with funding facilities designed to meet the needs of these smaller clients.

Our Partners include:

Federal
Government
of Nigeria



African
Development
Bank (AfDB)



European
Investment
Bank



World Bank



KFW



AFD





Our Vision

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



Our Mission

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

Core Values

S



Sustainability

T



Transparency

E



Excellence

D



Diversity

I



Innovation

Our Five-Year Strategic Plan

1



Reach

R

2



Explore New
Channels

E

3



Advocate for
MSMEs

A

4



Develop Internal
Capacity

D

5



Impact

I

CHAIRMAN'S SPEECH



Dr. Shehu Yahaya

**Operating Environment**

The year 2020 can be described as chaotic because economies around the world have been dealt a difficult hand. Most countries fell into economic recession in 2020 due to the coronavirus pandemic (COVID-19) that has now affected over 200 countries. The COVID-19 pandemic led to an economic crisis almost comparable to the Great Depression, as evidenced by the significant worsening of several economic indicators, globally.



Output expanded in virtually all countries with Nigeria recording a GDP growth of 2.48% on a quarter-on-quarter basis. The Purchasing Managers Index for Nigeria also recorded some improvement with a posting of 50.2 points in November 2020.

Here at home, we witnessed a slowdown in economic activities owing to the protocols of social/physical distancing, temporary closures of businesses in the service sectors, amongst others.

Zeroing in on economic performance, output decreased significantly as the GDP of several countries contracted in Q1 and Q2 2020. The GDP of the U.S. contracted by 31.7% in Q2 2020, the Euro Area by 15% and that of the UK by 20.4%, all in the same period. This global reduction in demand was a result of huge declines in business and consumer spending and global savings and investment.

Productivity reduced significantly as the Purchasing Managers' Index (PMI), which measures the economic trends in the manufacturing and non-manufacturing sector, declined significantly for several countries. In the US, the PMI fell from 52.4 points in December 2019 to 39.8 points in May 2020, while in the Euro Area, the PMI declined from 47.9 points in January 2020 to 33.4 points in April 2020. This scale of reduction superseded that of the 2009 financial crisis. The decline in client demand meant that there was an increase in inventory and manufacturers had to therefore cut down on production and, consequently, reduce their staffing. This led to an increase in unemployment levels from 3.5% in December 2019 to 14.7% in April 2020 for the U.S. while the Euro Area saw a relatively lower increase from 7.4% in February 2020 to 8.3% in September 2020.

In Nigeria, the economic indicators have followed a similar trend as GDP contracted in Q1 and Q2 2020 by 14.3% and 5% respectively. Nigeria is currently in its second recession in four (4) years. The Purchasing Managers Index (PMI) for Nigeria fell from 59.2 points in January 2020 to 37.1 points in April 2020, indicating a significant deterioration in business conditions expectations. Inflation also rose from 11.98% in December 2019 to 14.89% in November 2020.

However, from the economic indicators recorded in Q3 2020, the global economy seems to have begun the recovery process from the crisis. Output expanded in virtually all countries with Nigeria recording a GDP growth of 2.48% on a quarter-on-quarter basis. The Purchasing Managers Index for Nigeria also recorded some improvement with a posting of 50.2 points in November 2020. Fostering these upswings is the lifting of COVID-19 induced restrictions which led to a rise in business activities and business confidence.

Posing a risk to continued economic recovery is the second wave of the pandemic and the recent discovery of a new strain of the coronavirus. This has led to various levels of restrictions across several countries. However, since the new strain was discovered in December 2020, it is expected that the economic indicators for Q4 2020 will show a continuation of the improvement recorded in business activities in Q3. Also, the deployment of COVID-19 vaccines has increased the hope that business activities shall, after a while, soon return to their pre-pandemic levels.

In Nigeria, it is expected that, barring another economic shutdown, the economy will continue its recovery albeit slowly due to the uncertainties regarding the trajectory of oil prices and the global slow down. Inflation is also expected to gradually decline.

Strategic Partnerships



...provides DBN with the key comparative advantage through which it actively advances its mandate of improving the access to finance for the Micro, Small and Medium Scale Enterprises ("MSME") in Nigeria.



Strategic Partnerships

Close ties with the shareholders, with a key role being played by the Federal Ministry of Finance, Budget and National Planning; partnerships with other shareholders, leading multilateral institutions and strategic alliances with the Development Partners, which include the African Development Bank, World Bank, the KfW, Agence française de développement amongst others, provides DBN with the key comparative advantage through which it actively advances its mandate of improving the access to finance for the Micro, Small and Medium Scale Enterprises ("MSME") in Nigeria.

Through the cooperation of the Federal Ministry of Finance, Budget and National Planning, and the World Bank, DBN assumed responsibility for the set-up and oversight of the Project Implementation Unit ("PIU"), through which the DBN ensures that Participating Financial Institutions ("PFI") receive quality Technical Support and Assistance, and access capacity building initiatives needed by them, in expanding not only their lending competencies but also their appetite for providing loans to MSMEs.

By tapping into the available wealth of technical and business support of its shareholders and Development partners, DBN has continued to ensure its progressive ascension in the development finance space.

Sustainability



The Bank also implemented several initiatives to advance its development mandate. Some of these include the adoption of loan disbursement targets for economically-challenged parts of the country...



Sustainability

DBN is licensed as a wholesale development finance institution. Its Wholesale model is essentially market-driven and dependent on multiple funding sources, and its operations have been deliberately structured to ensure cost efficiency, within a robust system of internal controls and sound risk management.

In the period under review, and to ensure the continued sustainability of the business, and facilitate wider access to DBN loans, the bank adopted a revised cost-based pricing structure. The new structure is a derivative of the Bank's cost of funds (benchmarked at market rate), the cost of risk, determined from the expected credit loss from each PFI, and the cost of the Bank's Operations. The revised pricing structure has also ensured that DBN loans remain accessible to the PFIs on a market-conforming basis. Also, the development of innovative products such as the DBN Long-Term Finance and the DBN Interest Drawback products helped to stimulate the participation of PFIs in the DBN lending programme.

The Bank also implemented several initiatives to advance its development mandate. Some of these include the adoption of loan disbursement targets for economically challenged parts of the country in order to stimulate economic recovery; the increase in the collateral concentration limit for movable assets pledged at the

National Collateral Registry so as to ameliorate the collateral constraints of the MSMEs; and, the approval and implementation of a Capacity Building Framework to assist in scaling-up the attractiveness of the MSMEs for commercial loans.

DBN's business, architecture and operations continue to compare favourably with its comparators and peers. From its participation in the Association of African Development Finance Institution's Prudential Standards, Guidelines and Rating System (PSGRS) Self-Assessment, the Bank obtained a rating score of 95.02% in the year. This was an improvement on the previous year's rating. The Bank continues to be one of the highest-rated Development Finance Institutions in the African sub-region.

From the Central Bank of Nigeria Routine Examination of FY 2019, the Bank was assessed with a composite risk rating of "Low and Stable". DBN had received a similar rating from the FY 2018 Routine Examination. Also, from the maiden local credit rating exercise by Agosto & Co. in the year, DBN was given a stable outlook and awarded an Aa rating. This is despite DBN's nascent history of operations.

DBN will continue to adopt and implement sound risk management and business practices, which will not only ensure but guarantee the sustainability of the DBN brand.

Human Capital



Going the added mile, the bank arranged free covid-19 testing for staff, their spouses, and dependents, to ensure early detection and management of infections.



Human Capital

DBN recognizes the role of a highly skilled and motivated workforce to the attainment of corporate objectives. The bank's HR philosophy continues to revolve around the recruitment and retention of quality and experienced human capital, while taking into cognizance the benefits of workplace diversity. The overarching consideration in recruitments is that the best candidate is recruited for any vacant role. DBN's employment selection process shall continue to be open, transparent, and competitive.

DBN is committed to and would continue to develop the skills and competencies of all its employees to engender high levels of motivation and performance. In the current year, DBN achieved a 100% attainment on the approved employee training plan. The migration of trainings from the physical classroom-style trainings, to the virtual mode, helped in no small measure in ensuring that staff continued to receive the requisite trainings and skills enhancement they require to function optimally, despite the disruptions occasioned by the covid-19 crisis and the attendant lockdown on economic activities during the year.

To enhance the wellbeing of staff due to the covid-19 disease and to mitigate the disruption to business operations, the Bank adopted a remote-working policy in the year, through a formal implementation of the bank's Business Continuity Plan ("BCP"). The BCP was also updated with the key learnings from the covid-19 situation, to ensure that future responses to such events by the Bank remain coordinated and effective. Staff regularly receive covid-19 advisory and needed Personal Protective Equipment ("PPE").

Going the added mile, the bank arranged free covid-19 testing for staff, their spouses, and dependents, to ensure early detection and management of infections. All staff were voluntarily tested for the disease.

To ensure that staff remain suitably motivated, the Bank implemented a Cost-of-Living adjustment ("COLA") to staff remuneration. The implementation of the COLA is in keeping with the bank's philosophy of retaining compensation at the 75th percentile of the industry.

The Bank's continued investment in its staff is a deliberate strategy for the attainment of corporate objectives.

Governance



With the support of the World Bank, the Bank engaged the Boston Consulting Group to assess the corporate governance, risk management and internal control architecture and practices of the DBN, against the benchmark of regulatory and leading international practices.



Governance

DBN subscribes to the Code of Corporate Governance for Public Companies by the Financial Reporting Council of Nigeria ("the National Code"). DBN's corporate governance practices continue to be informed by the practices enshrined in the CBN Code of Corporate Governance for Development Finance Institutions and the Securities and Exchange Commission's Code of Corporate Governance for Public Companies.

In the year, the board approved the re-appointment of Mr. Uche Orji and Dr. Shehu Yahaya as Non-Executive Directors, following their renominations by shareholders whom they represent on the board, the Nigeria Sovereign Investment Authority and the Ministry of Finance Incorporated, respectively.

The shareholders, on the recommendation of the board, also re-appointed the five Independent Non-Executive Directors on the board; Dr. Oladimeji Alo, Mrs. Clare Omatseye, Mr. Phillips Oduoza, Mallam Bello Maccido and Mr. Andrew Alli, for an additional term. The bank also embarked upon the process for the appointment of an Executive Director and an additional Independent Non-Executive Director. Nominees for both positions have been presented to the Central Bank of Nigeria, for approval.

In the year, the bank received the very sad news of the death of Mr. Yaw Adu Kuffour, Alternate Director to Mr. Batchi Baldeh, both representatives of the African Development Bank. Mr. Yaw Adu Kuffour was a consummate gentleman, a technocrat, who will be missed. His support for the DBN was unflinching.

With the support of the World Bank, the Bank engaged the Boston Consulting Group to assess the corporate governance, risk management and internal control architecture and practices of the DBN, against the benchmark of regulatory and leading international practices. The evaluation revealed that DBN's practices were largely aligned with both regulatory and best practice requirements. Several recommendations from the assessment were adopted and implemented to ensure that the Bank's corporate governance architecture remain virile.

DBN will continue to set its standards in accordance with leading practices which shall continuously upscale the Bank's governance practices and enhance its premier status in the industry.

COVID-19 Response

DBN contributed the sum of N100 million to the COVID-19 Fund spearheaded by the Central Bank of Nigeria.



COVID-19 Response

The covid-19 global pandemic continues to pose a major threat to human existence and what has been widely accepted as the normal way of getting things done.

In fulfilment of its responsibility as a responsible corporate citizen and to support the efforts of the Federal Government in combating the covid-19 disease in Nigeria, DBN contributed the sum of N100 million to the COVID-19 Fund spearheaded by the Central Bank of Nigeria.

DBN is still evaluating the full impact of the pandemic on its human capital and operations, and because the pandemic has not abated, this evaluation would continue.

From the reviews already concluded, it has been noted that the Bank's system of financial reporting and internal control remain adequate and are largely insulated from the impact of the crisis. However, on the business front, it is projected that the bank will record a N30 billion shortfall in planned disbursements in the current year.

Nonetheless, it is clear, also from the projections, that the DBN would remain profitable in the current year and fulfil its mandate to shareholders and stakeholders alike.

Future Plans



...the Bank will enhance its capacity-building initiatives and advocate for the enhancement of local content in Technical Assistance programs to PFIs.



Future Plans

To ensure the long-term sustainability of the business, DBN will seek out new and innovative funding opportunities. Already the Bank is concluding arrangements and will be approaching the regulators for approvals for a bond issuance exercise in the short to medium term.

The Bank will retain its cost-centric focus and deepen its collaboration with peers and partners in enhancing the access of the MSMEs to finance. In this regard, the Bank will enhance its capacity building initiatives and advocate for the enhancement of local content in Technical Assistance programs to PFIs.

DBN will continue to rely on the support of the shareholders and Development Partners in driving operational efficiency and enhancing value creation for all stakeholders.

Yours faithfully,

Dr Shehu Yahaya

Chairman,

Board of Directors,

Development Bank of Nigeria Plc.

OUR VALUE PROPOSITION



Structure

Wholesale bank model - Not direct lending to MSMEs

PFI's are loan beneficiaries - Including Commercial Banks, DFI's, Microfinance Banks

Lending

Longer tenor loans to support MSMEs development

Risk based pricing - Rates depend on risk of obligator

Value - Addition

Capacity building of both PFI's and MSMEs

DBN will help PFI modify lending behaviour

Performance

Sustainable model - No reliance on government grants and funds, impact measured by market

Government enhanced by development partners
independent monitoring and international best practice

DBN AT A GLANCE



Major Highlights

**324bn**

Loans disbursed



Over

136,000

MSMEs

**57%**Women-owned
MSMEs**27%**Youth-owned
MSMEs**40**

PFIs

**56**

employees (HR)

Subsidiary



(a credit guarantee company)

Our Partners



Customer Satisfaction Survey



96% of PFIs
are satisfied
with DBN.

96%



73% in Net
Promoter
Score was
achieved

73%

Impact



Total End Borrowers

34,147



Total Women Count

25,172



Start-Ups Volume

Over N283million

disbursed to start-ups



Start Ups Count

16

end borrowers



First Time Access to Credit (Volume)

Over N9 billion

was disbursed to businesses



First Time Access to Credit (Count)

6,935



Youth (Count)

9,066

Testimonials from PFIs

“

We approached them for a moratorium and made an unusual request that went against their policies, because of the pandemic. However, they went the extra mile to alert their boss to resolve the issue

“

We obtained a loan from DBN and the whole process took only 4 days. It was very fantastic because from our experience with other lenders, that was very fast

“

Their professionalism, their culture for mutual respect when dealing with individuals. They treat requests promptly and deliver within 24 hours

“

“They have fantastic understanding with us, they are always making contacts to get information and offer solutions.”

“

In terms of requests, when we request for loan repayments, adjustments on repayment time. They quickly accede to them within short intervals.



DBN CELEBRATES INTERNATIONAL WOMEN'S DAY 2020

This was an opportunity to celebrate the social, economic, cultural and political achievements of women and we did it with a robust celebration of the occasion.

At DBN, sustainability is central to our ethos and is a key driver for the work we do in our local environment. To date, over 50,000 female Nigerian entrepreneurs have been able to access DBN funding. As part of our support for women, this year on March 8th, 2020, the Development Bank of Nigeria joined global celebrations for International Women's Day (IWD) with the theme #EachforEqual. This was an opportunity to celebrate the social, economic, cultural and political achievements of women and we did it with a robust celebration of the occasion.

Our celebrations centered around a panel discussion featuring successful female leaders from the corporate world, entrepreneurs and pace setters. The panel titled "Accelerating parity through collective individualism" examined the ways women can push for greater parity by choosing often variant career paths, yet build networks, and support each other to succeed in often male-dominated environments.

Our esteemed panel was made up of industry trail blazers from both the public and private sectors. These included Patricia Oniha (DG Debt Management Office), Toyin Sanni (CEO, Emerging Africa Capital Group), Toyin Odulate (Founder, Olori Cosmetics), Nelly Agbogu (Founder Healthy Nellies), Ijeoma Ozulumba (Chief Finance Officer, DBN) and Lolade Awogbade (Sustainability Specialist DBN).

There was deep engagement from the audience especially as concerning discussions around encouraging women to staying the course both in the entrepreneurial and career paths. The event also provided attendees with an opportunity to network building business and personal connections.



NEED BUSINESS GROWTH? NO WORRIES.

1 LOAN | 33 BANKS

UNLIMITED GROWTH FOR YOUR BUSINESS



DBN

Development
Bank of Nigeria

NO LIMITS
Enabling Sustainable Growth

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

To access a DBN loan,
Visit your Participating Financial Institution (PFI)
Call: +234 1 906 4000 | Email: info@devbankng.com



www.devbankng.com

#DevBankNG

OPERATING CONTEXT



CEO'S INTERVIEW



“

We are lending ourselves more strongly than ever to the causes of the small and medium enterprises to bring about an inclusive, prosperous, and sustainable Nigerian Economy.

Mr. Anthony Okpanachi



Q1: Please give an overview of the year 2020, especially with regards to the COVID-19 pandemic.

A1: The global COVID-19 pandemic has brought about entirely new realities for many families, communities, and businesses around the world. The impact of COVID and the oil price shock experienced at a global level was severe; no one could have predicted it. This plunged the operating environment at all levels into uncertainties and both families and businesses were negatively impacted. At a time like this, sustainable finance becomes more imperative and given DBN's mandate which is anchored on enshrining sustainable finance in the Nigerian Economy, our performance in 2020 reflects the full strength of this promise. We are lending ourselves more strongly than ever to the causes of the small and medium enterprises to bring about an inclusive, prosperous, and sustainable Nigerian Economy.

Q2: What are your thoughts on the Nigerian economic environment in 2020?

A2: The Nigerian economy is currently in its second recession in four years, amid still-subdued oil prices and lingering effects of the restrictions implemented across the country in early Q2 in response to the COVID-19. GDP declined 3.6% year on year because of the Covid-19 pandemic and a weak oil and gas sector.

The year-on-year headline inflation has been rising monthly from 12.1% in January 2020 to 14.89% in November 2020. The increase in inflation was due to several factors including flooding in various states, border closure etc. Thousands of homes and crops have been destroyed in the recent flooding in the states of Sokoto, Jigawa, Kano and Kebbi of Nigeria. This flood has resulted in destroying 25% of the projected national output of 8 million tons of rice in Nigeria. The border closure and ban of importing staple foods like rice has put pressure on the farmers and increased the demand. The combination of the increase in demand and low supply has increased the prices of these staple goods and resulted in a rise in inflation.

The Central Bank of Nigeria introduced some measures targeted at importers and exporters to try to boost the supply of dollars in the foreign exchange market and reduce the high demand for forex by traders. The naira official exchange rate published by the Central Bank of Nigeria as of December 2020, was 380/\$ however, the naira depreciated to close at N410.25/\$ at the Investors and Exporters (I&E) window on the last day of the year ending a tumultuous year for the currency market. This decline represents a decline of 11.8% for 2020 on the official NAFEX window.

The Monetary Policy Committee (MPC), in its November 2020 meeting, decided to retain the MPR at 11.5%, with the asymmetric corridor at +100/-700 around the MPR. The Cash Reserves Ratio (CRR) at 27.5% and Liquidity Ratio (LR) at 30.0%. The Committee's decision to retain the monetary policy was to sustain the trajectory of the economic recovery and reduce the negative impact of COVID-19. Despite the growing concerns that an expansionary monetary policy may accelerate inflationary pressure, the MPC believed that this action would provide cheaper credit to improve aggregate demand, stimulate production, reduce unemployment, and support the recovery of output growth.

Q3: How has the COVID-19 pandemic affected the Bank and how does the Bank continue to ensure support for MSMEs?

A3: Despite the adverse impact of the COVID-19 pandemic and severe external shocks on the broader economic environment, the Bank has taken innovative steps to keep achieving its mandate of alleviating the financial constraints faced by MSMEs and Small corporates in Nigeria. The Bank's initiatives and new product offerings have provided additional support to the financial flows and domestic investment to the MSME sector, that fosters shared economic growth and sustainable development, while remaining financially viable in the long-term. As the MSMEs were the worst affected by the recession, moratorium was granted on loans to enable the businesses to have sufficient cash flow to remain viable. Also, DBN deployed its Long-Term Financing product through the participating financial institutions (PFIs) to further provide long term liquidity in the MSME space. The Bank was also able to disburse over 190 billion naira through the PFIs and this has impacted over 30,000 MSMEs in 2020 alone. We have also been able to provide technical assistance to 5 PFIs which is ongoing on how to best serve the MSME sector in Nigeria while providing capacity building to over 100 MSMEs both virtually and in-person on how to improve their businesses, cashflow, and structure their businesses.

On measuring the impact of DBN funds to the MSMEs in 2020, 83% of the MSMEs surveyed reported increase in their sales after obtaining the loan. On job creation, 48% of the surveyed sample was able to increase their staff strength after receiving DBN funding to improve access to credit.

Q4: What is the Bank's approach to Monitoring and Evaluating and what key developments surfaced in 2020?

A4: Historically, the Bank has been assessing its impact through a results-based framework that tracked short, medium and long-term outcomes. The results-based framework had 18 indicators linked to target outcomes and included a range of critical themes from increased access to finance to job creation and value chain enhancement. On one hand, the Bank, through the framework, works to drive positive outcomes at three levels: The Ecosystem, by improving the enabling environment for MSME lending; the MSMEs, by increasing MSME bankability and access to finance; and the PFIs, by empowering them to sustainably increase their MSME lending portfolio. On the other hand, it accomplishes these positive outcomes by pulling on three levers which include (i) Funding and risk-sharing, which refer to the issuing of loans and credit guarantees to PFIs to facilitate onward lending to MSMEs; (ii) Technical assistance, which refers to the provision of non-financial services to improve both PFI and MSME operations;

The Central Bank of Nigeria introduced some measures targeted at importers and exporters to try to boost the supply of dollars in the foreign exchange market and reduce the high demand for forex by traders.

and (iii) Policy and advocacy, through which DBN continuously aims to improve the enabling environment for MSME lending by advocating for policy and regulatory reforms.

However, in 2020, DBN revised its Monitoring and Evaluation framework to capture all activities, outputs and outcomes that collectively transform the MSME lending ecosystem, resulting in more contribution to women empowerment, driving of innovation and sustainability in the MSME lending ecosystem, and ultimately, the sustainable growth and transformation of Nigeria's socio-economic landscape.

Q5: DBN is a strong advocate of Sustainability. What strategic steps were taken in 2020 to advance the Bank's objectives in this area?

A5: 2020 was a significant year for sustainability at DBN. Using a deliberately crafted strategy and framework, we rolled out a number of activities in the area of sustainability which reflects across all our processes and procedures as a development finance institution. Our strategy was created using a combination of local and international standards – the Nigerian Sustainable Banking Principles (NSBPs) and the United Nations Sustainable Development Goals (SDGs). Notable amongst our many achievements in sustainability for 2020 is the rollout of our internal recycling scheme. We rolled this out across our Lagos and Abuja offices, and it resonated very strongly with the Bank's employees as we were able to have a first-hand experience of the direct impact of our waste management systems on our immediate environments. We plan to deepen impact in this area over the coming year.

We also became extremely deliberate in our operations as concerning women. March was momentous as we saw our first celebration of International Women's Day. We also saw the creation of a product specifically targeted towards female entrepreneurs demonstrating our seriousness in serving the specific needs we have seen within our client relationships.

Our stakeholder universe is extremely important to us and



as a platform to engage the Bank's stakeholders and provide them with updates on the development finance industry along with the Bank's progress in its journey to becoming Nigeria's premier development finance institution.

Q7: What are some projections for 2021?

A7: Although business activities are returning to pre-COVID-19 levels, the pandemic continues to pose restrictions to global trade. Growth will be sensitive to the length of time that the COVID-19 threat remains. As we see the rollout of the vaccines to combat the pandemic, growth is expected in global trade and domestic economic conditions as the price of oil is expected to rise. Nigeria's fiscal flexibility is constrained by a widening budget deficit. This is evidenced by its high-interest bill as a percentage of general government revenue and by an inefficient non-oil tax collection. In a bid to reduce inflationary pressures, the Nigerian government has opened its borders for trade. It is expected that inflation will reduce moderately in the following months. The economy will continue on a slow U-shaped recovery with predicted modest GDP growth of 1.5% and inflation easing downwards to 12.5% -13.5%.

Q8: What are some of the Bank's targets for its operating activities in 2021?

A8: As a DFI charged with the mandate of alleviating the financial constraints faced by MSMEs and Small corporates in Nigeria, we are fully aware of the additionality and catalytic roles we are expected to play in the financial system. The Bank will continually innovate and develop initiatives and new product offerings that will provide additional support to the financial flows and domestic investment to the MSME sector. We will continue to explore new channels, to add more PFIs to the Bank's portfolio, with the aim to expand the reach of the Bank's operations and facilities to more financially underserved MSMEs in Nigeria. We will continue to provide technical assistance to PFIs and intensify efforts at developing the capacity of MSMEs while also increasing access to funds to segments like first-time borrowers, start-ups, women and youth, and sectors like manufacturing, green energy, etc.

Looking ahead and as we go into the third year of our five-year strategic plan; the Bank will continue to play a leading role in delivering sustainable finance to MSMEs and small corporates. Our long-term commitment to supporting MSMEs, opening doors to new opportunities and enabling businesses to thrive remains just as strong. That said, we expect similar challenges of last year to subsist as we continue to contend with a difficult operating environment, regulatory headwinds, and the new waves of the pandemic. However, armed with exceptional talents and the total commitment of our Board, management, and staff of the Bank, I remain optimistic about the future and the opportunities for us to create maximum value for businesses and long-lasting impact in the Nigerian economy.

even so, the strategies for engagement. In 2020, we created a Community of Practice with our affiliated micro-finance bank partners. This relationship is a key way to engage, learn and grow with each other in the area of sustainability. It is our hope that we are able to positively influence our ecosystem to adopt sustainability-related practices to strengthen their respective internal systems.

2021 holds much promise for us in the area of sustainability. We look forward to headlining international projects, strengthening our relationships both locally and internationally through increased partnerships whilst also contributing positively to the ecosystems in which we live and operate.

Q6: What progress did the Bank make in 2020 to promote thought leadership in development finance?

A6: As part of the Bank's knowledge contribution to the development finance space, the Bank publishes various forms of intellectual content revolving around topical issues in the industry on national and international knowledge platforms. During the year 2020, the Bank published 10 articles in the international peer-reviewed journal, the Journal of Economics and Sustainable Growth (JESG); 45 articles in its five-part 2020 Working Paper Series (WPS); five articles on Business Day Newspaper; and two publications of the MSME Catalyst, which is the Bank's semi-annually published newsletter that serves

DBN MANDATES

Our 3-Fold Mandate

1



Loans: Wholesale lending

- Deploy funding towards developing MSMEs through PFIs
- Longer tenor to promote growth

2



Capacity Building

- Upscale the capacity of PFIs to lend to MSMEs
- Build the capacity of MSMEs to access and use debt efficiently

3



Credit Guarantees

- Risk sharing with PFIs up to 60%
- Create a critical mass of MSME lending

In terms of impact, it is our aim that achievement of our set mandates would have the following direct implications for stakeholders as listed below:

PFIs

- Increased revenue (from increased activities) for the Banks
- Further development of the financial services sector
- Increase of MSMEs capacity for loan repayments etc.
- Increased lending available to the sector
- Moderate risk

Borrowers

- Increase national levels of financial inclusion
- Job creation
- Increased female participation in sectors
- Increased capacity and knowledge management

Government

- Increased revenue (in the form of taxes, royalties)
- Increased Infrastructure

Economy

- Creation of additional multiplier effects
- Economic growth
- Improved human developmental indices
- Macroeconomic resilience

OUR BUSINESS MODEL



Our Vision

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



Our Mission

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

Core Values (S.T.E.D.I)



Sustainability



Transparency



Excellence



Diversity



Innovation

Strategic Themes (R.E.A.D.I)



Reach



Explore New Channels



Advocate for MSMEs



Develop Internal Capacity



Impact

Strategic Pillars

Wholesale Funding

Risk Sharing

Technical Assistance

MSME Advocacy

Partnerships & Alliances

Development Partners

Capacity Building Partners

Portfolio Guarantee Partners

MSME Sector Partners

Regulatory Partners

Strategic Pillars

Wholesale Funding	DBN provides medium to long term wholesale financing to Participating Financial Institutions for on-lending to MSMEs.
Risk Sharing	DBN will also provide Participating Financial Institutions the options to share risk with Bank up to a 60% threshold of portfolio credit exposure.
Technical Assistance	Capacity building will also be provided to the Participating Financial Institutions to bridge specific process, risk and policy gaps. DBN will also partner with PFIs to extend relevant capacity building trainings to MSMEs.
MSME Advocacy	DBN will continue to advocate for critical policy and infrastructure interventions to support the MSME ecosystem in Nigeria.

Partnerships & Alliances

Development Partner	These include DBN's international funding partners i.e. World Bank, AfDB etc. as well as DBN's funded partners i.e. eligible retail intermediaries such as commercial banks, MFBs, existing retail DFIs etc.
Capacity Building Partners	These include partners, such as Efina, GIZ, Afex, EDC etc. and other international partners that will provide the technical assistance to the PFIs as well as the MSMEs
Portfolio Guarantee Partners	PGP include partners that will participate in the risk sharing activities of DBN either directly to the PFIs to facilitate DBN funding or through DBN's subsidiary to encourage PFI to lend with own funds.
MSME Sector Partners	These partners include private organisations, NGOs, government or government-affiliated agencies etc. operating at various capacities in the MSME space some of which include NASME, Efina, AFEX etc.
Regulatory Partners	These include the apex bank as well as other regulatory agencies having varying degrees of oversight within the MSME space i.e. CBN, SMEDAN, NIPC etc.

OUR OFFERINGS

PRODUCTS

Loans

Wholesale Loans to PFIs

Longer Tenured Loans

Competitive Interest
Rates

PFIs to assess credit
worthiness of
beneficiaries

Periodic reporting and
spot checks

Guarantee (Impact Credit Guarantee Ltd)

Partial Credit Guarantees

Limited to 60% of loan

SERVICES

Technical Assistance

PFIs

MSME Credit Training

Product Delivery

MSMEs

Develop Clusters

Matching Grant

Capacity Development

MSME Classification

Enterprise Type	No of Employees	Annual Turnover	Total Assets	Max. Loan Size
MSMEs	<250	<N1.125 billion	<N1.125 billion	<N200 million
Small Corporates	<500	<N5.4 billion	<N5.4 billion	<N720 million

Product Offerings for MSMEs

Loan Types	End Borrowers' Limit	Tenor (Max)	Moratorium (Max)
Term Loans	N200m (MSMEs)	10 years	18 months
Finance-2-Finance	N720m (Small Corporates) N200 Million	7 years	Nil
Long Term Finance	N200m (MSMEs) N720m (Small Corporates)	10 years	7 years on the principal
Non-Interest	N200 Million	5 years	6 months

RISKS AND OPPORTUNITIES

Key Enterprise–Wide Risks

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

RISKS	RISK DRIVERS	MITIGANTS
1 Credit Risk Risks arising from inappropriate credit policies, poor management, poor loan underwriting, poor credit assessment, laxity in credit assessment and poor lending practices.	Huge credit losses due to default from counterparties as a result of poor credit assessment and inadequate collateral.	- Implementation/strict enforcement of the Credit Policy Manual. - Proper Due Diligence and screening of PFIs at the onboarding stage - Periodic and frequent review of the PFIs using CAMEL's principle
2 Liquidity Risk Inability of the Bank to meet maturing obligations as they fall due.	- Funding Liquidity: Sourcing of funds at a very high cost to the Bank. - Market Liquidity: Sale of assets at highly discounted value.	- Effective Management of Assets & Liabilities, through ALCO. - Cashflow analysis and Maturity Profile of Assets and Liabilities - Effective and up-to-date Liquidity Contingency Funding Plan
3 Investment Risk Risk of sustaining losses resulting from a decline in the economic value of assets due to worsening financial conditions of entities receiving funds and to changing market environment.	Re-investment risk arising from a decline in the interest rate environment	- Effective management of assets and liabilities through gap analysis. - Routine brainstorming and strategic direction setting sessions.
4 Operational Risk Risk of loss from inappropriate or non-functioning internal processes, people or systems or from external events	- Poorly designed systems and processes which may result in employees neglecting their duties. - System downtime resulting in disruption in operations.	- Well documented Standard Operating Procedures (SOP). - Up-to-date Risk Registers, Key Risk Indicators (KRIs) and Control Risk Self-Assessments (CRSA).
5 Environmental and Social Risks Risks from environmental and social issues that are related to a client's/ investee's operations which might expose the Bank to credit and or reputational risk.	Specific issues associated with a DFI/or end borrower's operations and industry may result in negative E&S issues with huge financial implications and /or reputational damage.	- Detailed review of end borrower list to ensure that it is in compliance with our Exclusion list. - Implementation/strict enforcement of DBN E&S Policy - Ensuring compliance with national laws and E&S standards
6 Technology Risks The inability to manage, develop and maintain secure and agile technology assets to support strategic objectives.	- A multi-channel digital experience means more technology to keep relevant, up-to-date and safe from cyber fraud attacks. - New types of devices span an extremely wide range of security requirements and have very different	A robust ISMS that sets out controls processes and systems to manage our IT system risks.

	RISKS	RISK DRIVERS	MITIGANTS
7	Cyber/ IT Risk Risk arising from hardware and software failure, human error, spam, viruses and malicious attacks on information that will impact DBN and its cli-ents.	• The emergence of remote presence technology may increase the avenues for cyber-attack. • Increasing number and sophistication of cybercrime incidents globally.	• Regular vulnerability assessment and penetration tests to identify and rectify potential weaknesses that can be exploited by cybercriminals. • Create and review process manual for vulnerability assessment. • Ensure data is backed up periodically. • Ensure access to the server room is restricted and a register is opened for vendors conducting a maintenance.
8	Governance and Compliance Non compliance with AML/CFT Guidelines, NFIU/EFCC/Money Laundering Prohibition Act Risk of non-compliance with laws and regulations, such as the SEC code, NSBP, NCCG, fraud and corruption, which might result in fine or penalty.	• Vicarious liability: DBN does not liaise with MSMEs directly. Any failures on the PFIs' part poses a risk to DBN • Changing regulatory and supervisory requirements are resource-intensive and costly. • Public interest, social drivers and consumerism may initiate legislative change, requiring appropriate response strategies.	• Robust due diligence engagement of PFIs • Ensure adherence to DBN's compliance rule book which details all the applicable Laws, Regulations and Guidelines covering the operations and activities of DBN.
9	Reputational Risks Risk of a loss due to damage or a decline in Bank's reputation.	• Negative media mention. • Fine or Penalty resulting from a breach in regulations or non-compliance with circulars issued by the regulatory authorities. • Legal action against the Bank resulting in bad publicity. • Excessive rate charge by PFIs on the Bank's loans to end borrowers.	• Development and Implementation of Reputational Risk Management Policy and Framework. • Regular tracking of media mention. • Analysis and management of stakeholder expectations. • DBN will avoid any situation or actions which could negatively impact its reputation and brand. When undesirable situations arise, this shall be aggressively managed to protect its reputation and brand image.
10	Strategic Risk Risk of loss resulting from defective strategy or inability of the Bank to respond timely to changes in the operating environment.	• Inability to sustain business operations due to undesirable outcomes from the operating environment • Emerging Risk which could challenge the business model of the Bank.	• DBN's strategy document/SWOT Analysis. • Stress testing and reverse stress testing. • Ensure adherence to DBN's Risk Appetite Limits.

The Environmental and Social Risk Management (ESRM) Policy

The Environmental and Social Risk Management (ESRM) Policy outlines DBN's overall approach and parameters for provision of responsible financing. The policy seeks to introduce a systematic approach to the management of relevant social and environmental issues, and the risks inherent in DBN's business processes and operations. By leveraging the policy, DBN conducts due diligence for investment purposes. The ESRM policy considers all required covenants from our investors in managing environmental and social risk and leverages additional regulatory and voluntary standards for driving best practice such as the Central Bank of Nigeria's Nigerian Sustainable Banking Principles. These safeguards are based on the Environmental and Social Standards of the International Financial Corporation and drive our communications to Partnering Financial Institutions (PFIs) on requirements of engagement with DBN. Through the application of this Policy, DBN:

- Puts in practice its commitment to integrating environmental and social considerations into decision-making processes relating to its business activities.

Managing our E&S risks

DBN is committed to operationalizing and promoting an appropriate Environmental and Social Management System (ESMS) for itself, as well as for the financial institutions it on-lends to, to enable it effectively to assess and manage the Environmental and Social risk exposures associated with its lending activities. The following are some internal practices which helps DBN to manage its E&S risks:

Incorporation of an exclusion list (i.e., list of transactions/businesses not funded by the Bank) into the Bank's Annual Reports to increase public awareness about DBN's lending operations.

The Environmental and Social Risk Management (ESRM) Policy outlines DBN's overall approach and parameters for provision of responsible financing.

- Strives for positive development outcomes in the activities it supports.
- Ensures continuous commitment in ensuring the environmental and social sustainability of these activities.
- Continuously develops and maintains adequate systems, procedures, and capacity for identifying, managing, and monitoring risks and impacts of sub-borrowers and sub-projects commensurate with the types, scope, and nature of financing provided.
- Supports the capacity development of the PFIs to manage environmental and social risks.

- Categorization of DBN-funded projects into Low, Medium, and High ratings.
- Creation of Terms and Conditions for lending are determined partly by the E&S categorization.
- Co-ordination of capacity-building programs for PFIs to increase their awareness regarding responsible lending and how they can adopt the lending approach.
- For High- and Medium-risk projects, the Bank obtains Environmental & Social Risk Assessment Report and Environmental & Social Risk Management Plan (ESMP) from the PFIs.

E&S Commitment to our PFIs

The following were some actions taken by DBN in 2020, which reflect the Bank's commitment to the Environmental and Social sustainability of its Business, as well as those of its Participating Financial Institutions.

- Performed a gap analysis on the Environmental and Social Management Systems of its Participating Financial Institutions, which served as the pilot cluster for its E&S reviews. The PFIs include Providus, FCMB, Baobab, and Mainstreet.
- Provided technical assistance programme to 14 Participating Financial Institutions on the operationalization of Environmental and Social Risk Management best practices. The PFIs include 7 microfinance banks, 2 merchant banks, 1 non-interest bank, 1 DMB, and 3 mortgages.

The policy seeks to set in clear terms standards acceptable for dealing with insider and related party credit and ensure compliance with all the above listed extant laws and regulations.



Policy and Procedure on Related Party Credit

Globally, insider and related party transactions (credits, guarantees, services, contracts, transfers, leases, etc.) have been a major contributor to the failure of a great number of financial institutions. Similarly, in Nigeria, these transactions can negatively impact the risk profile of DBN in the absence of a policy and procedure for managing such transactions. As such, we have developed a policy on Insider and Related Party Credit. The

policy seeks to set in clear terms standards acceptable for dealing with insider and related party credit and ensure compliance with all the above listed extant laws and regulations.

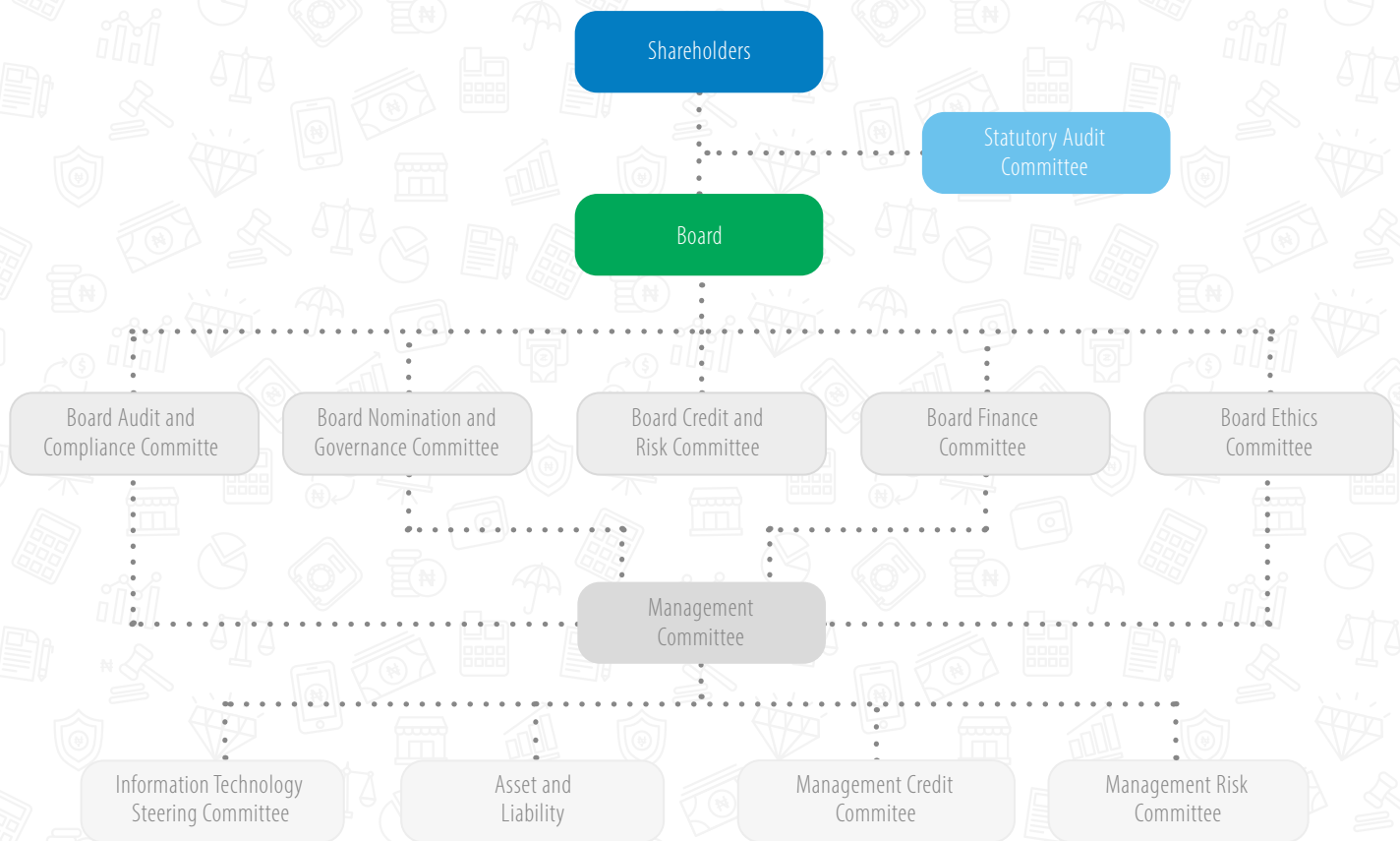
Further details on the policy can be accessed with the weblink:

<https://devbankng.com/cms/uploads/POLICY%20&%20PROCEDURE%20ON%20RELATED%20PARTY%20CREDIT.pdf>

LEADERSHIP & GOVERNANCE



GOVERNANCE STRUCTURE



Shareholders

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



Development Partners

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



Board Composition

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



Board Committees

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



OUR BOARD

The primary role of the Board of Directors of the Development Bank of Nigeria Plc is to provide effective leadership, entrepreneurial and strategic direction for the Bank as well as promoting an ethical culture and responsible corporate citizenship, in the protection and enhancement of long-term shareholder value. To this end, the Board develops the overall strategy for the Bank and supervises Management in the attainment of that strategy, cautioned by the need for Management to act in the best interest of shareholders, and indeed all other stakeholders.

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

The Board sets out both the long and short-term strategic objectives of the Bank and undertakes a continuous assessment and review of its activities, those of its Committees, individual directors, Management, and the Bank in general, in ensuring that these function optimally, and have the full complement of information and technical support required for the attainment of the objectives of the Bank.

For the effective discharge of its responsibilities, the Board of Directors ensures that it is comprised of an appropriate balance of skills, competencies and experience, which serve to enhance the performance, independence, and integrity of the Board.

For the effective discharge of its responsibilities, the Board of Directors ensures that it is comprised of an appropriate balance of skills, competencies and experience, which serve to enhance the performance, independence, and integrity of the Board. The Board also pays close attention to diversity (gender, age, geography, etc) in the composition of the Board, its Committees, and the Management team of the Bank.

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

The Board is headed by a Chairman, who is a non-executive director. There is a separation in the roles of the Chairman and that of the Chief Executive Officer. The Chairman is responsible for providing overall leadership for the Bank and the Board, as well as eliciting the constructive participation of the directors in the affairs of the Board and the Bank.

The Managing Director/Chief Executive Officer is the head of management and he runs the affairs of the Bank, on the delegation from the Board. The

Bank has a Delegated Authority framework which details the delegation of authority, from the Board to its Committees and the Management.

The preponderance of independent non-executive directors on the Board of the Development Bank of Nigeria Plc is novel in our jurisdiction and sets the Bank apart from other players in the financial services industry. The independent non-executive directors bring to bear, objectivity and neutrality, including specialized/expert skills in Board decision making, such that stakeholder trust and confidence is assured. The objective input facilitated by the presence of independent non-executive directors also facilitates optimal compliance with statutory rules and regulations.

The non-executive directors contribute their knowledge, expertise, and judgment on issues of strategy and performance. They provide a unique linkage between the Bank and its Institutional shareholders, ensuring that the Bank continues to enjoy the support of its shareholders and Development Partners alike.

In keeping with its undertaking with a key Development Partner, the World Bank, and pursuant to its authorization under the Articles of Association, the Board granted Observer status to its meetings, to the World Bank. Representatives of the World Bank who are designated as Observers are entitled to attend all meetings of the Board and also, to receive information provided to the Board, for meetings.

Observers do not contribute to the Board's deliberations, are not remunerated by the Bank, and do not vote on items before the Board. The Board is open to solicit information from Observers, on technical issues but is not bound to act on such information. Essentially, Observers assure their institutions that the Board and the Bank are operating optimally in accordance with agreed objectives. In the reporting year, the Board also granted Observer status to a shareholder, the European Investment Bank.

The profile of the World Bank's Observer is available on page 18. The European Investment Bank is yet to designate a representative, as an Observer to the Board.



Dr. Shehu Yahaya

Chairman, Board of Directors

Dr. Shehu Yahaya was appointed as Chairman of the Board in March 2017.

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

Before joining NEXIM, he was a lecturer in Macroeconomics at the Department of Economics, University of Sussex, United Kingdom. Prior to that, he was the Head of the Economics Department at the Bayero University Kano, Nigeria.

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

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

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



Mr. Anthony Okpanachi

Managing Director / Chief Executive Officer

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

Mr. Tony Okpanachi is a seasoned banker with over 27 years' experience. Before he was appointed Managing Director/CEO of the Development Bank of Nigeria Plc ("DBN"), he was the Deputy Managing Director of Ecobank Nigeria Limited, a position he held since April 2013. Before that, he was the Managing Director, Ecobank Kenya and Cluster Managing Director for East Africa, Ecobank (comprising Kenya, Uganda, Tanzania, Burundi, Rwanda, South Sudan and Ethiopia). He was also at various times, Managing Director of Ecobank Malawi and Regional Coordinator for Lagos and South West, at Ecobank Nigeria.

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

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

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



Mrs. Clare Omatseye

Independent Non-Executive Director

Mrs. Clare Omatseye was appointed in January 2017.

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

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

As the President of the West Africa Healthcare Federation and pioneer President of the HFN, Mrs. Clare Omatseye has been instrumental to the development of several

healthcare policies and public procurement reforms. Her vast experience has influenced policies on Public-Private Partnerships, as well as Incentives for Private Sector Investments in the Nigerian Health sector.

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

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



Wakili Bello Maccido

Independent Non-Executive Director

Bello Maccido was appointed in January 2017.

He is an accomplished Corporate and Investment banker with well over 35 years of experience. His experience spans Retail, Corporate and Investment banking at various institutions, including Ecobank Nigeria Plc, New Africa Merchant Bank Limited and FSB International Bank Plc, where he rose to become Acting Managing Director/Chief Executive.

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

Mr. Bello Maccido is a Fellow of the Chartered Institute of Stockbrokers, the Chartered Institute of Bankers of Nigeria and the Society For Corporate Governance, Nigeria.

His title 'Wakilin Sokoto', is a highly revered traditional title, which is only conferred on individuals who have greatly excelled in personal service to society.

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



Mr. Andrew Alli

Independent Non-Executive Director

Mr. Andrew Alli was appointed in January 2017.

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

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

He was at different times, a non-executive director of ARM Cement Limited and an independent non-executive director of Guaranty Trust Bank Plc.

He is a non-executive director on the Board of the CDC Group.

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

Mr. Andrew Alli is a member of the bank's Statutory Audit Committee.



Mr. Phillips Oduoza

Independent Non-Executive Director

Mr. Phillips Oduoza, FICB was appointed in January 2017.

Mr. Phillips Oduoza with about 30 years banking experience in major financial institutions, is the founder and Chairman of the board of Nova Merchant Bank Limited. Mr. Oduoza is an internationally recognized and accomplished banker with diverse knowledge and experience in commercial and corporate banking.

Prior to promoting Nova Merchant Bank, he recently retired as the global CEO of UBA Group where he firmly established the Bank as a leading African Financial Institution with global brand recognition. Mr. Oduoza was part of a small team that pioneered and established Diamond Bank Plc as one of the most successful and innovative banks in the early 90's. He led many breakthrough financial products and initiatives of Diamond Bank. As a result, he rose rapidly to the position of Executive Director in 1999. Phillips Oduoza started his banking career in 1989 with Citibank as the first set of Executive Trainees where he trained in every aspect of banking after a brief stint with International Merchant Bank (IMB).

Mr. Oduoza has thorough knowledge of the Nigerian (indeed African/global) banking environment and what it takes to pioneer and run a very successful/sustainable financial institution. He has initiated and led many key successful financial transactions in infrastructure, agriculture, manufacturing, telecommunication, energy, technology projects, financial advisory, oil & gas, corporate finance, capital market activities and debt restructuring in Nigeria and across Africa. He has been involved in some of the key banking industry transformational initiatives, having led the Bankers Committee sub-committee on Payment Systems and Infrastructure that drove the BVN implementation and Electronic Payment System of Nigeria (Card, ATM, POS, Online transfers, etc).

Mr. Phillips Oduoza has served on the board of some key names such as Diamond Bank Plc, Interswitch Plc, Valuecard Plc (Unified Payment Services Plc) where he served as chairman, Nigeria Interbank Settlement System (NIBSS), Nigeria Payment System, Nigeria Economic Summit Group (NESG), Financial Markets and Dealers Quotations (FMDQ), UBA Capital, UBA Plc. He currently serves on the boards of Veritas University Abuja, Lagos State Security Trust Fund, Development Bank of Nigeria amongst others.

Mr. Oduoza is a Fellow of the Chartered Institute of Bankers (FCIB). He has a BSc. Hons with First Class in Civil Engineering(1983), an MBA (Finance)(1988), and is an alumnus (AMP) of Harvard Business School. He has been honoured with numerous awards of achievement both locally and internationally such as Africa CEO of the year New York (2013 and 2014). He meets and interacts with numerous people and business leaders in the corporate sector, diplomatic corps, entrepreneurship and professional services sectors, amongst many other sectors.



Dr. Oladimeji Alo

Independent Non-Executive Director

Dr. Oladimeji Alo was appointed in January 2017.

He served as the Managing Director /Chief Executive Officer of the Financial Institutions Training Centre ("FITC") and contributed immensely to a series of reforms in the Nigerian banking sector.

While in the services of the international firms of Pricewaterhouse and later, Coopers & Lybrand, Dr. Alo provided consulting assistance to several leading organizations in Nigeria. He also served at different times as the President of the West African Bankers' Association and the Chartered Institute of Personnel Management of Nigeria. He was also the Chairman of the Board at Berger Paints Plc and is currently a non-executive director of ARM Investment Managers. He is a Fellow of the Chartered Institute of Bankers of Nigeria.

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

Dr. Oladimeji Alo is a member of the bank's Statutory Audit Committee



Mr. Uche Orji

Non-Executive Director

Mr. Uche Orji was appointed in February 2017.

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

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

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

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



Mr. Henry Batchi Baldeh

Non-Executive Director

Mr. Batchi Baldeh was appointed in May 2019.

He is a seasoned banker, a power & utility management specialist and has worked in over 10 countries across Africa during his career which spans well over 3 decades. He is currently the Director of Power Systems Development at the African Development Bank ("AfDB"), with oversight for Power, Climate and Green finance.

Before joining the AfDB, he worked across several roles and functions including the World Bank, Lesotho Electricity Corporation, Gampower Limited, UHC Gambia and Gambia Utilities Corporation as an Advisor, Freelance Consultant and Executive Director.

He also served in several Managing Director roles for companies such as Ansata Consulting, Gambia; Gambia National Water and Electricity Company and Utilities Handling Corporation.

He holds a Master's degree in Business Administration (General Management Major) from Boston University, USA and a Bachelor of Science degree in Electrical & Electronic Engineering from the University of Newcastle-Upon-Tyne, England.

He is a member of the Institute of Engineering & Technology, United Kingdom and also a Fellow of the Institute of Directors, South Africa.



Mr. Yaw Adu Kuffour

Alternate Director

Mr. Yaw Adu Kuffour was appointed in May 2019.

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

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

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

Mr. Yaw Adu Kuffour died in the second quarter of the year.



Dr. Ahmed Rostom

World Bank Observer

Dr. Ahmed Rostom is a Senior Financial Sector Specialist at The World Bank's Finance Competitiveness and Innovation Global Practice – Central and West Africa Region.

He joined the World Bank Group in February 2010. His duties include leading the policy dialogue on financial sector development while actively participating and contributing to multi-sectoral teams involved in policy-based and investment operations in the Africa region.

Dr. Rostom has experience in leading operations in Africa and South-East Asia regions and has contributed to several operations in Europe and Central Asia and the Middle East and North Africa regions. He also led and contributed to several Financial Sector Assessment assignments. His areas of expertise include macro-finance linkages, long term finance, financial inclusion, and financial infrastructure in client countries. Dr. Rostom has authored more than 12 World Bank Policy Research Working Papers and contributed to several World Bank flagship reports and analytical diagnostics in areas of macroeconomics, financial economics, time series econometrics and financial sector development. He is part of the Bank's mentoring program. His prior experience spans many positions within Government, the Central Bank and the Banking industry in Egypt.

He holds an M.Sc. in Economics and Social Policy Analysis from the University of York, United Kingdom, and received his PhD in Economics at George Washington University of the United States. He is a recipient of three World Bank Vice Presidency awards for operational excellence.

Governing Principles

The Board of Directors is committed to the adoption and observance of best-in-class corporate governance practices at DBN. The Board acknowledges that corporate governance is an intrinsic element of business success, and as such, continually evaluates and upscales its governance practices to ensure that these are capable of enshrining in the Bank, procedures and structures that are required to build a virile corporate culture which serve to ensure that the Bank's business not only remains profitable, but is also sustainable, delivers value to Shareholders and is responsive to the concerns and aspirations of shareholders.

Corporate Governance is a key focal point for the Bank, in its aspiration of being the reference point for international best practices in the financial services industry in Nigeria.

The Board of Directors is the highest governing body in the Bank. The Board is headed by the Chairman who is primus inter pares in relation to other members of the Board. The roles of the Chairman and Managing Director/Chief Executive Officer are separate, and this duality is a core corporate governance principle at the Bank. To preserve this duality and the intrinsic synergies between the roles of the Chairman and Managing Director/Chief Executive, the ascension of a Managing Director/Chief Executive Officer, to the office of Chairman, is discouraged.

The Board has an approved charter, which governs its operations and activities. The Board is of sufficient size relative to the operations, risk and mandate of the Bank. There is an appropriate mix of knowledge, skills and experience, including business, commercial and industry experience on the Board. A majority of the nonexecutive directors are independent. Irrespective of their designations, all directors exercise independent judgement, when deciding on matters before the Board.

Decisions of the Board are reached based on a consensus. If any matter would be put to a vote, the Board charter and the Bank's Articles of Association, give the Chairman a casting vote. This ensures the resolution of any equality of votes.

All directors disclose their memberships of other Boards, and there are no concurrent directorships with respect to other Boards, such as would interfere with their exercise of independent judgment or their effectiveness as directors of the DBN.

The Board has five (5) committees through which its oversight of the Bank and its affairs is exercised. These committees are the Board Audit and Compliance Committee, the Board Credit and Risk Committee, the Board Finance Committee, the Board Nomination and Governance Committee and the Board Ethics Committee.

All committees have charters that are approved by the Board of Directors. The committees' charters detail the terms of reference, membership, quorum and authorization of each committee. Also, all Board committees are chaired by independent non-executive directors. The Chairman of the Board is not a member of any Board committee.

The Bank's Delegation of Authority framework details the authority matrix at the Bank and encompasses the framework of the delegation from the Board to its committees, and from the Board to Management. By the principle of delegation, the Bank's Management is responsible for the day to day running of the business. Pursuant to this delegation, Management has five (5) committees (the Management Committee; the Management Risk Committee, the Management Credit Committee, the Assets & Liability Management Committee, and the Management Credit and Risk Committee) which are aligned to Management responsibilities and reporting lines to the Board of Directors.

In addition to the existence of the Board and committees' charters, the Board enriches the Bank's governance practices by adhering to the principles and recommended practices contained in the Nigerian Code of Corporate Governance, 2018. As a Development Finance Institution licensed by the Central Bank of Nigeria (CBN), the Bank also complies with the Code of Corporate Governance for Development Finance Institutions issued by the CBN and the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission.

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

Procedure for Board Appointments

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

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

A recommended shortlist of candidates was presented to the shareholders by the Initial Nominations Committee, from where a final decision was taken. The selected candidates were then presented to the CBN for approval, and thereafter the Initial Nominations Committee was dissolved.

After the inauguration of the Board, appointments to the Board are undertaken by recourse to the Bank's Articles of Association and it has suitable Board-level oversight.

Shareholders are by the provisions of the Articles of Association, permitted to nominate their representatives to the Board. Such nominees would however have to be approved by the Board of directors, and the Central Bank of Nigeria, before the assumption of duty. All shareholders of the Bank, except the European Investment Bank, have exercised their right to appoint directors to the DBN Board.

In the year, the Board concluded the process for the appointment of an Independent non-executive director, and an executive director. Both appointments have been presented to the CBN, for approval.

The Board ensures that the process for the appointment of directors is rigorous and extensive, and tailored to ensure that the Bank appoints only people with integrity, the right skills, expertise and exposure, which are required to enable them to function effectively as directors of the Bank.

Independent Non-Executive Directors

The preponderance of independent non-executive directors on the Board is unique in the financial services industry in Nigeria. The situation is a testament to the value which shareholders attach to objectivity and the infusion of stakeholder interests, into decisions around the Bank and its operations.

Before the assumption of duty, the Bank's independent non-executive directors were screened by the CBN and approved as independent non-executive directors.

The Board keeps under review, the status of the independent non-executive directors, to ensure that they remain independent and effective. A key remit of the annual Board evaluation which is undertaken through an external consultant is to review the continued independence and effectiveness of the Bank's independent non-executive directors, and to provide assurances, not only to the Board but also to the shareholders and other stakeholders alike, that the independent non-executive directors remain independent.

To ensure that the Board and the Bank continues to harness the unique value intrinsic to the independent nonexecutive directors, and to preserve their objectivity, the Board unanimously adopted as a standard for the Bank, the definition of Independence as provided Principle 7 of the Nigerian Code of Corporate Governance. Therefore, at DBN, an independent non-executive director is a director who is independent in character and judgment and is free from any relationships or circumstances concerning the Bank, its management, or substantial shareholders as may, or appear to, impair his or her ability to make an independent judgment.

In the opinion of the Board of directors, the following five (5) independent non-executive directors fulfilled the standard of Independence as enunciated in Principle 7 of the Nigerian Code of Corporate Governance, in the financial year:

1. Mr. Andrew Alli (Appointed in January 2017, length of stay on the Board is 3 years, 11 months)
2. Mr. Bello Maccido (Appointed in January 2017, length of stay on the Board is 3 years, 11 months)
3. Mrs. Clare Omatseye (Appointed in January 2017, length of stay on the Board is 3 years, 11 months)
4. Dr. Oladimeji Alo (Appointed in January 2017, length of stay on the Board is 3 years, 11 months)
5. Mr. Phillips Oduoza (Appointed in January 2017, length of stay on the Board is 3 years, 11 months)

Board Meetings

The Board meets quarterly, with additional meetings being scheduled, and held as required, for the effective steering of the Bank's business. Before the start of every financial year, the Board approves a schedule of activity dates for the relevant year. The schedule contains the dates for both Board and Board committees' meetings, a date for the Annual General Meeting, and the annual Board/ Management Retreat.

Notices of all Board meetings are provided to directors in advance, and meetings agendas are pre-approved by the Chairman of the Board, for Board meetings, and concerning Board committees, the Chairpersons of the respective Board committees.

The Managing Director/Chief Executive Officer provides quarterly reports to the Board on the activities of Management. These typically cover areas such as business performance, financial performance, and business outlook; while functional heads such as the Chief Operating Officer, the Chief Risk Officer, the Chief Financial Officer, and the Head, Internal Audit, also make presentations to the Board, through relevant Board committees.

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

The Board ensures that its deliberations and decisions are appropriately minuted by the Company Secretary. In the period under review, the Board met five (5) times, and the directors recorded a 100% attendance at the meetings of the Board and those of the respective committees.

The schedule below details the dates of meetings and the attendance at the Board, and Board committee meetings which were held during the financial year:

Board Meeting Dates

	Total Attendance	Feb 26	April 28	July 21	Oct 20	Dec 1
<i>Non-Executive Directors</i>						
Dr. Shehu Yahaya*	5/5	√	√	√	√	√
Mr. Uche Orji	5/5	√	√	√	√	√
Mr. Henry Batchi Baldeh	5/5	√	√	√	√	√
<i>Independent Non-Executive Directors</i>						
Mrs. Clare Omatseye	5/5	√	√	√	√	√
Mr. Andrew Alli	5/5	√	√	√	√	√
Dr. Oladimeji Alo	5/5	√	√	√	√	√
Mr. Phillips Oduoza	5/5	√	√	√	√	√
Mr. Bello Maccido	5/5	√	√	√	√	√
<i>Managing Director/CEO</i>						
Mr. Anthony Okpanachi	5/5	√	√	√	√	√

*In compliance with the principles of the Nigerian Code of Corporate Governance and section 2.6.3 of the CBN Code of Corporate Governance for Development Finance Institutions, Dr. Shehu Yahaya, Chairman, Board of Directors, is not a member of any Board committee.

Board Committees

In terms of structure, composition, and responsibilities, all five (5) Board committees (the Board Audit and Compliance Committee, the Board Credit and Risk Committee, the Board Finance Committee, the Board Nomination and Governance Committee and the Board Ethics Committee) are compliant with the principles of the Nigerian Code of Corporate Governance and the requirements of the CBN Code of Corporate Governance for Development Finance Institutions.

All committees have charters that have been approved by the Board of Directors. In compliance with both regulatory and best practice requirements, the Board Audit and Compliance Committee and the Board Nomination and Governance Committee are composed of only independent non-executive directors. The Board Ethics Committee, which is responsible for ensuring the adoption of ethical standards and business practices by the Bank, is also comprised entirely by independent non-executive directors.

All Board committees meet quarterly or as required, ahead of Board meetings. To ensure that all directors can contribute effectively to discussions at Board meetings, directors have access to all committee papers which are uploaded on the Bank's Board portal, notwithstanding their committee membership. This is to ensure that all directors are apprised of Board activities and are provided with the information required to enable them function and contribute effectively to Board decision making.

At the end of each committee meeting, the full minutes of the committee deliberations are developed by the Company Secretary and uploaded on the Board portal, to facilitate the presentation by respective Board committee chairpersons, of the report of deliberations and decisions, including the recommendations on items presented by Management.

Below are the Board committees, their composition, and details of their authorization:

Board Nomination and Governance Committee

Membership

Dr. Oladimeji Alo, Independent non-executive director	- Chairman
Mrs. Clare Omatseye, Independent non-executive director	- Member
Mr. Bello Maccido, Independent non-executive director	- Member

Key Responsibilities

- To review the Nomination and Governance Committee Charter and recommend same for Board approval. To make recommendations to the Board for the appointment of Senior Management Staff subject to processes set out for such appointments.
- To evaluate the Bank's human resources needs and recommend to the Board, plans and actions to maintain an optimal staff profile in the Bank.
- To review and advise the Board on succession planning for the Board, Board Committees and Senior Management Staff.
- Periodically access and advise the Board on the extent to which the required skills are represented on the Board.
- To review and recommend to the Board for Approval, Policies and Manuals on Human Resources, Conditions of Service, Compensation packages for the Staff and the Managing Director.
- To review and advise the Board Directors allowances and other entitlements to enable the Board to recommend as appropriate to the General Meeting for approval.

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

	Total Attendance	Feb 13	April 16	July 16	Oct 15
Dr. Oladimeji Alo	4/4	√	√	√	√
Mrs. Clare Omatseye	4/4	√	√	√	√
Mr. Bello Maccido	4/4	√	√	√	√

Board Audit and Compliance Committee

Membership

Mr. Andrew Alli – Independent non-executive director
Dr. Oladimeji Alo, Independent non-executive director
Mrs. Clare Omatseye, Independent non-executive director

- Chairman
- Member
- Member

Key Responsibilities

- To review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- To review with management and the external auditors the results of the audit, including any difficulties, encountered.
- To review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- To review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- To review the findings of any examinations by regulatory agencies, and any auditor observations.

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

	Total Attendance	Feb 12	April 17	July 14	Oct 16	Nov 23
Mr. Andrew Alli	5/5	√	√	√	√	√
Dr. Oladimeji Alo	5/5	√	√	√	√	√
Mrs. Clare Omatseye	5/5	√	√	√	√	√

Board Credit and Risk Committee

Membership

Mr. Bello Maccido, Independent non-executive director
 Mr. Phillips Oduoza, Independent non-executive director
 Mr. Batchi Baldeh, Non-executive director
 Mr. Anthony Okpanachi, Managing Director/CEO

– Chairman
 – Member
 – Member
 – Member

Key Responsibilities

- To ensure there is an efficient risk management framework for the identification, quantification and management of business risks facing the Bank;
- To evaluate the Bank's risk profile and the action plans in place to manage the risk;
- To review the lending policy, including the master lending agreement and the pricing model of the Bank and recommend the same for Board approval;
- To oversee and report to the Board on the performance of the Bank's subsidiary, Impact Credit Guarantee Limited General Meeting for approval.

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

	Total Attendance	Feb 14	April 15	July 16	Oct 15
Mr. Bello Maccido	4/4	√	√	√	√
Mr. Phillips Oduoza	4/4	√	√	√	√
Mr. Batchi Baldeh	4/4	√	√	√	√
Mr. Anthony Okpanachi	4/4	√	√	√	√

Board Finance Committee

Membership

Mr. Phillips Oduoza, Independent non-executive director
 Mr. Andrew Alli, Independent non-executive director
 Mr. Uche Orji, Non-executive director
 Mr. Batchi Baldeh, Non-executive director
 Mr. Anthony Okpanachi, Managing Director/CEO

- Chairman
 - Member
 - Member
 - Member
 - Member

Key Responsibilities

- To review and make recommendations to the Board on the Bank's financial strategy, financial forecasts, operating budgets, financial performance, capital expenditures and expense management programs relating to the Bank's strategic plan;
- To review and make recommendations to the Board on the Bank's capital structure and corporate finance strategy including capital adequacy and capital planning process, stresstesting and related activities, capital raising and capital distributions, the issuance of equity and debt securities; financing plans generally; debt ratings; share repurchase philosophy and strategy; share redemption and purchase activities; and dividend policy;
- To review and recommend to the Board on matters about treasury operations, investment strategies, banking and cash management arrangements; and financial risk management (interest rate, foreign exchange, sensitivities etc.)

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

	Total Attendance	Feb 13	April 28	July 14	Oct 16	Nov 26
Mr. Phillips Oduoza	5/5	√	√	√	√	√
Mr. Andrew Alli	5/5	√	√	√	√	√
Mr. Uche Orji	5/5	√	√	√	√	√
Mr. Batchi Baldeh	5/5	√	√	√	√	√
Mr. Anthony Okpanachi	5/5	√	√	√	√	√

Board Ethics Committee

Membership

Mrs. Clare Omatseye, Independent non-executive director
Mr. Andrew Alli, Independent non-executive director
Mr. Phillips Oduoza, Independent non-executive director
Mr. Bello Maccido, Independent non-executive director
Dr. Oladimeji Alo, Independent non-executive director

- Chairperson
- Member
- Member
- Member
- Member

Key Responsibilities

- To keep under review, ethical business practices and advise the Board on their adoption by the Bank.
- To advise the Board on the adequacy of the system for non-financial disclosures on issues such as corporate social responsibility, corporate citizenship, reporting obligations under the Freedom of Information Act, 2011, and disclosures required in relation to Senior Management.
- To review the conduct of directors on referral from the Board and to make recommendations to the Board, on the propriety of such conduct.
- To ensure that appropriate steps are taken to communicate throughout the Bank, the Bank's corporate values, professional standards or codes of conduct, together with supporting policies.
- To review and advise the Board on appropriate steps concerning any adverse findings in respect of ethical compliance, arising from regulatory inspections.

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

	Total Attendance	July 21	Dec 1
Mrs. Clare Omatseye	2/2	√	√
Mr. Andrew Alli	2/2	√	√
Mr. Phillips Oduoza	2/2	√	√
Wakili Bello Maccido	2/2	√	√
Dr. Oladimeji Alo	2/2	√	√

Directors Remuneration

The Bank has an approved Remuneration Policy. The policy ensures that Board and executive remuneration are aligned with the long-term interests of the Bank and shareholders. Non-executive directors' remuneration is limited to Directors' fees, Sitting allowances which are paid for Board and Board Committee meetings attendances, and reimbursables, which are paid for expenses incurred by directors, in the discharge of official duties.

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

Directors' fees, the main component of Board remuneration is paid in equal instalments six months apart, and in arrears (July and Jan).

Sitting allowances are paid for each meeting attended by the directors, Bank transfers, for each meeting attended by directors. Concerning directors who are shareholder representatives on the Board, their remuneration is paid directly to the appointing institution. There is a disparity in the quantum of Directors fees and sitting allowances which are paid to directors who are shareholder representatives, relative to other directors. This disparity is based on an agreement amongst shareholders of the Bank.

In the financial year, Shareholders approved an enhancement in the remuneration of non-executive directors. The enhancement was in alignment with the Bank's philosophy of maintaining compensation at the 75th percentile of the industry practice.

The Bank adhered to the procedures and modalities for fixing Board compensation. Messrs EY, provided the Board with the consultant support for the process.

The Managing Director/Chief Executive Officer's compensation is linked to performance and is specifically designed to prevent excessive risk-taking. Being an executive director, the Managing Director/Chief Executive Officer does not receive Directors Fees or sitting allowances for Board meetings attendances. Also, as a serving executive, he also does not receive any Directors Fee or sitting allowances with respect to his Board position at the Bank's wholly owned subsidiary, Impact Credit Guarantee Limited.

Details of directors' remuneration are as set out in note 14 of the 2020 audited financial statements.

Directors Training and Continuous Development

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

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

To ensure that directors remain conversant with recent trends and developments, the Bank ensures that directors attend routine trainings tailored in line with the needs of both the directors and the Bank. The Bank's modalities for induction and training of directors are enshrined in the Bank's Framework on Induction Training and Continuous Development for Directors.

Due to the Covid-19 situation and the need to ensure safety for all directors, the Bank adopted virtual trainings as the primary mode of training delivery for directors, with in-person trainings being held for only bespoke Board trainings where the Bank was able to ensure compliance with the Covid-19 Guidelines issued by the Presidential Taskforce on the Covid-19 disease and the advisories provided by the National Centre for Disease Control.

Below are the trainings attended by Directors in the financial year:

S/N	Director	Trainings Attended	Facilitator	Date
1.	Phillips Oduoza	1. Board Effectiveness. 2. Etiquette and Emotional Intelligence for the Board's Peak Performance. 3. SME Finance Workshop for Directors. 4. AML/CFT Awareness Session for Board members. 5. Risk Management and Governance Workshop for Directors.	DCSL* DCSL Boston Consulting Group J. Ogwiji & Associates Institute of Directors, Nigeria	Aug.14, 2020 Sept. 17, 2020 Nov. 3, 2020 December 1, 2020 December 10, 2020
2.	Batchi Baldeh	1. SME Finance Workshop for Directors. 2. AML/CFT Awareness Session for Board members. 3. Risk Management and Governance Workshop for Directors.	Boston Consulting Group J. Ogwiji & Associates Institute of Directors, Nigeria	November 27, 2020 December 1, 2020 December 10, 2020
3.	Andrew Alli	1. Strategy in the Age of Digital Disruption. 2. SME Finance Workshop for Directors. 3. AML/CFT Awareness Session for Board members.	INSEAD Boston Consulting Group J. Ogwiji & Associates	Oct. 5, 2020 November 27, 2020 December 1, 2020
4.	Dr. Oladimeji Alo	1. Leadership for CEOs and Directors. 2. SME Finance Workshop for Directors. 3. AML/CFT Awareness Session for Board members. 4. Risk Management and Governance Workshop for Directors.	Institute of Directors, Nigeria Boston Consulting Group J. Ogwiji & Associates Institute of Directors, Nigeria	Sept. 15, 2020 Nov. 27, 2020 December 1, 2020 December 10, 2020
5.	Tony Okpanachi	1. Etiquette and Emotional Intelligence for the Board's Peak Performance. 2. Company Direction Course 2 3. SME Finance Workshop for Directors 4. AML/CFT Awareness Session for Board members.	DCSL Institute of Directors, Nigeria Boston Consulting Group J. Ogwiji & Associates	Sept. 17, 2020 Nov. 25 – 26, 2020 Nov. 27, 2020 December 1, 2020
6.	Bello Maccido	1. SME Finance Workshop for Directors. 2. AML/CFT Awareness Session for Board members.	Boston Consulting Group J. Ogwiji & Associates	Nov. 27, 2020 Dec 1, 2020
7.	Clare Omatseye	1. Advanced Company Direction Course 2. Board Audit Committee and the Control Environment 3. SME Finance Workshop for Directors 4. AML/CFT Awareness Session for Board members. 5. Risk Management and Governance Workshop for Directors.	Institute of Directors, Nigeria Society For Corporate Governance, Nigeria Boston Consulting Group J. Ogwiji & Associates Institute of Directors, Nigeria	Oct 27–28, 2020 Nov. 19, 2020 Nov 27, 2020 Dec 1, 2020 Dec 10, 2020
8.	Uche Orji	1. SME Finance Workshop for Directors 2. AML/CFT Awareness Session for Board members. 3. Risk Management and Governance Workshop for Directors.	Boston Consulting Group J. Ogwiji & Associates Institute of Directors, Nigeria	Nov. 27, 2020 Dec 1, 2020 Dec 10, 2020
9.	Dr. Shehu Yahaya	1. Risk Management and Governance Workshop for Directors. 2. Board Effectiveness in a volatile business environment. 3. SME Finance Workshop for Directors. 4. AML/CFT Awareness Session for Board members.	Institute of Directors, Nigeria Society For Corporate Governance, Nigeria Boston Consulting Group J. Ogwiji & Associates	Nov. 10, 2020 Nov. 17, 2020 Nov. 27, 2020 Dec 1, 2020

* DCSL Corporate Services Limited



Rotation of Directors

In compliance with section 285 of the Companies and Allied Matters Act, 2020 and Article 10.3.3 of the Bank's Articles of Association which require that directors of Bank retire by rotation, three directors would be retiring at the Annual General Meeting, and being eligible, would be seeking re-election.

The directors to retire by rotation are Mr. Uche Orji, Non-executive director, Mr. Anthony Okpanachi, Managing Director/CEO and Mrs. Clare Omatseye, Independent non-executive director. The biographical details of the directors are provided in the notes to the Resolutions to be presented to shareholders ahead of the Annual General Meeting.

Board Evaluation

In adhering to the principles enunciated in the Nigerian Code of Corporate Governance, the CBN Code of Corporate Governance for Development Finance Institutions, and Article 16 of the Bank's Articles of Association, the Board of directors ensures that there is an annual evaluation of the Board, its committees and individual directors, which is undertaken by an independent consultant.

The scope of the evaluation covers the corporate governance requirements of the Nigerian Code of Corporate Governance, the CBN Code of Corporate Governance for Development Finance Institutions and the provisions of the Companies and Allied Matters Act. In addition to the aforementioned, the evaluation also specifically assesses the performance and effectiveness of the Bank's independent non-executive directors as required by section (f) of CBN circular BSD/DIR/GEN/CIR/VOL.1/013 titled "Guidelines for the Appointment of Independent Directors". The outcome of the evaluation is presented to the shareholders at the Annual General Meeting, and in compliance with the requirement of the CBN Code of Corporate Governance for Development Finance Institutions, is also submitted to the CBN. Messrs PricewaterhouseCoopers were appointed to undertake the evaluation of the Board for the financial year and have provided that service for two (2) years since 2018.

Corporate Governance Evaluation

The Bank engaged the services of the Boston Consulting Group ("BCG") to carry out a corporate governance evaluation of the Bank and its subsidiary, Impact Credit Guarantee Limited.

The evaluation was underscored by the need to fulfil the terms of an agreement between shareholders and a key Development Partner of the Bank, the World Bank. The evaluation was also an avenue for the Board to obtain additional assurance about the Bank's corporate governance architecture and practices, and also implement Principle 15 of the Nigerian Code of Corporate Governance.

The evaluation covered both explicit and implicit aspects of corporate governance and assessed in addition to other indices, whether the Bank's governance systems and procedures were compliant with local regulations and international best practices, with a focus on the following five key areas:

- The robustness and commitment to good governance
- The effectiveness of the governance structure as regards Board/strategic and supervision functions
- Appropriateness and effectiveness of internal controls, risk management and the internal audit environment.
- The effectiveness of transparency, disclosure and communication practices.
- The role of the state as an owner in the Bank.

The evaluation revealed the strength of the Bank's corporate governance architecture and practices in the following areas:

- A strong, competent, and committed Board providing good oversight
- A strong implicit understanding of governance throughout the Bank and well-defined Board and management approval levels
- Robust interaction between Board members and the senior management team
- An effective Company Secretariat, and robust information infrastructure
- A strong risk management process and high-quality credit and investment portfolio

Based on the outcome of both the Board evaluation and corporate governance evaluation, the Board is satisfied that the Bank is compliant with the corporate governance standards prescribed by the Nigerian Code of Corporate Governance and the CBN Code of Corporate Governance.

Management Team

Mr. Anthony Okpanachi

Managing Director / Chief Executive Officer

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

He is a seasoned banker with over 26 years' experience. Before he was appointed Managing Director/CEO of DBN, he was the Deputy Managing Director of Ecobank Nigeria Limited since April 2013. Prior to that, he was the Managing Director, Ecobank Kenya and Cluster Managing Director for East Africa (comprising Kenya, Uganda, Tanzania, Burundi, Rwanda, South Sudan and Ethiopia). He was also at various times Managing Director of Ecobank Malawi and Regional Coordinator for Lagos and South West of Ecobank Nigeria.

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

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

Ijeoma Ozulumba

Chief Financial Officer

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

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

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

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

Mr. Bonaventure Okhaimo

Chief Operating Officer

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

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

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

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

Olu Adegbola

Chief Risk Officer

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

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

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

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

Mr. Idris Salihu

Head, Corporate Services

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

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

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

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

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

Joshua Ohioma

Head, Internal Audit

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

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

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

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

Professor Joseph Nnanna

Assistant Chief Economist

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

His professional career commenced in the mortgage industry as a staff Accountant responsible for budgeting, audit, and month-end close functions. He also worked as a risk analyst at J.P. Morgan Chase bank and at various times served in managerial roles in Lehigh Hanson, one of the largest producers of crushed stone and gravel in the US and Blue Lynx Media a subsidiary of the Tribune company a leader in the Telecommunication industry in the US.

Before joining DBN, Prof. Nnanna was a tenured Professor of Business and Economics at Northwestern Oklahoma State University (USA). His primary research focus was on corporate governance in emerging economies, macroeconomics, development finance and Trade. His scholarly works have been published in; Macroeconomics and Finance in Emerging Market Economies, the journal of Chinese Economics and Foreign Trade Studies, Journal of Social Economics, CBN Bullion, Journal of Business Perspectives, International Journal of Business Economics and Management to name a few. While in academia Prof. Nnanna taught at the undergraduate, graduate, and doctoral levels in Macro and Micro Economics as well as Management courses. Furthermore, he has presented scholarly works and delivered lectures in various countries around the world.

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

Shofola Osho

Company Secretary / Legal Adviser

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

At Access Bank Plc, he was a member of the Legal Stream of "Project Star" (the N50 billion merger between the Intercontinental Bank Group by Access Bank Plc). He was a test participant at the Central Bank of Nigeria User Acceptance Test for the CBN Competency Assessment Portal. At FirstBank, Shofola was Assistant Company Secretary and a member of the inaugural stream of the FirstBank Senior Management Development Programme (SMDP01).

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

He is a Fellow of the Institute of Credit Administration, Nigeria, a Chartered Secretary (ACIS), Institute of Chartered Secretaries and Administrators of Nigeria, Member, Society For Corporate Governance, Nigeria and Member, Institute of Directors, Nigeria.

Disclosure of Managers Remuneration

In compliance with section 257 of the Companies and Allied Matters Act, 2020, the Board shall disclose to shareholders, at the Annual General Meeting, the remuneration of the Bank's Managers.

Statutory Audit Committee

The Statutory Audit Committee of the Bank is comprised of the following members:

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

The duties of the Statutory Audit Committee as enshrined in Section 404 (7) of the Companies and Allied Matters Act, 2020, and relevant Codes of Corporate Governance are to:

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

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

The Bank's Statutory Audit Committee held two meetings in the financial year, and all members of the Statutory Audit Committee were present at both meetings.

The profiles of members of the Statutory Audit Committee are on page 159.

2020 ANNUAL GENERAL MEETING



2020 AGM

DBN Plc held its Annual General Meeting ("AGM") by proxy pursuant to Section 230 of the Companies and Allied Matters Act. The AGM was streamed live to the shareholders and stakeholders.



(L-R): Tony Okpanachi, MD/CEO, Dr. Shehu Yahaya, Chairman, DBN Board, Uche Orji, Non-Executive Director and Shofola Osho, Company Secretary attending the Bank's 3rd Annual General Meeting at its head office in Abuja.



CORPORATE GOVERNANCE AT DBN

The Board of Directors

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

The Board Credit and Risk Committee ("BCRC")

- Ensures that adequate policies and controls are in place to manage the risks to the operations of the Bank.
- Reviews lending policies, strategies, and programs of the Bank, and makes recommendations to the Board of Directors, for approval.
- Reviews all credit and related issues of the Bank before presentation to the full Board for approval.
- Reviews and reports to the Board of Directors, on the current and prospective capital levels (risk-based as well as net worth) to determine adequacy in relation to expected growth, interest rate risk, price risk, and asset mix/quality.

The Board Nomination and Governance Committee ("BNGC")

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

The Board Audit and Compliance Committee ("BACC")

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

The Board Finance Committee ("BFC")

- Advises the Board on all matters relating to finance.
- Reviews proposed investments and makes recommendations to the Board of Directors, for approval.
- Reviews and recommends the annual and quarterly accounts to the Board of Directors, for approval.
- Ensures that adequate and comprehensive financial controls are in place and implemented in line with the extant Financial Regulations.
- Considers and makes recommendations to the Board on matters of annual estimates of income and expenditure.

The Board Ethics Committee ("BEC")

- Advise the Board on, and review adherence to the Bank's Code of Ethics, and to ensure that the Bank's business is conducted in a legal and ethical manner.
- Ensure that appropriate steps are taken to communicate throughout the Bank, the Bank's corporate values, professional standards or codes of conduct, together with supporting policies.
- Review and advise the Board on appropriate steps in relation to any adverse findings in respect of ethical compliance arising from external regulatory inspections or the Bank's own Code of Ethics, Whistleblowing, and Conflict of Interest Policy.
- Keep under review, the Bank's image and reputation and to recommend to the Board, the adoption of, or the discontinuance of practices that have an adverse impact on the Bank's reputation.
- Review the effectiveness of the Bank's communications strategy for ethics to ensure that these reinforce ethical values and good practices, while censuring unacceptable practices.

ETHICS AND COMPLIANCE

The Board of DBN is committed to high ethical standards and probity and ensures all employees and executives align to these standards in all their dealings with stakeholders.



The following are some efforts made in 2020 to ensure the Bank's compliance to high ethical standards:



1

Creation of the Board Ethics Committee. The purpose of the Committee is to assist the Board in embedding ethical values throughout the Bank as enshrined in the Code of Ethics, thus ensuring that the Bank's business and affairs are conducted in an ethical manner, by providing oversight of Directors disclosures, reporting requirements and safeguarding and preserving the Bank's name, image and reputation.

2

Operationalization of the Whistleblowing policy and creation of additional channels for relevant stakeholders to report concerns about marketplace malpractices in a confidential manner.

3

Compliance of all stakeholders with the Code of Ethics and Whistleblowing policy in discharging their duties, support investigations into any reported misconduct or concern, and take any appropriate action.

WHISTLEBLOWING

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

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

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



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

1

External whistleblowing channels:



Toll-free hotlines:
0800-TIP-OFFS
(0800-847-6337)



Mobile App:
Download deloitte tip-offs anonymous app on google play store or app store



External whistleblowing email:
tip-offs@deloitte.com.ng



Web based reporting:
<http://tip-offs.deloitte.com.ng>

2

Internal whistleblowing channels:



Hotline:
0807-518-0057



Internal whistleblowing email:
whistleblow@devbankng.com

3

Whistleblowing concerns may also be disclosed directly to the Central Bank of Nigeria, using the following channels:



Complaint form:
<https://www.cbn.gov.ng/Contacts/Complaints/>



Email address:
contactcbn@cbn.gov.ng



CBN's helpline:
+234-700-225-5226

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

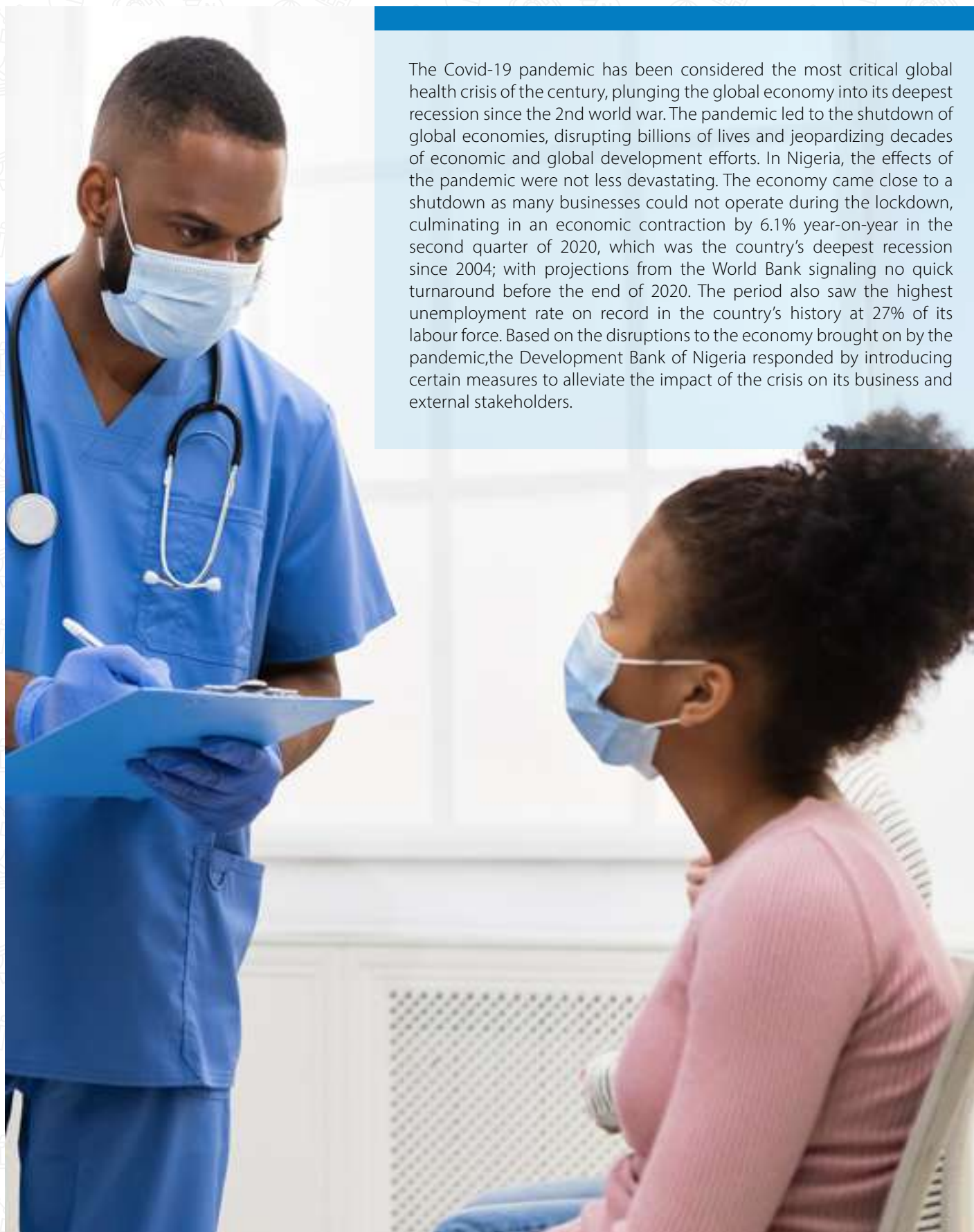
If the concerns affect the Head, Internal Audit, the MD/CEO shall be notified, and where a Director (including the MD/CEO) is involved, such concern shall be directed at the Chairman Board Audit & Compliance Committee.

The whistle-blowing concerns were investigated and appropriately dispensed off in line with policy. The Head, Internal Audit and the Chief Compliance Officer forward regular returns of all whistle-blowing reports to the Central Bank of Nigeria in line with the provision of the guideline for whistleblowing for Banks and Other Financial Institutions in Nigeria issued by the Central Bank of Nigeria

DBN'S RESPONSE TO COVID-19



BACKGROUND



The Covid-19 pandemic has been considered the most critical global health crisis of the century, plunging the global economy into its deepest recession since the 2nd world war. The pandemic led to the shutdown of global economies, disrupting billions of lives and jeopardizing decades of economic and global development efforts. In Nigeria, the effects of the pandemic were not less devastating. The economy came close to a shutdown as many businesses could not operate during the lockdown, culminating in an economic contraction by 6.1% year-on-year in the second quarter of 2020, which was the country's deepest recession since 2004; with projections from the World Bank signaling no quick turnaround before the end of 2020. The period also saw the highest unemployment rate on record in the country's history at 27% of its labour force. Based on the disruptions to the economy brought on by the pandemic, the Development Bank of Nigeria responded by introducing certain measures to alleviate the impact of the crisis on its business and external stakeholders.

INTERNAL PERSPECTIVE

As part of its existing processes and procedures, the Bank had put in place strategies for Business Continuity which included the automation of several of its business processes. These measures placed the Bank at a high level of preparedness to effectively manage any crisis that would disrupt the normal course of its business operations or impact negatively on its revenues or developmental aspirations.

Highlights of some key actions taken internally by the Bank in response to the Covid-19 crisis include:



1 Activation of the Bank's Business Continuity Plan (BCP)

The management of the Bank activated the Business Continuity Plan (BCP) with effect from Wednesday, March 25, 2020, necessitating all employees to work remotely from their homes. The BCP proved effective, as it had clearly marked lines of responsibility properly documented within the plan.

Support provided by some units during the period include:

- Technology ensured remote working conditions were effective by enabling employees' work devices were set up for seamless remote usage, with on-going IT support provided during the period
- Human Resources and senior management had regular communications and with employees through virtual meetings
- Finance processes and procedures were automated to avoid disruptions to normal operations

Corporate Communications Department was able to keep employees abreast of developments internally and externally by using technology as an enabler (mobile, email updates, Microsoft Teams, Zoom etc).

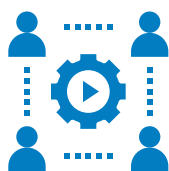


2 Establishment of a Business Continuity Committee (BCC) on Covid-19

As part of responses deployed to ensure the organization had an organized and strategic approach to monitoring and managing the changes the pandemic had on regular business operations, the Bank set up a Business Continuity Committee on Covid-19 to conduct a monthly review of emerging developments around the country and reassess the effectiveness of the Bank's Business Continuity Plan. Based on the outcome of its assessments, the Committee advised on monthly work plans and necessary precautionary measures the Bank took to prevent the contamination of the workplace and infection of employees. Where necessary, the Committee would recommend a revision of the work plans for Management's consideration.

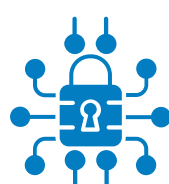
Highlights of measures introduced by the Committee include:

- Maintenance of a 68% office capacity limit, supported by departmental rotational plans and an internally defined social distancing sitting arrangement, which excludes employees with private offices
- Introduction of virtual training and meetings
- Compulsory use of face masks by all employees
- Use of ID cards and not fingerprint scanners/identification devices by all employees to gain access into the office
- Frequent use of hand sanitizers
- 14-day self-isolation and work-from-home measures for all employees who had made interstate travel during the peak period of the pandemic, and for employees returning from international trips after the lifting of restricting on air travels
- No visitors allowed into the DBN office



3 Adoption of a Collaboration Tool

Prior to the onset of the crisis, the Bank had put in place, a collaboration platform, which was used internally as a means of communication. The tool was highly effective in bridging the gap which would otherwise have been created between physical meetings and the emerging era of virtual engagements. With this tool, the Bank effectively conducted trainings and held regular meetings amongst employees.



4 Regular Sensitization of Employees on Information Security Awareness

Throughout the course of the pandemic, the Bank continuously sensitized its employees on information security and email etiquette to forestall exposures due to working from home, while also strengthening their awareness on cyber-attacks when using social media platforms.



5 Leveraging Online Courses for Workforce Development

The pandemic saw a rise in the Bank's adoption of online courses, provided by globally recognized organizations and institutions. This became an alternative to the physical training which would have necessitated employees traveling abroad but were constrained by the restriction on air travels.

EXTERNAL PERSPECTIVE

During the pandemic, the Bank adopted measures aimed at assuaging the effect of the pandemic on some of its stakeholders.

Measures taken include:



1

N100,000,000 Grant to the Federal Government of Nigeria

In April 2020, the Bank supported the Federal Government of Nigeria (FGN) with funding to tackle the health crisis ushered in by Covid-19 in Nigeria. Through the grant provided, the Bank contributed to the efforts of the Government and other Private Institutions around the country to provide and equip medical facilities in the six geopolitical zones in Nigeria. This involved the creation of testing, isolation and treatment centers and the provision of Intensive Care Units (ICUs) and molecular testing labs around the country.



2

Moratorium and concessionary rates on Loans to PFIs

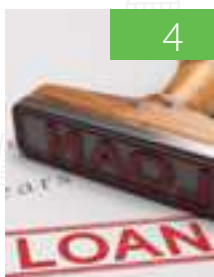
As a measure to alleviate the effect of the pandemic on the MSME customers of DBN's PFIs, the Bank awarded its PFIs moratorium on principal and interest on all its loans for up to six (6) months, while also granting concessionary rate to the PFIs.



3

Support for local communities – The Save Humanity Project

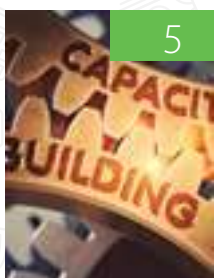
To cushion the impact of the economic hardship caused by the pandemic on some poor communities in Nigeria, the Save Humanity Project was launched by the Bank on April 22, 2020 as a Voluntary Employees CSR Project, during which funds were raised among the Bank's employees for the procurement of palliatives. During the exercise, DBN employees donated N3,326,000, which catered for two local communities in Abuja and Lagos, and an orphanage in Abuja. Main items donated included food and hygiene products. Overall, 200 families were supported, 40 orphans were catered for, and over 1000 people were impacted.



4

Development of a Long-term Finance product

The Long-Term finance product is a loan product provided to Participating Financial Institutions to support their long-term lending to MSMEs for a period of up to 10 years. The structure of the fund is flexible and can easily be adapted to suit the PFIs peculiar needs and finance structure including meeting the requirements of Tier 2 Capital for the PFIs. PFIs can request for this facility to cater for the long-term finance needs of their MSME customers where available funding is typically short-term.



5

Increased Capacity Building to more MSMEs

Small businesses have been part of the economic segments worst hit by the pandemic around the world, including Nigeria. While most experienced profitability issues which resulted from the nationwide lockdown, many of them also found it intensely difficult to keep their businesses afloat amidst the scourge of the pandemic. Thus, the Bank, in line with its mandate to provide capacity building support to MSMEs intensified its effort at providing trainings for Nigerian MSMEs, leveraging virtual platforms in the heat of the pandemic, and assembling them for physical trainings when the pandemic relaxed, while still observing strict social distancing measures.

MONITORING AND EVALUATION AT DBN



MONITORING AND EVALUATION AT DBN

To assess the performance and impact of loans provided to MSMEs by the Bank, the Bank operates a circular learning process through its Monitoring and Evaluation exercise. This is to ensure that the Bank is on the right trajectory to achieving its mandate. As such, we have created key indicators that are measured and monitored regularly by a team of qualified and experienced persons.

DBN's Theory of Change

Defined, the theory of change is a blueprint for evaluation with measurable indicators of success identified at each level through a logical framework. It forms the basis of DBN's M&E process and is a continuous point of reference.

Our Bank focuses on measuring its impact on three priority segments based on a set of expected medium and long-term outcomes. The priority segments and their expected outcomes include:



1. The Lending Ecosystem

Improved investor confidence to support MSMEs leading to new investors and sources of capital available in the ecosystem, alongside a variety of fit-for-purpose funding models for PFIs and supportive regulations and policies



3. Participating Financial Institutions

- i. PFIs have improved access to funding through a variety of funding constructs (e.g. guarantees or longer tenure loans) leading to an increased volume and diversity of PFI lenders and consequently a higher volume and diverse set of loans disbursed to MSMEs
- ii. PFIs are equipped with increased understanding of the MSME sector and therefore become better positioned to provide appropriate products and services to the MSME sector



2. MSMEs

- i. A diverse set of MSMEs receive greater access to affordable and supportive financing, which they put towards productive uses, and have an improved financial understanding
- ii. The MSME sector experiences economic growth as a result of financing and supporting the holistic socio-economic development of Nigeria through the creation of secure jobs and growing businesses

M&E KEY INDICATORS

A. To measure long term progress, the Bank focuses on eight (8) indicators.

	What ultimate impact do we want to see?	How do we measure this?
	Supporting Nigeria's economic transformation and sustainable socio-economic growth through financial and non-financial support mechanisms to enable a vibrant, diverse, and growing MSME sector	1. Share of bank credit going to the MSME sector 2. Contribution of the MSME sector to Nigeria's economic output
	What long-run outcomes do we want to see?	How do we measure this?
ECOSYSTEM	Improved investor confidence to support MSMEs leading to new investors and sources of capital available in the ecosystem, alongside a variety of fit-for-purpose funding models for PFIs and supportive regulations and policies	3. Percentage of DBN's loan book funded through new private sector sources and/or investors 4. Finance channeled to MSMEs through innovative and / or sustainable products and channels 5. Investors reporting increased confidence in providing funding to PFIs 6. No. of MSME finance policies or regulatory instruments drafted with DBN input
MSME	The MSME sector experiences economic growth as a result of financing and supporting the holistic socio-economic development of Nigeria through the creation of secure jobs and growing businesses	7. No. of total jobs created by MSMEs 8. Total value (N) of revenue growth at supported MSMEs and no. of MSMEs reporting growth

B. To track medium-term progress towards outcome, the Bank focuses on 10 indicators.

	What medium-term outcomes do we want to see?	How do we measure this?
MSME	A diverse set of MSMEs receive greater access to affordable and supportive financing, which they put towards productive uses, and have an improved financial understanding	1. Value (N) of funds disbursed to MSMEs 2. No. of MSMEs receiving DBN funds 3. No. of MSMEs reporting growth and increased formalization 4. No. of MSMEs reporting an improved financial understanding and confidence in obtaining finance 5. No. of MSMEs that report having access to more affordable and appropriate financial products and services 6. No. of MSMEs reporting productive uses of funds
PFI	PFIs have improved access to funding through a variety of funding constructs (e.g. guarantees or longer tenure loans) leading to an increased volume and diversity of PFI lenders	7. No. of PFIs that report an increased understanding of the MSME sector 8. No. of PFIs reporting an increased ability or willingness to lend to MSMEs due to DBN credit guarantees/ loans / capacity building
	PFIs are equipped with increased understanding of the MSME sector and therefore become better positioned to provide appropriate products and services to the MSME sector	9. No. of PFIs that have enhanced existing products or services or introduced new products for the MSME sector 10. No. of PFIs reporting satisfaction with DBN in areas of competitive rates, competitive terms, and efficient processing

C. 12 indicators that help DBN report to its stakeholders on a day-to-day basis include:

	What do we do at DBN?	How do we measure this?
Funding and risk-sharing	Raise funds from a range of private and public sources	1. Value (N) of lending raised 2. Value (N) of lending to PFIs
	Extend financing opportunities to a broad and diverse set of MSMEs with a focus on underserved sectors	3. No. of PFIs receiving DBN funds 4. Aggregate PAR90 for MSME loans supported by DBN loans
	Provide credit guarantees to PFIs to encourage them to expand their risk appetite	5. Aggregate PAR90 for MSME loans supported by DBN guarantees 6. No. of PFIs who receive credit guarantees and total ₦ value of guarantee
	Obtain and maintain a high investment grade credit rating from a leading ratings agency	7. Credit rating performance received by DBN
Technical assistance	Provide a diverse range of capacity building support to PFIs/ other intermediaries and MSMEs	8. No. of PFIs reached through capacity building training/services 9. No. of MSMEs reached through capacity building training/services
	Foster the development and formalization of new MSMEs (including startups) through support mechanisms for entrepreneurs	10. No. of New MSMEs / entrepreneurs reached through capacity-building activities / other support mechanisms
Policy & Advocacy	Build relations with other development banks, agencies and FDI organizations in Africa to understand areas of opportunity in Nigeria's MSME lending environment	11. No. of partnerships developed and maintained 12. No. and type of engagements held with target organizations to maintain/grow partnerships
	Develop partnerships with industry and government to share learnings and influence MSME lending environment through recommendations for policy / regulatory reform	

D. How the M&E framework helps DBN measure progress on women empowerment

	Women's economic empowerment dimension	Which DBN indicators can help us track progress on this dimension?
Access to income and assets	Increased labor participation for women	1. No. of total jobs created by MSMEs (focused on all jobs for women)
	Increased diversity of labor options available to women	2. No. of MSMEs reporting growth and increased formalization (focused on women-owned MSMEs) 3. No. of total jobs created by MSMEs (focused on jobs for women by sector)
	Women have greater access to productive assets	4. Value (₦) of funds disbursed to MSMEs (focused on women-owned MSMEs) 5. No. of MSMEs receiving DBN funds (focused on women-owned MSMEs)
	Women receive a higher return on their labor	6. No. of total jobs created by MSMEs (focused on permanent jobs for women) 7. Total value (₦) of revenue growth at supported MSMEs and no. of MSMEs reporting revenue growth (focused on women-owned MSMEs)
Technical assistance	Women own and control a greater portion of productive assets	8. No. of MSMEs reporting growth and increased formalization 9. No. of MSMEs that report having access to more affordable and appropriate financial products and services 10. No. of MSMEs that report productive uses of DBN funds 11. Total value (₦) of revenue growth at supported MSMEs
	Women use their own bank accounts to save and make payments	12. No. of MSMEs reporting an improved financial understanding and confidence obtaining finance (focused on women-owned MSMEs) 13. No. of MSMEs that report having access to more affordable and appropriate financial products and services (focused on women-owned MSMEs) 14. No. of PFIs that report an increased understanding of the MSME sector (focused on products specifically designed to meet the needs of women entrepreneurs)
Increased power to make decisions	Increased power and agency is a long-run outcome of the financial strengthening of women-owned MSMEs and the creation of employment opportunities at DBN-supported MSMEs. As such, it is not directly measured using the DBN M&E framework but could be evaluated in impact studies over a long-term (e.g. 5+ years) time horizon	

2020 M&E EXERCISE



The 2020 M&E exercise was carried out in line with its result-based theory of change to ensure an evidence-based approach to the Bank's support of MSMEs. The Bank conducted a detailed study to measure the overall effectiveness of the Bank's 2020 financing activities and achievement of its objectives coupled with the need for continuous monitoring and evaluation of its activities and those of its PFIs and beneficiary MSMEs.

The study was also aimed at strengthening the Bank's M&E system while providing a comprehensive impact report that primarily addresses the Bank's MSMEs financing intervention and its impact on the Nigerian economy.

The exercise targeted a sample of 923 MSMEs. The sample MSMEs were selected across 21 business sectors including: Manufacturing, Agriculture, Forestry and Fishing, Education, Power and Energy, Trade & Commerce, Transportation & Storage, etc., across the 6 geo-political zones in Nigeria. The evaluation was designed based on a wide range of broad criteria of efficiency, relevance, performance, sustainability, and coverage as outlined is standard DAC-Criteria for evaluation.

Due to the COVID-19 pandemic, quantitative data was collected mainly via an online survey. The survey questionnaire was limited to an online platform using KoboToolBox to elicit information from all the sampled MSMEs and PFIs. The evaluation relied on a mixed-methods approach that included several qualitative data collection techniques, particularly qualitative methods such as key informant interviews (KIIs) and focus group discussions (FGDs), and a review of the Bank's management administrative and monitoring reports.

The results below show the key findings of the Bank's 2020 Monitoring & Evaluation exercise, with specific focus on outcomes such as job creation, increased sales, turnover, gender representation and improved loan collection process.

Job Creation



97,266

Estimate of 97,266 jobs created by loan beneficiaries in 2020



48%

48% of the MSMEs reported an increase in staff strength



61%

61% reported an increase in the average staff salary in the intervention group



34%

34% reported an increase in the average staff salary in the control group

Gender Representation



56%

56% of entrepreneurs in the intervention group were female entrepreneurs



35%

35% of entrepreneurs in the control group were female entrepreneurs



20%

32% of the PFIs reported that about 20% of women loan applicants received DBN loan in 2019

Change in Sales/Revenue



83%

83% of the respondents reported an increase in their sales in the intervention group



81%

81% of the respondents reported an increase in their sales in the control group



21%

21% of the MSMEs reported a revenue of >N1m in 2019, compared to 19% in 2018 in the intervention group



35%

35% of the MSMEs reported a revenue of >N1m in 2019, compared to 21% in 2018 in the control group

SPOTLIGHT SERIES



SPOTLIGHT ON MSMES



Njidda Ahmed

Longa-Ewa Lakes Limited

Funding as a means to scaling operations

Njidda Ahmed is the CEO of Longa-Ewa Lakes Limited. Longa-Ewa Lakes Limited is sited in Sabon-Wuse, Niger State and occupies a large landmass and produces almost everything they need for their fruit juices and yoghurt. The company rears the cattle and plants the trees from which it obtains the milk and fruit to produce yoghurt and fruit juice respectively.

Ahmed approached Fidelity Bank and was offered the DBN facility which he took after meeting all loan requirements. Following the injection of the loan, the company purchased a major plant worth over N30 million which produces bottle caps used to package the fruit juices and yoghurt. This means the production of the bottles can be done in-house by the company without outsourcing to another company, thereby saving Longa-Ewa Lakes Limited cost in the short, medium and long run.

The company rears the cattle and plants the trees from which it obtains the milk and fruit to produce yoghurt and fruit juice respectively.



Journey So Far

- Longa-Ewa Lakes Limited is currently one of the very few Agric businesses in Nigeria who can plant fruits, process them, package and distribute across Nigeria, a great feat given the complexity of business operations and all the different processes that have to come together.
- The large landmass allows for planting of various kinds of fruit. The land is sectioned into an administrative area, plant area, cattle and diary area and machinery area.
- Due to his vision and level of operation some machines were donated to him by the World Bank a few years ago when they visited his farm to further scale up his operation and automate some processes.
- Longa-Ewa Lakes Limited now distributes fruit juices and yoghurt to different states across Nigeria. The brand name has gained reputation over the years and continued to grow as a result of the goodwill.
- The company currently employs about 100 staff and recorded an annual turnover of over N250 million. The company's assets are currently valued at over N1 billion.

Next Steps

1.

Diversification into new business lines:

Ahmed plans to open a restaurant where he will sell food and the fruit juices and yoghurt produced by Longa-Ewa Lakes Limited. This provides an excellent opportunity to sell his products and expand his business reach.

2.

Expanding Business Outreach

The company also has plans to start marketing products to more states across the country and in the nearest future, reaching customers across the country. The distribution network currently in use is growing stronger and as soon as feasibility studies are concluded, marketing and distribution will commence in the target states across Nigeria. The vision is to have the company's products across all states in Nigeria.

3.

Animal Husbandry

The company also plans to add animal husbandry to its business. Ahmed wants to start rearing cattle, fishes, poultry for commercial purposes and supply to the proposed restaurant he intends to set up. This will serve as another income stream for Longa-Ewa Lakes limited

4.

Deployment of ERP

By early 2021, Ahmed plans to deploy an ERP system to monitor sales, purchases and inventory level and allow for efficiency in his business.



Esther Chiemeka-Ozor

Aestar Beauty and Grooming Lounge

Transformed for a profitable future

Esther Chiemeka-Ozor, a woman with a passion for entrepreneurship who loves to create opportunities for young people in a country with a high youth unemployment rate like Nigeria. She started her entrepreneurship journey in 2012 in a small shop in Enugu. Esther got information about the DBN loan and found out that the loan is targeted at helping MSMEs scale and grow and developed interest in obtaining the loan. She applied for the loan in 2019 and got it after meeting all necessary requirements. The loan enabled her to grow her business and add more income streams to her business. This has resulted in greater overall revenue for the business. From small beginnings in 2012 to a business that makes close to N10m in revenue annually, the business continues to move on an upward trajectory.

The loan enabled her to grow her business and add more income streams to her business.



Journey So Far

- Esther has created more job opportunities for willing and hardworking youths. She started her business with 4 staff in 2012 and now has 15 staff working for her. She started off with a unisex hair salon and has expanded into other areas.
- She has successfully diversified into other business areas such as dry-cleaning, wholesale and retail trading of water and soft drinks which overall has increased her revenue.
- From a humble beginning in 2012, her business now makes about N10 million annually in revenue. She has also expanded to 2 shops in Enugu where her business operates from.
- Esther can now confidently boast of financial stability of her business and herself as well. From having to depend on personal savings and her family to start her business, she is now expanding her business from profits generated.

Next Steps

1.

Diversification into new business lines

Esther plans to go into the trading of clothes, cosmetics, hair extensions etc., in the nearest future as this will translate into job creation for more youths, increase in the customer base, as well as an increase in revenue.

2.

Expanding Business Outreach

She also has plans to open more outlets in different parts of the states thereby increasing the business outreach and growing and solidifying her existing customer base.

3.

Automation of business activities

Esther plans to deploy an Enterprise Resource Planning (ERP) system which will automatically keep track of the sales, purchases and inventory level and give her a clearer picture of her business real-time.



James Ezenwa

Heirs Group of Schools

Transformed to meet higher standards.

James Ezenwa comes from a modest home but pursued his education up to an MBA level but like many others, the feeling of career fulfilment and satisfaction he craved for was still lacking. It was at this point that James embarked on a journey of self-discovery and discovered his passion for teaching. This led to the birth of Heirs Group of Schools located in Anambra State in the South-Eastern part of Nigeria, a school thoughtfully established following several years of teaching experience.

In his quest to further expand his business, he approached his bank in 2019 and was offered the DBN loan which he secured after meeting all the loan requirements. The loan was helpful in the expansion and further development of the school. The pupils now have better classrooms with a conducive learning atmosphere and learning environment. The development of the school helped boost the confidence of parents as they retained their wards in the school, while new parents enrolled their children in the school.

In his quest to further expand his business, he approached his bank in 2019 and was offered the DBN loan which he secured after meeting all the loan requirements.



Journey So Far

- In February 2010, James started Adult Education for adults who wished to learn, and from there, Heirs Nursery and Primary school came into existence in 2011. The School has grown since then and now has over 20 staff.
- Heirs Group of Schools recently moved to an expansive new location with more classrooms and more room for expansion. The school also has school buses which convey students from their homes to school and back.
- The growth of the school from having just 1 pupil in January 2011 to over 240 pupils in 2020, is a significant milestone for Heirs Group of Schools. The school continues to attract new pupils and existing pupils continue to move up classes while remaining in the school.
- There has been an increase in revenue generated on an annual basis due to a steady increase of students in the school which has aided the growth and expansion of the school.

Next Steps

1.

Completion of Permanent Site

James plans to complete the construction of the remaining structures of the school, thereby making it more conducive and attractive for existing and potential parents and pupils.

2.

New Institutions

Heirs Group of Schools plans to add to its portfolio, a Secondary School and a College of Education within the next 5 years. Heirs Group of Schools has plans to be one of the biggest schools in Nigeria delivering high-quality education to students.



Ajiboye Olanrewaju

Land Slide Paints Limited

Funding as a means of increasing profitability

Ajiboye Olanrewaju started working as a sales boy for a paint retailer at an early age where he gained in-depth knowledge on the business at the time. He started trading in drums of paint in small quantities and thereafter increased the quantities in 2010 when he acquired a shop where he could conveniently trade.

With the intention to scale and establish his own paint production company, Ajiboye, heard about the DBN facility and approached his Bank for the first time to get more information about the loan. He subsequently secured the loan having met all the loan requirements. The loan came at an opportune time as business was challenging. Injection of the loan into his business helped to maintain inventory levels and meet the increasing demands of customers.

Ajiboye has grown his business into a company (Land Slide Paints Limited) and has become a major distributor of popular paint brands across Lagos. The company has recorded significant growth in its operations and opened several outlets across the country.

The loan came at an opportune time as business was challenging. Injection of the loan into his business helped to maintain inventory levels and meet the increasing demands of customers.



Journey So Far

- In January 2010, Olanrewaju started his entrepreneurship journey with proceeds he made as a painter. His business has expanded from then to become a major distributor of paint to several high-profile business developers in Lagos State and now has retail outlets in Lagos and across the country where he sells paint to customers.
- Ajiboye studied paint production companies and after doing extensive research, he found out that he could set up his own company and produce even better-quality paints compared to most of the products sold in the market.
- Following the extensive research, he set up his own factory in October 2019, Land Slide Paints Limited, where he produces high-quality paints for customers. He now conveniently produces and distributes paints to different customers in Lagos State.
- From having family members help him manage his small shop, Ajiboye now has over 30 staff working for him across his retail outlets and his factory located in Lagos state.
- His paint production company currently produces 150 drums of paints daily and with more finance the company looks to triple that number in the nearest future. The company also has as part of its asset, a bus and a truck which it uses to distribute products to its customers
- Land Slide Paints Limited currently records an annual turnover of over N40 million. It is the vision of the company to sustain its growth and reach an annual turnover of N200 million within the next few years.

Next Steps

1.

Expanding the Factory

Ajiboye plans to expand his factory to be able to produce more drums of paint daily as his production company's current supply cannot meet the demand of all his customers. Consequently, he buys paint from other paint manufacturers to bridge the gap. However, plans are underway to significantly increase production.

2.

Expanding Retail Outlets

Ajiboye has plans to establish more shops in different parts of Lagos state thereby increasing the business operations, increasing and solidifying his customer base, and creating more employment opportunities.

3.

Growing the brand name:

Ajiboye aims to make Land Slide Paints one of the biggest brands in the paint industry in Nigeria having a track record of producing high-quality paints. He plans to invest more in advertising and marketing while also ensuring that the quality of paint produced remains top-notch.

4.

Establishing Online Presence

Having lost business opportunities due to a poor online presence. Ajiboye realizes the need to take advantage of social media to make sales and plans to immediately establish an online presence and maximize the potentials of social media.

DBN SERVICE AMBASSADORS



DBN launched the Service Ambassadors' Pilot Program in March 2020 consisting of 13 representatives of 6 PFIs: Access Bank, Ecobank, FCMB, Fidelity Bank, Wema Bank and LAPO MFB as nominated by their respective institutions.

The objectives of the program are to foster a mutually beneficial relationship between DBN and the PFIs, increase DBN brand awareness and utilization of DBN funding and incentivize PFIs to increase lending geared towards impact e.g. lending to longer tenor projects, women, youth, economically challenged locations, green projects / relating to climate change, etc.

Benefits of the Service Ambassadors program to the PFIs & The Service Ambassadors include sponsored study tours, professional certification, official recognition, PFI & Service Ambassador awards, amongst others.

GOALS

The goals of the Service Ambassadors are to:

- Act as primary contact points for DBN and provide all required reports & documentation
- Promote the DBN brand and ensure adequate information is shared
- Drive uptake of DBN fund for all SME related risk assets
- Identify needs within the PFI for DBN's Intervention.

BENEFITS

Benefits of the program include:

1. Opportunity to attend special events sponsored by DBN
2. Sponsorship of a professional certification or training
3. Profiling of the Ambassador on all DBN's Social Media Handles
4. Access to Capacity Building Programs
5. Study tour with DBN's partners
6. Branded Corporate Gifts and Promotion Materials

DBN MATERIALITY MATRIX



Stakeholder Table

A key success factor for DBN in achieving its mandate and vision will be leveraging strategic partnerships and alliances. This requires adopting a strategic and proactive approach to identifying and engaging the Bank's key stakeholders to determine opportunities, dependencies, areas of common interest, as well as potential bottlenecks with potential partners.

Stakeholder	Role/Interest	Influence	Engagement Method	Engagement Frequency
1. Federal Government - Federal Ministry of Finance - Nigeria Sovereign Investment Authority (NSIA)	- Provide funding, logistics and technical assistance - Accountability & transparency - Collaborate in policy formulation	High	- Formal meetings - Correspondence by Phone/Emails - Roundtable discussions	Ongoing
2. Regulator Central Bank of Nigeria	- Perform regulatory oversight responsibilities - Collaborate in policy formulation	High	- Formal meetings - Roundtable discussions - Correspondence by	Ongoing
3. Participating Financial Institutions (PFIs) – 8 Commercial Banks and 15 Microfinance Banks	- On-lending to end-borrowers (MSMEs) - Provide data	High	- Formal meetings - Correspondence by Phone/Emails - Roundtable discussions - Workshops - Surveys	Ongoing
4. MSMEs	- Indirect beneficiaries - Provide data	High	- Correspondence by Phone/Emails - Roundtable discussions - Workshops - Surveys	Bi-Annually

5. Development Partners

- African Development Bank (AfDB)
- European Investment Bank (EIB)
- French Agency for Development (AFD)
- World Bank
- German Development Bank (KfW)

- Provide funding, logistics and technical assistance
- Accountability & transparency
- Collaborate in policy formulation

Medium

- Formal meetings
- Roundtable discussions
- Correspondence by Phone/Emails

Quarterly

6. Government Ministries, Departments and Agencies –

SMEDAN

- Partnering for social impact, advocacy and capacity building
- Provide technical assistance

Low

- Formal meetings
- Public meetings/Events

Quarterly

7. Civil Society Organisations

Non-Governmental Organisations (NGOs)

- Partnering for social impact and advocacy
- Provide technical assistance

Low

Low

Quarterly

8. Academia & Resource Organisations -

Universities, Research Institutes, Enterprise Development Centre

- Ensure Transparency & accountability
- Conduct studies and evaluations
- Provide technical assistance

Low

- Correspondence by Phone/Emails
- Public meetings/Events

Quarterly

9. Media -

Television, Radio, Print media, Online Media

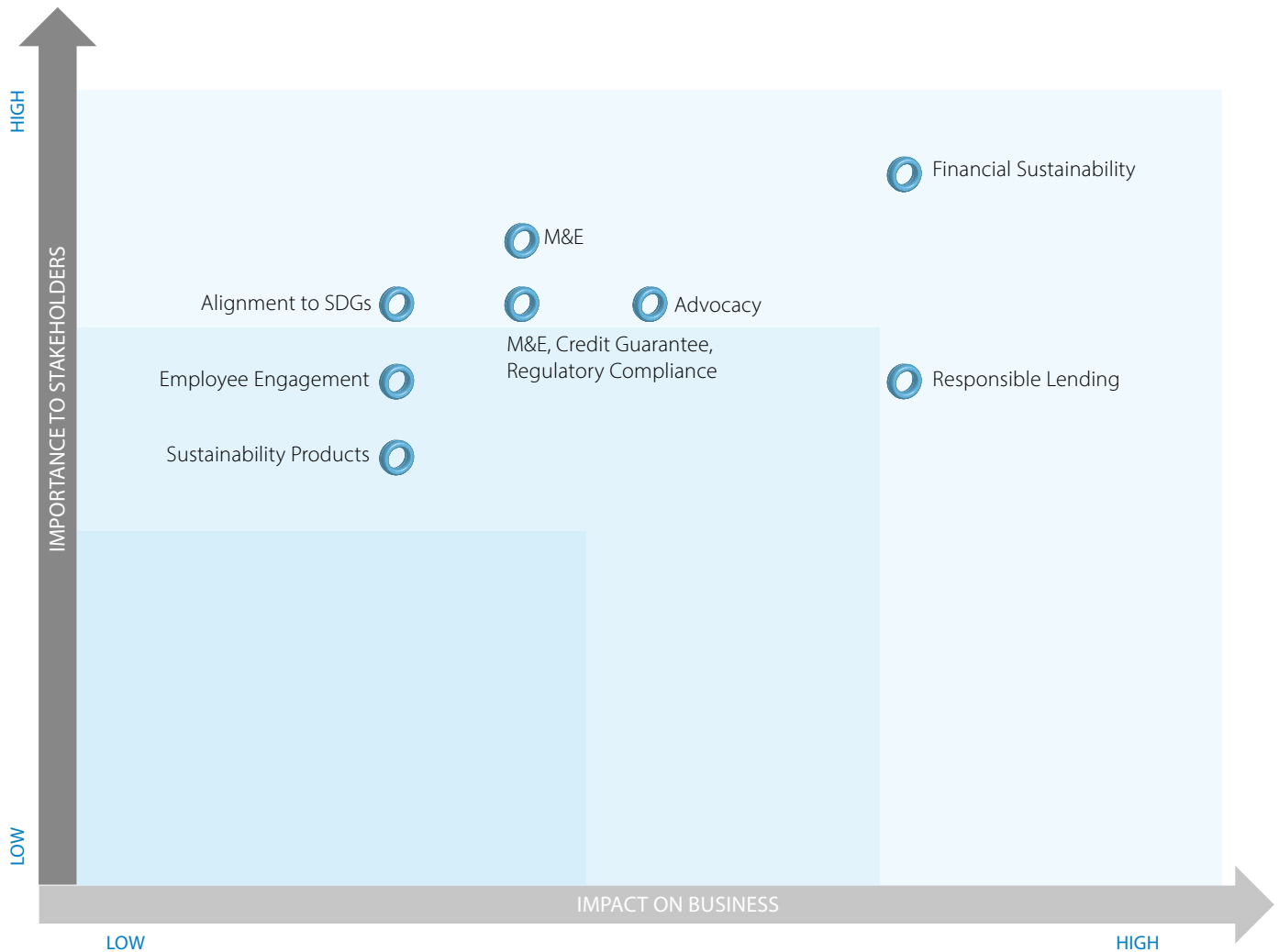
- Sharing development information
- Ensure Transparency & accountability

Low

- Correspondence by Phone/Emails
- Public meetings/Events

Monthly

Materiality Graph



HOW WE CREATE VALUE



Key Indicators

- Cost to income ratio
- Loan portfolio make up
- Return on Equity
- Return on Assets

- DBN Gender diversity ratio
- Training hours per employee
- % participation in internal employee satisfaction survey

- Number of environmental conservation techniques adopted
- Number of environmental awareness programs

- Number of CSR activities carried out
- Number of engagement with all stakeholders

- Efficiency in health processes
- Efficient & ergonomic working environment

Outputs in 2020



324bn

disbursed since inception



3

products developed



6844

employee learning hours



88%

Employee Satisfaction Level



451.2kg

recycled waste



55

papers published



3

webinars conducted



Enhanced digital infrastructure

FINANCIAL CAPITAL

The core of our financial capital is made up of our equity and debt funding from development partners.

Equity funds from the Federal Government of Nigeria and Development Partners; debt funding from International Financial Institutions; as well as internally generated profits are the current source for our financial capital. 100% of profits generated from our operations, since inception, are reinvested in the business. This supports our goal to be financially sustainable. The bank continues to explore funding sources to expand the provision of affordable finance to small businesses in Nigeria.

Financial Capital Inputs

- N177.9 billion Total equity
- N313.7 billion debt funding from development partners

Value Created for Stakeholders

- N191.7 billion new loan disbursements to MSMEs
- N17.98 billion in profit for the year
- N35.3 million donations
- 11% Return on Equity*

*Return on Average Equity (Pre-tax)

Trend in Key Financial Indicators

Profitability	Bank				
	N'bn	2020	2019	2018	2017
	Gross Earnings	33.6	45.8	30.6	6.1
	Net Interest Income	22.2	37.6	26.2	5.2
	Impairment Charges	(0.8)	(1.1)	(0.3)	(0.0)
	Operating Income	21.4	36.4	25.8	5.2
	Operating Expense	(3.1)	(3.7)	(2.9)	(1.1)
	PBT	18.3	32.7	22.9	4.1

Balance Sheet	Bank				
	N'bn	2020	2019	2018	2017
	Loans & Advances	214.0	101.9	28.3	0.2
	Total Assets	492.3	474.4	278.8	152.5
	Borrowings	313.7	308.5	151.7	87.9
	Equity	176.9	159.6	126.0	43.5

Ratios	Bank				
		2020	2019	2018	2017
	ROAA (pretax)	3.8%	8.7%	10.6%	4.8%
	ROAE (pretax)	10.9%	22.9%	27.0%	9.4%
Ratios	CIR	14.5%	10.2%	12.5%	20.5%
	CIR (loans)	29.5%	56.6%	590.3%	20435.7%

Chief Financial Officer's Report

The financial year 2020 was a year beset with the Covid-19 global pandemic which created unprecedented disruptions to the global economy, trade and flow of funds. At DBN, access to finance for MSMEs forms the core of the bank's development mandate. Unfortunately, MSMEs have been disproportionately affected by the Covid-19 pandemic and the attendant economic downturn.

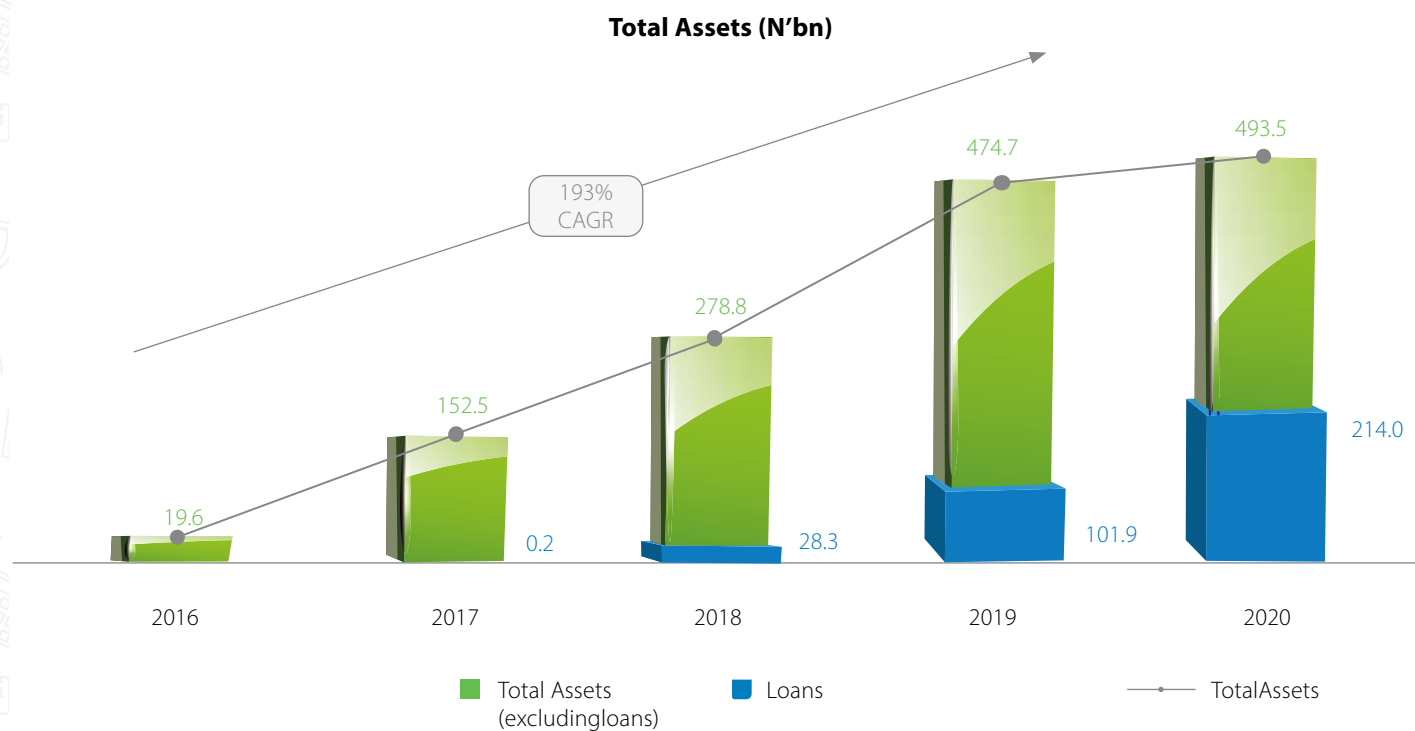
For the most part of 2020, Nigeria remained in recession characterised by depressed macro-economic indices, investor apathy and distortions in interest and exchange rates.

Despite these challenges, the bank remained resilient and continues to forge a path of growth, increasing its total assets from N474.7 billion in 2019 to N493.5 billion in 2020 and loan disbursements across sectors in the year under review from N101.5 billion in 2019 to N191.7 billion, resulting in a net profit of N17.98 billion. The results reflect the bank's commitment to its core mandate of facilitating sustainable socio-economic development by improving financial access for MSMEs in Nigeria.

2020 Financial Performance Highlights

In 2020, the bank delivered a long-term value to all stakeholders, strong financial performance, advocacy and capacity building activities for PFIs and MSMEs.

Return on assets and return on equity stood at 4% and 11% respectively as at December 31, 2020



Asset size grew by 193% CAGR over 4 years, from N19.6bn in 2017 to close at N493.5bn as at December 31, 2020. Loan portfolio as a percentage of total assets also witnessed significant increase from 0.1% as at December 2017 to 43.4% as at December 2020, depicting expansion of our lending base and pursuing our catalytic role in the MSME financing space.

Loan Disbursements

In line with the core mandate of the bank, the volume of loans disbursed grew by 89% from N101.5bn in 2019 to N191.7bn in 2020. The loan outstanding also increased by 110% from N101.9bn in 2019 to close at N214.0bn in 2020.

New loan products tailored to customer needs were created within the year and this had a positive impact on loan creation.

Asset Quality

The bank's capital adequacy ratio at 75% is well above the minimum regulatory threshold for wholesale development financial institutions in Nigeria. A strong risk management framework ensures preservation of value within the organization. As at 2020, all loans in the bank's portfolio are performing, with expected credit losses (based on IFRS 9) on the portfolio at Stage I.

Capital Structure

Equity

DBN has fully complied with the Central Bank of Nigeria's minimum share capital financing requirement for wholesale DFIs, which is N100bn.

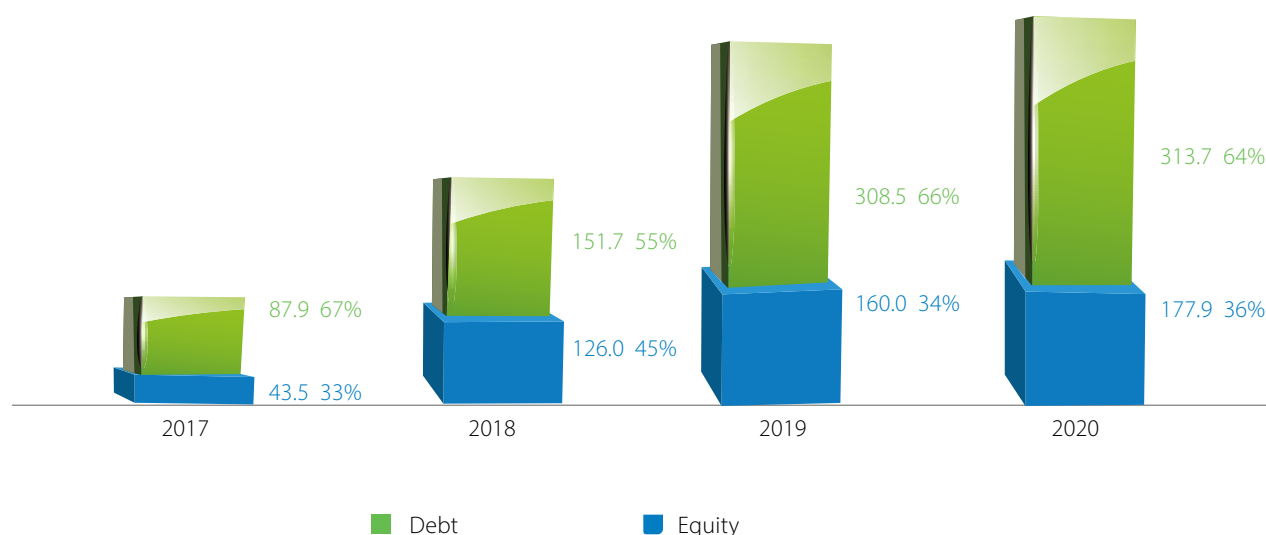
Shareholders' funds stood at N177.9bn as at December 31, 2020. 44% of this amount represent profits reinvested into the business to ensure a stable funding base and long term financial sustainability.

Debt

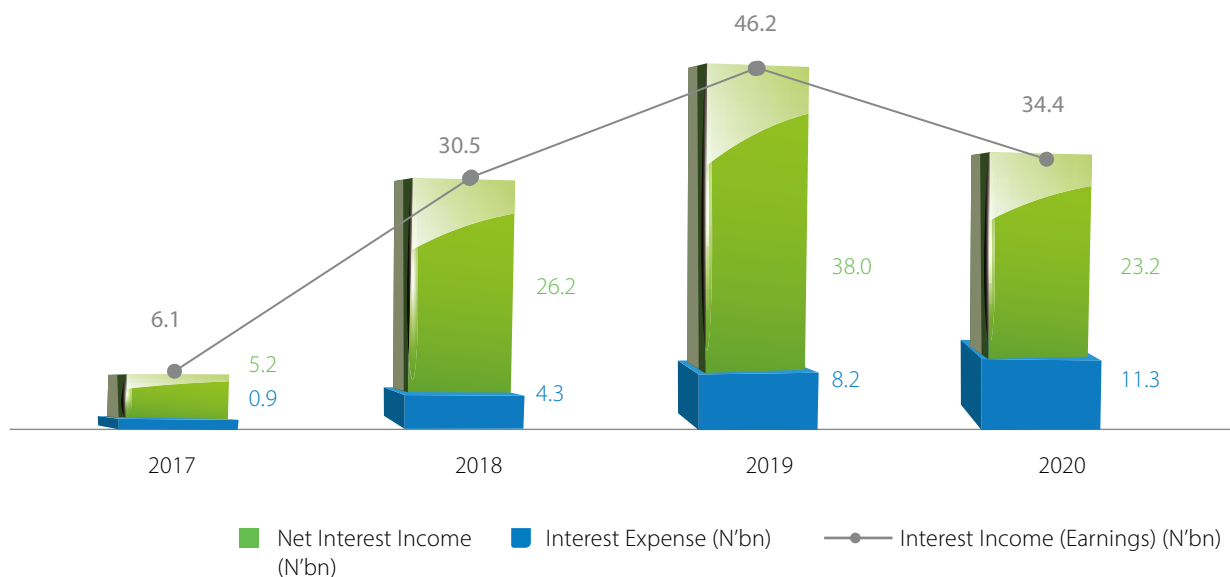
Debt to equity dropped from 193% as at December 2019 to 176% as at December 2020 driven by debt repayments made to the development partners within the year. Additional debt funding commitments from development partners (IFIs) were also received during the year. As at December 2020, we have received over 93% of debt commitment funds.

A total of US\$ 1.185 billion has been received from Development partners in respect of loan commitments for MSME financing. These long-term funding with an average tenor of 15 years, enhance the capacity of the bank to create long tenored loans.

Capital Structure (N'bn)



Net Interest Income (N'bn)

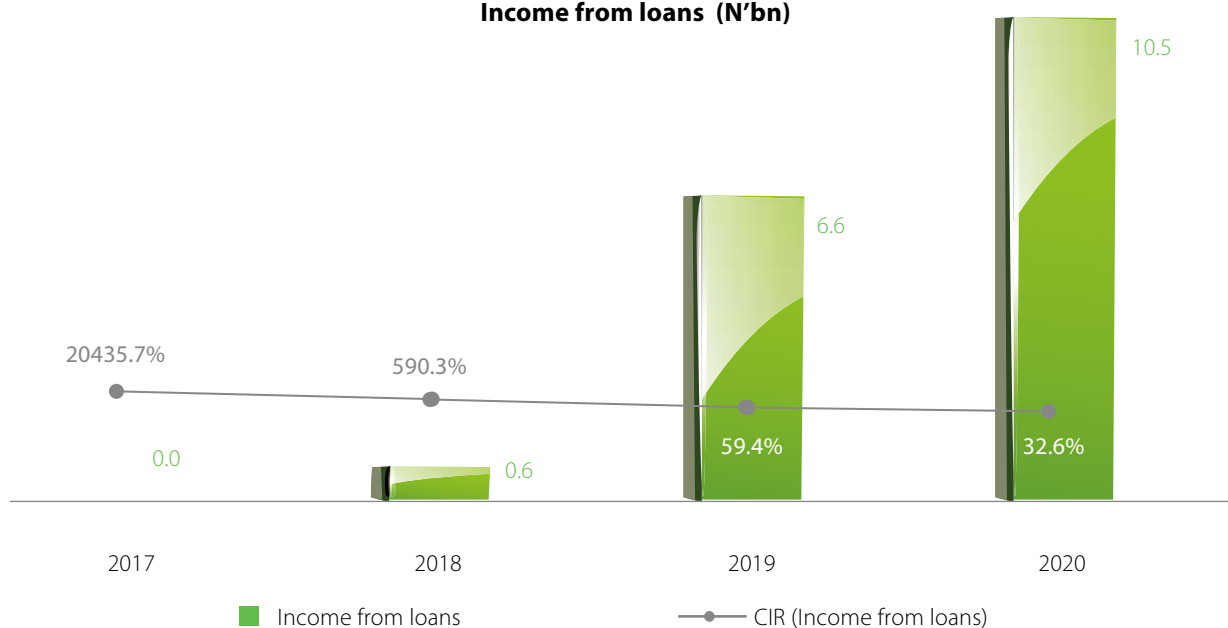


Earnings

The bank's earning remained strong with earnings of N34.6bn for the year. This is a drop of 25% year-on-year from N46.2bn recorded in 2019 on account of the health and economic challenges encountered during the year.

Income from Loans grew significantly by 60% year-on-year from N6.6bn in 2019 to N10.5bn in 2020.

Income from loans (N'bn)



Cost Optimization and Efficiency

In the wake of the COVID-19 pandemic, several cost containment strategies were implemented in 2020 resulting in a 12% decrease in operating expense year on year.

Cost to income from loans is a key metric for the bank and focusing on operational efficiency and maintaining a low cost profile that takes into account income generated from loans. This metric has witnessed improved performance from 590.3% in 2018, 59.4% in 2019 and 32.6% in 2020.

2021 Outlook

Business activities are gradually returning to pre COVID-19 levels, though the pandemic continues to pose restrictions to global trade.

As the vaccines are being rolled out, global trade is expected to grow, and oil prices increase which would have a positive impact on the domestic economic environment.

The bank expects similar challenges of last year to persist as we continue to deal with the difficult operating environment, regulatory headwinds and the new wave of the pandemic.

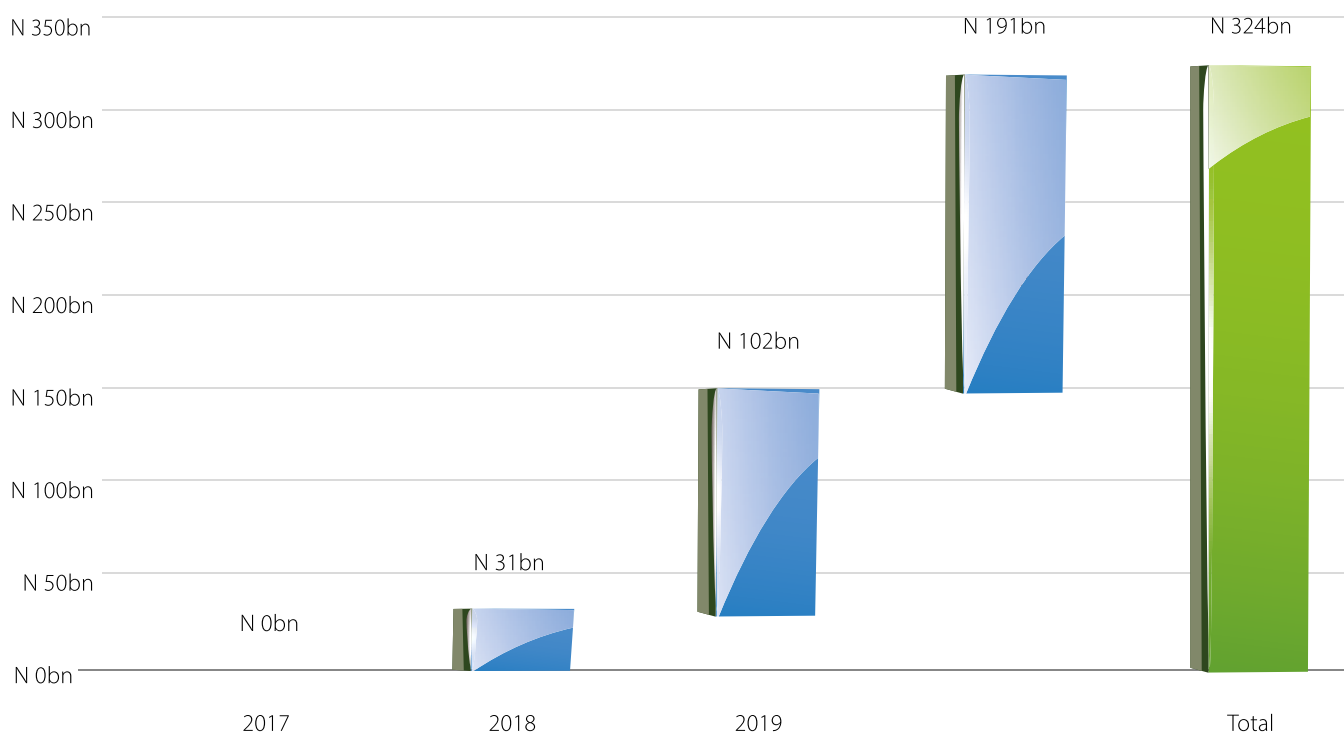
In 2021, the bank's focus remains on financial sustainability and hence the bank will continually innovate and develop new products that will provide additional funding to the MSME sector.

	N'bn	Group			Bank		
		2020	2019	y/y growth	2020	2019	y/y growth
Profitability	Gross Earnings	34.6	46.2	-25%	33.6	45.8	-27%
	Net Interest Income	23.2	38.0	-39%	22.2	37.6	-41%
	Impairment Charges	(0.9)	(1.1)	-20%	(0.8)	(1.1)	-22%
	Operating Income	22.4	36.8	-39%	21.4	36.4	-41%
	Operating Expense	(3.4)	(3.9)	-12%	(3.1)	(3.7)	-17%
	PBT	18.9	32.9	-43%	18.3	32.7	-44%

	N'bn	Group			Bank		
		2020	2019	y/y growth	2020	2019	y/y growth
Balance Sheet	Loans & Advances	214.0	101.9	110%	214.0	101.9	110%
	Total Assets	493.5	474.4	4%	492.3	474.4	4%
	Borrowings	313.7	308.5	2%	313.7	308.5	2%
	Equity	177.9	160.0	11%	176.9	159.6	11%

	N'bn	Group			Bank		
		2020	2019	y/y growth	2020	2019	y/y growth
Ratios	ROAA (pretax)	3.9%	6.8%	-289bps	3.8%	8.7%	-489bps
	ROAE (pretax)	11.2%	19.5%	-829bps	10.9%	22.9%	-1199bps
	CIR	15.3%	10.6%	475bps	14.5%	10.2%	428bps
	CIR (loans)	32.6%	59.4%	-2679bps	29.5%	56.6%	-2715bps

Loan Disbursement Trend

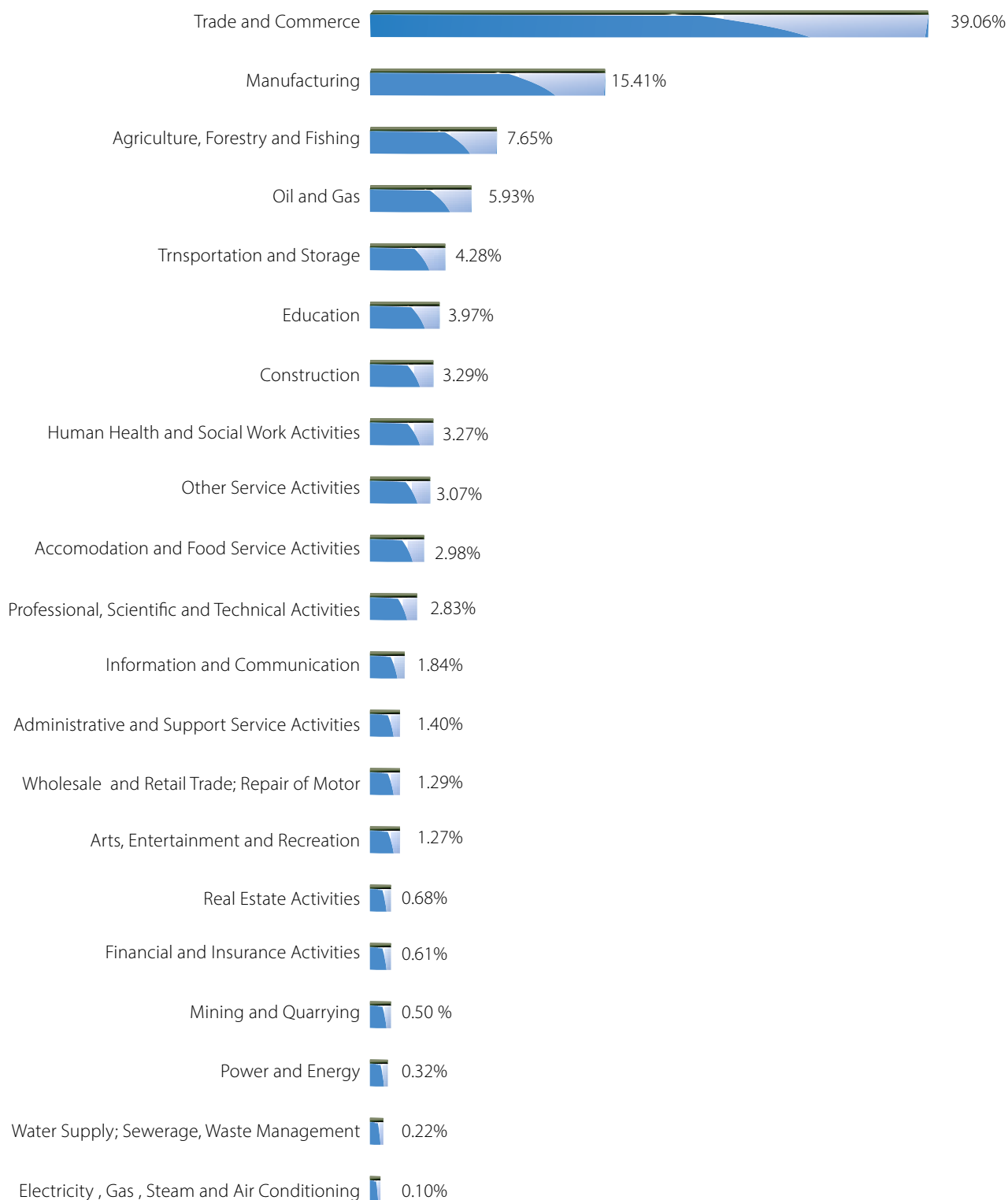


Loan Portfolio

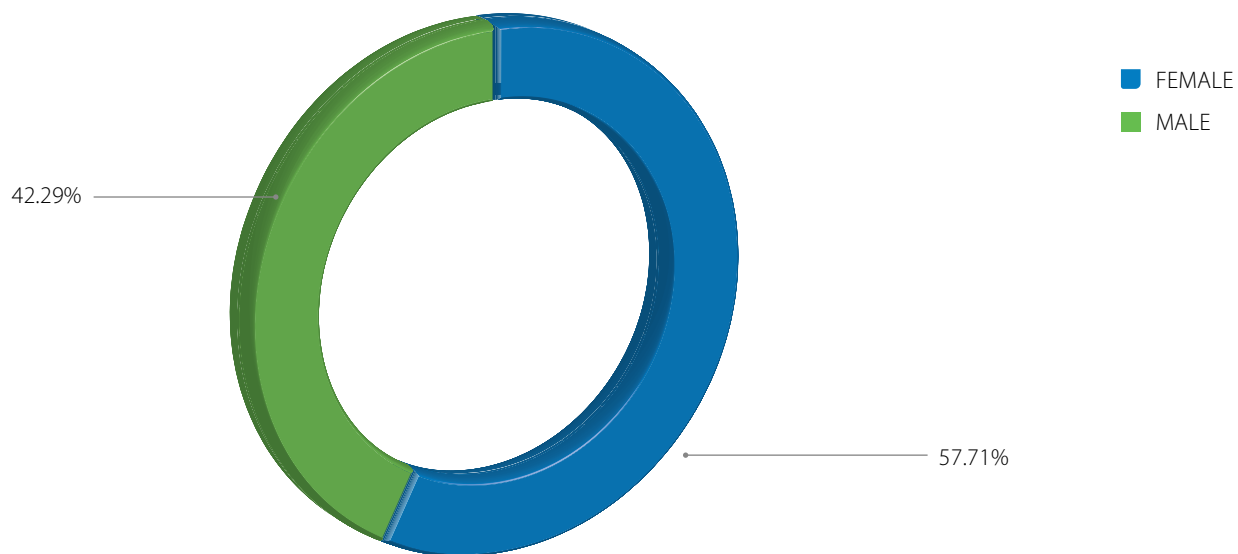
- The Bank began its operations in 2017 and has steadily increased its loan portfolio. The total loans disbursed by year-end 2020 was N324 billion. This is an 89% year-on-year increase; from N101.5 bn as at December 2019 to N191.7 bn as at December 2020.

Loan Portfolio by Sector

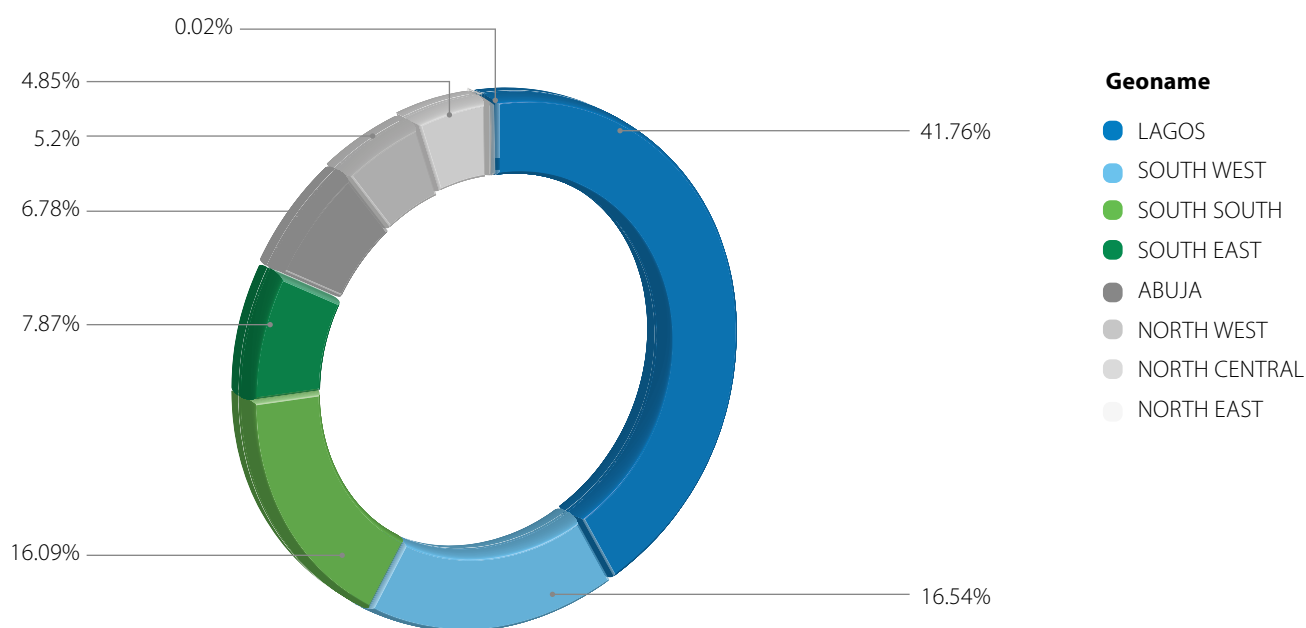
Trade and Commerce accounted for the largest proportion of loans disbursed at 39.06%. Manufacturing, Agriculture and Transportation also account for a significant proportion of loans disbursed.



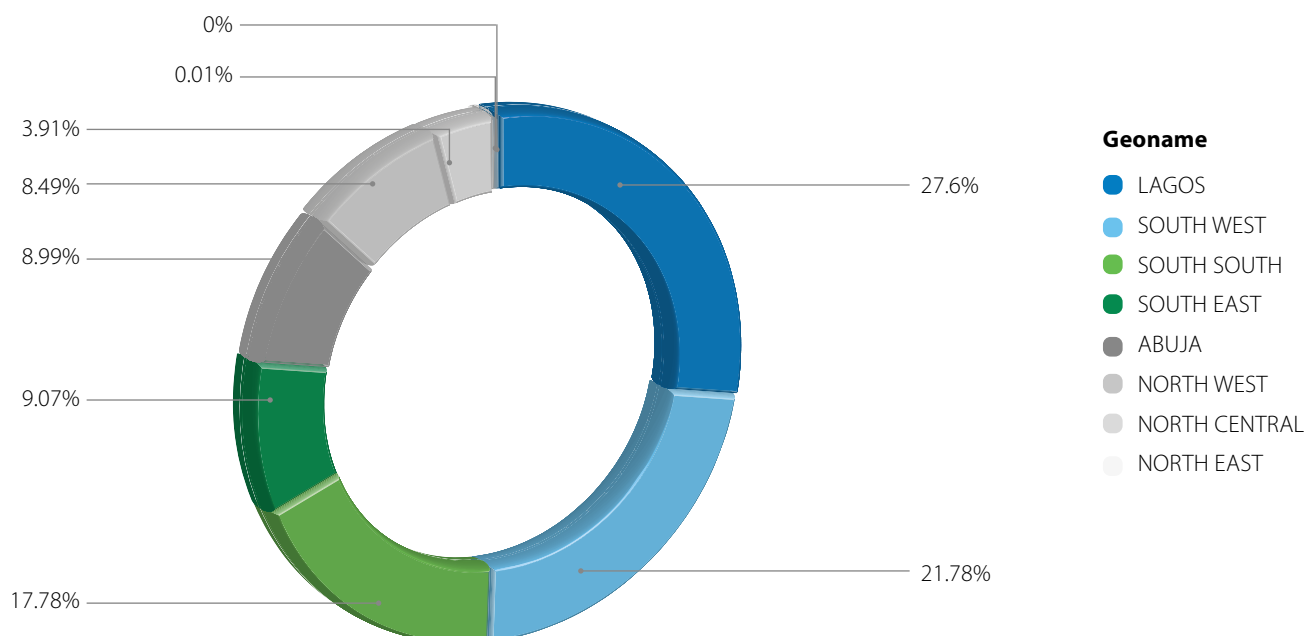
Gender Distribution by Loan Amount



Geographical Distribution by Loan Amount

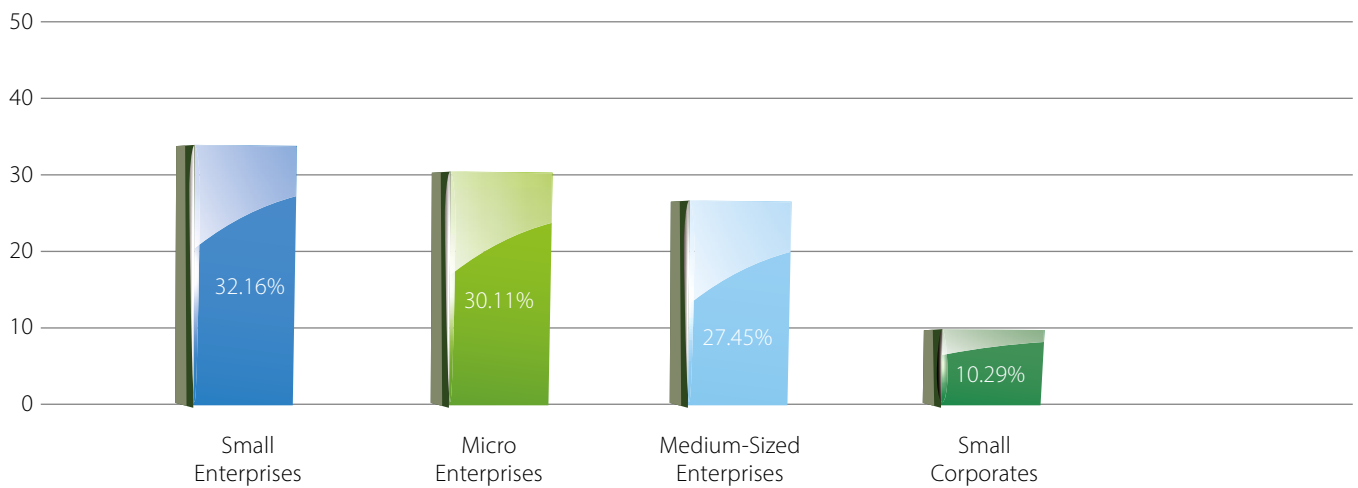


Geographical Distribution by Number of MSMEs

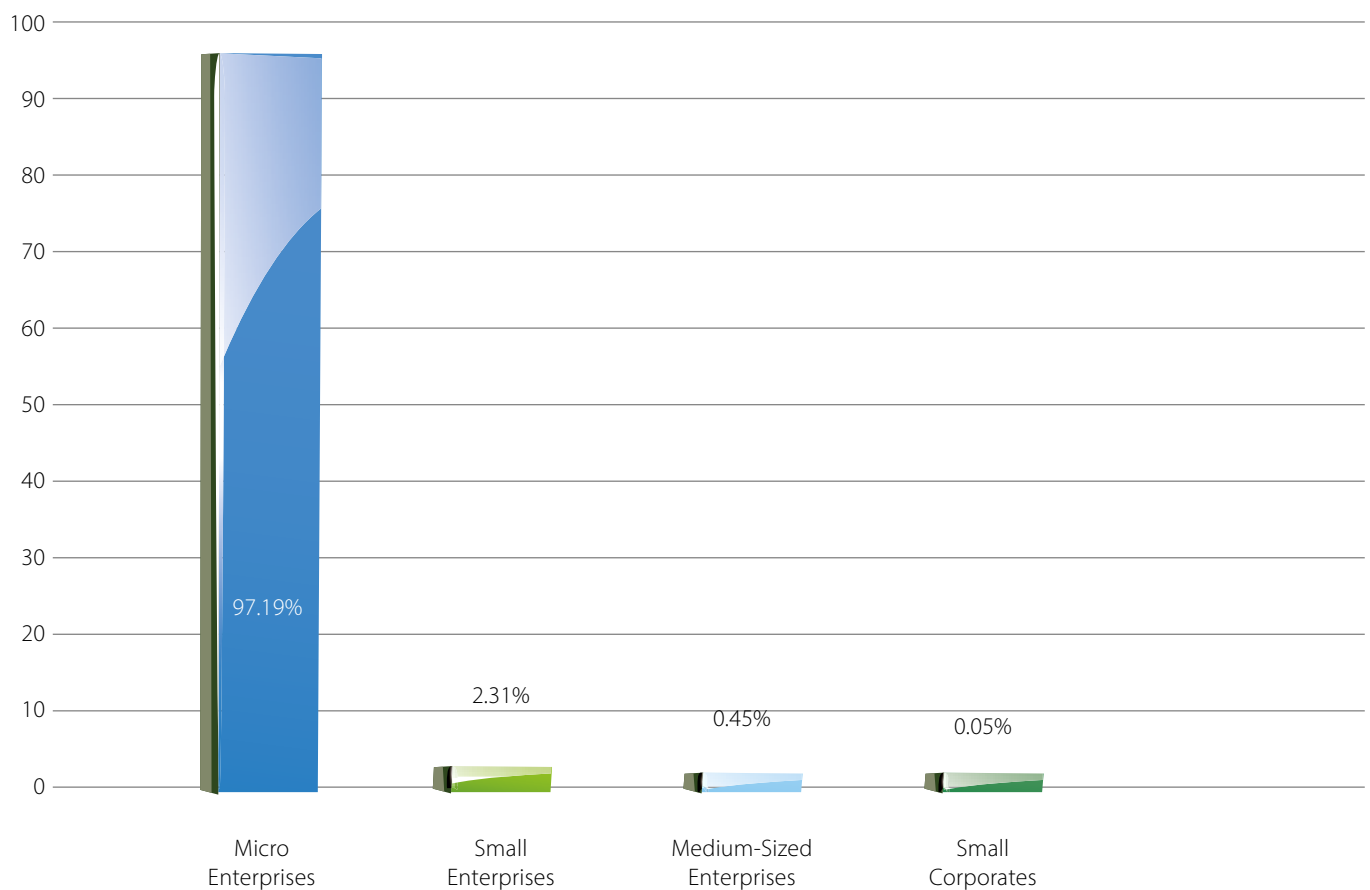


Loan Portfolio by MSME Business Size

Company Size by Loan Amount

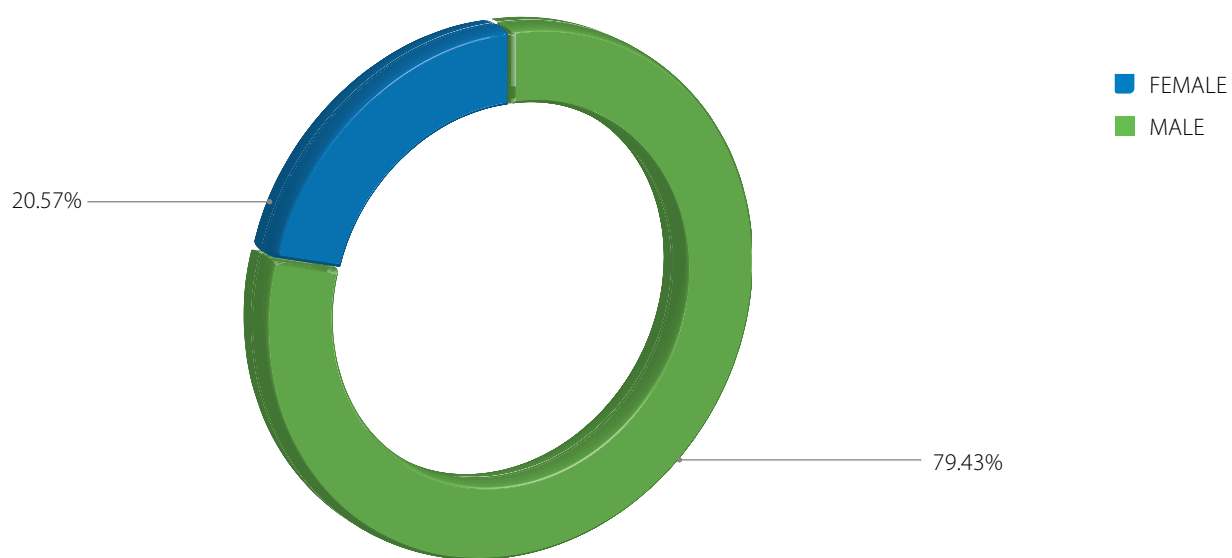


Company Size by Number of MSMEs

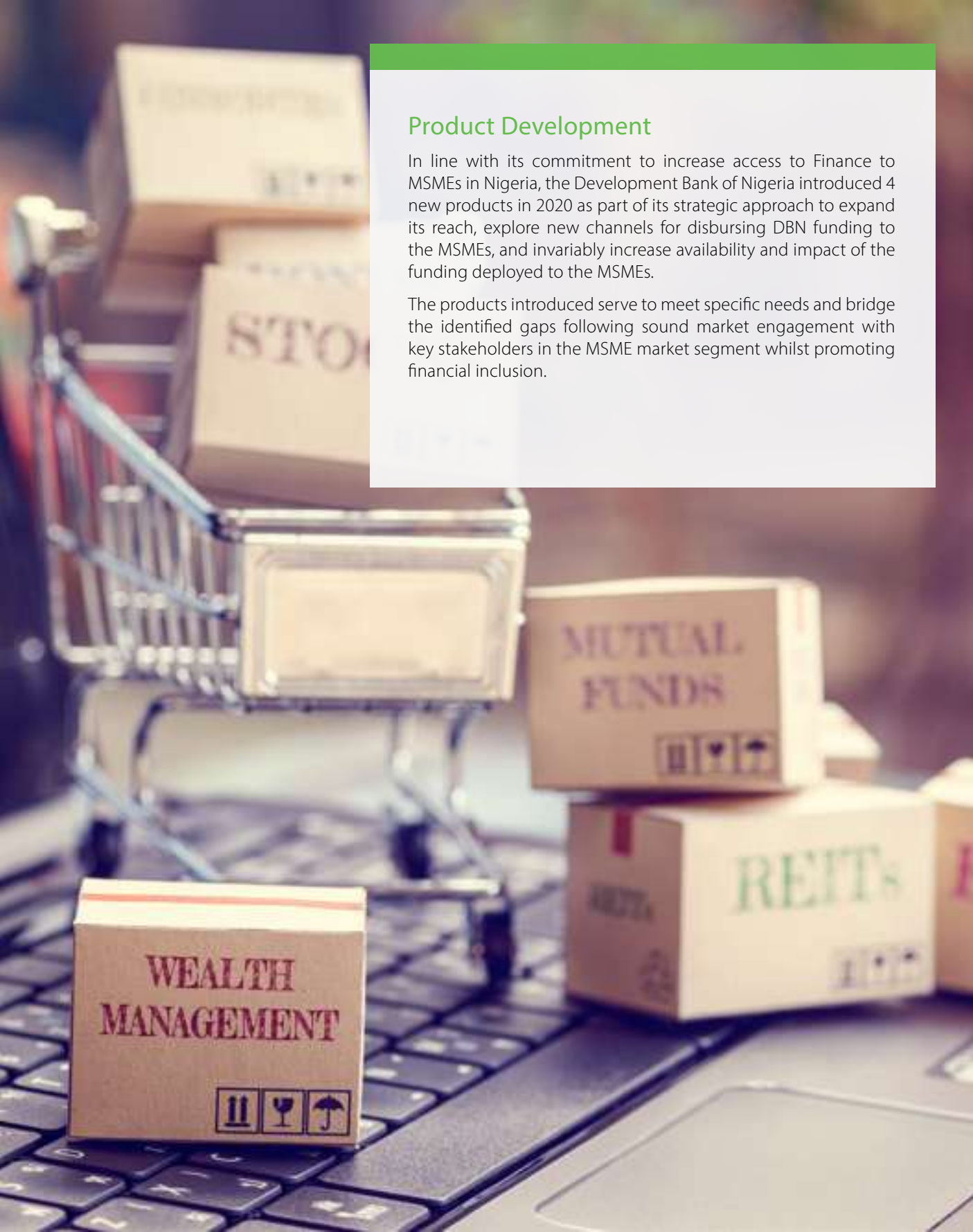


Loan Portfolio by Gender

Gender Distribution by Number of MSMEs



Women-owned MSMEs account for 57.7% of the total number of MSMEs who have accessed funding from the Bank.

A conceptual image showing a small metal shopping cart on a laptop keyboard. Inside the cart and around it are several cardboard boxes. One box in the foreground is labeled 'WEALTH MANAGEMENT' in red. Another box behind it is labeled 'MUTUAL FUNDS' in purple. A third box to the right is labeled 'REITs' in green. The background is blurred, showing more boxes and the laptop's surface.

Product Development

In line with its commitment to increase access to Finance to MSMEs in Nigeria, the Development Bank of Nigeria introduced 4 new products in 2020 as part of its strategic approach to expand its reach, explore new channels for disbursing DBN funding to the MSMEs, and invariably increase availability and impact of the funding deployed to the MSMEs.

The products introduced serve to meet specific needs and bridge the identified gaps following sound market engagement with key stakeholders in the MSME market segment whilst promoting financial inclusion.



Finance-2-Finance Product (F2F)

Product Description:

The DBN Finance to Finance product is a finance product designed specifically for Financial Institutions (FI) with lending operations to MSMEs. The product provides for Participating Financial Institutions to make funds available to their FI customers that have MSME portfolios but who are unable to receive funding directly from DBN.

Target Market:

Qualifying FIs include Microfinance Banks, Microfinance Institutions, Financial NGOs, Cooperatives, Fintech Companies and Other Non-Bank Financial Institutions.

Facility Limit:

PFI to determine qualifying loan amount for the FI based on Risk Assessment.

Conditions:

FI is expected to have active MSME portfolios and demonstrate a commitment to lend to the same.



Long Term Finance

Product Description:

The Long-Term finance product is a loan product provided to Participating Financial Institutions to support their long-term lending to MSMEs for a period of up to 10 years. The structure of the fund is flexible and can easily be adapted to suit the PFIs peculiar needs and finance structure including meeting the requirements of Tier 2 Capital for the PFIs. PFIs can request for this facility to cater for the long-term finance needs of their MSME customers where available funding is typically short-term.

Purpose:

To provide funding to Participating Financial Institutions to support their Long-Term lending activities to MSMEs

Target Market:

All PFIs that require Long Term funding for their business across all sectors.

Facility Limit:

Maximum of 25% of PFIs total capital for Tier 1 banks and 50% for qualifying Tier 2 banks in line with regulatory requirements subject to DBN approved limits.

Tenor:

Minimum tenor of 5 years and a maximum tenor of 10 years.

Moratorium:

Moratorium of up to 7 years on Principal subject to the specific financing structure of PFIs.



Non-Interest Banking Product

Product Description:

In line with its commitment to increase access to Finance, the Development Bank of Nigeria has launched its Non-Interest Banking product. The DBN Non-Interest banking is specially developed for non-interest banks to support funding of their MSME. This product aims to promote financial inclusion and ensure DBN's commitment to increase the availability of its funding to all MSMEs across the country. The product will be available to all Non-Interest Banks as well as other financial institutions who have non-interest banking products and wish to utilize DBN funds to deploy non-interest banking loans to their MSME customers for a tenor of up to 5 years.

Purpose:

To provide non-interest loans to DBN Participating Financial Institutions (PFIs) for on-lending to their MSMEs under the non-interest banking window.

Target PFIs:

PFIs in Nigeria that currently practice non-interest banking and/or who have or require a non-interest product for their MSMEs.

Facility Limit:

% of shareholders' funds as determined by DBN's risk assessment.

Conditions:

Maximum tenor of 5 years (60mths)



MSME Criteria for DBN's Loans

The qualifying criteria for all loans to end-borrowers must be in line with the current DBN definition as outlined below:

- **Sector:** All sectors
- **Geographical Spread:** All geopolitical zones
- **Stage of Business Life Cycle:** Startup, Growth, Expansion
- **Number of Employees:** Less than 250 for MSMEs
- **Asset Base:** Less than N1.125 Billion for MSMEs
- **Annual Turnover:** Less than N950 Million for MSMEs
- **Maximum Loan Size:** N200 Million

HUMAN CAPITAL





Employee Value Proposition

DBN commits to providing employees with a conducive organizational environment that reflects respect, diversity, and which inspires excellence in its people. To this end, our core values underpin all aspects of our activities, including the attracting, nurturing and retaining of our high-performing talents. This remains one of our key strategies for ensuring sustainable business performance and the achievement of the critical objectives that support the Bank's Mission.

At DBN, we recognize that our employees are our most valuable assets and first Brand Ambassadors. Hence, we continue to ensure the workplace remains a conducive space for diversity and inclusion, where every employee feels valued and empowered to realize their innate potential. The Bank's Employee Value corporate & brand identity

- Broad scale of growth and learning opportunities
- Supportive work environment and people management practices
- Reward and recognition

Training and Development

At DBN, we remain committed to adopting global best practices in the space we operate in. This requires continuous investment in the upskilling of our workforce to support our employees with the necessary competencies required for them to keep pushing the frontiers of their capabilities. Ultimately, this remains an effective way through which the Bank has consistently achieved its objectives.

In 2020, despite the COVID-19 related challenges, we leveraged technology in delivering an array of training programs targeted at reinforcing the competencies of employees in areas related to Technical Knowledge, Leadership, Soft Skills, Development Finance, and Health & Safety, which are all required to support employees in achieving their personal & organizational goals.



Employee Welfare

The Bank also continued to provide free graduated medical cover for staff and immediate family members, including annual comprehensive medical/health check-up to help employees assess their health status

We continuously strive to maintain our promise of continuously delivering a rich and enjoyable experience to our most prized assets – our people. This entails fostering a workplace where the wellbeing of our employees is always prioritized. With the unique challenges induced by COVID-19, the Bank continued to proactively deploy innovative ways to promote employee's welfare. Highlighted below are some of the ways in which we promoted and gave sufficient focus to the total wellbeing of our employees in 2020.

Employee Health & Total Wellbeing

As part of the Bank's quest for safeguarding employees' health and wellbeing in 2020, we supported and continue to support our people in the following ways, towards collectively overcoming the challenges associated with the COVID-19 pandemic:

- Immediate activation of the Bank's Business Continuity Plan (BCP) upon perceiving the risk of COVID-19 pandemic. This enabled staff to commence working from home ahead of the pronouncement of the nation-wide lock-down.
- Re-modelling of the workspace and work culture to ensure compliance with social distancing protocols upon resumption of on-site work, in addition to rotational on-site/remote work to reduce the physical presence of employees across our business locations. Staff with underlying medical conditions were encouraged to inform the Human Resources Unit of their situation and to continue to work from home during this pandemic.
- Provision of free Personal Protective Equipment (PPE) to all employees and constant promotion of non-pharmaceutical hygiene practices to guard against exposure to the risk of contracting COVID-19.
- Paid COVID-19 tests for all employees & family members, in addition to post-test support where needed.
- COVID-19 Sensitization and Mental Health Seminars for all employees to increase awareness of the pandemic, help employees identify early stress warning signs and also proactively manage stress-related issues during the pandemic.
- Provision of psychological counselling platform for interested employees

The Bank also continued to provide free graduated medical cover for staff and immediate family members (spouse and up to children), including annual comprehensive medical/health check-up to help employees assess their health status; and providing guidance towards making the necessary lifestyle changes where required. In addition, a diverse range of benefits and perks, such as subscription to gyms, fitness clubs and social clubs were made available for eligible employees.



Employee Engagement and Work/Life Integration

The Bank has therefore proactively put in place a robust framework to guide employees' conduct as they work remotely or flexibly.

As employee engagement is at the core of our people management practices, we continued to build enhanced experience and positive psychology of employees, which is aimed at engaging our talents towards a productive culture of success.

With the advent of COVID-19, and in line with our efforts at ensuring that we build a healthy and positive environment, we organized a COVID-19 Virtual Check-In Session with all employees to find out how they were faring while working remotely. We also conducted COVID-19 Employee Wellness Survey and held Focus Group Sessions with employees to understand their concerns and provide the necessary support.

Remote and Flexible Work - With the rapidly evolving workforce, remote and flexible work is fast becoming the "new normal". The Bank has therefore proactively put in place a robust framework to guide employees' conduct as they work remotely or flexibly. This arrangement allows staff to undertake work from the comfort of their home offices and/or have a flexible onsite work resumption & closing schedule, providing room for the flexible integration of work and personal activities during the day.

In 2020, employees continued to leverage several available opportunities for time-off to attend to personal and community responsibilities, enabling them to attain their full potential. These include:

- 5 – 6 weeks paid annual leave for employees with the option of staggering the leave to meet personal needs
- 5 days paternity leave
- Up to 5 days compassionate leave per annum for bereavement and family emergencies
- 4-month maternity leave and early closure for nursing mums upon return from leave
- Support for a purchased vacation where necessary. This provides employees with the opportunity to purchase additional vacation time
- Social club membership for eligible employees



Career Growth and Development Opportunities

We expect our employees to not only be passionate about the Bank's mandate but also about their personal development. Hence, we continuously invest in providing them with opportunities to build and grow their own capabilities, leverage the collective strengths of colleagues and do work that is not only enriching but socially impactful. In 2020, staff contributed money to provide palliatives and other relief materials to less privileged communities in Nigeria.

At DBN, employees' well-rounded career growth is supported by:

- Access to online learning resources
- Discretionary postgraduate study leave support based on performance after five years in the organization.
- Opportunity to participate in the bank's coaching programme
- Fast track progression for consistent high performance as defined in the career and performance management frameworks
- Minimum of 40 annual training hours based on identified business and/or staff development needs
- Up to 10 working days exam leave for authorized professional examinations (includes exam days) for eligible grades
- Reimbursement for approved mandatory professional certification exams (subject to 1 sitting per stage)
- Annual professional membership subscription for approved relevant professional bodies



Diversity & Equality

We are uniquely diverse, but we recognize that the differences in our people are sources of strength that makes DBN a great place to work. With Diversity as one of our core values, we strive to focus on our collective mission as we serve colleagues, partners and other stakeholders with dignity and fairness, irrespective of their gender, family status, race, colour, nationality, ethnic or national origin, religious belief, age, or disability.

In our commitment to fostering diversity and equality as an institution, we:

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

DBN strongly prohibits discrimination, intimidation, harassment, victimization, and/or vilification in any form, whether obvious, indirect, physical, verbal, or non-verbal within the workplace and in all interactions between its employees and third parties.

DBN's Workforce Diversity Policy lays out the Bank's guiding principles that help us maintain an inclusive workplace culture that is free from discrimination or harassment and where everyone is valued and respected. It also helps to ensure that employment decisions are transparent, equitable and fair, with all employees having equal access to opportunities based on merit.

As at December 31, 2020, women constituted 41% of our workforce. We also recorded considerable progress in strengthening geographical diversity, achieving a minimum of 12% representation for all geographical regions. The Bank continues to make efforts at improving the diversity and inclusivity of its workforce, especially in relation to gender composition and geographical representation.

Key Stats As At December 31, 2020

Total number of staff including (Platform & Front Desk Officers)	51
Female	21
Male	30

Training

Total Learning Hours	6,844
Number of Staff Trained	100%

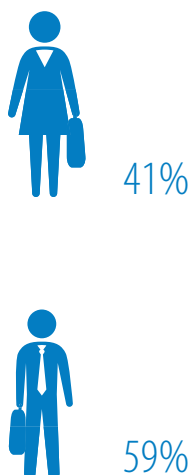
Compensation and Benefits

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

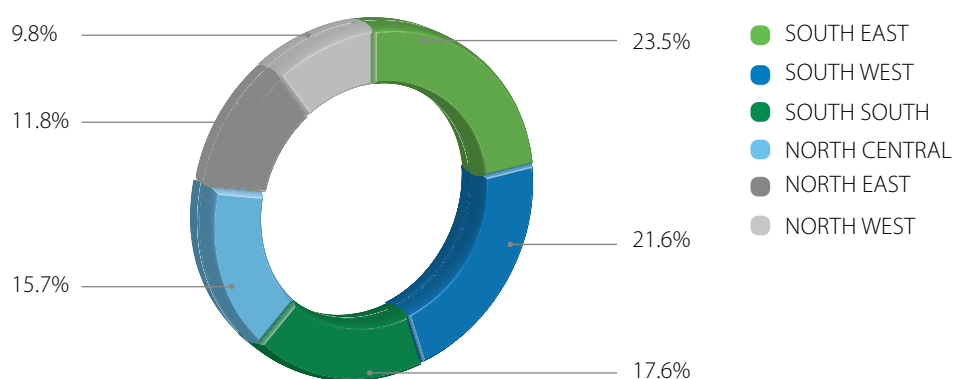
Employee Satisfaction Survey

Employee Satisfaction Level	88%
Satisfaction index on a scale of 1 – 5	4
Employees likely to advocate for DBN as a Great Place to Work	96%

Gender Distribution



Geographical Diversity of DBN Employees



NATURAL CAPITAL



DBN Recycles!

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



Waste

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

a. General Waste:

We continue to partner with municipal waste management authorities to pick up our general waste whilst continuously raising internal awareness of waste management through holding periodic training with our employees.

b. Awareness-Creation and Capacity-Building:

In order to drive deeper levels of change, we carried out training and knowledge-building sessions for our employees and cleaning staff to ensure initiatives put in place have longevity in terms of sustainability and success rates. In 2020 we invited our recycling waste partner to deliver an awareness session on waste to our employees across Lagos and Abuja.

c. Internal Recycling Initiative:

In 2020, we kicked off an internal recycling scheme that targets our plastic, paper and metal wastes out of our two official locations- Abuja and Lagos. During the year 2020, we made the following impact in our recycling initiatives:

i. Total Recyclables (Paper, Plastic & Cans)- 451.2 kg

- Paper - 121.0 kg
- PET - 197.2 kg
- Carton -131.0 kg
- Can -2.0 kg





we partnered with Chanja Datti an indigenous firm that used proceeds from plastic waste collected from Development Bank of Nigeria as school fees for primary school children.

d. External Social Impact Initiative:

Tackling waste challenges requires thinking and action. It is also oftentimes more community-led effort. Usually, to attain higher levels of impact, partnerships are required. As such we partnered with a local recycling firm to ensure that waste created out of our domestic residences are also inculcated into a social impact scheme. This year, we partnered with Chanja Datti an indigenous firm that used proceeds from plastic waste collected from Development Bank of Nigeria as school fees for primary school children.

II. Water

As an organization which are acutely aware that water and the usage of it is an extremely important resource and should be managed closely. We are aware that in many countries around the world, water is becoming an increasingly scarce resource.

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

III. Power

In a bid to conserving our overall power usage, we continuously create awareness around responsible power use across all our operations and activities. This includes awareness-creation around power conservation techniques and mindfulness within our offices. We currently use LED lighting in our office buildings and continuously build internal awareness around the conservation of power especially when office areas are not in use.

INTELLECTUAL CAPITAL



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

Certifications



The Bank conducted the surveillance audit of its three ISO Certifications for Information Security Management (ISO 27001), Business Continuity Management (ISO 22301) and Service Management (ISO 20000). 2020 surveillance audit also included the upgrade of the Bank's existing Business Continuity Management certification to the newest 2019 version.

DBN Publications

DBN's approach to publishing intellectual content

1. Send out a call for papers for both WPS and JESG to a network in academia, think tanks and other stakeholders.
2. Publishing top tier international peer reviewed journals gives the bank's publication outlet more visibility and therefore attracts more submission.
3. In-press publication via Business Day on topical issues to enhance visibility.

As part of our contributions to the development of overall national knowledge economy, the following working papers and journals were created in 2020:



Publications in Journal of Economics and Sustainable Growth (JESG) 2020



Volume 3, Issue 1

1. Analysing terms of Trade Volatility for Nigeria: Do terms of Trade have Asymmetric effects in Nigeria?
2. The Determinants of MSMEs' performance in Nigeria: Evidence from Business Enterprise Survey
3. Impact of Financial Development on Merchandise Trade in Nigeria: A Disaggregate Analysis
4. The Influence of Government Expenditure on Economic Growth in Nigeria
5. The Nexus between Financial Development and Merchandise Exports. Fresh Evidence from SSA using Dynamic Simultaneous-Equation S Models
6. Remittances, Financial Development and Economic Growth in Nigeria

Volume 3, Issue 2

1. A Looming Debt Crisis Narrative
2. Growing the Nigerian Economy
3. Exchange rate volatility and Productivity growth in Nigeria
4. Financial Development and Economic Growth in Nigeria

WORKING PAPER SERIES



Working Paper Series 2020

WPS 213

1. Environmental Quality and Healthcare
2. Foreign Aid Complementarities and Inclusive Development in Africa
3. Foreign Aid Instability and Governance
4. Foreign Aid Volatility and Lifelong Learning
5. Globalisation and FEP in SSA
6. How Enhancing Gender Inclusion Affects Inequality
7. Information Asymmetry Financial Access and Inequality

WPS 214

1. Ethnic Diversity and Inequality in Sub-Saharan Africa
2. Globalization and Regional Dynamics
3. How Enhancing Gender Inclusion Affects Inequality
4. Inequality and Economic Participation
5. Inequality thresholds, Governance and Economic Inclusion
6. Remittances Finance and Industrialization in Africa
7. Renewable Energy and Trade Performance
8. Taxation Foreign Aid and Political Governance
9. Transfer Pricing and CSR

WPS 215

1. Agriculture Sector Performance Institutional frameworks
2. FDI, Domestic Investment and Green Growth
3. Fighting Terrorism
4. ICT Inequality and Gender Inclusion
5. Market Power and Cost Efficiency
6. Regional Integration and Energy Sustainability in Africa
7. Revisiting the Trade and Unemployment Nexus
8. Youth Empowerment in NTFPs

WPS 216

1. An Index of African Monetary Integration
2. Economic Stabilisation and Performance in West Africa
3. Electricity consumption
4. Enhancing ICT
5. Fighting Terrorism in Africa
6. Government expenditure and economic growth
7. Growth Effects of Financial Market Instruments
8. CT and Insurance in Africa
9. Inequality and Gender Economic Inclusion
10. Insurance and Inequality
11. Manufacturing Export and ICT Infrastructure in West Africa
12. On the Simultaneous Openness
13. Wagners law and SD in Nigeria
14. Waste management

WPS 217

1. Agro Industrialisation and Financial Intermediation
2. Chinese and Indian investment in Ethiopia
3. Energy Consumption Capital Investment & Environmental
4. Exploring the Inflationary Effect
5. Governance and the Capital Flight Trap
6. ICT adoption competition in Innovation in Ghana & Nigeria
7. The role of Globalization in Modulating

DBN's Community of Practice



It is essential that efforts to improve the general concepts around the adoption of sustainability principles and the advantages it has for business and the nation in general are encouraged.

As an organization, we are continuously focused on creating communities that espouse sustainability principles and as such, came up with an initiative to raise general awareness on sustainability amongst Development Bank of Nigeria's (DBN) affiliated Microfinance Banks.

This initiative is focused on further deepening awareness on sustainability issues, and positively influencing our Participating Finance Institutions (PFIs) to adopt SDG focused initiatives and operations. According to a study conducted by European Journal of Sustainable Development, the "the primary objective of Microfinance has largely been 'economic'; in recent years the focus has shifted to a more 'social or developmental' objective".

Currently, the overall awareness of sustainability and its translations for the microfinance ecosystem has not been as clearly articulated as it has amongst deposit money banks in Nigeria. As such, it is essential that efforts to improve the general concepts around the adoption of sustainability principles and the advantages it has for business and the nation in general are encouraged.

DBN took the initiative to act as a catalyst in helping to raise awareness around sustainability issues as well as provide technical assistance and enable the establishment of "Communities of Practice" for its PFI-MFBs. We are convinced this will enable the MFBs to have more robust propositions and open them up to a myriad of advantages including external funding, generation of deeper trust with stakeholders, legitimization of operations etc.

The initial webinar invited DBN- affiliated DFIs, the Central Bank of Nigeria, and a sustainability- focused DMB to share experiences concerning their various journeys with sustainability. The aim of the webinar was to create a community where MFBs can learn key sustainability practices and also learn from experts on the most strategic ways to improve their respective sustainability journeys.

Moving forward, we will continue to encourage similar conversations using knowledge sessions as the primary tool for capacity building and knowledge management. In terms of furthering the edicts of SDG 17, we will also use our unique positioning to encourage other local and international partners to become capacity enablers and join us in shaping the narrative on sustainability in Nigeria.

DBN's Entrepreneurship Programme 2020



Registration of Participants on First Day of Training

As part of the capacity building initiatives provided each year to MSMEs, the Development Bank of Nigeria provides a unique training program to over 100 entrepreneurs. The program takes place over a three-month period, in conjunction with two leading entrepreneurship training providers in Nigeria – across Lagos and Abuja. It is designed to cascade valuable business knowledge and skills to competitively selected business owners across the country to enable them to develop much-needed capacity to grow their businesses and thrive during and after the pandemic.

The modules from the curriculum adopted cover (but are not limited to) the following:

- Financial education/record keeping;
- Products development and finding the right customers;
- Effective sales & marketing strategy;
- Strategies for market penetration and leveraging of technology to expand business reach; and
- Sustainable business management.

After the training period has elapsed, an advisory phase kicks off, during which ongoing advisory/mentorship support is provided by industry experts to the MSME business owners for a period of three months.



Opening Remarks Delivered by the Bank's Chief Economist,
Professor Joseph Nnanna



Participants' interactions during the programme



Classroom sessions: An Interactive Q&A Session



Presentation of Certificates to Participants



Presentation of Certificates to Participants



Abuja Entrepreneurship Programme



DBN 2020 Webinar Series



In 2020, the Bank introduced webinars as a way to maintain stakeholder engagement during the course of 2020. The webinars focused on topical issues covering; capacity development, alternative financing options and tools for economic development as focal points. Each session had a panel of experts made up of DBN and external subject matter experts. The sessions proved to be sources of valuable knowledge and were open to the general public in terms of access and participation. Due to the significant mileage gained from each session held, the Bank has resolved to continue to use these knowledge sessions as a regular means of keeping external engagement going moving forward.

The DBN Newsletter – MSME Catalyst

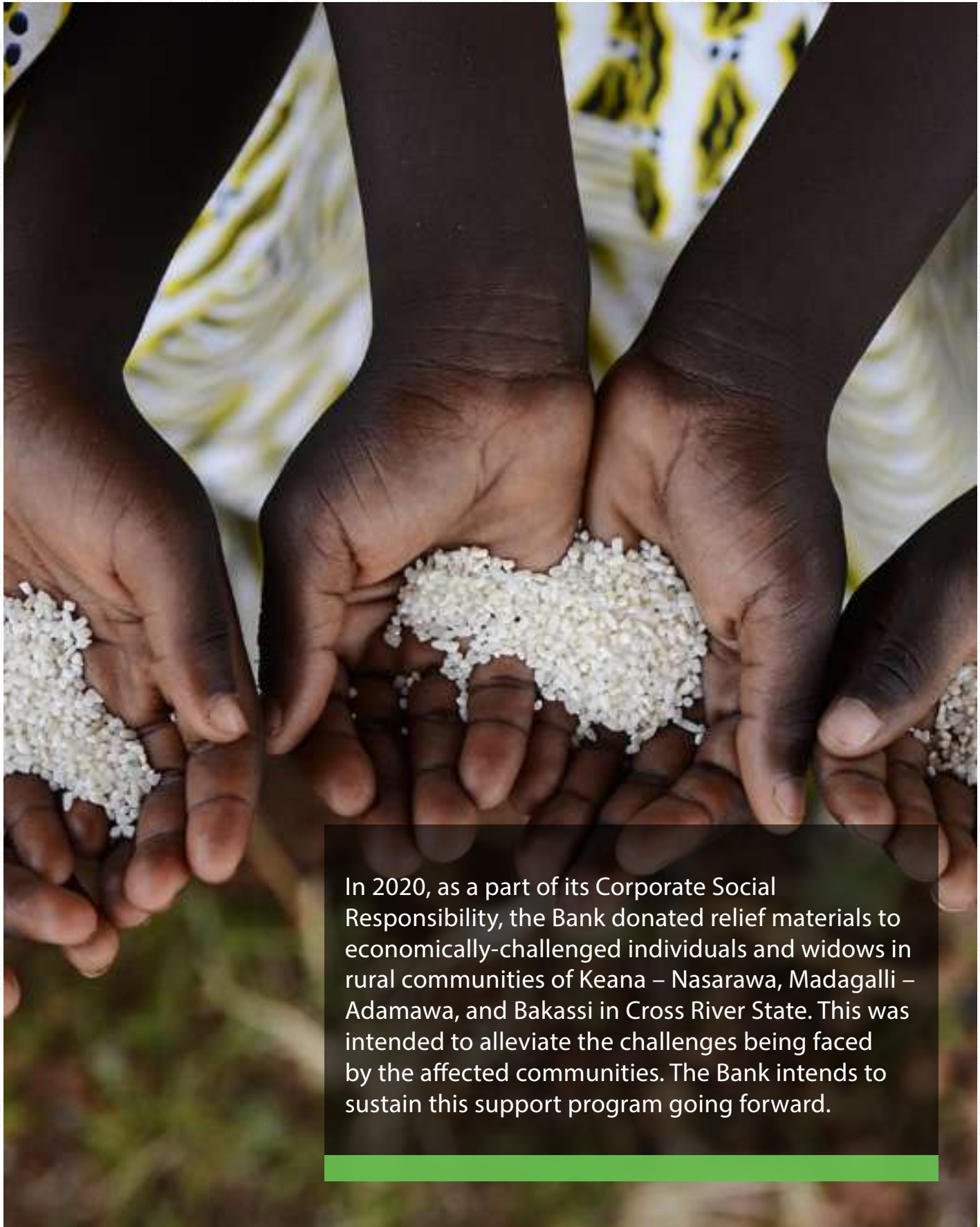


Maiden Edition of the MSME Catalyst
Published June 2020

Second Edition of the MSME Catalyst
Published December 2020

The Development Bank of Nigeria MSME Catalyst Newsletter was created to serve as a platform to engage the Bank's stakeholders and provide them with updates on the Bank's progress in terms of meeting its operational and strategic targets in its journey to becoming Nigeria's premier development finance institution. Over the course of 2020 the bank published two editions of this newsletter which was made available for public consumption (available on the Bank's website).

SOCIAL CAPITAL



In 2020, as a part of its Corporate Social Responsibility, the Bank donated relief materials to economically-challenged individuals and widows in rural communities of Keana – Nasarawa, Madagalli – Adamawa, and Bakassi in Cross River State. This was intended to alleviate the challenges being faced by the affected communities. The Bank intends to sustain this support program going forward.

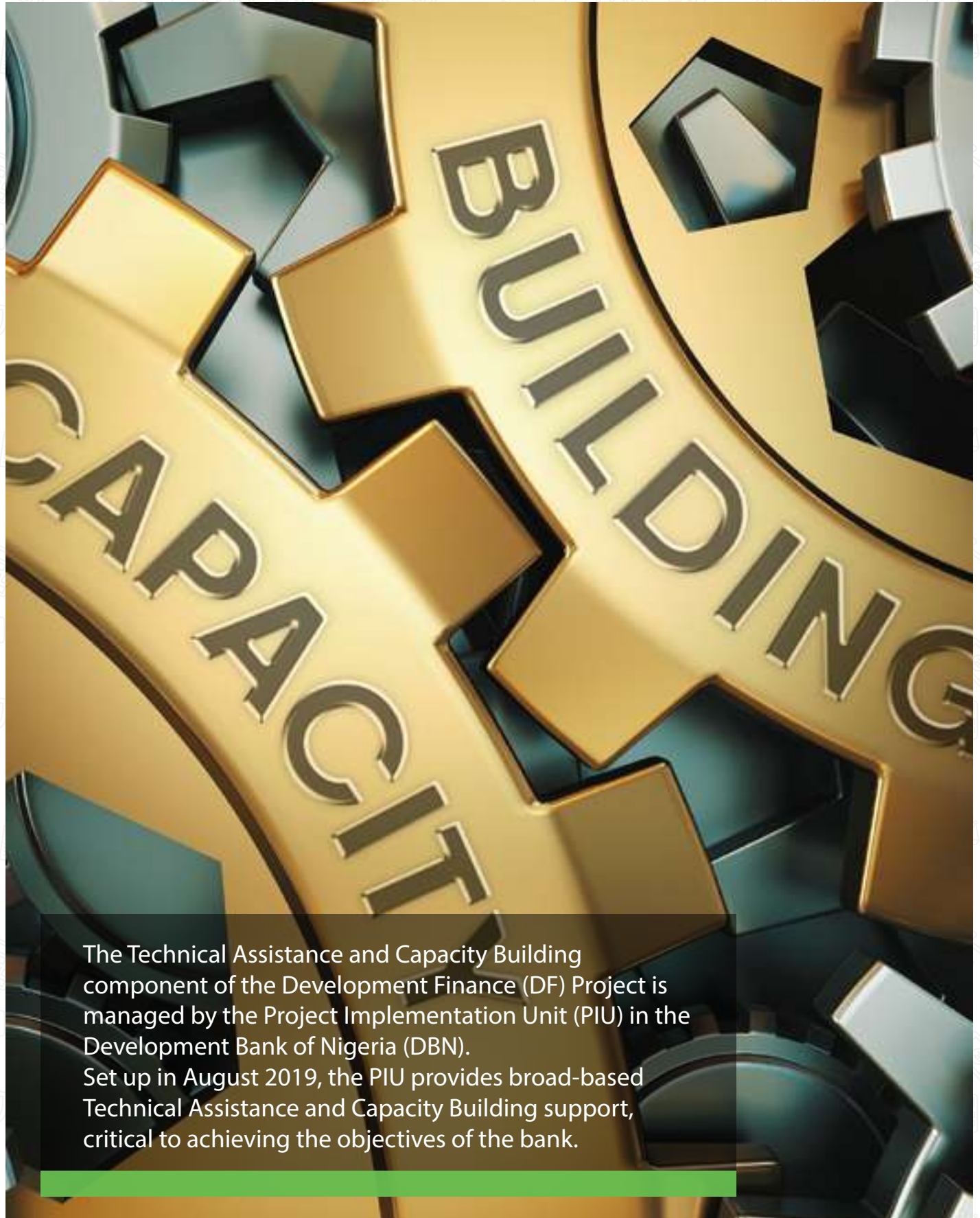
DBN 2020 CSR Activities

MANUFACTURED CAPITAL

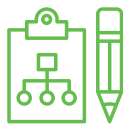
In 2020, we continued in our quest to create a near paperless environment with the implementation of a new intelligent automation platform. This has been used for automation of high-volume processes like Travel Requests, Purchase Orders, Payments, etc.



TECHNICAL ASSISTANCE AND CAPACITY BUILDING



The Technical Assistance and Capacity Building component of the Development Finance (DF) Project is managed by the Project Implementation Unit (PIU) in the Development Bank of Nigeria (DBN). Set up in August 2019, the PIU provides broad-based Technical Assistance and Capacity Building support, critical to achieving the objectives of the bank.

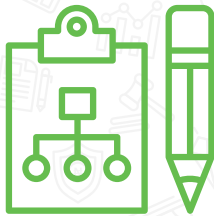
**3**

Key projects in 2020

**\$1.9
million**

in committed funds

**20
benefitting**Participating Financial
Institutions (PFIs)



Key Projects

1. Technical Assistance to Participating Financial Institutions (PFIs) to expand their lending to MSMEs.

This project expands the level of formal credit and other financial services made available to Micro Small & Medium Enterprises (MSMEs), by enhancing the capability of financial institutions to serve this market segment profitably and sustainably.

Project implementation commenced in June 2020 with five PFIs namely Ecobank, Wema Bank, Union Bank, Access Bank and Guaranty Trust Bank. These banks were selected based on an initial assessment of the bank's operations as it relates to MSME financing.

The Technical Assistance provides support through products and service designs, MSME business strategies, development of workplans for each PFI, and supports PFIs to roll out and implement a viable MSME strategy.

2. Environment and Social (E&S) Risk Management

Environmental and Social Risk Management is vital in ensuring efficient monitoring and management of environmental impact from bank's operations. DBN recognizes the value of good environmental performance as a fundamental element of sustainable banking and the bank's commitment to social impact. This is also demonstrated in the bank's inclusion of standard E&S practices as part of on-boarding requirement for PFIs.

To raise awareness, capacity and knowledge around E&S risk management practices and procedures, the bank is providing technical assistance and capacity building support to PFIs in this area. This will ensure that PFIs develop defined structures and processes for effective E&S risk management.

A virtual E&S capacity building training was conducted for 43 staff from 14 recently onboarded PFIs spread across Commercial Banks, Microfinance Banks, Mortgage Banks, Merchant Banks, and a Non-Interest Banks.

3. Monitoring and Evaluation (M&E)

During the year, the bank strengthened its theory of change, built a database of loans disbursed and guarantees issued to PFIs, and refined its Monitoring, Evaluation and Learning (MEL) framework. The refined MEL framework was developed in consultation with critical stakeholders, including development partners, and PFIs.

Technical Assistance and Capacity Building at a Glance

1. Technical Assistance to PFIs - Expanding Lending to MSMEs

Benefit	Commitment	Project duration	Key Achievements
5 PFIs	\$1.6 million	18 months	Institutional Assessment
Improved access to finance to MSMEs			Technical Cooperation Agreements. Initial training for 48 PFI staff. Focus areas include Risk Management, Renewable Energy and Credit Scoring

Trainee Testimonials



Project Unit, **Ecobank**

"The training was excellently received by staff of our Risk management department. They were thrilled to learn new tools on how to manage E&S risk."



Credit Risk Management, **GT Bank**

"Thank you so much for today's session. It was really great and beneficial."

2. Environmental & Social Risk Management

Benefit	Commitment	Project duration	Key Achievements
Enhanced E&S risk management practices for PFIs	\$39,000	12 months	Gap analysis of existing E&S processes in four selected PFIs
PFIs' capacity building workshops and trainings.			14 PFIs trained on E&S risk management screening

PFIs Trained

MfBs

Richway Microfinance Bank



FundQuest Financial Services Limited



LivingTrust Mortgage Bank Plc



Astra Polaris Microfinance Bank



Infinity Trust Mortgage Bank



Regent Microfinance Bank Limited



Jubilee life Mortgage Bank



ABU Microfinance Bank Limited



Microvis Microfinance Bank



Stanford Microfinance Bank



DMBs

FSDH Merchant Bank Limited



Coronation Merchant Bank



Jaiz Bank Plc



Providus Bank



Trainee Testimonials



Credit Collections & Recovery, **LivingTrust Mortgage Bank Plc.**

"Following the robust and highly enlightening webinar attended in December, we now go the extra mile to visit customer locations and vet requests for facilities, to ensure compliance with environmental laws."



Brand Communications & Customer Experience, **Fundquest Financial Services Limited**

"Very educative. One of the high points was the information on the environmental risk of using generators, in light of the power situation in the country"



Financial Control, **Regent Microfinance Bank Ltd.**

"The training was very resourceful and worth the time spent. Issues around environmental risks affecting businesses was exhaustively dealt with and participants were equipped with the necessary skills required to assess risks related to business banking"



Financial Control, **LivingTrust Mortgage Bank.**

"Comprehensive and worthwhile. It shed more light on environmental and social risks relevant to our operations as a Financial Institution"



Legal & Compliance, **Fundquest Financial Services, Limited**

"Eye opening in unique ways. Increased my awareness and interest in certain aspects of Risk Management."

3. Monitoring & Evaluation (M&E)

Benefit	Commitment	Project duration	Key Achievements
Revised Monitoring & Evaluation framework for DBN	\$200,000	6 months	Over 40 interviews with key stakeholders, PFIs and development partners
			Revised Theory of Change and M&E framework for DBN.

External stakeholder engagements.

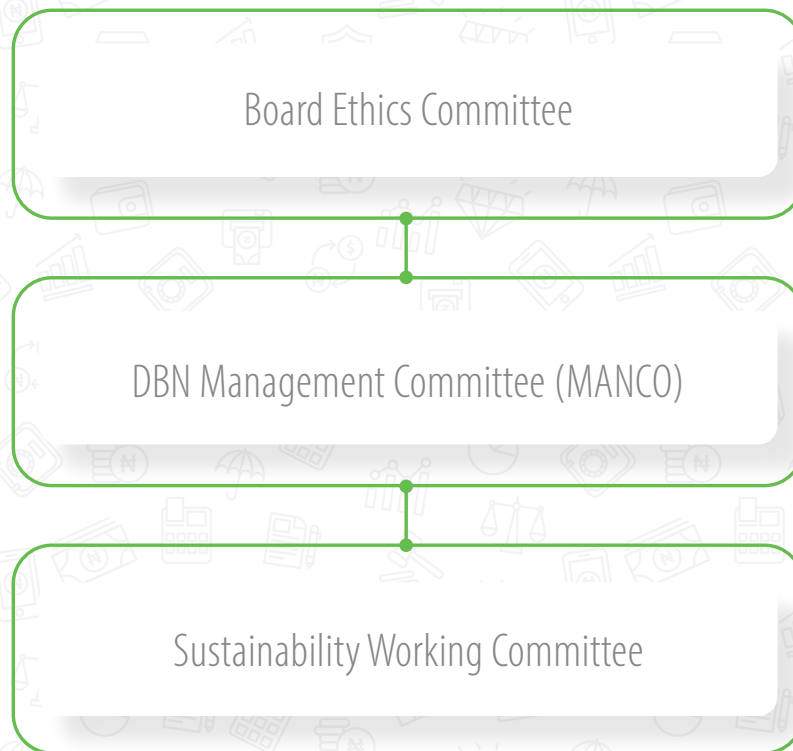
Micro Finance Banks	Deposit Money Banks	Development Partners
AB Microfinance Bank 	Fidelity Bank Plc 	AfDB 
Accion Microfinance Bank 	First City Monument Bank 	KfW 
LAPO Microfinance Bank 	Stanbic IBTC 	EIB 
Bosak Microfinance Bank 	Ecobank Bank 	AFD 
Adosser Microfinance Bank 	Union Bank 	World Bank 
Mainstreet Microfinance Bank 		
Dovo Dani Microfinance Bank 		
Seedvest Microfinance Bank 		

Technical Assistance and Capacity Building support is crucial in achieving the objectives of the Development Bank of Nigeria (DBN) Plc. The key objectives of the Technical Assistance include supporting Participating Financial Institutions (PFIs) to reach out to MSMEs, enhancing PFIs' understanding and usage of more appropriate lending techniques required in environments where Micro Small and Medium Enterprise's access to collateral is limited and weaknesses in the financial infrastructure inhibit efficient foreclosure on collateral. The Project Implementation Unit (PIU) in DBN is responsible for administering the Technical Assistance. Activities of the PIU are guided by an annual workplan prepared by DBN and approved by the World Bank.

OUR APPROACH TO SUSTAINABILITY



Governance Model



Sustainability is overseen by the Board Ethics Committee within Development Bank of Nigeria. The Sustainability Working Committee reports to DBN's Management Committee (MANCO) which in turns makes submissions on progress across key sustainability areas to the Board. Through this integrated approach, DBN ensures sustainability strategies are well integrated into business processes and the same subject matters are internalized by all Bank employees.

Roles and Responsibilities:

1 Board

Our Board is ultimately responsible for providing oversight of social, environmental and ethical matters. As a matter of routine, it has the following responsibilities:

- Review and approve all policies, guidelines and actions on E&S risk management.
- Ensure that environmental and social issues are embedded into the Bank's risk management processes;
- Constantly demonstrate commitment to the principles of sustainable banking;
- Ensure the establishment of appropriate structures for risk management and the implementation of the Bank's sustainable finance policy.



2

Our Management Committee

- Develop and implement policies, principles and practices to foster the sustainable growth of the Bank
- Develop the Bank's sustainability strategy, establish sustainability goals and integrate these into daily business activities across the Bank
- Define the structure and process for the effective management of E&S risks;
- Keep track of new and innovative technologies that could help the Bank foster sustainable growth.
- Review and advise the Board on the Bank's sustainability reporting and sustainability targets

3

Sustainability Working Committee

The Sustainability Working Committee is focused on integrating key sustainability principles across the different activities and operations within DBN. The working committee is also responsible for ensuring that awareness around key sustainability issues remain a priority for the Bank and its employees.

Working committees hold twice a year with participating departments focused on creating and integrating all business activities and operations in parallel with the vision, strategy, goals and priorities of the Bank.

Key responsibilities of the committee include:

Oversight and reporting:

- The Committee oversees the review of reports created by the Sustainability Unit and ensuring all relevant information is accurately captured and is a true report of the Bank's sustainability progress.

E&S oversight:

- Responsible for developing and updating the procedures and documents that are part of the Bank's E&S risk management system. Furthermore, ensuring that all related ESG components of the Bank's lending process are adhered to and in strict compliance to CBN NSBP mandates.

Creation of Policy:

- Assist in the creation of relevant sustainability-related policies to guide the Bank's internal and external activities.

Coordination/Execution of mandate:

Provide general oversight into the execution of sustainability-related activities.

Awareness and change management:

Assist in driving and institutionalizing sustainability initiatives and awareness bank-wide.

Sustainability Strategy

Our sustainability strategy integrates local and international regulation while staying true to our corporate strategy

DBN recognizes that good business and success is strongly linked to sustainable practices. Our journey to becoming a more sustainable bank gained momentum with the establishment of a cross-functional sustainability working team and articulation of high-level plans. Our strategic focus targets objectives outlined under the Nigerian Banking Sustainable Principles (NSBPs) and the United Nations Sustainable Development Goals (SDGs) and will include other sustainability principles as we grow. Alignment of our operations, processes and activities will ensure synergy between DBN's strategy and local and international sustainable principles.

Our pillars are reflective of integration between DBN's organizational thrusts and local and international sustainability regulation. These include:



Environmental Focused Activities and Operations: (SDGs 7,13)

- The Bank is committed to ensuring that it manages the impact of its operations on the environment and the community in which it operates. The Bank recognizes that good environmental performance is a fundamental element of the Bank's commitment to corporate social responsibility, and that a responsible approach to environmental issues is critical to its continuous success.
- We remain committed to ensuring that we do not negatively affect the environments and communities in which we carry out our activities and operations. In addition, we will continually deploy energy-efficient utilities and tools and incorporate energy-efficient methods in the way our operations and business processes are conducted.

2020 Strategic Initiatives

- 100% loans screened for E&S
- Creation of specialized products e.g. Green product, women product



Gender Balance and Empowerment: (SDGs 5)

- Gender balance is the state of equal ease of access to resources and opportunities regardless of gender, including economic participation and decision-making; and the state of valuing different behaviors, aspirations and needs equally, regardless of gender. DBN remains committed to promoting women's economic empowerment through its business activities and operations by developing products and services specifically aimed at women.

2020 Strategic Initiatives

- Celebration of 2020 International Women's Day
- Creation of women's product

**17 PARTNERSHIPS
FOR THE GOALS**

Reporting and collaboration: (SDG 17)

We remain committed to reporting on our activities as a Bank using mediums such as our corporate website, reports, Annual Accounts and Statements etc. It is essential that we inform all stakeholders of our activities and operations.

2020 Strategic Initiatives

- 2020 Integrated Report
- Quarterly report sent to DBN Development Partners
- Publication of Quarterly working paper series
- Quarterly publications in the Journal of Economics & Sustainable Growth
- Publication of internal newsletter - MSME Catalyst

**4 QUALITY
EDUCATION****5 GENDER
EQUALITY****8 DECENT WORK AND
ECONOMIC GROWTH****10 REDUCED
INEQUALITIES**

Financial Inclusion: (SDG 4, 5, 8, 10)

We remain committed to delivering financial services at affordable costs to sections of disadvantaged and low-income segments of society in line with CBN's inclusion strategy.

2020 Strategic Initiatives

- Develop awareness and capacity building on financial literacy;
- Collaborate/Partner with organizations focused on providing similar services to disadvantaged groups in our communities

Specifically, we made progress in the following Sustainable Development Goal Areas:

SDG Area	Description	2020 Activities
	No Poverty	• N191bn loans disbursed in 2020 • Increased staff strength and average staff salary by MSMEs following loan collection (see the section on M&E exercise)
	Zero Hunger	• The Bank donated N100 million towards the fight against COVID-19. • The Bank's staff provided economic assistance to disadvantaged persons to help cushion the economic strain caused by the COVID-19 pandemic.
	Gender Equality	• The International Women's Day (IWD) celebration held on March 8th. The Bank hosted its IWD event on March 5th. • 58% of the Bank's loans are to women-owned MSMEs. • Increased % of female staff to 41%
	Gender Equality	• An estimate of 97,266 jobs created by loan beneficiaries in 2020
	Decent Work & Economic Growth	• An estimate of 97,266 jobs created by loan beneficiaries in 2020
	Reduced Inequalities	• No gender pay gap • Equal learning opportunities for all • Inclusive workplace culture • Anti discrimination/harassment policies
	Climate Action	• A total of 451.2kg recycled based on recycling activities out of Lagos and Abuja offices • 1.5 MT of CO2 Emission saved
	Partnerships for the Goals	• Partnered with MFBs for sustainable banking • Joined the Steering Committee for the Nigerian Sustainable Banking Principles • Became a member of the Financial Literacy Working Group • Joined the board of the Montreal Group

We have also achieved good mileage across the Nigerian Sustainable Banking Principles

NSBP Area		Achievements in 2020
1	Business Activities	100% loans screened for E&S Robust E&S processes Comprehensive risk management processes and oversight
2	Business Operations	Launch of Recycling Initiatives in Lagos and Abuja Development of Procurement Sustainability policies Developed enterprise-wide Digital Strategy
3	Human Rights	Company-wide human rights policy
4	Women's Economic Empowerment	IWD 2020 celebrations Development of a women's product
5	Financial Inclusion	Membership of industry committees focused on Financial Inclusion: Technical Committee on Financial Inclusion
6	Environmental and Social Governance	Board level oversight of sustainability initiatives through Board Ethics Committee Creation of internal sustainability working committee
7	Capacity Building	In 2020 we held the following trainings: Held PFI training- Technical assistance on E&S with 14 PFIs, 7 MFBs, 2 merchant banks, 1 DMB, 1 Non-interest Bank, 3 mortgage Banks Held annual DBN Entrepreneurship program Delivered a total of 6,844 employee learning hours across various focus areas Held 3 webinars for the general public Developed a Sustainability Community of Practice forum for DBN-affiliated MFBs
8	Collaborative Partnerships	We partner with the following industry stakeholders: • Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) • SME Finance Forum • Nigerian Association of Small and Medium Enterprises (NASME) • The National MSME Clinic
9	Reporting	2020 Integrated Report Quarterly report sent to DBN Development Partners Publication of Quarterly working paper series Quarterly publications in Journal of Economics & Sustainable Growth Publication of internal newsletter- MSME Catalyst

LOOKING TO THE FUTURE



UPDATES ON 2020 TARGETS

	Area	Promise	Progress
1	Sustainability	- Kick-off Internal Recycling Scheme - External Environment Social Impact Activity - Increased support for Global Sustainability initiatives (Water, Waste, Environmental Management, Women,) etc.	- Successfully kicked off recycling across Lagos and Abuja office locations - Creation of awareness and knowledge management around SDGs (internally) - Successful celebration of International Women's Day
2	People	Kick-off Management Trainee Program	The Bank commenced its Management Trainee programme in 2020
3	Operations	- Develop gender-based products (Women and Youth) - Increase focus on Real Sectors (Agriculture, Manufacturing, Renewable Energy & Energy Efficiency)	- Launched the Interest Drawback Program aimed at increasing PFI lending to Women & Youth via incentives to PFIs. - PFI engagements and write-up are in process for the development of product specially targeted at gender finance. - Interest Drawback Program has incorporated incentives for the Real Sector businesses to increase PFI focus on and lending to same. - Product write-up has been drafted and will be circularized
4	Technology	- Commence Digital Strategy Project - Commence Phase II Biz Aid Platform	- We concluded the formulation of DBN's Digital Strategy with focus on the following: - Improved Productivity & Engagement - Operational Efficiency - Improved Service Delivery - This Digital Strategy will see us improve user experience on our channels while making security of data a priority. We will also increase the drive to digitize more business processes while removing frictions on existing platforms. - We have started implementation of initiatives by improving security of information assets as a foundation.

	Area	Promise	Progress
1	Sustainability	• Kick-off Internal Recycling Scheme • External Environment Social Impact Activity • Increased support for Global Sustainability initiatives (Water, Waste, Environmental Management, Women,) etc.	• Successfully kicked off recycling across Lagos and Abuja office locations • Creation of awareness and knowledge management around SDGs (internally) • Successful celebration of International Women's Day
2	People	• Kick-off Management Trainee Program	The Bank commenced its Management Trainee programme in 2020
3	Operations	• Develop gender-based products (Women and Youth) • Increase focus on Real Sectors (Agric, Manufacturing, Renewable Energy & Energy Efficiency)	• Launched the Interest Drawback Program aimed at increasing PFI lending to Women & Youth via incentives to PFIs. • PFI engagements and write-up are in process for the development of product specially targeted at gender finance. • Interest Drawback Program has incorporated incentives for the Real Sector businesses to increase PFI focus on and lending to same. • Product write-up has been drafted and will be circularized
4	Technology	• Commence Digital Strategy Project • Commence Phase II Biz Aid Platform	• We concluded the formulation of DBN's Digital Strategy with focus on the following: • Improved Productivity & Engagement • Operational Efficiency • Improved Service Delivery • This Digital Strategy will see us improve user experience on our channels while making security of data a priority. We will also increase the drive to digitize more business processes while removing frictions on existing platforms. • We have started implementation of initiatives by improving security of information assets as a foundation.
5	Capacity Development	• Kick-off Technical Assistance Projects	• The Technical Assistance project for PFIs kicked off with a pilot group of PFIs. Implementation is currently underway across the PFIs.
6	Monitoring Evaluation	• Improve PFI loan portfolio tracking and analysis • Increase Technical Assistance Initiatives for PFIs	• A new M&E results-based framework was developed and approved in 2020, which captures PFI loan tracking and analysis.

7	CSR	- Capacity Building (MSME Skill acquisition/ training programs) for disadvantaged regions in Nigeria - Provide support for public rural health initiatives - Sport related sponsorship programs - Support local entrepreneurship and Start-Up Initiatives (nation-wide)	Due to the COVID-19 pandemic, the Bank experienced some constraints in carrying out some its targeted CSR activities. However, it provided economic assistance and relief to widows and other economically challenged persons in Adamawa, Nassarawa and Cross River communities.
8	Thought Leadership	- DBN Annual Lecture Series - International Women's Day Celebration - MSME Summits	- DBN Annual Lecture Series and MSME Summits were cancelled due to COVID-19 Pandemic. - Successfully celebrated IWD 2020

FINANCIAL PERFORMANCE



Corporate Information

Board of Directors:

Shehu Yahaya	- Chairman/Non-Executive
Anthony Okpanachi	- Managing Director
Uche Orji	- Non-Executive Director
Bello Maccido	- Independent Director
Oladimeji Alo	- Independent Director
Phillips Oduoza	- Independent Director
Andrew Alli	- Independent Director
Clare Omatseye	- Independent Director
Henry Baldeh	- Non-Executive Director
Yaw Adu Kuffour ³	- Alternate Director

³ Mr Yaw Adu Kuffour, died in the course of the year.

Company Secretary/Legal Adviser

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

Registered office:

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

Independent auditor:

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Bankers:

Central Bank of Nigeria
Access Bank Plc
Ecobank Nigeria Limited
Fidelity Bank Plc
First Bank of Nigeria Limited
First City Monument Bank Limited
Guaranty Trust Bank Plc
Stanbic IBTC Bank Plc
Union Bank of Nigeria Plc
United Bank for Africa Plc
Zenith Bank Plc
Wema Bank Plc

RC No.:

1215724

Directors' Report

For the year ended 31 December 2020

The directors present their annual report on the affairs of Development Bank of Nigeria Plc ("DBN" or "the Bank"), and its subsidiary (together "the Group or DBN Group"), together with the audited consolidated and separate financial statements and the independent auditor's report for the year ended 31 December 2020.

Legal form

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

Principal activity

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

Operating results

The Bank has one subsidiary, Impact Credit Guarantee Limited, which was incorporated on 8 March 2019 with the aim of carrying on the business of issuing credit guarantees to Participating Financial Institutions (PFIs) in respect of loans granted to eligible businesses in the Micro, Small and Medium Enterprises (MSME) sector. Gross earnings of the Group and Bank stood at ₦34.59 billion and ₦33.58 billion respectively (2019: Group: ₦46.24 billion; Bank: ₦45.76 billion). The Group recorded a profit after taxation of ₦17.98 billion and the Bank, a profit after taxation of ₦17.29 billion (2019: Group: 33.91 billion; Bank: ₦33.60 billion). Highlights of the Group's and Bank's operating results for the year under review are as follows:

	Group		Bank	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Gross earnings	34,594,464	46,236,882	33,576,720	45,755,228
Interest expenses	(11,270,015)	(8,191,950)	(11,270,015)	(8,191,950)
Personnel expenses	(1,441,782)	(1,659,385)	(1,240,514)	(1,586,311)
Operating expenses	(2,938,203)	(3,438,947)	(2,775,318)	(3,326,874)
Profit for the year before minimum taxation	18,944,464	32,946,600	18,290,873	32,650,093
Minimum taxation	(83,942)	(228,776)	(83,942)	(228,776)
Profit for the year before taxation	18,860,522	32,717,824	18,206,931	32,421,317
Tax (expense)/credit	(882,298)	1,193,632	(920,886)	1,175,552
Profit for the year after taxation	17,978,224	33,911,456	17,286,045	33,596,869
Retained earnings	51,587,170	40,675,299	50,580,403	40,360,711
Statutory reserve	23,288,071	18,102,257	23,288,071	18,102,257
Regulatory reserve	3,195,939	1,315,400	3,195,939	1,315,400

Dividend

The directors have not proposed any dividend in the year ended 31 December 2020 (31 December 2019: Nil).

Board of Directors

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

Shehu Yahaya	Chairman/Non-Executive
Anthony Okpanachi	Managing Director
Uche Orji	Non-Executive Director
Bello Maccido	Independent Director
Oladimeji Alo	Independent Director
Phillips Oduoza	Independent Director
Andrew Alli	Independent Director
Clare Omatseye	Independent Director
Henry Baldeh	Non-Executive Director
Yaw Adu Kuffour ³	Alternate Director

³ Mr Yaw Adu Kuffour, died in the course of the year.

Directors and their interests

The directors do not have any interest required to be disclosed under section 303 of the Companies and Allied Matters Act (CAMA), 2020.

Directors' interests in contracts

In accordance with section 303 of the Companies and Allied Matters Act (CAMA), 2020, none of the directors have notified the Bank of any declarable interests in contracts with the Bank.

Ownership

The issued and fully paid-up share capital of the Bank was 100,000,000 (2018: 100,000,000) ordinary shares of ₦1 each as at 31 December 2020. The shareholding structure as at the balance sheet date were as shown below:

Shareholders	31 Dec 20		31 Dec 19	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
In thousands				
Ministry of Finance Incorporated (MOFI)	59,868,000	60%	59,868,000	60%
Nigeria Sovereign Investment Authority (NSIA)	14,967,000	15%	14,967,000	15%
African Development Bank (AfDB)	17,975,000	18%	17,975,000	18%
European Investment Bank (EIB)	7,190,000	7%	7,190,000	7%
Total	100,000,000	100%	100,000,000	100%

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

Events after the end of the reporting period

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

Property and equipment

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

Donations and charitable contributions

The Group and Bank identifies with the aspiration of the country and the business environment in which it operates. To this end, the Bank made donations of N143.8 million (31 December 2019: N35.25 million) to various organizations during the period: (see note 16)

Purpose	Beneficiaries	Amount
Donation to FGN towards COVID 19 Pandemic Eradication	Federal Government of Nigeria	100,000,000
Donation iro Lion's Den Program	Ultima Studios	20,000,000
Donation for MSME Clinic and MSME Awards	National MSME Clinic	17,000,000
Donation iro relief materials for CSR	Indigenes of Cross River, Adamawa and Nasarawa	3,843,980
Donation to ICSAN 2020 Annual Conference	Institute of Chartered Secretary and Administrators	1,000,000
Donation for Emerging Leaders Summit	Guardian of Nation International (GOTNI)	750,000
Donation to the 2020 African Economic Congress	African Economic Congress	500,000
Donation for creative conversation with TMJ	Urban Culture Ideas	500,000
Donation for online conference of GOTNI	Guardian of Nation International (GOTNI)	225,000
Total		143,818,980

Directors' Report

For the year ended 31 December 2020

Human resources

(i) Employment of disabled persons

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

(ii) Health, safety and welfare at work

The Group maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. The Group operates both a Group Personal Accident and Group Life Insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2014 (as amended).

(iii) Employee involvement and training

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

(iv) Gender analysis of staff

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

Group

31 December 2020

(a) Analysis of total employees

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Employees	36	20	56	64%	36%
	36	20	56	64%	36%

(b) Analysis of Board and senior management staff

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	10	1	11	91%	9%
Senior Management	14	2	16	88%	12%
	24	3	27	89%	11%

31 December 2019

(a) Analysis of total employees

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Employees	29	13	42	69%	31%
	29	13	42	69%	31%

(b) Analysis of Board and senior management staff

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

Bank**31 December 2020****(a) Analysis of total employees**

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Employees	30	17	47	64%	36%
	30	17	47	64%	36%

(b) Analysis of Board and senior management staff

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	8	1	9	89%	11%
Senior Management	11	2	13	85%	15%
	19	3	22	87%	13%

31 December 2019**(a) Analysis of total employees**

	Gender			Gender	
	Number			Percentage	
	Male	Female	Total	Male	Female
Employees	26	11	37	70%	30%
	26	11	37	70%	30%

(b) Analysis of Board and senior management staff

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

v) Subsidiary Company - Impact Credit Guarantee Limited

The bank has a subsidiary known as Impact Credit Guarantee Limited ("ICGL"). ICGL was established in 2019, through the support of the World Bank, and ICGL's remit is to provide partial credit guarantees on loans provided by banks, to eligible Micro, Small and Medium Scale Enterprises (MSMEs) and small corporates in Nigeria. In the first full year of operations, ICGL guaranteed 1,749 loans in the sum of N10.4billion. As at the end of the year, the Company had on-boarded eight (8) Partner Financial Institutions. The Company also recorded a gross earnings of N1.06billion; with earnings from core activities accounting for 6.29%; and ended the year with a Profit Before Tax of N653.59million. The Board of ICGL is being strengthened by the appointment of Independent Non-Executive Directors whose nomination have been presented to the Central Bank of Nigeria, for approval.

Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as independent auditors to the Group and Bank. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA), 2020 therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD



Shofola Osho
FRC/2016/NBA/00000014944
Company Secretary
Plot 1386A Tigris Crescent,
Maitama, F.C.T
Abuja, Nigeria
23 February, 2021

Report of the Statutory Audit Committee

For the year ended 31 December 2020

To the members of the Development Bank of Nigeria Plc

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act (CAMA), 2020, the members of the Statutory Audit Committee of the Development Bank of Nigeria Plc hereby report on the financial statements for the year ended 31 December 2020 as follows:

We have exercised our statutory functions under section 404 (7) of the Companies and Allied Matters Act (CAMA), 2020 and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

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

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



Stella Ojekwe-Onyejeli

Chairperson

Statutory Audit Committee

FRC/2014/ICAN/00000005766

4 March, 2021

Members of the Statutory Audit Committee are:

Stella Ojekwe-Onyejeli	Chairperson
Abdulfatah Abdulsalam	Member
Andrew Alli	Member
Oladimeji Alo	Member

Profile of Members of the Statutory Audit Committee



Mrs. Stella Ojekwe-Onyejeli

*Chairperson,
Statutory Audit Committee*

Mrs. Stella Ojekwe-Onyejeli is the Executive Director/Chief Operating Officer at the Nigeria Sovereign Investments Authority ("NSIA").

Mrs. Ojekwe-Onyejeli joined the NSIA following a distinguished tenure as Director and Head of Operational Risk & Control at Barclays, covering Emerging Markets and Africa.

She served as Vice President and Head of Quality Assurance, Africa at Citibank with direct oversight of the enterprise risk and control environment in 14 countries across Africa and had a decade-long career at the professional services firms Arthur Anderson and KPMG in Nigeria and South-Africa, providing financial advisory and business assurance services.

Mrs. Ojekwe-Onyejeli was a Federal Government of Nigeria Scholar, and Institute of Chartered Accountants of Nigeria Prize Winner. She is a qualified Chartered Financial and Tax Accountant, who holds a first degree in Chemistry from the University of Lagos.

She possesses an M.B.A from Cranfield School of Management in the UK.



Abdulfatah Abdulsalam

*Member,
Statutory Audit Committee*

Abdulfatah Abdulsalam is a Deputy Director, International Development Assistance, in the International Economic Relations Department, Federal Ministry of Finance, Budget and National Planning ("FMFBNP").

He joined the Federal Civil Service in February 1991 and was posted by the Office of the Head of Service of the Federation, to the FMFBNP in May 2009. He has held other postings in his career at the Ministry of Communications, the National Health Insurance Scheme and Office of Secretary to the Federal Government of the Federation. He was one of the key officers deployed by the Federal Government of Nigeria for the establishment of the National Health Insurance Scheme in March 1998.

At the FMFBNP, Abdulfatah Abdulsalam is responsible for managing the relations with the Development Partners and Multilateral Financial Institutions and development projects funded from concessionary credits and grants from the Development Partners.

He holds a B.Sc in Economics from Bayero University and an M.Sc in Political Economy and Development Studies from the University of Abuja and has attended several local and foreign trainings.


Mr. Andrew Alli
Independent Non-Executive Director

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

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

He was at different times, a non-executive director of ARM Cement Limited and an independent non-executive director of Guaranty Trust Bank Plc.

He is a non-executive director on the Board of the CDC Group.

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

Mr. Andrew Alli is a member of the Bank's Statutory Audit Committee.


Dr. Oladimeji Alo
Independent Non-Executive Director

He served as the Managing Director /Chief Executive Officer of the Financial Institutions Training Centre ("FITC") and contributed immensely to a series of reforms in the Nigerian banking sector.

While in the services of the international firms of Pricewaterhouse and later, Coopers & Lybrand, Dr. Alo provided consulting assistance to several leading organizations in Nigeria. He also served at different times as the President of the West African Bankers' Association and the Chartered Institute of Personnel Management of Nigeria. He was also the Chairman of the Board at Berger Paints Plc and is currently a non-executive director of ARM Investment Managers. He is a Fellow of the Chartered Institute of Bankers of Nigeria.

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

Dr. Oladimeji Alo is a member of the Bank's Statutory Audit Committee.

Statement of Directors' Responsibilities in Relation to the Financial Statements

For the Year Ended 31 December 2020

The Directors accept responsibility for the preparation of the consolidated and separate annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Anthony Okpanachi

FRC/2016/CISN/00000015033

Chief Executive Officer

23 February, 2021



Shehu Yahaya

FRC/2019/IODN/00000019238

Chairman

23 February, 2021


KPMG Professional Services

KPMG Tower
Bishop Abiodun Cole Street
Victoria Island
PMB 40014, Folorunso
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Development Bank of Nigeria Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Development Bank of Nigeria Plc ("the Bank") and its subsidiary (together, "the group"), which comprise:

- the consolidated and separate statements of financial position as at 31 December, 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income;
- the consolidated and separate statements of changes in equity;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiary as at 31 December, 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Key Audit Matters

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



Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, and Other National Disclosures, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group (and Bank)'s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group (and Bank)'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group (and Bank) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020.

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and (proper returns adequate for the purposes of our audit have been received).
- The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns;



Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

- i. The Bank and Group did not pay any penalty in respect of contravention of the BOFIA and CBN guidelines during the year ended 31 December 2020.
- ii. Related party transactions and balances are disclosed in note 31 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

A handwritten signature in blue ink that reads 'Kabir'.

Kabir Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
10 March 2021
Lagos, Nigeria

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

In thousands of Naira

Notes

Group	Group	Bank	Bank
31 December	31 December	31 December	31 December
2020	2019	2020	2019

Assets

Cash and cash equivalents	18	259,145,775	132,663,583	249,275,276	130,431,689
Investment securities	19	16,605,584	237,014,094	14,162,048	227,587,961
Loans and advances to customers	20	214,023,172	101,899,673	214,023,172	101,899,673
Investment in subsidiaries	21	-	-	11,375,000	11,375,000
Property and equipment	22	2,023,477	1,058,155	1,966,935	989,172
Intangible assets	23	139,533	106,472	123,468	106,472
Deferred tax asset	17b	941,468	1,567,866	875,249	1,546,819
Other assets	24	593,539	435,651	511,085	426,429

Total assets
493,472,548 474,745,494 492,312,233 474,363,215
Liabilities

Employee benefit obligation	25	1,817	1,111	-	-
Provision for guarantee	26	28,765	449	-	-
Current income tax liability	17c	341,474	603,010	334,889	600,043
Borrowings	27	313,724,945	308,484,268	313,724,945	308,484,268
Other liabilities	28	1,441,797	5,701,130	1,325,416	5,637,966

Total liabilities
315,538,798 314,789,968 315,385,250 314,722,277
Equity

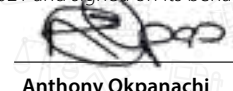
Share capital	29a	100,000	100,000	100,000	100,000
Share premium	29b	99,762,570	99,762,570	99,762,570	99,762,570
Retained earnings	29c	51,587,170	40,675,299	50,580,403	40,360,711
<i>Other reserves:</i>					
Statutory reserve	29d	23,288,071	18,102,257	23,288,071	18,102,257
Regulatory risk reserve	29e	3,195,939	1,315,400	3,195,939	1,315,400

Attributable to equity holders of the parent
177,933,750 159,955,526 176,926,983 159,640,938
Total liabilities and equity
493,472,548 474,745,494 492,312,233 474,363,215

The financial statements were approved by the Board of Directors on 23 February, 2021 and signed on its behalf by:


Shehu Yahaya

Chairman


Anthony Okpanachi

Managing Director

Additionally certified by:


Ijeoma Ozulumba

Chief Financial Officer

FRC/2017/ICAN/00000016105

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

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

For the year ended 31 December 2020

In thousands of Naira	Note	Group	Group	Bank	Bank
		31 December	31 December	31 December	31 December
		2020	2019	2020	2019
Gross earnings	30d	34,594,464	46,236,882	33,576,720	45,755,228
Interest income	8	34,423,329	46,235,570	33,429,735	45,754,097
Interest expense	9	(11,270,015)	(8,191,950)	(11,270,015)	(8,191,950)
Net interest income		23,153,314	38,043,620	22,159,720	37,562,147
Impairment losses on financial assets	10	(855,839)	(1,072,204)	(829,726)	(1,067,912)
Net interest income after impairment charge on financial assets		22,297,475	36,971,416	21,329,994	36,494,235
Guarantee income	11	66,653	181	-	-
Other income	12	104,482	1,131	146,985	1,131
Fee and commission expense	13a	(91,451)	(133,242)	(87,524)	(133,242)
Guarantee expense	13b	(7,058)	(360)	-	-
Net operating income		22,370,101	36,839,126	21,389,455	36,362,124
Personnel expenses	14	(1,441,782)	(1,659,385)	(1,240,514)	(1,586,311)
Depreciation and amortization	15a	(458,681)	(356,274)	(438,275)	(350,834)
General and administrative expenses	16	(1,525,174)	(1,876,867)	(1,419,793)	(1,774,886)
Total expenses		(3,425,637)	(3,892,526)	(3,098,582)	(3,712,031)
Profit for the year before minimum taxation		18,944,464	32,946,600	18,290,873	32,650,093
Minimum taxation	17	(83,942)	(228,776)	(83,942)	(228,776)
Profit for the year before taxation		18,860,522	32,717,824	18,206,931	32,421,317
Tax (expense)/credit	17	(882,298)	1,193,632	(920,886)	1,175,552
Profit for the year after taxation		17,978,224	33,911,456	17,286,045	33,596,869
Profit for the year after taxation attributable to:					
Owners of the parent		17,978,224	33,911,456	17,286,045	33,596,869
Non-controlling interests		-	-	-	-
Other comprehensive income		-	-	-	-
Total comprehensive income		17,978,224	33,911,456	17,286,045	33,596,869
Total comprehensive income attributable to:					
Owners of the parent		17,978,224	33,911,456	17,286,045	33,596,869
Non-controlling interests		-	-	-	-
		17,978,224	33,911,456	17,286,045	33,596,869

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 December 2020***Group***In thousands of Naira*

	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total Equity
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Balance as at 1 January 2020**100,000****99,762,570****18,102,257****1,315,400****40,675,299****159,955,526****Total comprehensive income for the year**

Profit for the year

Other comprehensive income for the year

Total comprehensive income

-

-

-

-

17,978,224

17,978,224

Transfer between reserves:

Transfer to statutory reserve

29(d)

-

-

5,185,814

-

(5,185,814)

-

Transfer to regulatory risk reserve

29(e)

-

-

1,880,539

(1,880,539)

-

Balance as at 31 December 2020**100,000****99,762,570****23,288,071****3,195,939****51,587,170****177,933,750***In thousands of Naira***Notes****Share Capital****Share Premium****Statutory Reserve****Regulatory risk Reserve****Retained Earnings****Total equity****Balance as at 1 January 2019****100,000****99,762,570****8,023,196****467,915****17,690,389****126,044,070****Total comprehensive income for the year**

-

-

-

-

33,911,456

33,911,456

Profit for the year

Other comprehensive income for the year

-

-

-

-

-

-

Total comprehensive income

-

-

-

-

33,911,456

33,911,456

Transfer between reserves:

Transfer to statutory reserve

29(d)

-

-

10,079,061

-

(10,079,061)

-

Transfer to regulatory risk reserve

29(e)

-

-

847,485

(847,485)

-

Balance as at 31 December 2019**100,000****99,762,570****18,102,257****1,315,400****40,675,299****159,955,526**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS*For the year ended 31 December 2020*

In thousands of Naira

	Note	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Cash flows from operating activities					
Profit for the year after tax		17,978,224	33,911,456	17,286,045	33,596,869
Minimum taxation	17a	83,942	228,776	83,942	228,776
Tax expense/(credit)	17a	882,298	(1,193,632)	920,886	(1,175,552)
Profit before tax		18,944,464	32,946,600	18,290,873	32,650,093
Adjustments for:					
Impairment on loans and advances to PFIs	10	369,318	637,460	369,318	637,460
Impairment on other financial assets	10	486,521	434,744	460,408	430,452
Depreciation of plant and equipment	15a	409,868	324,727	390,358	319,287
Amortization of intangibles	15a	48,813	31,547	47,917	31,547
Write-off of intangible assets	23	27,309	-	27,309	-
Interest income on treasury bills	19a	(16,500,016)	(32,600,380)	(15,738,932)	(32,187,248)
Interest income on loans and advances to PFIs	20a	(10,517,652)	(6,557,456)	(10,517,652)	(6,557,456)
Interest expense on borrowings	27a	11,263,712	8,187,131	11,263,712	8,187,131
Lease expenses	9	6,303	4,819	6,303	4,819
Net increase in provision for guarantee	30a(iv)	28,316	449	-	-
Loans and advances to PFIs:					
Loans disbursed	20a	(164,360,921)	(107,056,996)	(164,360,921)	(107,056,996)
Loan principal repayments received	20a	51,529,772	33,672,354	51,529,772	33,672,354
Gain on disposal of plant and equipment	30b	713	(12)	713	(12)
		(108,263,480)	(69,975,013)	(108,230,823)	(69,868,569)
<i>Changes in:</i>					
Net (decrease)/increase in other liabilities	30a(i)	(4,224,872)	4,668,212	(4,278,089)	4,605,049
Net increase in Employee benefit obligation	30a(ii)	706	1,111	-	-
Net increase in Other assets	30a(iii)	(159,089)	(143,780)	(84,656)	(134,558)
		(112,646,735)	(65,449,470)	(112,593,569)	(65,398,078)
Tax paid	17c	(601,378)	(229,109)	(598,412)	(229,109)
Interest received on treasury bills	19a	16,665,071	25,345,838	15,550,681	25,310,307
Interest received on loans and advances to PFIs	20a	10,855,984	5,694,833	10,855,984	5,694,833
Payment of lease liability	30c	(6,3030)	(4,819)	(6,303)	(4,819)
Net cash used in operating activities		(85,727,058)	(34,637,908)	(86,785,315)	(34,622,047)
Cash flows from investing activities					
Acquisition of treasury bills	19a	(37,352,374)	(261,273,725)	(34,923,686)	(251,224,887)
Proceeds from matured investment in treasury bills	19a	257,958,514	217,248,358	248,909,676	216,248,358
Investment in subsidiary	21a	-	-	-	(11,375,000)
Acquisition of intangible assets	23	(109,182)	(73,567)	(92,221)	(73,567)
Acquisition of property and equipment	30b(ii)	(1,363,955)	(446,468)	(1,356,886)	(372,046)
Proceeds from disposal of property and equipment	30b(i)	5,302	287	5,302	287
Net cash flows used in investing activities		219,138,305	(44,545,115)	212,542,185	(46,796,855)
Cash flows from financing activities					
Long term borrowings received	27a	15,795,675	154,706,802	15,795,675	154,706,802
Repayment of principal on borrowings	27a	(12,427,665)	(2,906,475)	(12,427,665)	(2,906,475)
Repayment of interest on borrowings	27a	(9,391,045)	(3,207,252)	(9,391,045)	(3,207,252)
Payment of lease liabilities -Principal	30c(ii)	(51,711)	(54,620)	(51,711)	(54,620)
Net cash flows from financing activities		(6,074,746)	148,538,455	(6,074,746)	148,538,455
Net increase in cash and cash equivalents		127,330,197	69,350,613	119,675,820	67,114,734
Cash and cash equivalents, beginning of year		132,915,255	63,564,642	130,679,375	63,564,641
Cash and cash equivalents, end of year	18	260,245,452	132,915,255	250,355,195	130,679,375

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

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

1 General information

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

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

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

The consolidated financial statements as at and for the year ended 31 December 2020 comprise the Bank and its subsidiary (together referred to as "the Group or the DBN Group" and individually as "Group entities"). The consolidated and separate financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 23 February 2021. The Group does not have any unconsolidated structured entity.

2 Basis of preparation

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

a Statement of compliance

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and interpretations issued by IFRS Interpretations Committee (IFRIC) applicable to entities reporting under IFRS. Additional information required by national regulations is included where appropriate. The consolidated and separate financial statements have been prepared in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria circulars.

b Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following material items, which are measured on an alternative basis at each reporting date:

- loans and receivables and debt securities are measured at amortized cost using effective interest rate method.
- other financial liabilities that are not classified as at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

c Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.

d Functional and presentation currency

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

3 Changes in significant accounting policies

Except as noted below, the Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these consolidated and separate financial statements. A number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the disclosures or on the amounts reported in these Group financial statements.

a Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

b Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business.

To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

c Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

d Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate Benchmark Reform

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.

The amendment are currently not relevant to the Group given that it does not apply hedge accounting to its benchmark interest rate exposures.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

3.1 New and Revised Standards and Interpretations not yet effective

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

a Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

b Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

c Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

d Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate Benchmark Reform

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendment are currently not relevant to the Group given that it does not apply hedge accounting to its benchmark interest rate exposures.

3 New and Revised Standards and Interpretations not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these consolidated and separate financial statements. The Group and Bank do not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated,

The following new and amended standards are not expected to have a significant impact on the Bank and Group's consolidated

a Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

b Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

c Amendments to IFRS 10 and IAS 28

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an insignificant impact on the Group's consolidated financial statements in future periods should such transactions arise.

d Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

e Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards. The relevant standards to the Bank and Group includes:

IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

ii IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

iii IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

f Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities.

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for terminating the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

The Group and Bank is still assessing the impact this standard will have on its financial statements.

g COVID-19-Related Rent Concessions (Amendment to IFRS 16)

In response to the COVID-19 coronavirus pandemic, the International Accounting Standards Board (the Board) issued an amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. This standard is not expected to impact the Group and Bank significantly

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

4 Significant accounting policies

The accounting policies set out below have been consistently applied to all periods presented in these consolidated and separate financial statements.

4.1 Basis of consolidation

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

a Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see 4.1b). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 4.18). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see 4.7a and 4.17).

From 1 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

b Subsidiaries

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group. Gains or losses on the partial disposal (where control is not lost) of the group's interest in a subsidiary to non-controlling interests are also accounted for directly in equity.

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

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

c Common control transactions

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

d Loss of Control

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

e Transactions eliminated on consolidation

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

4.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

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

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- equity investments in respect of which an election has been made to present subsequent changes in fair value in OCI;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective

4.3 Interest

a Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

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

b Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

c Calculation of interest income and expense

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

d Presentation

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

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

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL (see 4.4).

Cash flows related to capitalized interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalized. Other income presented in the statement of profit or loss and OCI includes income earned from refunds of cost incurred on project implementation unit.

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

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

4.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019

To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

From 1 January 2020, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

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

ii Group acting as a lessor

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

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

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 4.7 (c, g)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

4.6 Tax expense

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

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

a Current income tax

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

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

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

b Minimum tax

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

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

Prior to 31 December 2019, DBN was exempted from minimum tax in line with section 33 of the amended Companies Income Tax Act as it has 25% imported equity capital. However, from 2020 year of assessment, DBN has applied the minimum tax rule in line with the Finance Act 2020 which stipulates 0.5% of gross turnover, less franked investment income for 2020 year of assessment. This rate has subsequently revised to 0.25% for tax returns filed in respect of any year of assessment that is due on any date between 1 January 2020 and 31 December 2021.

c Deferred tax

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

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

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

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

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

4.7 Financial assets and financial liabilities

a Recognition and initial measurement

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

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

b Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or FVTPL. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

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

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

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

Non-recourse loans

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

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

Reclassifications

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

c Derecognition

Financial Assets

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

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

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

Financial liabilities

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

d Modifications of financial assets and financial liabilities**Financial assets**

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

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see 4.7c) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see “write-off” policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

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

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

Financial liabilities

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

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

Interest rate benchmark reform (policy applied from 1 January 2020)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes

e Offsetting

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

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

f Fair value measurement

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

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

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

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

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

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

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

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

g Impairment

See also Note 6.4(c).

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

- financial assets that are debt instruments; and
- Financial guarantee contracts issued;
- No impairment loss is recognized on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (see Note 6.4(c)).

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

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

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive;
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable; and
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment. See also Note 6.4(c)(vi).
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Measurement of 12-month ECL

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

Measurement of Lifetime ECL

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

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

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

Significant increase in credit risk or low credit risk

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

Quantitative indicators

These include the following:

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

Qualitative indicators

These include the following:

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

Backstop indicators

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

Forward looking information

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

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The use of such forward-looking information will increase the use of management judgement and is expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations. The forward-looking framework will be based on the Group's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement.

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

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

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

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

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

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see 4.6d) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 6.4(c)(iii)).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

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

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

POCI financial assets

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

Presentation of allowance for ECL in the statement of financial position Loss allowances for ECL are presented in the statement of financial position as follows:

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets; loan commitments and financial guarantee contracts: generally, as a provision;

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

- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for customers in the event that the customer defaults. The Group may also use other credit instruments, such as derivative contracts in order to reduce their credit risk. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability.

Write-off

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

Financial guarantee contracts held

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

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

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

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

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

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

4.8 Loans and advances

The 'loans and advances to customers' caption in the statement of financial position are loans and advances measured at amortised cost (see 4.7(b)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

4.9 Investment securities

The 'investment securities' caption in the statement of financial position includes debt investment securities measured at amortised cost (see 4.7(b)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;

4.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with central banks and local banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

4.11 Property and equipment

a Recognition and measurement

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

b Subsequent costs

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

c Depreciation

Depreciation is recognized in profit or loss on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

Leasehold Land and Building	Over the shorter of the useful life of the item or lease term
Leasehold improvements	Over the shorter of the useful life of the item or lease term
Right of Use assets	Over the shorter of the useful life of the item or lease term
Buildings	50 years
Computer & IT equipment	3 years
Furniture and fittings	5 years
Plant & Office Equipment	5 years
Motor vehicles	4 years

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

Assets are reviewed for impairment whenever events or changed in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

d De-recognition

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

4.12 Intangible assets

Software

a Recognition and measurement

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and any accumulated impairment losses

b Subsequent costs

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

c Amortization

Amortization is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software was changed during the year from five to three years. Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

d De-recognition

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

4.13 Provisions

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

4.14 Employee benefits**a Defined contribution plans**

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

The Group operates a defined contribution pension scheme for employees. Employees and the Group contribute 8% and 10% respectively of the qualifying staff salary in line with the provisions of the Pension Reforms Act.

b Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

d Other benefits

The Bank offers death-in-service benefits to employees as part of their employment benefits. This benefit is offered on a stand alone basis and is not insured or re-insured by third parties. The benefit covers obligations that may crystallize in the event of demise of any of the Bank's staff (Death-in-Service benefit) or bereavement, i.e., where any of the Company's staff loses an immediate family member which include parents, spouse or biological children.

The benefit to staff is recognised as an expense to the extent that death has already occurred by the reporting date.

4.15 Share capital and reserves**a Share issue costs**

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

b Dividend on ordinary shares

Dividends on ordinary shares are recognised in equity in the period when approved by the shareholders. Dividends for the year that are declared after the end of the reporting period are dealt with in the subsequent events note.

c Share premium

Premiums from the issue of shares are reported in the share premium.

d Regulatory risk reserve

The Nigerian banking regulation requires Development Financial Institutions (DFIs) to create a reserve for the difference between impairment charge determined in line with the principles of IFRS and impairment charge determined in line with the prudential guidelines issued by the Central Bank of Nigeria. This reserve is not available for distribution to shareholders.

e Statutory reserve

In line with the Regulatory and Supervisory Guidelines for DFIs in Nigeria, the Bank maintains a reserve fund and shall out of its net profit after taxation and before any dividend is declared, transfer to the statutory reserves as follows:

- Where the reserve fund is less than the paid-up share capital, a minimum of 30.0 per cent of the net profits; or
- Where the reserve fund is equal to or in excess of the paid-up share capital, a minimum of 15.0 per cent of net profit;
- No transfer to the reserve fund shall be made until all identifiable losses have been made good.
- A Wholesale Development Finance Institution shall plough back all its profit after tax to reserve unless it has met the regulatory minimum capital of N100 billion or such other amount as the CBN may specify from time to time.

f Retained earnings

Retained earnings comprise the undistributed profits and (losses) from previous periods which have not been reclassified to any specified reserves

4.16 Interest income and expense

Interest income and expense for all financial assets and financial liabilities carried at amortized cost are recognized in profit or loss using the effective interest rate method in line with IFRS 9. This was also the method used in recognition of interest income and expense prior to December 31, 2018 in line with IAS 39. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premium or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Where financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.17 Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized on an accrual basis regardless of the times of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of liability has arisen that can be measured reliably. Expenses are measured at historical cost. Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned. Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

4.18 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.19 Deposit from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits from customers, is the amount repayable on demand.

4.20 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Company (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified term of a debt instrument. Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at a higher of:

- The amount determined in accordance with the expected credit loss model under IFRS 9; and
- The amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

4.21 Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see 4.3 Interest). If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Other fee and commission income – including upfront fee and guarantee fee – is recognised as the related services are performed.

Upfront fee is earned at a rate of 0.6% flat on disbursed loan amount, it is a one off, non-refundable processing fee charged irrespective of the tenor of the guarantee. The performance of this service is at a point in time (at the time the guarantee is issued) and as such income is recognised immediately in line with the requirements of IFRS 15. Guarantee fee is 1% per annum of disbursed loan amount. This amount represents the premium paid over the period of guarantee. The performance of this service is satisfied over time as such the income is recognised over the duration of the contract in line with the IFRS 15 revenue recognition criteria.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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5 Use of estimates and judgments

The Group makes estimates and assumptions that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including the current best estimate of uncertain future events that are believed to be reasonable under the circumstances.

5.1 Key sources of assumption and estimation uncertainty

a Impairment of financial instruments

Loans and advances to PFIs (see Note 20) are accounted for at amortized cost and are evaluated for impairment on a basis described in the accounting policy.

The Group reviews its credit portfolio continuously (at least once in a quarter) with a view to recognising any deterioration in credit quality. Such reviews systematically classify credit exposures based on the perceived risks of default. Some of the criteria adopted to assess the default risk include, but are not limited to, repayment performance, borrower's repayment capacity on the basis of current financial condition and net realizable value of collateral. The classifications and provisioning for its MSME loans take into consideration the cash flows and gestation period. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of loans and advances.

b Determination of regulatory risk reserves

Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the incurred loss model required by IFRS under the expected credit loss model. As a result of the differences in the methodology/provision basis, there will be variances in the impairment allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria, which is also applicable to DBN stipulates that banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, banks would be required to comply with the following:

- i Provisions for loans recognized in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserve should be treated as follows:
 - Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve.
 - Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the general reserve to the extent of the non-distributable reserve previously recognized.
- ii The non-distributable reserve should be classified under Tier 1 as part of core capital.

DBN has complied with the requirements of the guidelines as follows:

As at 31 December 2020, the difference between the Prudential provision and IFRS impairment was N3.2billion (December 2019: N1.3billion) requiring additional transfer of N1.88billion (December 2019: N847.49 million) to the regulatory risk reserve as disclosed in the statement of changes in equity. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guidelines issued by the Central Bank of Nigeria (CBN) and the impairment reserve as determined in line with IFRS 9 as at year end. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the value of the regulatory risk reserve.

Statement of prudential adjustments*In thousands of Naira*

	GROUP 31 December 2020	GROUP 31 December 2019	BANK 31 December 2020	BANK 31 December 2019
Impairment on loans and advances per IFRS	(1,106,658)	(737,340)	(1,106,658)	(737,340)
Provision on loans and advances per Prudential Guidelines	4,302,597	2,052,740	4,302,597	2,052,740
Regulatory Risk Reserve	3,195,939	1,315,400	3,195,939	1,315,400
The movement in the Regulatory risk reserve during the year is shown below:				
Balance, beginning of the year	1,315,400	467,915	1,315,400	467,915
Transfer during the year	1,880,539	847,485	1,880,539	847,485
Balance, end of the year	3,195,939	1,315,400	3,195,939	1,315,400

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

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

a Financial asset and financial liability classification

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

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding is based on management's judgement. See note 4.7(b)

b Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairment of property and equipment and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

c Recognition of deferred assets

Deferred tax assets were recognised on the basis described in note 4.6(c). Information about assumptions made in the recognition of deferred tax assets and availability of future taxable profit against which tax losses carried forward can be used is included in Note 17(b). The Directors have adopted the current tax practice of carrying forward commencement losses indefinitely for the purpose of determining the unrelieved losses carried forward applicable for deferred tax. Actual results may differ from these estimates based on the interpretation by the tax authorities.

d Determination of fair value of financial instruments

The Group's accounting policy on fair value measurements is discussed in note 4.7(f). The Group measures fair values using a fair value hierarchy which reflects the significance of inputs used in making the measurements. IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs that are quoted market prices (unadjusted) in an active market for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

e Provisions and contingencies

In the measurement of provisions and contingencies, the Group estimates the amount of the liability using judgment. The provisions and contingencies recognised by the Group are mostly with regards to litigations and claims. In making the estimates, the Group relied on the advice of their internal and external legal counsel.

f Uncertainty over income and deferred taxes

Tax laws may be complex and unclear and may result in uncertainty about taxable income, tax deductions, unused tax losses or credits, and tax base of assets and liabilities. This could impact current and /or deferred taxes in the financial statements. Judgement is applied on the transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

g Criteria for determining significant increase in credit risk

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL. See note 4.7(g)

The IFRS Interpretations Committee (IFRS IC) issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income taxes, are applied where there is uncertainty over income tax treatments. The judgments and estimates made to recognize and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgments. New information might include actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, or the expiry of the tax authority's right to examine a particular tax treatment.

On 13 January 2020, the President of the Federal Republic of Nigeria, signed the Finance Bill, 2019 into law to become the Finance Act, 2019. The Finance Act amends some key provisions of the Companies Income Tax Act (CITA). There is currently uncertainty as to the first tax year to be impacted by the new Finance Act. Tax in Nigeria is determined on a preceding year basis and so there is uncertainty as to whether the Act which was signed in 2020 and stated by the Minister for Budget and National Planning to be effective from 1 February 2020, should impact tax computations for the year ended 31 December 2019. It is DBN's position that the Act should impact the 31 December 2019 tax computations. Prior to 31 December 2019, DBN was exempted from minimum tax in line with section 33 of the amended Companies Income Tax Act as it has 25% imported equity capital. However, from 2020 year of assessment, that is 2019 financial year end since tax is assessed on a preceding year basis, DBN has chosen to apply the minimum tax rule in line with the finance act 2020 which stipulates 0.5% of turnover.

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6 Financial risk management

6.1 Introduction and overview

The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance. This note presents information about the Group's exposure to financial risks, its risk management policies/frameworks, processes for measuring and managing these risks, and its management of capital.

6.2 Enterprise risk management (ERM)

The underlying premise of the Group's Enterprise Risk Management is that every entity exists to provide value for its stakeholders. The Group faces uncertainty that presents both risk and opportunities in pursuit of its mandate and these uncertainties can either erode or enhance value. Managing the enterprise risk in a consistent, efficient and sustainable manner is a critical priority, as the business environment faces unprecedented levels of complexity, changing geopolitical threats, new regulations and increasing shareholder demand. The Group seeks to achieve an appropriate balance between risk and reward in its business and strategy, and continues to build and enhance the risk management capabilities that will assist it in achieving its mandate in a controlled and risk cautious environment. The main benefits and objectives of the ERM Framework include the following:

- It provides a platform for the Board and Management to confidently make informed decisions regarding the trade-off between risk and reward;
- It aligns business decisions at the operating level to the appetite for risk;
- It balances operational control with the achievement of strategic objectives;
- It enables Management to systematically identify and manage significant risks on an aggregate basis; and
- It minimizes operational surprises and related costs or losses.

The Group has made significant progress in its risk management process. Its revised framework (ERM Framework) addresses specific risk areas such as credit, market, liquidity, operational, compliance and reputational risks. Also, the following standalone policies were introduced:

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

To ensure seamless service and to manage security threats before they cause harm to the information technology and assets of the Bank, the Bank subscribed and implemented three major ISO standards and certifications, the standards are:

- ISO27001 Certification: The standard for Information Security;
- ISO 22301 Certification: The standard for Business Continuity Management; and
- ISO 20000 Certification: Information Technology Service Standard.

6.3 Risk management governance structure

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

a Asset and Liability Management Committee (ALCO)

The Asset and Liability Committee (ALCO) is responsible for market, liquidity and investment risk management. The committee is responsible for implementing the Asset and Liability Management (ALM) policy.

b Management Credit and Risk Committee (MCRC)

The Committee is responsible for managing credit and other risks comprising of ; Operational risks, Strategic risk, concentration risk, Reputational Risk, Legal Risk, Information security risk, Business Continuity Management, etc. Reports, deliberation and decisions at the committee are inputs to the quarterly Board Credit and Risk Committee (BCRC) reports.

The Group has exposures to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- Interest rate risk in the banking book

6.4 Credit risk management

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

The Group's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit is guided by the Credit Policy Manual, which sets out specific rules for risk origination and management of the loan portfolio. The Policy also sets out the risk governance structure and the roles and responsibilities of different individuals and committees involved in the credit process.

The Group recognizes the fact that one of its main assets is its loan portfolio. Therefore, it actively safeguards and strives to continually improve the health of the portfolio. All PFI applications are scrutinized and it is ensured that they meet the eligibility criteria, execute the Master Lending Agreement and have no exceptions during due diligence and rigorous analysis is conducted before loan disbursement. Non-eligible PFIs are weeded out through the administration of preliminary eligibility criteria questionnaire and eligibility due diligence. Loans disbursed to on-boarded PFIs are constantly monitored to identify possible signs of impairment.

The Group's Credit risk capital computation is in line with the CBN Guidance Notes on the Calculation of Capital Requirement for Credit Risk using the Standardized Approach. However, the goal of DBN is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems would form the foundation when applying the internal rating-based approach to the calculation of capital requirements. The development, implementation and application of these models would be guided by the DBN Group's Basel II framework and strategy.

The pricing of each credit granted is cost based and also reflects the level of risk inherent in the obligor. Subject to competitive forces, the Group implements a consistent pricing model for loans to PFIs. Each PFI's interest is guarded at all times and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet both prudential guidelines set forth by the Central Bank of Nigeria, both for loans for which specific provisions exist as well as for the portfolio of performing loans, and IFRS 9 Expected Credit Loss (ECL) model. Development Bank of Nigeria Plc's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

The Management Credit and Risk Committee and Board Credit and Risk Committee perform reviews of the quality of our loan portfolio on a monthly and quarterly basis respectively. These are in addition to daily reviews performed by our Risk Management Department.

a Principal Credit Policies

The following are the principal credit policies:

i Credit Policy Manual

The core objective is to define in detail, the credit process and outline objectives, scope and responsibilities. This helps reduce bias and subjectivity in the credit decisions made at various levels of authority. The guidelines and requirements set forth in this policy are structured to maintain quality assets through a systematic approval process and a comprehensive system of requirements for credit monitoring and management. Embedded within the Credit Policy Manual are the different Internal Rating Models e.g. CAMELS used in determining the credit rating of PFIs and an independent servicer quality rating is also adopted for the purpose of assessing the PFIs' credit and loan administration and collection strength.

ii Collateral Management Policy and Procedure

The objective of this policy is to ensure there are appropriate collaterals for all funds on-lent to end-borrowers through PFIs to minimize the risk of credit loss in the event of a default by a PFI. The Policy proffers the collateral acceptable as security from PFIs based on their category.

iii Enterprise-wide Risk Management Policy

The core objective is to provide a reasonable degree of assurance to the Board of Directors that the risks threatening the Group's achievement of its vision are identified, measured, monitored and controlled through an effective integrated risk management system covering credit, market, operational, interest rate, liquidity and other material risks.

b Credit process

The credit process starts with the assessment of PFIs. Credit is initiated by the Relationship Management team and the proposed credit is subjected to review and approval by applicable credit approval authorities. Further to appropriate approval, loans are disbursed to beneficiaries that meet pre-disbursement requirements. On-going management of loans is undertaken by both the Relationship Management team and the Risk Management team.

If a preliminary analysis of a loan request by the Credit Operations Department indicates that it merits further scrutiny, it is then analysed in greater detail by the department, with further detailed review by Risk Management. The concurrence of Risk Management must be obtained for any credit extension. If the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of the facilities.

i Credit risk measurement

Risk Rating Methodology

The credit rating of the PFI plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. The Group employs a robust credit rating system in the determination of the PFI risks and this allows the maintenance of asset quality at a desired level.

The objective of the guideline on Risk Rating contained in the Credit Risk Manual is to ensure reliable and consistent PFI Risk Ratings and Facility Risk Ratings throughout the Group. The Risk rating methodology incorporates credit risk rating models which estimate risk of PFI default. All the Group's businesses that extend credit are subject to the Credit Policy Manual.

Credit Risk Rating Models in Development Bank of Nigeria Plc

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

Risk Rating Process

All PFIs are subjected to the Risk Rating Process. The Risk Rating Process is an end-to-end process and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a PFI undertakes in order to arrive at the risk ratings.

Responsibilities of Business Units and Independent Risk Management

The Business unit and independent risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities.

Risk Rating Scale and external rating equivalent

The Group plans to operate a 10-point risk rating scale in line with those of international rating agencies, which will provide sufficient granularity to ensure better diversification of the risk profile of the Group's portfolios while avoiding excessive rating concentrations. The grade is composed of numbers from 1 to 10 (or AAA to D). The risk rating scale and the external rating equivalent is detailed below:

Grade	Scale	Explanatory Note
1+	AAA	PFIs are judged to be of the highest quality, subject to the lowest level of credit risk.
1	AA+	PFIs are judged to be of high quality and are subject to very low credit risk.
1-	AA	
2+	AA-	
2	A+	PFIs are judged to be upper-medium grade and are subject to low credit risk.
2-	A	
3+	A-	
3	BBB+	PFIs are judged be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
3-	BBB	
4+	BBB-	
4	BB+	PFIs are judged to be speculative and are subject to substantial credit risk.
4-	BB	
5+	BB-	
5	B+	PFIs are considered speculative and are subject to high credit risk.
5-	B	
6+	B-	

Grade	Scale	Explanatory Note
6	CCC+	PFIs are judged to be speculative of poor standing and are subject to very high credit risk.
6-	CCC	
7	CCC-	
8	CC	PFIs are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
9	C	PFIs are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
10	D	Lost.

ii Credit Risk Control & Mitigation policy**Authority Limits on Credit**

The highest credit approval authority is the Board of Directors, supported by the Board Credit and Risk Committee and further by the Management Credit and Risk Committee. The principle of central management of risk and decision authority is maintained by the Group.

Collateral Policy

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

Strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

Collateral acceptable as security from PFIs for funds on-lend to end-borrowers shall include:

- Treasury Bills, FGN or State Government Bonds;
- Corporate Bonds (Investment grade & above);
- Marketable securities (Stocks & Shares) of Investment grade companies;
- Legal Mortgage on quality residential or business premises;
- Legal Mortgage or debenture on PFI assets;
- Equitable Mortgages on quality real estates and legal mortgage on other locations;
- Equitable Mortgages on other locations;
- Guarantees: Personal, Corporate and Bank Guarantee; and
- Notification of DBN interest on movable securities pledged by end-borrowers to PFIs, registered in the National Collateral Registry (NCR).

Credit related commitments

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

iii Credit Quality

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 4.7(g).

Group		31 Dec 2020			
In thousands of Naira	Notes	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		204,169,318	-	-	204,169,318
(B-) Higher risk		10,960,512	-	-	10,960,512
Gross loans	20	215,129,830	-	-	215,129,830
Loss allowance	20	(1,106,658)	-	-	(1,106,658)
Carrying amount		214,023,172	-	-	214,023,172
		31 Dec 2019			
In thousands of Naira		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		55,895,609	-	-	55,895,609
(B-) Higher risk		46,741,404	-	-	46,741,404
Gross loans	20	102,637,013	-	-	102,637,013
Loss allowance	20	(737,340)	-	-	(737,340)
Carrying amount		101,899,673	-	-	101,899,673

Bank

31 Dec 2020

In thousands of Naira

	Notes	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		204,169,318	-	-	204,169,318
(B-) Higher risk		10,960,512	-	-	10,960,512
Gross loans	20	215,129,830	-	-	215,129,830
Loss allowance	20	(1,106,658)	-	-	(1,106,658)
Carrying amount		214,023,172	-	-	214,023,172

31 Dec 2019

In thousands of Naira

		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost					
(B) - Low-fair risk		55,895,609	-	-	55,895,609
(B-) Higher risk		46,741,404	-	-	46,741,404
Gross loans	20	102,637,013	-	-	102,637,013
Loss allowance	20	(737,340)	-	-	(737,340)
Carrying amount		101,899,673	-	-	101,899,673

c Amounts arising from ECL

i Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures. For some portfolios, information purchased from external credit reference agencies is also used.

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. As a general indicator, the credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, the exposure is more than 30 days past due on the contractual amount.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences.

The Group identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed based on the estimation of PDs and consideration of qualitative factors, each of which are designed to reflect forward-looking information, on an individual instrument basis as described above. However, if the Group identifies a key driver that is not considered in the individual assessment on a timely basis, then the Group will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to all or some of a portfolio. This may lead to the Group concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage1) & lifetime PD (Stage2).

ii Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

iii Incorporation of forward-looking information

The Group formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasts.

Due to limited historical internal forecasts, the International Monetary Fund's forecast on GDP and Inflation for Nigeria was taken as the central scenario, while internal forecast was made on exchange rates. Assumptions of 10% deterioration in the forecasted GDP, Inflation and exchange rates were taken as the downside scenario and 10% improvements in the forecasted economic variables were taken as the upside scenario. Scenario probability weights were taken as 30%:40%:30% for Upside, Central and Downside respectively. There were no changes in significant assumptions within the period.

The scenario probability weightings applied in measuring ECL are as follows.

	2020			2019		
	Upside	Central	Downside	Upside	Central	Downside
At 31 December						
Scenario probability weighting	30%	40%	30%	30%	40%	30%

Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the Group's senior management.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for wholesale portfolios are: GDP, inflation rates and exchange rates.

iv Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. IFRS 9 [B5.5.51] states that an entity need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses. In addition, an entity is not required to incorporate forecasts of future economic conditions over the entire life of a financial instrument. Rather, it suffices for an entity to extrapolate projections for periods that are far in the future from available information.

The Group has opted for the bottom-up approach (this approach entails adjusting the components of ECL (Exposure At Default, EAD, Loss Given Default, LGD, and Probability of Default, PD) for Forward Looking Information (FLI) such that upon arriving at the ECL, it would need no further adjustment for FLIs) by using logistic regression to incorporate FLI into PD estimation. However, the Group will manually adjust the base case EAD and LGD estimates for periods where these parameters are expected to be significantly different from their historical averages based on forward-looking macroeconomic information.

v Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 4.7d.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time)

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4.7(g)). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

vi Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the variables below. The parameters are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the measure of the proportion of the outstanding balance that the Bank stands to lose in the event of a default. Multi-year LGD is a collection of LGD values referring to different time periods over the lifetime of a financial instrument. The Group determines LGD based on the following: market value of collateral, collateral haircut, direct recovery cost, time to recovery, unsecured recovery and effective Interest Rate.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include: instrument type, credit risk grade, collateral type, LTV ratio for retail mortgages, date of initial recognition, remaining term to maturity, industry and geographic location of the borrower. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

vii Discount rate

IFRS 9 provides guidance on the discount rate to be used to factor in time value of money into ECL:

- Generally, ECL shall be discounted using EIR at initial recognition or current EIR if the exposure has variable interest rate
 - For purchased or originated credit-impaired financial instruments, credit-adjusted EIR at origination will be used in discounting.
- For the purpose of multi-year ECL computation, the Effective Interest Rate (EIR) is used as the discount rate.

viii Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis for determining transfers due to changes in credit risk is set out in our accounting policy; see Note 4.7.

		Group	2020			
<i>in thousands of Naira</i>		Notes	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost						
Balance at 1 January			737,340	-	-	737,340
Transfer to Stage 1			-	-	-	-
Transfer to Stage 2			-	-	-	-
Transfer to Stage 3			-	-	-	-
Loans disbursed during the year			739,506	-	-	739,506
Loan repayments received during the year			(370,188)	-	-	(370,188)
Balance at 31 December		20	1,106,658	-	-	1,106,658

2019

in thousands of Naira

Notes

Stage 1

Stage 2

Stage 3

Total

Loans and advances to customers at amortized cost**Balance at 1 January**

99,880

-

-

99,880

Transfer to Stage 1

-

-

-

-

Transfer to Stage 2

-

-

-

-

Transfer to Stage 3

-

-

-

-

Loans disbursed during the year

775,961

-

-

775,961

Loan repayments received during the year

(138,501)

-

-

(138,501)

Balance at 31 December

20

737,340

-

-

737,340**Investment securities - treasury bills (in thousands of Naira)**

2020

2019

Balance at 1 January

433,585

8

Additions to investment securities

70,899

433,585

Redemption of investment securities

(433,585)

(8)

Balance at 31 December

19

70,899**433,585****Cash and cash equivalent - Placements (in thousands of Naira)**

2020

2019

Balance at 1 January

251,672

250,504

Additions to investment securities

1,099,677

251,672

Redemption of investment securities

(251,672)

(250,504)

Balance at 31 December

18

1,099,677**251,672****Bank**

2020

in thousands of Naira

Stage 1

Stage 2

Stage 3

Total

Loans and advances to customers at amortized cost**Balance at 1 January**

737,340

-

-

737,340

Transfer to Stage 1

-

-

-

Transfer to Stage 2

-

-

-

Transfer to Stage 3

-

-

-

Loans disbursed during the year

739,506

-

-

739,506

Loan repayments received during the year

(370,188)

-

-

(370,188)

Balance at 31 December

20

1,106,658

-

-

1,106,658

2019

in thousands of Naira

Stage 1

Stage 2

Stage 3

Total

Loans and advances to customers at amortized cost**Balance at 1 January**

99,880

-

-

99,880

Transfer to Stage 1

-

-

-

-

Transfer to Stage 2

-

-

-

-

Transfer to Stage 3

-

-

-

-

Loans disbursed during the year

775,961

-

-

775,961

Loan repayments received during the year

(138,501)

-

-

(138,501)

Balance at 31 December

20

737,340

-

-

737,340**Investment securities - treasury bills (in thousands of Naira)**

2020

2019

Balance at 1 January

433,279

8

Additions to investment securities

61,453

433,279

Redemption of investment securities

(433,279)

(8)

Balance at 31 December

19

61,453**433,279****Cash and cash equivalent - Placements (in thousands of Naira)**

2020

2019

Balance at 1 January

247,686

250,504

Additions to investment securities

1,079,919

247,686

Redemption of investment securities

(247,686)

(250,504)

Balance at 31 December

18

1,079,919**247,686**

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

d Exposure to credit risk

Credit risk exposures relating to financial assets are as follows:

Group	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Carrying amount		259,145,775	132,663,583	214,023,172	101,899,673	16,605,584	237,014,094	94,557	4,609
Collectively impaired:									
Cash and cash equivalents	18	260,245,452	132,915,255	-	-	-	-	-	-
Investment securities	19	-	-	-	-	16,676,483	237,447,679	-	-
Performing loans and advances	20	-	-	215,129,830	102,637,013	-	-	-	-
Other assets	24	-	-	-	-	-	-	95,758	4,609
Gross amount		260,245,452	132,915,255	215,129,830	102,637,013	16,676,483	237,447,679	95,758	4,609
Allowance for impairment		(1,099,677)	(251,672)	(1,106,658)	(737,340)	(70,899)	(433,585)	(1,201)	-
Carrying amount		259,145,775	132,663,583	214,023,172	101,899,673	16,605,584	237,014,094	94,557	4,609
Total carrying amount - amortised cost		259,145,775	132,663,583	214,023,172	101,899,673	16,605,584	237,014,094	94,557	4,609

Bank	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Carrying amount		249,275,276	130,431,689	214,023,172	101,899,673	14,162,048	227,587,961	35,738	4,339
Collectively impaired:									
Cash and cash equivalents	18	250,355,195	130,679,375	-	-	-	-	-	-
Investment securities	19	-	-	-	-	14,223,501	228,021,240	-	-
Performing loans and advances	20	-	-	215,129,830	102,637,013	-	-	-	-
Other assets	24	-	-	-	-	-	-	35,738	4,339
Gross amount		250,355,195	130,679,375	215,129,830	102,637,013	14,223,501	228,021,240	35,738	4,339
Allowance for impairment		(1,079,919)	(247,686)	(1,106,658)	(737,340)	(61,453)	(433,279)	-	-
Carrying amount		249,275,276	130,431,689	214,023,172	101,899,673	14,162,048	227,587,961	35,738	4,339
Total carrying amount - amortised cost		249,275,276	130,431,689	214,023,172	101,899,673	14,162,048	227,587,961	35,738	4,339

Balances included in Other Assets above are those subject to credit risks. The tables above show a worst-case scenario of credit risk exposure to the Group and Bank as at 31 December 2020 and 31 December 2019, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net amounts reported in the statements of financial position. The Directors are confident in their ability to continue to control exposure to credit risk which can result from both its Loans and advances portfolio and Investment securities.

The movement in the allowance for impairment in respect of loans and advances during the year was as follows:

In thousands of Naira

	Specific Impairments	IFRS 9 ECL Impairments
Balance at 1 January 2019	-	(737,340)
Impairment loss recognised	-	(1,106,658)
Amounts written off	-	737,340
	-	(1,106,658)

Cash and cash equivalent: The Group held cash and cash equivalents with maturity profile of less than 3 months with local banks and the Central Bank of Nigeria (CBN), assessed to have good credit ratings

Investment securities: The Group limits its exposure to credit risk by investing in highly liquid money market instruments issued by the Central Bank of Nigeria. The Bank did not have any investment securities, carried at amortised cost, that were impaired as at 31 December 2020 (2019:Nil)

Other assets: The Group's other asset is made up of receivables from World Bank in respect of the project implementation unit, month-end cash advances to staff and advanced professional fees. The credit risk on this is considered low.

e Concentration of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Group	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
<i>In thousands of Naira</i>		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Carrying amount		259,145,775	132,663,583	214,023,172	101,899,673	16,605,584	237,014,094	94,557	4,609
Concentration by sector:									
Finance		258,887,644	132,364,371	214,023,172	101,899,673	-	-	-	-
Government		258,131	299,212	-	-	16,605,584	237,014,094	-	-
Others		-	-	-	-	-	-	94,557	4,609
		259,145,775	132,663,583	214,023,172	101,899,673	16,605,584	237,014,094	94,557	4,609
Concentration by location:									
<i>In thousands of Naira</i>		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Abuja		258,131	299,212	236,079	211,879	16,605,584	237,014,094	94,557	4,609
North East		-	-	-	-	-	-	-	-
North West		-	-	35,369	468,575	-	-	-	-
North Central		-	-	-	-	-	-	-	-
South South		-	-	4,839,162	3,448,138	-	-	-	-
South West		258,887,644	132,364,371	208,912,562	97,771,081	-	-	-	-
		259,145,775	132,663,583	214,023,172	101,899,673	16,605,584	237,014,094	94,557	4,609

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

Bank	Note	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
In thousands of Naira		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Carrying amount		259,145,775	130,431,689	214,023,172	101,899,673	14,162,048	227,587,961	35,738	4,339
Concentration by sector:									
Finance		258,887,644	130,132,477	214,023,172	101,899,673	-	-	35,102	-
Government		258,131	299,212	-	-	14,162,048	227,587,961	-	-
Others		-	-	-	-	-	-	636	4,339
		259,145,775	130,431,689	214,023,172	101,899,673	14,162,048	227,587,961	35,738	4,339

Concentration by location:

In thousands of Naira		31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Abuja		258,131	299,212	236,079	211,879	14,162,048	227,587,961	636	4,339
North East		-	-	-	-	-	-	-	-
North West		-	-	35,369	468,575	-	-	-	-
North Central		-	-	-	-	-	-	-	-
South South		-	-	4,839,162	3,448,138	-	-	-	-
South West		258,887,644	130,132,477	208,912,562	97,771,081	-	-	-	-
Outside Nigeria		-	-	-	-	-	-	35,102	-
		259,145,775	130,431,689	214,023,172	101,899,673	14,162,048	227,587,961	35,738	4,339

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

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

f Estimate of the fair value of collateral and other security enhancements

The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. The Group does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Group's focus on credit worthiness, the Group aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. For impaired loans, the Group obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

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

The table below sets out the carrying amount and the value of identifiable collateral held against loans and advances to customers measured at amortised cost. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Group <i>in thousands of Naira</i>	31 December 2020		31 December 2019	
	Carrying Amount	Collateral	Carrying Amount	Collateral
Stages 1 and 2	214,023,172	259,026,763	101,899,673	103,692,064
Stage 3	-	-	-	-

Bank <i>in thousands of Naira</i>	31 December 2020		31 December 2019	
	Carrying Amount	Collateral	Carrying Amount	Collateral
Stages 1 and 2	214,023,172	259,026,763	101,899,673	103,692,064
Stage 3	-	-	-	-

6.5 Market risk management

Market risk is the risk that movements in market factors, such as foreign exchange rates and interest rates, credit spreads and equity prices, will reduce the Group's income or the value of its portfolios. The Group is mainly exposed to market risk arising from non-traded interest rate risk in its banking book.

Market risk management and control

The Group's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. The Group is exposed to market risk mainly through adverse movements in interest rates. Market risk is managed in line with the approved Asset and Liability Management (ALM) Policy. The limits and thresholds contained in the policy are monitored by the Risk Management department to ensure compliance.

The market risk exposure limits, or any changes to them, are proposed by the Head, Treasury and Investments and then reviewed by the Chief Risk Officer, who then presents the proposed review for the consideration of the Board Credit and Risk Committee, the committee thereafter recommend the amendment(s) for Board approval. The size of each limit is based on, among other factors, underlying liquidity, risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

All market risks are reported to the Asset and Liability Committee (ALCO) monthly and Board Credit and Risk Committee (BCRC) quarterly with recommendations made concerning the risk profile including risk appetite, limits and utilization. The Heads of Business, assisted by the Risk Management Department, is accountable for all market risks associated with its activities.

The Bank measures its exposure to Market Risk using the following:

Gap Analysis

The Bank uses gap analysis for measuring interest rate risk exposure, by measuring the maturity/repricing schedule that distributes interest-sensitive assets, liabilities (Off Balance Sheet positions if any) into "time bands" according to their maturity (if fixed rate) or time remaining to their next repricing (if floating rate). These schedules are used to generate simple indicators of the interest rate risk sensitivity of both earnings and economic value to changing interest rates. The size of the gap for a given time band - that is, assets minus liabilities plus OBS exposures (if any) that reprice or mature within that time band - gives an indication of the bank's repricing risk exposure.

Earning Perspective or the Earnings at Risk (EaR)

The focus of this analysis is the impact of changes in interest rates on accrual or reported earnings. This perspective considers how interest rate changes will affect the bank's reported earnings. For example, a decrease in earnings caused by changes in interest rates can reduce earnings, liquidity, and capital. This perspective focuses on risk to earnings in the near term, typically the next one or two years. Fluctuations in interest rates generally affect reported earnings through changes in the Bank's net interest income.

- Stress/Scenario testing

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist management in capital planning decisions.

In line with the Board approved Stress Testing Framework, a consistent stress testing methodology is applied to the Balance sheet. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. The Group performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which include interest rate, liquidity and credit spread risk. Secondly, multi-factor scenarios that simulate past periods of significant market disturbance and hypothetical extreme yet plausible events.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Regular stress test scenarios are applied to interest rates, credit spreads and liquidity risk. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

- Risk limits

Risk limits are set and reviewed at least annually to control treasury activities in line with the defined risk appetite of the Group. Criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. Appropriate performance triggers are also used as part of the risk management process.

a Interest rate risk

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

- Repricing risk: risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off balance sheet short and long term positions
- Basis risk: risks arising from hedging exposure to one interest rate with exposure to a rate which reprices under slightly different conditions
- Yield curve risk: risks arising from changes in the slope and the shape of the yield curve
- Optional risk: risks arising from options, including embedded options

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specified period. The most important source of interest rate risk is the Group's lending, funding and investment activities, where fluctuations in interest rates are reflected in carrying values of these instruments as well as interest margins and earnings.

The objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities, the Group is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the 90-day Treasury Bills, 10 year Bond and different types of interest. These risks impact both the earnings and the economic value of the Group. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities and advances to banks to manage the overall position arising from the non-trading activities.

Interest-rate risk is monitored with a Repricing Gap report and Sensitivity Analysis of the Net Gap Position. Also, a limit framework is in place to ensure that retained risk remains within approved appetite.

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

A summary of the Group's interest rate gap position on financial instruments is as follows:

Re-pricing period

31 December 2020

In thousands of Naira

Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	498,792	-	-	-	498,792	300,797	799,589
Placements with Banks	18	240,663,887	17,682,300	-	-	258,346,186	-	258,346,186
Investment securities	19	-	103,538	5,404,553	11,097,493	16,605,584	-	16,605,584
Loans and advances	20	5,235,740	295,895	736,335	6,716,966	201,038,236	-	214,023,172
Other assets	22	-	-	-	-	-	94,557	94,557
		246,398,419	18,081,733	6,140,888	17,814,459	201,038,236	395,354	489,869,088
Borrowings	27	-	-	(19,706,747)	(9,712,704)	(284,305,494)	-	(313,724,945)
Other financial liabilities	28	-	-	-	-	-	(1,418,735)	(1,418,735)
		-	-	(19,706,747)	(9,712,704)	(284,305,494)	(1,418,735)	(315,143,680)
Total interest re-pricing gap		246,398,419	18,081,733	(13,565,859)	8,101,755	(83,267,258)	(1,023,381)	174,725,408

31 December 2019

In thousands of Naira

Re-pricing period

Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	-	-	-	-	-	1,390,490	1,390,490
Placements with Banks	18	111,316,775	19,956,318	-	-	131,273,093	-	131,273,093
Investment securities	19	29,856,038	33,832,519	41,682,693	131,642,844	237,014,094	-	237,014,094
Loans and advances	20	3,882,159	19,596,832	2,982,544	5,597,793	69,840,345	-	101,899,673
Other assets	22	-	-	-	-	-	4,609	4,609
		145,054,972	73,385,669	44,665,236	137,240,636	470,186,860	1,395,099	471,581,959
Borrowings	27	(6,354)	-	(5,059,853)	(5,519,219)	(297,923,740)	-	(308,484,268)
Other financial liabilities	28	-	-	-	-	-	(5,677,546)	(5,677,546)
		(6,354)	-	(5,059,853)	(5,519,219)	(297,923,740)	(5,677,546)	(314,161,814)
Total interest re-pricing gap		145,048,618	73,385,669	39,605,383	131,721,418	(28,083,394)	(4,282,447)	157,420,145

A summary of the Bank's interest rate gap position on financial instruments is as follows:

Re-pricing period

31 December 2020

In thousands of Naira

Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	147,237	-	-	-	147,237	258,130	405,367
Placements with Banks	18	240,663,887	8,206,022	-	-	248,869,909	-	248,869,909
Investment securities	19	-	-	5,404,553	8,757,495	14,162,048	-	14,162,048
Loans and advances	20	5,235,740	295,895	736,335	6,716,966	201,038,236	-	214,023,172
Other assets	22	-	-	-	-	-	35,738	35,738
		246,046,864	8,501,917	6,140,888	15,474,461	201,038,236	293,868	477,496,234
Borrowings	27	-	-	(19,706,747)	(9,712,704)	(284,305,494)	-	(313,724,945)
Other liabilities	28	-	-	-	-	-	(1,315,080)	(1,315,080)
		-	-	(19,706,747)	(9,712,704)	(284,305,494)	(1,315,080)	(315,040,025)
Total interest re-pricing gap		246,046,864	8,501,917	(13,565,859)	5,761,757	(83,267,258)	(1,021,212)	162,456,209

Re-pricing period

31 December 2019

In thousands of Naira

	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total amount sensitive to rate	Non rate sensitive	Carrying amount
Cash and balances with banks	18	-	-	-	-	-	-	330,193	330,193
Placements with Banks	18	110,145,178	19,956,318	-	-	-	130,101,496	-	130,101,496
Investment securities	19	25,691,464	28,570,960	41,682,693	131,642,844	-	227,587,961	-	227,587,961
Loans and advances	20	3,882,159	19,596,832	2,982,544	5,597,793	69,840,345	101,899,673	-	101,899,673
Other assets	22	-	-	-	-	-	-	4,339	4,339
		139,718,801	68,124,111	44,665,236	137,240,636	69,840,345	459,589,130	334,532	459,923,662
	27	(6,672)	-	(5,034,637)	(5,519,219)	(297,923,740)	(308,484,268)	-	(308,484,268)
Other liabilities	28	-	-	-	-	-	-	(5,619,168)	(5,619,168)
		(6,672)	-	(5,034,637)	(5,519,219)	(297,923,740)	(308,484,268)	(5,619,168)	(314,103,436)
Total interest re-pricing gap		139,712,129	68,124,111	39,630,599	131,721,418	(228,083,394)	151,104,862	(5,284,636)	145,820,226

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

Group Interest sensitivity analysis - 31 December 2020

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

Time Band	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	(2,546,296)	2,546,296
6 months	(121,579)	121,579
12 months	(63,434)	63,434
	(2,731,309)	2,731,309

Group Interest sensitivity analysis - 31 December 2019

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

Time Band	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	(2,055,150)	2,055,150
6 months	(388,313)	388,313
12 months	(1,309,474)	1,309,474
	(3,752,937)	3,752,937

Bank Interest sensitivity analysis - 31 December 2020

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

Time Band	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	(2,535,445)	2,535,445
6 months	(117,613)	117,613
12 months	(50,366)	50,366
	(2,703,424)	2,703,424

Bank Interest sensitivity analysis - 31 December 2019

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

Time Band	Cashflow interest rate risk	
	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	(2,055,150)	2,055,150
6 months	(388,313)	388,313
12 months	(1,309,474)	1,309,474
	(3,752,937)	3,752,937

The table above sets out the impact on net interest income of a 100 basis points parallel downward shift or upward shift in interest rates. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel fall in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Group to mitigate interest rate risk. In practice, the Assets and Liability Committee, ALCO seeks proactively to manage the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

b Foreign exchange risk

Foreign Exchange risk is the exposure of the Group's financial condition to adverse movements in exchange rates. The Group is minimally exposed to the financial risk related to the fluctuation of foreign exchange rates. This is because its revenues, capital expenditures are principally based in Naira. A significant change in the exchange rates between the Naira (N) (functional and presentation currency) relative to the US dollar would have an insignificant effect on operations, financial position and cash flows. The Group did not enter into any forward exchange contracts to manage currency risk fluctuations. The table below summarises financial instruments at carrying amount, categorised by currency:

Financial instruments by currency

Group

In thousands of Naira

31 December 2020

	Note	Total	Naira ₦	US \$	GBP £
Cash and cash equivalents	18	259,145,775	258,972,463	172,887	425
Investment securities	19	16,605,584	16,605,584	-	-
Loans and advances	20	214,023,172	214,023,172	-	-
Other assets	24	94,557	94,557	-	-
		489,869,088	489,695,776	172,887	425
Borrowings	27	313,724,945	313,724,945	-	-
Other liabilities	28	1,418,735	1,418,735	-	-
		315,143,680	315,143,680	-	-
Net Local Currency Exposure		174,725,408	174,552,096		
Net Foreign Currency Exposure				172,887	425

Group

In thousands of Naira

31 December 2019

	Note	Total	Naira ₦	US \$	GBP £
Cash and cash equivalents	18	132,663,583	132,511,441	151,482	660
Investment securities	19	237,014,094	237,014,094	-	-
Loans and advances	20	101,899,673	101,899,673	-	-
Other assets	24	4,609	4,609	-	-
		471,581,959	471,429,817	151,482	660
Borrowings	27	308,484,268	308,484,268	-	-
Other liabilities	28	5,677,546	5,677,546	-	-
		314,161,814	314,161,814	-	-
Net Local Currency Exposure		157,420,145	157,268,003		
Net Foreign Currency Exposure				151,482	660

Bank*In thousands of Naira***31 December 2020**

In thousands of Naira

		Total	Naira ₦	US \$	GBP £
31 December 2020					
Cash and cash equivalents	18	249,275,276	249,101,964	172,887	425
Investment securities	19	14,162,048	14,162,048	-	-
Loans and advances	20	214,023,172	214,023,172	-	-
Other assets	24	35,738	35,738	-	-
		477,496,234	477,322,922	172,887	425
Borrowings	27	308,509,166	308,509,166	-	-
Other liabilities	28	1,315,080	1,315,080	-	-
		309,824,246	309,824,246	-	-
Net Local Currency Exposure		167,671,988	167,498,676		
Net Foreign Currency Exposure				172,887	425

Bank*In thousands of Naira***31 December 2019**

In thousands of Naira		Total	Naira ₦	US \$	GBP £
31 December 2019					
Cash and cash equivalents	18	130,431,689	130,279,547	151,482	660
Investment securities	19	227,587,961	227,587,961	-	-
Loans and advances	20	101,899,673	101,899,673	-	-
Other assets	24	4,339	4,339	-	-
		459,923,662	459,771,520	151,482	660
Borrowings	27	308,509,166	308,509,166	-	-
Other liabilities	28	5,619,168	5,619,168	-	-
		314,128,334	314,128,334	-	-
Net Local Currency Exposure		145,795,328	145,643,186		
Net Foreign Currency Exposure				151,482	660

6.6 Liquidity risk management

Liquidity Risk is the current or prospective risk to earnings and capital arising from the Group's inability to meet its liabilities when they fall due without incurring unacceptable losses. Liquidity risk is considered a major risk for the Group. It arises when the cushion provided by the liquid assets are not sufficient enough to meet its obligation. The Group is managed to preserve a high degree of liquidity so that it can meet its obligations at all times including periods of financial stress.

The Group has a liquidity management framework embedded in the Asset and Liability Manual (ALM) based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme scenarios such as suspension of inflows from developmental partners, full utilization of credit lines, systemic crisis and loss of placements in the money market are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

Liquidity has consistently been above the minimum liquidity ratio and the recommendations/action plan arising from routine stress tests are adhered to. Funding and liquidity risk management activities are centralized within Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimize borrowing costs and facilitates timely responses to liquidity events. However, the Risk Management Department analyse and monitors our liquidity risk and ensures excess liquidity is maintained.

The Board approved the ALM Manual, including establishing liquidity risk tolerance levels. The Group's ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Group's net liquidity gap and by comparing selected ratios with targets as specified in the ALM manual. Also, a Liquidity Contingency Funding Plan is in place.

The expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, borrowings due to foreign development finance institutions are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising Cash and balances with banks and debt securities issued by federal government, which can be readily sold to meet liquidity requirements.

Quantifications

The Group has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

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

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

a Residual contractual maturities of financial assets and liabilities

Group

31 December 2020
In thousands of Naira

	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
Non-derivative asset:								
Cash and balances with banks	18b	799,589	799,851	799,851	-	-	-	-
Placements with banks	18b	258,346,186	259,561,318	244,771,813	13,775,956	1,013,549	-	-
Investment securities	19	16,605,584	16,992,677	-	-	5,607,000	11,385,677	-
Loans and advances	20	214,023,172	291,989,092	5,236,967	298,797	761,547	7,089,077	278,602,704
Other assets	24	94,557	94,557	94,557	-	-	-	-
		489,869,088	569,437,495	250,903,188	14,074,753	7,382,096	18,474,754	278,602,704
Non-derivative liabilities:								
Borrowings*	27	(313,724,945)	(397,462,276)	-	-	(23,604,548)	(14,957,298)	(358,900,430)
Other liabilities	28	(1,418,735)	(1,418,735)	(524,441)	(718,089)	(9,275)	-	(166,930)
		(315,172,445)	(398,881,011)	(524,441)	(718,089)	(23,613,823)	(14,957,298)	(359,067,360)
Gap (asset - liabilities)		174,696,643	170,556,484	250,378,747	13,356,665	(16,231,727)	3,517,456	(80,464,656)
Cumulative liquidity gap				250,378,747	263,735,411	247,503,684	251,021,140	170,556,484

*Contained within the borrowings gross nominal outflow is a total interest payable of N94,870,029,981 (Current Portion: N19,306,350,276) and principal payable of N302,592,246,330 (Current portion: N19,255,496,023)

Group

31 December 2019
In thousands of Naira

	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
Non-derivative asset:								
Cash and balances with banks	18b	1,390,490	1,395,210	1,395,210	-	-	-	-
Placements with banks	18b	131,273,093	131,541,132	109,711,899	21,148,268	-	680,965	-
Investment securities	19	237,014,094	253,423,584	26,124,743	28,570,960	46,065,858	152,662,023	-
Loans and advances	20	101,899,673	98,703,405	3,108,118	18,048,749	2,208,502	4,823,751	70,514,286
Other assets	22	4,609	4,609	4,609	-	-	-	-
		471,581,959	485,067,941	140,344,580	67,767,977	48,274,360	158,166,738	70,514,286
Non-derivative liabilities:								
Borrowings*	27	(308,484,268)	(396,692,805)	-	-	(9,973,281)	(15,876,000)	(370,843,524)
Other liabilities	28	(5,677,546)	(5,677,546)	(3,973,188)	(1,704,358)	-	-	-
		(314,161,814)	(402,370,351)	(3,973,188)	(1,704,358)	(9,973,281)	(15,876,000)	(370,843,524)
Gap (asset - liabilities)		157,420,145	82,697,590	136,371,392	66,063,619	38,301,079	142,290,738	(300,329,238)
Cumulative liquidity gap				136,371,392	202,435,011	240,736,090	383,026,828	82,697,590

*Contained within the borrowings gross nominal outflow is a total interest payable of N97,468,568,000 (Current Portion: N13,356,905,000) and principal payable of N299,224,237,000 (Current portion: N12,492,376)

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

Bank 31 December 2020	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
<i>In thousands of Naira</i>								
<i>Non-derivative asset:</i>								
Cash and balances with banks	18b	405,367	405,367	405,367	-	-	-	-
Placements with banks	18b	248,869,909	250,026,116	241,819,399	8,206,717	-	-	-
Investment securities	19	14,162,048	14,500,000	-	-	5,500,000	9,000,000	-
Loans and advances	20	214,023,172	291,989,092	5,236,967	298,797	761,547	7,089,077	278,602,704
Other assets	24	35,738	35,738	35,738	-	-	-	-
		477,496,234	556,956,313	247,497,471	8,505,514	6,261,547	16,089,077	278,602,704
<i>Non-derivative liabilities:</i>								
Borrowings	27	(313,724,945)	(397,462,276)	-	-	(23,604,548)	(14,957,298)	(358,900,430)
Other liabilities	28	(1,315,080)	(1,315,080)	(467,939)	(680,211)	-	-	(166,930)
		(315,040,025)	(398,777,356)	(467,939)	(680,211)	(23,604,548)	(14,957,298)	(359,067,360)
Gap (asset - liabilities)		162,456,209	158,178,957	247,029,532	7,825,303	(17,343,001)	1,131,779	(80,464,656)
Cumulative liquidity gap				247,029,532	254,854,835	237,511,834	238,643,612	158,178,957
31 December 2019	Note	Carrying amount	Gross nominal inflow/(outflow)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year
<i>In thousands of Naira</i>								
<i>Non-derivative asset:</i>								
Cash and balances with banks	18b	330,193	334,913	334,913	-	-	-	-
Placements with banks	18b	130,101,496	130,349,182	109,711,899	19,956,318	-	680,965	-
Investment securities	19	227,587,961	243,260,356	26,124,743	28,570,960	41,682,693	146,881,960	-
Loans and advances	20	101,899,673	98,703,405	3,108,118	18,048,749	2,208,502	4,823,751	70,514,286
Other assets	24	4,339	4,339	4,339	-	-	-	-
		459,923,662	472,652,196	139,284,013	66,576,028	43,891,195	152,386,675	70,514,286
<i>Non-derivative liabilities:</i>								
Borrowings	27	(308,484,268)	(396,692,805)	-	-	(9,973,281)	(15,876,000)	(370,843,524)
Other liabilities	28	(5,619,168)	(5,619,168)	(3,914,810)	(1,704,358)	-	-	-
		(314,103,436)	(402,311,973)	(3,914,810)	(1,704,358)	(9,973,281)	(15,876,000)	(370,843,524)
Gap (asset - liabilities)		145,820,226	70,340,223	135,369,203	64,871,670	33,917,914	136,510,675	(300,329,238)
Cumulative liquidity gap				135,369,203	200,240,872	234,158,786	370,669,461	70,340,223

6.7 Operational risk management

Operational risk is defined “as the risk of loss resulting from inadequate and/or failed internal processes, people and systems or from external events”. The underlying philosophy of the Bank’s Operational Risk Management is that effective management of operational risk is central to maintaining and improving a competitive advantage in today’s rapidly changing global competitive marketplace. Consequently, the Bank’s Operational Risk philosophy is anchored on the implementation of a process driven framework that ensures that all major Operational risks in the Bank are proactively identified, properly assessed, adequately monitored and appropriate controls/mitigants are put in place to reduce losses to the barest minimum while providing adequate support to market facing units to take advantage of opportunities in the market at acceptable risk adjusted return to the Bank.

The Bank’s Operational Risk Management framework was created to provide guidelines for the identification, assessment, measurement, monitoring, controlling and reporting of operational risk in a consistent manner across the Bank in line with the Bank’s enterprise wide risk management framework and best practice operational risk management. The ORM framework shall be reviewed every two years to reflect new developments in the management of operational risk as well as changes in the Bank’s approach to the management of operational risk. The main benefits and objectives of the ORM in the Bank include the following:

- Reduction of losses arising from operational risk
- Improvement in performance measurement
- Provision of early warning signals; and
- Raising the level of awareness of operational risk in the Bank.

The following is a summary of some areas covered by the ORM Framework:

- Conceptual Definitions in Operational Risk Management: This section gives a general overview of operational risk management, including its definition, risk types and relationship to other risks;
- DBN Operational Risk Strategy: This section highlights the Bank’s operational risk strategy and objectives, its operational risk appetite and the key principles for the management of operational risk;
- DBN Operational Risk Governance Structure: This section defines the Bank’s operational risk governance structure, including the roles and responsibilities for the Risk Management department and other stakeholders in the Bank.
- DBN Operational Risk Management Process: This section outlines the methodology and procedures for the identification, assessment, measurement, monitoring, controlling and reporting of operational risks within the Bank.
- DBN Capital Assessment Methodology: This section covers the DBN approaches to capital calculation under Basel II, and the criteria for mapping the Bank’s activities into the Basel defined business lines.
- Operational Risk Systems: This section covers the requirement for technology support in the implementation of the Bank’s Operational Risk Management Policy Manual.

The ORM Framework also provides for the minimum control standards that the Bank expects to be in place in various business units and support functions. The absence of these minimum standards will expose the Bank to greater operational risk. These standards include: but not limited to adequate segregation of duties, Well-defined delegated authorities/limits, Compliance with all regulatory and legal requirement and Bank’s policies, Anti-Money Laundering (AML) & Counter Financing of Terrorism (CFT) Compliance, Vacation and Leave enforcement, Contingency planning and security/protection.

The ORM framework mandates process owners, in conjunction with the operational risk management function to work hand in hand to identify and assess the operational risk inherent in all material products, activities, processes and systems of the Bank using techniques like the Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Incidence Reporting, Seminars and Interviews. The findings from this assessment and other recommendations from incidents recorded during the year, internal and external audits were documented in the Bank’s risk register and was used in developing the Heatmap and KRIs for 2021. The KRIs of all business units were consistently monitored by the risk management function throughout the year, to ensure containment within tolerance levels

Operational risk issues are presented to the MCRC, BCRC and the Board in line with the approved policy.

6.8 Covid-19 Risk - Activation of BCP

The Corona Virus 9 (COVID 19) pandemic is having significant adverse consequences for both the global and the domestic economies. It has led to business disruptions, decline in crude oil prices, fall in global stock and financial markets, lockdown/restriction of movements of persons/ international travel in many countries, including Nigeria.

Since the outbreak of COVID-19 in December 2019, the Bank has closely monitored the situation and maintained continuous communication to staff to increase awareness of the disease and how it can be prevented. Some of the measures initially taken are:

- Suspension of international travels for all staff pending the containment of the disease.
- Temperature checks for visitors and staff at all our locations; individuals with temperatures above 38°C were not granted access into our offices.
- Provision of Hand sanitizer at the reception in our Lagos and Abuja office, our washrooms as well as on each workstation for staff use.
- Staff who have been in contact with anyone that has self-isolated or quarantined are expected to notify their Head of Department and the Head, Human Resources. Such staff were permitted to work remotely from home until they have been tested and confirmed uninfected.
- Any Staff with fever/flu symptoms was not allowed into to the office. He/she is expected to visit the hospital for assessment and treatment and seek the Head, Human Resources and direct Supervisor's approval to work from home.

However, as diagnoses of coronavirus disease continue to rise across the globe, including locations of our operation (Lagos and Abuja), the Management of DBN (Crisis Management Team) activated its Business Continuity Plan and took the following measures to ensure a safe environment for our employees and contribute to the containment of the virus:

a) Activation of Remote work Policy

The Group swiftly implemented a remote work policy that enable staff to work and carry out their required functions off-premises. This was made possible by the robust IT tools and platforms that the Group invested in prior to the COVID crises. These tools and platforms were tested and confirmed successful by Risk Management before it was deployed for use.

b) Deployment and Training on online meeting Solutions

Prior to COVID, the Group already invested in online meeting and Communication Solutions. These were promptly activated for use by staff for communication and collaboration while in the office or outside. The solutions allows employees to hold meetings virtually, supporting both audio and video meetings, etc. All staff have been previously trained on the use of these solutions. All meetings since the lockdown has been successfully held virtually.

c) PFI Engagement

Engagement with our Participating Financial Institutions (PFIs) since activation of the remote work policy have been done virtually. The PFIs have been informed of the steps we are taking as a responsible corporate citizen to ensure safety of our stakeholders. Meetings with the PFI are virtual. The Bank also deployed a Loan Management System that supports the remote work arrangement ensuring that PFIs are able to do transactions seamlessly in this 'new normal' environment.

d) Cybersecurity and Remote Working Tips

Staff have been continuously advised on safety measures to take on cyber security to avoid the risk of being exposed. Precautionary measures against cyber-crimes are regularly communicated to increase awareness of the risk in addition to structured training and other risk mitigations that have been put in place.

6.9 Information Security Risk Management

Information security risk is defined as the risk that arise from the threats and vulnerabilities associated with the operation and use of information systems as well as the environments in which those systems operate. The Bank mitigates its information security-related risk primarily through the selection, implementation, maintenance, and continuous monitoring of preventive, detective, and corrective security controls to protect information assets from compromise or to limit the damage should a compromise occur.

The Bank improved and strengthened its defences and security architecture by significant investments in:

1. Vulnerability scanner to automate the checking of the Bank's networks, systems and applications for security weaknesses that could expose us to attacks. They are utilized in the identification and detection of vulnerabilities arising from mis-configurations or flawed programming within a network-based asset such as a firewall, router, web server, application server, etc.
2. Web filter to screen incoming Web pages to determine whether some or all of it should not be displayed to employees. The filter checks the origin or content of a Web page against a set of policies provided by Risk Management.

The Web filter enables the Bank to block out pages from Web sites that are likely to include objectionable advertising, pornographic content, spyware, viruses, malicious sites and other objectionable content.

Automation was a key success indicator as the Bank gained strides with various API integrations and automation mechanisms:

The secure automation of the Loan Management System (LMS) eased the loan lifecycle process from onboarding to disbursement. The workflow process also experienced migration from paper journeys to full automation as a management system was successfully deployed.

The Bank has made significant progress in its Information Security Risk Management process. Several Policies, Frameworks and Standards have been developed:

1. The Data Sharing Framework was developed in 2020 to guide the Bank through her data sharing journey and outline key considerations for the Bank to take into account when planning data partnerships. The framework outlines the principles, standards of conduct and legal and justifiable basis for using and sharing information by partner organizations working with Development Bank of Nigeria (DBN) Plc. Embedded in the The Data Sharing Framework, is a Data Sharing Agreement between DBN and ICGL reflects the arrangements and addresses the Security requirements that must be met and to establish the terms and condition under which data can be shared between both Parties and explains the purposes for which that Data may be used.
2. The Mobile Computing and Teleworking Policy defines controls that ensure physical and logical security of the information during mobile computing and/or teleworking (remote working).
3. The Virtual Private Network (VPN) Security Standard address the VPN solution's Information Security requirements in line with business requirements and the Information Security Policy (ISP) and defines the functional architecture of the VPN security solution consisting of various technology components and their interrelationships.
4. Plan for 2021: In 2021, we intend to build on existing controls and consolidate them into a stand alone Cybersecurity Framework and Strategy which will provide additional guidance on how to better identify, prevent, detect, manage, and respond to cybersecurity risks. It will enables the Bank to apply the principles and best practices of risk management to improve the security and resilience of its critical cyber infrastructure. The 2021-2023 Cybersecurity Strategy shall establish the basis of how cybersecurity functions and activities would be organized and carried out within the Bank to ensure protection of the Bank against Cyber attacks.

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6.10 Capital management

The Group's objectives when managing capital (Tier 1 and Tier 2 capital), which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The capital adequacy ratio is the quotient of the capital base of the Group and the Group's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum capital adequacy ratio of 10% is to be maintained by Development Financial Institutions. Following the CBN guideline on regulatory capital computation, the Regulatory Risk Reserve is excluded from the capital computation. Standardized approach has been adopted in computing the risk weighted assets for Credit, Operational and Market Risk.

The CBN Basel II regulatory capital requirements are strictly observed when managing capital and this comprises of two tiers: Tier 1 capital (only permanent shareholder's equity and disclosed reserves) and Tier 2 capital. Tier 1 capital comprises share capital, share premium, retained earnings and reserves created by appropriations of retained earnings; the carrying amount of intangible assets is deducted in arriving at Tier 1 capital. The Group is expected to maintain a minimum ratio of Tier I capital to total assets of 5%. Tier 2 capital includes the Group's qualifying loan capital and shall not exceed 33.33% of Tier 1 capital.

The Basel II capital adequacy ratio was 75.2% as at 31 December 2020 (31 December 2019: 140.5%), with Bank above the CBN minimum capital adequacy requirements of 10%. The Central Bank of Nigeria issued a circular on 18 October 2018 relating to the treatment of IFRS expected credit loss for regulatory purposes. Banks were directed to use the balance in regulatory risk reserve as at 1 January, 2018 to offset the impact of IFRS 9 expected credit loss amount as at transition date. Where the additional ECL provision is higher than the balance in regulatory risk reserve, the excess shall be amortized in line with the transitional arrangements.

Transitional arrangement of the ECL accounting provisions for regulatory capital purpose:

Using the static approach requires banks to hold static the 'Adjusted Day One Impact' and amortize on a straight-line basis over the four-year transition period by writing back to the Tier 1 capital as indicated in the table below. The Adjusted Day One Impact for the Bank is N0.047m for the year ended 31 December 2020.

Period	Provision to be written back	Bank (N'000)
Year 1 (31 December 2018)	3/5 of Adjusted Day One Impact	142
Year 2 (31 December 2019)	2/5 of Adjusted Day One Impact	95
Year 3 (31 December 2020)	1/5 of Adjusted Day One Impact	47
Year 4 (31 December 2021)	Nil	-

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

		With adjusted day 1 impact			
In thousands of Naira	Note	31 December 2020	31 December 2020	31 December 2019	31 December 2019
Tier 1 capital					
Ordinary share capital	29(a)	100,000	100,000	100,000	100,000
Share premium	29(b)	99,762,570	99,762,570	99,762,570	99,762,570
Retained earnings	29(c)	50,580,403	50,580,403	40,675,299	40,675,299
Statutory reserve	29(d)	23,288,071	23,288,071	18,102,257	18,102,257
Transitional adjustment		-	47	95	-
Tier 1 Capital Before Regulatory Deduction		173,731,044	173,731,091	158,325,633	158,325,538
Less:					
Intangible assets		(123,468)	(123,468)	(106,472)	(106,472)
Deferred tax assets		(875,249)	(875,249)	(1,567,866)	(1,567,866)
Investment in subsidiary - 50%		(5,687,500)	(5,687,500)	(5,687,500)	(5,687,500)
Eligible Tier 1 Capital		167,044,827	167,044,874	150,963,795	150,963,700

In thousands of Naira				
	31 December 2020	31 December 2020	31 December 2019	31 December 2019
Tier 2 Capital Before Regulatory Deduction				
Tier 2 Capital (restricted to 1/3 of Tier 1 Capital)	55,676,041	55,676,041	50,421,053	50,421,053
Less:				
Investment in subsidiary - 50%	(5,687,500)	(5,687,500)	(5,687,500)	(5,687,500)
Eligible Tier 2 Capital	49,988,541	49,988,541	44,733,553	44,733,553
Total Eligible Capital	217,033,368	217,033,415	195,697,348	195,697,253
Risk-weighted assets				
Risk-weighted Amount for Credit Risk	234,790,778	234,790,778	96,507,328	96,507,328
Risk-weighted Amount for Operational Risk	53,652,180	53,652,180	42,979,964	42,979,964
Risk-weighted Amount for Market Risk	-	-	-	-
Total weighted risk assets	288,442,958	288,442,958	139,487,292	139,487,292
Capital ratios				
Risk weighted Capital Adequacy Ratio (CAR)	75.24%	75.24%	140.52%	140.52%

Operational Risk Capital Charge computation used for Capital Adequacy Ratio calculation

Gross Income Calculation for Basic Indicator Approach

In thousands of Naira

Particulars	Year -1	Year -2	Year -3
Interest Income	30,511,766	45,754,097	33,429,735
Interest Expenses	(4,342,680)	(8,191,950)	(11,270,015)
Net Interest Income	26,169,086	37,562,147	22,159,720
Fees and Commission Income	-	-	-
Fees and Commission Expenses	(104,999)	(133,242)	(87,524)
Net Fees and Commission Income	(104,999)	(133,242)	(87,524)
Any other operating income	130,183	1,131	146,985
Total net non-interest income	25,184	(132,111)	59,461
Total Gross Income	26,194,270	37,430,036	22,219,181
Capital Charge for Operational Risk (Average of Year 1-3 Total Gross Income)*15%			4,292,174
Operational Risk Calibrated Risk-weighted Amount using Basic Indicator Approach			53,652,180

As shown above, DBN currently has a capital adequacy ratio of 74.95% (2019: 140.52%), which is significantly above the set benchmark of 10% for Development Finance Institutions.

Regulatory Minimum Capital Requirement

As a Wholesale Development Finance Institution, the Central Bank of Nigeria (CBN) requires DBN to maintain a minimum capital (i.e. minimum shareholders' fund) of N100,000,000,000 (One Hundred Billion Naira) payable over a maximum period of four (4) years.

Timeline	Cumulative minimum capital requirement
Before the grant of Approval in Principle (AIP)	20,000,000
March 2018	40,000,000
March 2019	70,000,000
March 2020	100,000,000

As at 31 December 2020, DBN has met the minimum capital requirement of N100,000,000,000 (One hundred Billion Naira), ahead of the March 2020 deadline as specifically advised to Development Bank of Nigeria Plc, by the CBN.

7 Fair Values of Financial Instrument**Financial instruments not measured at fair value**

The Bank does not have any financial assets measured at fair value as all financial assets are measured at amortised cost.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group	Note	Level 1	Level 2	Level 3	Total Fair Values	Total carrying amount
		N '000	N '000	N '000	N '000	N '000
31 December 2020						
Cash and cash equivalents	18	-	259,145,775	-	259,145,775	259,145,775
Investment securities	19	-	16,941,376	-	16,941,376	16,605,584
Loans and advances to customers	20	-	-	214,023,172	214,023,172	214,023,172
Other financial assets	24	-	-	94,557	94,557	94,557
		-	276,087,151	214,117,729	490,204,880	489,869,088
Borrowings	27	-	-	313,724,945	313,724,945	313,724,945
Other financial liabilities	28	-	-	1,418,735	1,418,735	1,418,735
		-	-	315,143,680	315,143,680	315,143,680
31 December 2019						
Cash and cash equivalents	18	-	132,663,583	-	132,663,583	132,663,583
Investment securities	19	-	242,428,526	-	242,428,526	237,014,094
Loans and advances to customers	20	-	-	101,899,673	101,899,673	101,899,673
Other financial assets	24	-	-	4,609	4,609	4,609
		-	375,092,109	101,904,282	476,996,391	471,581,959
Borrowings	27	-	-	308,484,268	308,484,268	308,484,268
Other financial liabilities	28	-	-	5,677,546	5,677,546	5,677,546
		-	-	314,161,814	314,161,814	314,161,814
31 December 2020						
Cash and cash equivalents	18	-	249,275,276	-	249,275,276	249,275,276
Investment securities	19	-	14,456,450	-	14,456,450	14,162,048
Loans and advances to customers	20	-	-	214,023,172	214,023,172	214,023,172
Other financial assets	24	-	-	35,738	35,738	35,738
		-	263,731,726	214,058,910	477,790,636	477,496,234
Borrowings	27	-	-	313,724,945	313,724,945	313,724,945
Other financial liabilities	28	-	-	1,315,080	1,315,080	1,315,080
		-	-	315,040,025	315,040,025	315,040,025

Bank

31 December 2019

			Level 1	Level 2	Level 3	Total Fair Values	Total carrying amount
			N '000	N '000	N '000	N '000	N '000
Cash and cash equivalents	18	-	130,431,689	-	-	130,431,689	130,431,689
Investment securities	19	-	232,952,991	-	-	232,952,991	227,587,961
Loans and advances to customers	20	-	-	-	101,899,673	101,899,673	101,899,673
Other financial assets	24	-	-	-	4,339	4,339	4,339
		-	363,384,680	101,904,012	465,288,692	459,923,662	
Borrowings	27	-	-	-	308,484,268	308,484,268	308,484,268
Other financial liabilities	28	-	-	-	5,619,168	5,619,168	5,619,168
		-	314,103,436	314,103,436	314,103,436	314,103,436	

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

The estimated fair value of fixed interest bearing deposits is based on discounted cashflows using prevailing money market rates for debts. The carrying amount represents the fair value which is receivable at maturity.

The carrying amounts of other financial assets and other financial liabilities are reasonable approximation of their fair values which are repayable on demand.

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8 Interest income

In thousands of Naira

	Notes	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Placements with banks	18a	7,405,661	7,077,734	7,173,151	7,009,393
Investment in Treasury Bills	19a	16,500,016	32,600,380	15,738,932	32,187,248
Loans and advances to Participating Financial Institutions (PFIs)	20a	10,517,652	6,557,456	10,517,652	6,557,456
		34,423,329	46,235,570	33,429,735	45,754,097

Total interest income, calculated using the effective interest rate method reported above that relate to financial assets carried at amortized cost are ₦34.42billion and ₦33.44billion (31 December 2019: ₦46.24billion and 45.75billion) for Group and Bank respectively.

9 Interest expense

In thousands of Naira

		Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Borrowings (See (i) below)	27a	11,263,712	8,187,131	11,263,712	8,187,131
Lease expense	30c(ii)	6,303	4,819	6,303	4,819
		11,270,015	8,191,950	11,270,015	8,191,950

(i) The amount reported above is calculated using the effective interest method, and relates to borrowings measured at amortised cost

10 Impairment loss on financial assets

In thousands of Naira

	Notes	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Loans and Advances to customers	20(b)	369,318	637,460	369,318	637,460
Other financial assets	30a(v)	486,521	434,744	460,408	430,452
		855,839	1,072,204	829,726	1,067,912

11 Guarantee Income

In thousands of Naira

	Notes	Group 31 December 2019	Group 31 December 2019	Bank 31 December 2019	Bank 31 December 2019
Upfront fee		53,877	180	-	-
Guarantee fee		12,776	1	-	-
		66,653	181	-	-

Guarantee income is earned in the Group in respect of operations of the Bank's subsidiary - Impact Credit Guarantee Limited.

Upfront fee is earned at a rate of 0.6% flat on disbursed loan amount, it is a one off, non-refundable processing fee charged irrespective of the tenor of the guarantee. The upfront fee is recognised immediately the service is performed. Guarantee fee is 1% per annum of disbursed loan amount for the guarantee of loans and is earned over the tenor of the guarantee.

12 Other income

In thousands of Naira

	Notes	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Foreign exchange gains		4,114	-	4,114	-
Other sundry incomes (See (i) below)		100,368	1,131	100,368	1,131
Income from subsidiary - shared services		-	-	42,503	-
		104,482	1,131	146,985	1,131

(i) Other sundry income earned during the year relates to refund/reimbursement to the Bank from IBRD, in respect of the project implementation unit cost that was incurred by the Bank in prior year.

13 Fees and commission & Guarantee expenses**a Fees and commission expense***In thousands of Naira*

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Custodian fees on treasury bills	91,451	133,242	87,524	133,242
	91,451	133,242	87,524	133,242

b Guarantee expenses*In thousands of Naira*

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Guarantee fees	7,058	360	-	-

14 Personnel expenses*In thousands of Naira*

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Wages and salaries	1,304,919	966,033	1,133,546	911,168
Pension contribution	65,281	48,999	56,968	46,405
Other allowances	71,582	644,353	50,000	628,738
	1,441,782	1,659,385	1,240,514	1,586,311

i The number of employees, excluding the non-executive directors in employment as at:

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Executive Management	2	1	1	1
Senior Management	15	16	13	13
Middle Management	9	8	8	7
Officer	30	17	25	16
	56	42	47	37

ii Employees, other than directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions and certain benefits) in the following ranges:

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Below N1,000,000	-	-	-	-
N1,000,001 - N 3,000,000	9	-	7	-
N3,000,001 - N 6,000,000	6	5	5	5
N6,000,001 - N 9,000,000	4	6	2	5
N9,000,001 - N 15,000,000	12	7	12	7
N15,000,001 and above	25	24	21	20
	56	42	47	37

iii The remuneration paid to directors are as follows:

	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Fees as director	113,200	55,000	113,200	55,000
Other Allowances	75,937	28,850	75,937	28,850
Other Directors' emolument	141,383	137,050	141,383	137,050
	330,520	220,900	330,520	220,900

Highest paid director	141,383	137,050	141,383	137,050
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Fees and other emoluments disclosed above include amounts paid to:

Chairman	28,600	10,200	28,600	10,200
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15 Depreciation and amortization and lease expenses

a	<i>In thousands of Naira</i>	Notes	Group	Group	Bank	Bank
			31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Amortization of intangibles	23	48,813	31,547	47,917	31,547
	Depreciation of property and equipment	22	409,868	324,727	390,358	319,287
			458,681	356,274	438,275	350,834

16 General and administrative expenses

	<i>In thousands of Naira</i>		Group	Group	Bank	Bank
			31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Office rent		8,270	14,900	8,270	14,900
	Business promotion and advertisement		132,754	370,094	132,754	370,094
	Donations		143,819	35,250	143,819	35,250
	Legal and secretarial fees		5,760	19,651	5,760	-
	Electricity expenses		13,160	11,150	13,160	11,150
	Audit fees		19,300	19,000	15,000	15,000
	Professional services (see i below)		408,961	381,449	357,604	358,596
	Other expenses		71,291	83,543	64,277	80,274
	Other Board expenses		38,680	88,985	38,680	88,985
	Newspapers and periodicals		17,420	9,542	17,420	9,542
	Corporate subscriptions		16,917	13,665	16,917	13,665
	Office consumables		19,963	15,657	19,963	15,657
	Staff welfare		8,584	13,553	8,584	13,553
	Insurance Expenses		77,923	56,238	69,355	54,703
	Maintenance		10,690	12,136	10,679	11,747
	Stationery, IT and Communication expenses		144,141	130,835	143,202	128,207
	Travels and Hotels		64,872	136,185	45,250	124,662
	Recruitment & Training, Subscription and Contract cost		128,911	373,688	116,571	337,567
	Director Emolument and expenses		189,137	82,350	189,137	82,350
	Bank Charges		4,621	6,653	3,391	6,641
	Foreign exchange loss		-	2,343	-	2,343
			1,525,174	1,876,867	1,419,793	1,774,886

(i) Included in professional fees is ₦10 million relating to non-audit services rendered by KPMG Professional Services (2019: ₦10 million).

17 Taxation**a Tax Expense***In thousands of Naira*

		Group	Group	Bank	Bank
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
i	Minimum Tax				
	Minimum Tax	83,942	228,776	83,942	228,776
		83,942	228,776	83,942	228,776
ii	Current Tax				
	Company Income Tax	-	-	-	-
	Tertiary Education Tax	65,493	43,135	65,493	43,135
	NITDA Levy	189,445	329,468	182,909	326,501
	Nigerian Police Trust Fund levy	962	1,631	914	1,631
iii	Deferred Tax				
	Deferred Tax charge/(credit) (see (b) below)	626,398	(1,567,866)	671,570	(1,546,819)
		882,298	(1,193,632)	920,886	(1,175,552)
	Total income tax expense/(credit)	966,240	(964,856)	1,004,828	(946,776)

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

Reconciliation of effective tax rate - Group*In thousands of Naira*

			31 December 2020		31 December 2019
	Profit before tax		18,944,464		32,946,600
	Income tax using the domestic corporation tax rate @ 30%	30%	5,683,340	30%	9,883,980
	Tax effect of:				
	Non-deductible expenses	0.3%	64,068	1.9%	630,675
	Tax exempt income	27.0%	5,090,835	30.0%	(9,867,588)
	Current year utilized loss	0.1%	14,997	(2.0%)	(647,067)
	Minimum tax	0.4%	83,942	0.7%	228,776
	Information technology tax levy	1.0%	189,445	1.0%	329,468
	Education tax	0.3%	65,493	0.1%	43,135
	Nigerian Police Trust Fund levy	0.0%	962	0.0%	1,631
	Recognition of previously unrecognized deferred tax asset	0.0%	-	(5.0%)	(1,631,272)
	Changes in estimates relating to prior years	0.2%	(45,172)	0.2%	63,406
	Total income tax expense/(credit)		5%	(3.0%)	(964,856)

Reconciliation of effective tax rate - Bank*In thousands of Naira*

			31 December 2020		31 December 2019
	Profit before tax		18,290,873		32,650,093
	Income tax using the domestic corporation tax rate @ 30%	30%	5,487,262	30%	9,795,028
	Tax effect of:				
	Non-deductible expenses	0.3%	46,818	1.8%	595,688
	Tax exempt income	26.6%	(4,862,510)	(29.8%)	(9,743,648)
	Current year utilized loss	0.0%	-	(2.0%)	(647,067)
	Minimum tax	0.5%	83,942	0.7%	228,776
	Information technology tax levy	1.0%	182,909	1.0%	326,501
	Education tax	0.4%	65,493	0.1%	43,135
	Nigerian Police Trust Fund levy	0.0%	914	0.0%	1,631
	Recognition of previously unrecognized deferred tax asset	0.0%	-	(5.0%)	(1,631,272)
	Changes in estimates relating to prior years	0.0%	-	0.3%	84,452
	Total income tax expense/(credit)	5%	1,004,828	(3.0%)	(946,776)

b Deferred tax asset

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The deferred tax assets of the Group which relates primarily to timing difference in the recognition of unrelieved tax losses have been recognized in these financial statements. The Group's deferred tax asset balance is as a result of unutilized capital allowances and tax losses, resulting from significant tax exempt income on government securities. Despite the Group making an accounting profit (profit before tax) of N18.94 billion (Bank: N18.29 billion); it made an assessable profit of N3.275 billion (Bank: N3.275 billion); this was a result of the tax exemption granted to treasury bills (as the Group's major source of income was its investment income on treasury bills). Deferred tax assets have been recognized in the accounts since the timing of the utilization of the deferred tax assets has become certain. Refer to note 5.2(c) for significant judgment and estimate related to the computation of the unrecognized deferred tax assets.

There are no unrecognized deferred tax asset during the year ended 31 December 2020 (31 December 2019: Nil)

	Group	Group	Bank	Bank
<i>In thousands of Naira</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Unutilized/(Accelereated) capital allowances	(55,769)	142,912	(63,523)	142,912
Provisions	942,925	751,685	930,793	751,685
Unrealised foreign exchange difference	-	(362)	-	(362)
Unrelieved tax losses	54,312	673,631	7,979	652,584
	941,468	1,567,866	875,249	1,546,819

The movement in the deferred tax asset during the year was as follows:

<i>In thousands of Naira</i>	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance, beginning of the year	1,567,866	-	1,546,819	-
Recognized in profit or loss:				
Recognition of previously unrecognized deferred tax asset	-	1,631,272	-	1,631,272
Unutilized capital allowances	(198,681)	85,283	(206,435)	85,283
Provisions	191,240	477,726	179,108	477,726
Unrealized foreign exchange difference	362	(393)	362	(393)
Unrelieved tax losses	(619,319)	(626,021)	(644,605)	(647,068)
Total amount recognised in profit or loss	(626,398)	1,567,866	(671,570)	1,546,819
Balance, end of the year	941,468	1,567,866	875,249	1,546,819

c Current income tax liability

<i>In thousands of Naira</i>	Group	Group	Bank	Bank
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance, beginning of the year	603,010	229,109	600,043	229,109
Charge for the period:				
Minimum tax	83,942	228,776	83,942	228,776
Current tax	255,900	374,234	249,316	371,267
Tax paid	(601,378)	(229,109)	(598,412)	(229,109)
	341,474	603,010	334,889	600,043

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

18 Cash and cash equivalents

In thousands of Naira

	Notes	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Treasury Single Account with Central Bank of Nigeria (i)		253,496	289,715	253,496	289,715
Other current account balances with Central Bank of Nigeria (ii)		4,634	9,497	4,634	9,497
Current account balances with local banks		541,721	1,091,278	147,237	30,981
		799,851	1,390,490	405,367	330,193
Placements with local banks (iii)		259,445,601	131,524,765	249,949,828	130,349,182
Cash and cash equivalents in the statement of cash flows		260,245,452	132,915,255	250,355,195	130,679,375
Less: Allowance for impairment	30a(vi)	(1,099,677)	(251,672)	(1,079,919)	(247,686)
Cash and cash equivalents in the statement of financial position		259,145,775	132,663,583	249,275,276	130,431,689

- (i) This represents balances held in the Treasury Single Account with the Central Bank of Nigeria and available for the Group and Bank's use.
- (ii) This represents balances in development partners collection accounts with the Central Bank of Nigeria available for the Group and Bank's use without restriction.
- (iii) Placements with local banks comprise deposits with maturity of less than 90 days from the value date of the instruments. From placements with local banks, Development Bank of Nigeria has set aside a fund for settlement of Staff death in service benefit as the obligation arises. In the course of the year, the Bank approved a death - in-service benefit policy for its staff members which is aimed at compensating the family of staff member who dies in the course of service with the bank and also to pay staff members who loses an immediate family member (i.e parent, spouse or biological children). The amount earmarked as at 31 December 2020 under this policy is N37.33m (2019: Nil). See details of the death-in-service policy in note 4.14

a Movement in Placements with local banks

In thousands of Naira

	Notes	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Opening		131,524,765	63,457,655	130,349,182	63,457,655
Purchase of placements with local banks		2,140,440,493	855,878,413	2,130,990,493	854,771,171
Interest Income earned on placements with local banks		7,405,661	7,077,734	7,173,151	7,009,393
Proceeds from matured placements with local banks		(2,013,003,028)	(788,682,326)	(2,011,122,127)	(788,682,326)
Interest received		(7,222,116)	(6,206,711)	(7,035,504)	(6,206,711)
Closing		259,145,775	131,524,765	250,355,195	130,349,182

b The breakdown of the carrying amount of Cash and cash equivalents for Group and Bank is as follows:

Group

31 December 2020	Gross amount	Impairment	Carrying amount
Treasury Single Account with Central Bank of Nigeria	253,496	-	253,496
Other current account balances with Central Bank of Nigeria	4,634	-	4,634
Current account balances with local banks	541,721	(262)	541,459
Total cash and balances with banks	799,851	(262)	799,589
Placements with local banks	259,445,601	(1,099,415)	258,346,186
Cash and cash equivalents	260,245,452	(1,099,677)	259,145,775

31 December 2019	Gross amount	Impairment	Carrying amount
Treasury Single Account with Central Bank of Nigeria	289,715	-	289,715
Other current account balances with Central Bank of Nigeria	9,497	-	9,497
Current account balances with local banks	1,091,278	-	1,091,278
Total cash and balances with banks	1,390,490	-	1,390,490
Placements with local banks	131,524,765	(251,672)	131,273,093
Cash and cash equivalents	132,915,255	(251,672)	132,663,583

Bank

31 December 2020	Gross amount	Impairment	Carrying amount
Treasury Single Account with Central Bank of Nigeria	253,496	-	253,496
Other current account balances with Central Bank of Nigeria	4,634	-	4,634
Current account balances with local banks	147,237	-	147,237
Total cash and balances with banks	405,367	-	405,367
Placements with local banks	249,949,828	(1,079,919)	248,869,909
Cash and cash equivalents	250,355,195	(1,079,919)	249,275,276

31 December 2019	Gross amount	Impairment	Carrying amount
Treasury Single Account with Central Bank of Nigeria	289,715	-	289,715
Other current account balances with Central Bank of Nigeria	9,497	-	9,497
Current account balances with local banks	30,981	-	30,981
Total cash and balances with banks	330,193	-	330,193
Placements with local banks	130,349,182	(247,686)	130,101,496
Cash and cash equivalents	130,679,375	(247,686)	130,431,689

19 Investment securities

	Group	Group	Bank	Bank
<i>In thousands of Naira</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Investments in treasury bills (measured at amortized cost)	16,676,483	237,447,679	14,223,501	228,021,240
Less: Allowance for impairment	(70,899)	(433,585)	(61,453)	(433,279)
	16,605,584	237,014,094	14,162,048	227,587,961

a Movement in Investment Securities

<i>In thousands of Naira</i>	Notes	Group	Group	Bank	Bank
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Opening balance		237,014,094	186,167,762	227,587,961	186,167,762
Purchase of treasury bills		37,352,374	261,273,725	34,923,686	251,224,887
Interest income on treasury bills	8	16,500,016	32,600,380	15,738,932	32,187,248
Interest received		(16,665,071)	(25,345,838)	(15,550,681)	(25,310,307)
Maturity of treasury bills		(257,958,514)	(217,248,358)	(248,909,676)	(216,248,358)
Impairment write-back/(allowance for impairment)		362,686	(433,577)	371,826	(433,271)
Closing balance		16,605,585	237,014,094	14,162,048	227,587,961

20 Loans and advances to customers

<i>In thousands of Naira</i>	Notes	Group	Group	Bank	Bank
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Loans and advances to PFIs at amortised cost		215,129,830	102,637,013	215,129,830	102,637,013
Less: Allowance for impairment (see (b))		(1,106,658)	(737,340)	(1,106,658)	(737,340)
		214,023,172	101,899,673	214,023,172	101,899,673

The carrying value of the loans and advances approximate the fair value of the loans

a Movement in Loans and advances to PFIs at amortised cost

In thousands of Naira

	Notes	Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Principal		101,573,332	28,188,690	101,573,332	28,188,690
Impairment		(737,340)	(99,880)	(737,340)	(99,880)
Interest		1,063,681	201,058	1,063,681	201,058
Opening		101,899,673	28,289,868	101,899,673	28,289,868
Impairment charge during the year		(369,318)	(637,460)	(369,318)	(637,460)
Loans disbursed		164,360,921	107,056,996	164,360,921	107,056,996
Interest income on loans		10,517,652	6,557,456	10,517,652	6,557,456
Loan principal payments received		(51,529,772)	(33,672,354)	(51,529,772)	(33,672,354)
Interest received		(10,855,984)	(5,694,833)	(10,855,984)	(5,694,833)
Closing		214,023,172	101,899,673	214,023,172	101,899,673
Closing - Loans and advances to PFIs		214,023,172	101,899,673	214,023,172	101,899,673
Principal		214,404,481	101,573,332	214,404,481	101,573,332
Impairment		(1,106,658)	(737,340)	(1,106,658)	(737,340)
Interest		725,349	1,063,681	725,349	1,063,681

b Movement in allowances for impairment

In thousands of Naira

		Group 31 December 2020	Group 31 December 2019	Bank 31 December 2020	Bank 31 December 2019
Balance at 1 January		737,340	99,880	737,340	99,880
Charge for the year (see note 10)		369,318	637,460	369,318	637,460
Closing balance		1,106,658	737,340	1,106,658	737,340

21 Investment in Subsidiary

a Subsidiaries

31 December 2020

In thousands of Naira

	Notes	% Holding	Cost	Impairment	Carrying Value
Impact Credit Guarantee Limited		100	11,375,000	-	11,375,000
		100	11,375,000	-	11,375,000

31 December 2019

In thousands of Naira

	Notes	% Holding	Cost	Impairment	Carrying Value
Impact Credit Guarantee Limited		100	11,375,000	-	11,375,000
		100	11,375,000	-	11,375,000

b Movement in gross investment in subsidiary

In thousands of Naira

			Bank 31 December 2020	Bank 31 December 2019
Balance as at the beginning of the year			11,375,000	-
Additions			-	11,375,000
Balance as at end of year			11,375,000	11,375,000

c General information about the subsidiary**i Impact Credit Guarantee Limited**

This wholly owned subsidiary, incorporated on 8 March 2019 as a limited liability company, was set up to carry on the business of issuing credit guarantees to participating financial institutions (PFI) in respect of loans granted to eligible businesses in the Micro, Small and Medium Enterprises (MSME) sector. The subsidiary's principal place of business is 952/953 Idejo Street, Victoria Island, Lagos.

Condensed results of consolidated entity - Impact Credit Guarantee Limited

Statement of Profit or Loss and Other Comprehensive Income

In thousands of Naira

	31 December 2020	31 December 2019
Interest Income	993,594	481,473
Guarantee Fee Income	66,653	181
Provision for guarantees	(7,058)	(360)
Operating Income	1,053,189	481,294
Impairment loss on financial assets	26,113	4,292
Personnel Expenses	201,268	73,074
Depreciation Expenses	20,406	5,440
Fee and commission expenses	3,927	
General & Administrative Expenses	147,884	101,980
Total Expenses	399,598	184,786
Profit for the period before taxation	653,591	296,508
Tax expense	38,588	18,082
Profit for the period after taxation	692,179	314,590
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	692,179	314,590

Statement of Financial Position*In thousands of Naira*

	31 December 2020	31 December 2019
Assets		
Cash and cash equivalents	9,870,499	2,231,894
Investment securities	2,443,537	9,426,133
Property and equipment	56,541	68,982
Intangible assets	16,065	0
Deferred tax asset	66,219	21,047
Other assets	82,455	9,222
Total Assets	12,535,316	11,757,278
Liabilities		
Other liabilities	116,381	63,163
Employee benefit obligation	1,817	1,111
Current income tax payable	6,584	2,965
Provision for guarantee	28,765	449
Total Liabilities	153,547	67,688
Equity		
Share capital	100,000	100,000
Share premium	11,275,000	11,275,000
Retained earnings	1,006,769	314,590
Total Equity	12,381,769	11,689,590
Total liabilities and equity	12,535,316	11,757,278

Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2020

22 Property and
equipment

Group	Note	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement	Right of Use Assets (ROU)	Work in Progress	Total
<i>In thousands of naira</i>									
Cost									
Balance as at 1 January 2020		744,992	94,219	194,986	75,744	96,765	362,242	5,894	1,574,842
Recognition of right-of-use asset on initial application of IFRS 16		-	-	-	-	-	-	-	-
Additions during the period		31,497	11,197	28,688	4,471	3,317	17,250	1,284,785	1,381,205
Reclassifications		-	-	-	-	3,843	-	(3,843)	-
Disposals		-	(4,636)	(10,193)	(315)	-	-	-	(15,145)
Balance as at 31 December 2020		776,489	100,780	213,481	79,900	103,925	379,492	1,286,836	2,940,902
Accumulated Depreciation									
Balance as at 1 January 2020		290,950	29,740	69,609	19,519	50,443	56,426	-	516,687
Charge for the year	15	191,162	19,154	63,637	15,931	36,256	83,728	-	409,868
Reclassifications		-	-	-	-	-	-	-	-
Disposals		-	(1,548)	(7,448)	(134)	-	-	-	(9,130)
Balance as at 31 December 2020		482,112	47,346	125,798	35,316	86,699	140,154	-	917,426
Carrying amounts									
Balance at 1 January 2019		397,593	51,346	59,074	36,190	30,243	106,231	-	680,677
Balance at 31 December 2019		454,042	64,479	125,377	56,225	46,322	305,816	5,894	1,058,155
Balance at 31 December 2020		294,377	53,433	87,682	44,585	17,226	239,338	1,286,836	2,023,477
<i>In thousands of naira</i>									
Cost									
Balance as at 1 January 2019		536,198	64,772	82,081	43,479	40,015	-	-	766,545
Recognition of right-of-use asset on initial application of IFRS 16		-	-	-	-	-	106,231	-	106,231
Additions during the period		208,794	29,447	113,318	32,265	56,750	256,011	5,894	702,479
Reclassifications		-	-	-	-	-	-	-	-
Disposals		-	-	(413)	-	-	-	-	(413)
Balance as at 31 December 2019		744,992	94,219	194,986	75,744	96,765	362,242	5,894	1,574,842
Accumulated Depreciation									
Balance as at 1 January 2019		138,605	13,426	23,007	7,289	9,772	-	-	192,099
Charge for the year	15	152,345	16,314	46,740	12,230	40,671	56,426	-	324,726
Reclassifications		-	-	-	-	-	-	-	-
Disposals		-	-	(138)	-	-	-	-	(138)
Balance as at 31 December 2019		290,950	29,740	69,609	19,519	50,443	56,426	-	516,687
Carrying amount as at 1 January 2019		397,593	51,346	59,074	36,190	30,243	106,231	-	680,677
Carrying amount as at 31 December 2019		454,042	64,479	125,377	56,225	46,322	305,816	5,894	1,058,155

- i There were no impairment losses on any class of property and equipment during the year. (31 December 2019: Nil)
- ii There were no capitalized borrowing cost related to acquisition of property and equipment during the year. (31 December 2019: Nil)
- iii There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2019: Nil)
- iv There were no capital commitments as at year end. (31 December 2019: Nil)
- v The depreciation rate on computer equipment was changed to 33.3% during the 2019 financial year (2017: 20%)
- vi The change in the depreciation estimate for computer equipment to 33.3% during the 2019 financial year resulted in an increase in depreciation charge for the year of N3,701,425.76.
- v The Right of Use (ROU) asset relates to the DBN's lease of its Abuja and Lagos offices

Bank*In thousands of naira***Note**

		Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement	Right of Use Assets (ROU)	Work in Progress	Total
Cost									
Balance as at 1 January 2020		671,272	93,721	194,986	75,540	96,765	362,242	5,894	1,500,420
Recognition of right-of-use asset on initial application of IFRS 16		-	-	-	-	-	-	-	-
Additions during the period		31,497	9,412	23,681	4,194	3,317	17,250	1,284,785	1,374,136
Reclassifications		-	-	-	-	3,843	-	(3,843)	-
Disposals		-	(4,636)	(10,193)	(315)	-	-	-	(15,145)
Balance as at 31 December 2020		702,769	98,497	208,474	79,419	103,925	379,492	1,286,836	2,859,411
Accumulated Depreciation									
Balance as at 1 January 2020		285,552	29,709	69,609	19,509	50,443	56,426	-	511,248
Charge for the year	15	172,732	18,907	62,891	15,844	36,256	83,728	-	390,358
Reclassifications		-	-	-	-	-	-	-	-
Disposals		-	(1,548)	(7,448)	(134)	-	-	-	(9,130)
Balance as at 31 December 2020		458,284	47,068	125,052	35,219	86,699	140,154	-	892,476
Carrying amounts									
Balance at 1 January 2019		397,593	51,346	59,074	36,190	30,243	106,231	-	680,677
Balance at 31 December 2019		385,720	64,012	125,377	56,031	46,322	305,816	5,894	989,172
Balance at 31 December 2020		244,485	51,428	83,422	44,200	17,226	239,338	1,286,836	1,966,935

<i>In thousands of naira</i>	Note	Motor Vehicles	Office Equipment	Computer Equipment	Furniture & Fittings	Leasehold improvement	Right of Use Assets (ROU)	Work in Progress	Total
Cost									
Balance as at 1 January 2019		536,198	64,772	82,081	43,479	40,015	-	-	766,545
Recognition of right-of-use asset on initial application of IFRS 16		-	-	-	-	-	106,231	-	106,231
Additions during the period		135,074	28,949	113,318	32,061	56,750	256,011	5,894	628,057
Disposals		-	-	(413)	-	-	-	-	(413)
Balance as at 31 December 2019		671,272	93,721	194,986	75,540	96,765	362,242	5,894	1,500,420

Accumulated Depreciation									
Balance as at 1 January 2019		138,605	13,426	23,007	7,289	9,772	-	-	192,099
Charge for the year	15	146,947	16,283	46,740	12,220	40,671	56,426	-	319,287
Disposals		-	-	(138)	-	-	-	-	(138)
Balance as at 31 December 2019		285,552	29,709	69,609	19,509	50,443	56,426	-	511,248
Carrying amount as at 1 January 2019		397,593	51,346	59,074	36,190	30,243	106,231	-	680,677
Carrying amount as at 31 December 2019		385,720	64,012	125,377	56,031	46,322	305,816	5,894	989,172

- i There were no impairment losses on any class of property and equipment during the year. (31 December 2019: Nil)
- ii There were no capitalized borrowing cost related to acquisition of property and equipment during the year. (31 December 2019: Nil)
- iii There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2019: Nil)
- iv There were no capital commitments as at year end. (31 December 2019: Nil)
- v The depreciation rate on computer equipment was changed to 33.3% during the 2018 financial year (2017: 20%)
- vi The change in the depreciation estimate for computer equipment to 33.3% during the 2018 financial year resulted in an increase in depreciation charge for the year of N3,701,425.76.
- v The Right of Use (ROU) asset relates to the DBN's lease of it's Abuja and Lagos offices.

a Work in Progress

In thousands of Naira

	GROUP	GROUP	BANK	BANK
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Leasehold land and Building under construction	1,284,785	-	1,284,785	-
Leasehold Improvement	-	3,843	-	3,843
Office Equipment	1,156	1,156	1,156	1,156
Furniture and Fittings	895	895	895	895
	1,286,836	5,894	1,286,836	5,894

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For the year ended 31 December 2020

23 Intangible Assets

In thousands of Naira

		GROUP	GROUP	BANK	BANK
	Notes	31 December 2020	31 December 2019	31 December 2020	31 December 2019

Cost

Opening Balance		153,399	79,832	153,399	79,832
Additions		109,182	73,567	92,221	73,567
Write offs		(27,309)	-	(27,309)	-
Closing Balance		235,272	153,399	218,311	153,399

Amortization

Opening Balance		46,926	15,379	46,926	15,379
Charge during the period	15	48,813	31,547	47,917	31,547
Closing balance		95,739	46,926	94,843	46,926

Carrying amount as at 1 January 2019 106,473 64,453 106,473 64,453

Carrying amount as at 31 December 2019 139,533 106,472 123,468 106,472

Intangible assets include software and licences

- i There were no impairment losses on intangible assets during the year (31 December 2019: Nil)
- ii There were no capitalized borrowing cost related to acquisition of intangible assets during the year. (31 December 2019: Nil)
- iii There were no liens or encumbrances on intangible assets as at the year end (31 December 2019: Nil)
- iv All intangible assets are non-current. All intangible assets have finite useful lives and are amortized over three years.
The amortization estimate was changed from five years to three years during the 2018 financial year. This change resulted in an increased amortization charge for the year of N2,796,474
- v There are no internally generated intangible assets
- vi No leased assets are included in the above intangible assets account.
- vii There are no capital commitments as at year end (31 December 2019: Nil)

24 Other assets

In thousands of Naira

		GROUP	GROUP	BANK	BANK
	Notes	31 December 2020	31 December 2019	31 December 2020	31 December 2019

Financial assets

Cash Advances		459	4,339	459	4,339
Guarantee Fee Receivables		60,020	270	-	-
Other Receivables		35,279	-	35,279	-
Less: Impairment on Guarantee Fee Receivable	30a(v)	(1,201)	-	-	-
		94,557	4,609	35,738	4,339

Non-financial assets

Prepaid expenses		89,825	94,017	88,436	90,131
WHT receivables		409,157	337,025	386,911	331,959
		498,982	431,042	475,347	422,090
Total		593,539	435,651	511,085	426,429

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25 Employee benefit obligation

In thousands of Naira

Defined pension contribution

	GROUP 31 December 2020	GROUP 31 December 2019	BANK 31 December 2020	BANK 31 December 2019
Opening balance	-	-	-	-
Additions during the year	1,817	1,111	-	-
Payments	-	-	-	-
Balance, end of the year	1,817	1,111	-	-

26 Provision for guarantee

In thousands of Naira

	Notes	GROUP 31 December 2020	GROUP 31 December 2019
Balance, beginning of the year		449	-
Guarantee expense for the period		7,058	360
Deferred Guarantee Income		21,258	89
Claims paid during the period		-	-
Balance, end of the year		28,765	449

This amount represents the higher of (i) the fair value of guarantees initially recognized, less the cumulative amounts of income recognized with respect to guarantee contracts entered into by the Group; (ii) the Expected Credit losses on guarantee exposures as at 31 December 2020.

The Bank does not offer credit guarantee services, this service is only provided by the Subsidiary - Impact Credit Guarantee Limited and as such no provision for guarantee was recognised at the Bank for the year ended 31 December 2020 (31 December 2019: Nil).

27 Borrowings

Borrowings comprise loans from the Federal Government of Nigeria, received and to be repaid in Naira, for on-lending to Participating Financial Institutions, who on-lend these funds to eligible MSMEs in Nigeria. The exposure of borrowings to interest rate risks and liquidity risks can be found at Note 6.5a and Note 6.6 respectively. There are no collateral or lien over the assets of the Bank as a result of the borrowings. The Federal Government of Nigeria obtained the financing from the International Development Partners, and the carrying amounts are as analysed below:

	GROUP 31 December 2020	GROUP 31 December 2019	BANK 31 December 2020	BANK 31 December 2019
International Bank for Reconstruction and Development (IBRD) (see note (i))	139,564,841	134,397,521	139,564,841	134,397,521
Agence Francaise de developpement (AFD) (see note (ii))	42,359,171	29,384,615	42,359,171	29,384,615
KfW German Development Bank (see note (iii))	52,322,261	58,135,863	52,322,261	58,135,863
African Development Bank (AfDB) (see note (iv))	65,661,921	72,019,793	65,661,921	72,019,793
African Development Fund (Fund of AfDB) (see note (iv))	13,816,751	14,546,476	13,816,751	14,546,476
Balance, end of the year	313,724,945	308,484,268	313,724,945	308,484,268

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.

- i The amount due to International Bank for Reconstruction and Development (IBRD) of N139.6 billion (Principal: N129.2 billion, Interest: N10.4 billion) represents the carrying amount of the first, second, third and fourth drawdown of the World Bank's US\$480 million commitment to the Federal Government of Nigeria ("FGN"). A subsidiary agreement exists between the FGN and DBN denominated in Naira, in respect of this borrowing. The purpose of the borrowing is to provide funds to Micro, Small and Medium Scale Enterprises (MSMEs) through eligible Participating Financial Institutions (PFIs). The first tranche of the borrowing was received on 29 August 2017 and the loans are repayable (in Naira) in 42 semi-annual instalments; with a moratorium of 5 years on principal repayment. The interest rate is 4 % per annum; and the last repayment date of the facility is 15 October 2036.
- ii The amount due to Agence Francaise de developpement ("AFD") of N42.4 billion (Principal: N42.2 billion, Interest: N0.17 billion) represents the carrying amount of the first, second and third drawdown of the AFD's \$130 million commitment to the Federal Government of Nigeria ("FGN"). A subsidiary agreement exists between the FGN and DBN denominated in Naira, in respect of this borrowing. The purpose of the borrowing is to provide funds to Micro, Small and Medium Scale Enterprises (MSMEs) through eligible Participating Financial Institutions (PFIs). The 3 tranches of the borrowing was received on 7 September 2017, 25 January 2019 and 24 December 2020. The loan is repayable (in Naira) in 20 semi-annual instalments, with the first payment due on 31 October 2020 and last due on 30 April 2030. The interest rate is 3.55 % per annum.
- iii The amount due to KfW German Development Bank ("KfW") of N52.3 billion (Principal: N52.3 billion, Interest: N0.01 billion) represents the carrying amount of the N24.4 billion first tranche, N11.4 billion second tranche, N11.1 billion third tranche and N11.2 billion fourth tranche of total drawdown of the KfW's \$200 million commitment to the Federal Government of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). Although, the Development Bank of Nigeria and the Federal Government of Nigeria ("FGN") are both named borrowers in the borrowing agreement with the foreign development partner; the funds are received directly from KfW by the FGN; who undertakes to provide the funding to DBN. The purpose of the borrowing is to provide funds to Micro, Small and Medium Scale Enterprises (MSMEs) through eligible Participating Financial Institutions (PFIs). The first tranche of the borrowing was received on 12 October 2017 and the loan is repayable (in Naira) in semi-annual instalments, with the first payment due on 30 December 2019 and last due on 30 December 2029. The interest rate is 3.99 % per annum.
- iv The amount due to African Development Bank ("AfDB") of N65.7 billion (Principal: N65.1 billion, Interest: N0.55 billion) represents the carrying amount of the first and second drawdown of the AfDB's \$400 million commitment to the Federal Government of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). Although, the Development Bank of Nigeria and the Federal Government of Nigeria ("FGN") are both named borrowers in the borrowing agreement with the foreign development partner; the funds are received directly from AfDB by the FGN; who undertakes to provide the funding to DBN. The inflows were received on 27 March, 2018 and 10 October, 2019 and the loans are repayable (in Naira) in semi-annual instalments over 15 years in 30 equal instalments with the last instalment due on 15 October 2034. The interest rate is 4 % per annum.
- African development fund ("ADF") is a special fund of the African Development Bank ("AfDB"). The N13.8 billion (Principal: N13.8 billion, Interest: N29.5 million) ADF represents the carrying amount of the first, second and third tranches of the ADF borrowing commitment to the Federal Government of Nigeria ("FGN") and Development Bank of Nigeria ("DBN"). The actual inflow of the three tranches were received on 31 January 2018, 9 April, 2018 and 11 October 2019 respectively and the loans are repayable (in Naira) in semi-annual instalments over 15 years in 30 equal instalments with the last instalment due on 15 October 2044. The interest rate is 1 % per annum.

a Movement in borrowings

In thousands of Naira

	GROUP 31 December 2020	GROUP 31 December 2019	BANK 31 December 2020	BANK 31 December 2019
Principal	299,224,237	147,423,910	299,224,237	147,423,910
Interest	9,260,031	4,280,152	9,260,031	4,280,152
Opening	308,484,268	151,704,062	308,484,268	151,704,062
Long term debt inflow	15,795,675	154,706,802	15,795,675	154,706,802
Long term principal repayment	(12,427,665)	(2,906,475)	(12,427,665)	(2,906,475)
Interest expense for the year	11,263,712	8,187,131	11,263,712	8,187,131
Interest paid	(9,391,045)	(3,207,252)	(9,391,045)	(3,207,252)
Closing	313,724,945	308,484,268	313,724,945	308,484,268
Principal	302,592,246	299,224,237	302,592,246	299,224,237
Interest	11,132,699	9,260,031	11,132,699	9,260,031

The carrying amount of the borrowings approximate the fair value of the borrowings

28	Other liabilities	GROUP	GROUP	BANK	BANK
	<i>In thousands of Naira</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Financial Liabilities				
	Audit fees	23,800	19,500	19,500	19,500
	Accrued directors emolument	2,250	-	2,250	-
	Accrued performance bonus (see note (i))	694,289	628,738	660,711	628,738
	Payables to vendors	203,185	714,313	137,408	655,935
	Provision for guarantee	-	-	-	-
	Sundry creditors - Other payables USD	179,997	179,996	179,997	179,996
	Lease liability	166,930	201,391	166,930	201,391
	Deposit from Participating Financial Institutions	148,284	3,933,608	148,284	3,933,608
		1,418,735	5,677,546	1,315,080	5,619,168
	Non Financial liabilities				
	PAYE payable	7,706	4,579	290	966
	NHF payable	51	32	-	1
	WHT payable	10,044	17,887	10,018	17,831
	VAT payable	3,240	-	28	-
	NSITF payable	224	543	-	-
	ITF payable	1,797	543	-	-
		23,062	23,584	10,336	18,798
	Total	1,441,797	5,701,130	1,325,416	5,637,966

- (i) The amount is due to the Federal Ministry of Finance for the funds made available during the pre-operational stage of the Bank and is a zero interest loan, which is repayable on demand. This was subsequently repaid in 2018.
- i Accrued performance bonus relates to accrual for 5% of the Bank's profit in respect of employee performance bonus in line with the Bank's policy. The amount is subject to payment to staff members upon approval by the board of directors.

29 Capital and reserves

(a)	Ordinary share capital	GROUP	GROUP	BANK	BANK
	<i>In thousands of Naira</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	Authorised ordinary share capital				
	100,000,000 shares of ₦1 each	100,000	100,000	100,000	100,000
		100,000	100,000	100,000	100,000
	Issued and paid up: 100,000,000 ordinary shares at ₦1 each				
	Opening balance	100,000	100,000	100,000	100,000
	Addition (see b(i) below)	-	-	-	-
	Closing balance	100,000	100,000	100,000	100,000

(b) Share premium

	GROUP	GROUP	BANK	BANK
<i>In thousands of Naira</i>	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance, beginning of the year	99,762,570	99,762,570	99,762,570	99,762,570
Balance, end of the year	99,762,570	99,762,570	99,762,570	99,762,570

The share premium of N99,762,570,000 represents a premium of N998 per share on 100 million ordinary shares paid up by the Bank's shareholders.

(c) Retained earnings

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

<i>In thousands of Naira</i>	GROUP	GROUP	BANK	BANK
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance, beginning of the year	40,675,299	17,690,386	40,360,711	17,690,386
Re-measurement of impairment as at 1 January, 2018 (see note 5.1(c))	-	-	-	-
Profit for the year	17,978,224	33,911,459	17,286,045	33,596,871
Transfer to statutory reserves (see note 29(d))	(5,185,814)	(10,079,061)	(5,185,814)	(10,079,061)
Transfer to regulatory risk reserves (see note 29(e))	(1,880,539)	(847,485)	(1,880,539)	(847,485)
Balance, end of the year	51,587,170	40,675,299	50,580,403	40,360,711

(d) Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.15(1) of the Banks and Other Financial Institution Act, 2020, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

As at 31 December 2020, the Bank's statutory reserves is less than its paid up share capital of N100 billion; hence 30% of the profit after tax was appropriated to the Statutory Reserve

<i>In thousands of Naira</i>	GROUP	GROUP	BANK	BANK
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance, beginning of the year	18,102,257	8,023,196	18,102,257	8,023,196
Transfer from appropriation (see note 29(c))	5,185,814	10,079,061	5,185,814	10,079,061
Balance, end of year	23,288,071	18,102,257	23,288,071	18,102,257

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(e) Regulatory risk reserves

The regulatory risk reserve represents the difference between the impairment on loans and advances computed under Nigeria GAAP based on the Central Bank of Nigeria prudential guidelines and the expected credit loss model required by IFRS 9 for the years ended 31 December 2020 and 31 December 2019. As at 31 December 2020, the Bank's NGAAP provision was higher than the IFRS impairment; hence, a transfer of N1.88bn (2019: N847.49million) was made to the Regulatory risk reserve

In thousands of Naira

	GROUP	GROUP	BANK	BANK
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance, beginning of the year	1,315,400	467,915	1,315,400	467,915
Transfer from appropriation (see note 29(c))	1,880,539	847,485	1,880,539	847,485
Balance, end of year	3,195,939	1,315,400	3,195,939	1,315,400

30 Cash flow workings

a Changes in working capital

In thousands of Naira

	GROUP	GROUP	BANK	BANK
	31 December 2020	31 December 2019	31 December 2020	31 December 2019

(i) Other liabilities

Opening	5,701,130	831,527	5,637,966	831,526
Change in lease liability (see c(ii) below)	(34,461)	201,391	(34,461)	201,391
Change in other liabilities	(4,224,872)	4,668,212	(4,278,089)	4,605,049
Closing	28	1,441,797	1,325,416	5,637,966

(ii) Employee benefit obligation

Opening	1,111	-	-	-
Movement	706	1,111	-	-
Closing	25	1,817	1,111	-

(iii) Other assets

Opening	435,651	398,102	426,429	398,102
Recognition of right-of-use asset on initial application of IFRS 16	22	(106,231)	-	(106,231)
Impairment on other assets	22	(1,201)	-	-
Movement	159,089	143,780	84,656	134,558
Closing	22	593,539	435,651	426,429

(iv) Provision for guarantee

Opening	449	-	-	-
Movement	28,316	449	-	-
Closing	26	28,765	449	-

(v) Impairment loss on financial assets comprises the following:

Impairment loss on cash and cash equivalents	(848,005)	(1,168)	(832,233)	2,818
Impairment write-back/(charge) on investment securities	362,685	(433,576)	371,825	(433,270)
Impairment loss on guarantee fee receivables	24	(1,201)	-	-
Total impairment loss on financial assets	10	486,521	434,744	460,408
				430,452

(v) The impairment on financial assets is broken down as follows:

Impairment loss on financial assets - Cash and cash equivalent	18	1,099,677	251,672	1,079,919	247,686
Impairment loss on financial assets - Investment Securities	19	70,899	433,585	61,453	433,279
Impairment loss on financial assets - Fee receivables	22	1,201	-	-	-
		1,171,777	434,744	1,141,372	430,452

(vi) Impairment loss on Cash and cash equivalent

Opening		251,672	251,672	247,686	247,686
Movement		848,005	-	832,233	-
Closing	18	1,099,677	251,672	1,079,919	247,686



b Property and equipment**(i) Gain on disposal of property and equipment***In thousands of Naira*

		GROUP	GROUP	BANK	BANK
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Proceeds from disposal		5,302	287	5,302	287
Cost of assets	22	15,145	413	15,145	413
Accumulated depreciation		(9,130)	(138)	(9,130)	(138)
Carrying value		6,015	275	6,015	275
Gain/(Loss) on disposal		(713)	12	(713)	12

(ii) Purchase of property and equipment*In thousands of Naira*

		GROUP	GROUP	BANK	BANK
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Additions to property and equipment	22	1,381,205	702,479	1,374,136	628,057
Additions: Right of Use Assets	22	(17,250)	(256,011)	(17,250)	(256,011)
Purchase of property and equipment		1,363,955	446,468	1,356,886	372,046

iii Additions to Right of Use Assets*In thousands of Naira*

		GROUP	GROUP	BANK	BANK
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Additions: Right of Use Assets		17,250	256,011	17,250	256,011.00
Cash portion		59,440	59,440	59,440	59,440.00
Non-cash portion		(42,190)	196,571	(42,190)	196,571.00

c Right of Use Assets (ROU) and Payment of lease liability*In thousands of Naira*

		GROUP	GROUP	BANK	BANK
		31 December 2020	31 December 2019	31 December 2020	31 December 2019

(i) Movement in lease liability:

Opening		201,391	-	201,391	-
Changes in lease liability (see (ii) below)		(34,461)	201,391	(34,461)	201,391
Closing Balance	28	166,930	201,391	166,930	201,391

(ii) Changes in lease liability is summarised below:

Addition to lease liability (non cash) -See (iii) below	22	17,250	256,011	17,250	256,011
Interest expense	9	6,303	4,819	6,303	4,819
Cash paid during the year		(58,014)	(59,439)	(58,014)	(59,439)
		(34,461)	201,391	(34,461)	201,391

		GROUP	GROUP	BANK	BANK
		31 December 2020	31 December 2019	31 December 2020	31 December 2019

(iii) Movement in ROU asset

Opening		(305,816)	-	(305,816)	-
Recognition of right-of-use asset on initial application of IFRS 16	22	-	(106,231)	-	(106,231)
Addition to ROU asset (non cash) - See (ii) above	22	(17,250)	(256,011)	(17,250)	(256,011)
Cash addition	22	-	-	-	-
Depreciation	22	83,728	56,426	83,728	56,426
Closing	22	(239,338)	(305,816)	(239,338)	(305,816)

Addition to ROU in note 22 is the sum of cash and non cash additions

(d) Gross earnings

In thousands of Naira

		GROUP	GROUP	BANK	BANK
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interest income		34,423,329	46,235,570	33,429,735	45,754,097
Guarantee income		66,653	181	-	-
Other income		104,482	1,131	146,985	1,131
Closing		34,594,464	46,236,882	33,576,720	45,755,228

31 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes directors and key management personnel.

a Group and Bank**i Transactions with key management personnel**

The Group's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel has been identified as the Managing director of the Group. The Group did not have any transactions with key management personnel except for the following compensation disclosed below:

In thousands of naira

		31 December 2020	31 December 2019
Salaries and wages		133,878	130,142
Pension contribution		7,505	6,908
		141,383	137,050

ii Transaction with subsidiary

In the course of the year, the Bank entered into a shared service agreement with its subsidiary - Impact Credit Guarantee Limited where the Bank rendered Human resources, Information technology, Administrative, Corporate communication and branding, Finance, Internal audit, Risk management, Legal and Secretarial Services to its subsidiary either directly or through a third party. Income realised by the Bank from these shared services amounted to N42.5m for the year ended 31 December 2020. The amount has however been eliminated at the group. (See Note 12)

There are no intercompany receivable or payable as at 31 December 2020.

iii **Other related parties and balances are listed below:**

In thousands of Naira

Related entities	Relationship	Nature	Note	31 December 2020	31 December 2019
Federal Government of Nigeria (represented by the Ministry of Finance Incorporated)	Shareholder	Additional borrowings received	27	15,795,675	154,706,802
		Principal repayments made	27	12,427,665	2,906,475
		Interest expense incurred	27	11,263,712	8,187,131
		Interest repayments made	27	9,391,045	3,207,252

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32 Events after the reporting date

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

33 Commitments

The Group has a commitment to the Federal Government of Nigeria (FGN) as a secondary party to a funding agreement for on-lending to MSMEs. To achieve this, the FGN is in contract with the following foreign development partners to obtain the financing for the loan funding:

Foreign Development Partner

Amount

In thousand dollars

World Bank	480,000
KfW (German Development Bank)	200,000
Agence Francaise de developpement	130,000
African Development Bank	450,000
	1,260,000

The funds are long tenored loans to the Group and will be drawn down contingent upon meeting certain disbursement linked indicators. See note 28 for details of drawdown on borrowings as at 31 December 2020.

34 The following table shows the analysis of assets and liabilities and on the basis of their current/ non-current classification.

Group

31 December 2020

In thousands of Naira

	Note	Carrying Amount	Current	Non Current
Assets				
Cash and cash equivalents	18	259,145,775	259,145,775	-
Investment securities	19	16,605,584	16,605,584	-
Loans and advances to customers	20	214,023,172	13,010,191	201,012,981
Property and equipment	22	2,023,477	-	2,023,477
Intangible assets	23	139,533	-	139,533
Deferred tax asset	17b	941,468	-	941,468
Other assets	24	593,539	593,539	-
Total Assets		493,472,548	289,355,089	204,117,459
Liabilities				
Employee benefit obligation	25	1,817	1,817	-
Provision for guarantee	26	28,765	28,765	-
Current income tax liability	17c	341,474	341,474	-
Borrowings	27	313,724,945	38,561,846	275,163,099
Other liabilities	28	1,441,797	1,441,797	-
Total Liabilities		315,538,798	40,375,699	275,163,099

Group		31 December 2019		
In thousands of Naira	Note	Carrying Amount	Current	Non Current
Assets				
Cash and cash equivalents	18	132,663,583	132,663,583	-
Investment securities	19	237,014,094	237,014,094	-
Loans and advances to customers	20	101,899,673	28,380,826	73,518,847
Property and equipment	22	1,058,155	-	1,058,155
Intangible assets	23	106,472	-	106,472
Deferred tax asset	17b	1,567,866	-	1,567,866
Other assets	24	435,651	435,651	-
Total Assets		474,745,494	398,494,154	76,251,340

Liabilities				
Employee benefit obligation	25	1,111	1,111	-
Provision for guarantee	26	449	449	-
Current income tax liability	(1)	603,010	603,010	-
Borrowings	27	308,484,268	25,512,907	282,971,361
Other liabilities	28	5,701,130	5,701,130	-
Total Liabilities		314,789,968	31,818,607	282,971,361

Bank		31 December 2020		
In thousands of Naira	Note	Carrying Amount	Current	Non Current
Assets				
Cash and cash equivalents	18	249,275,276	249,275,276	-
Investment securities	19	14,162,048	14,162,048	-
Loans and advances to customers	20	214,023,172	13,010,191	201,012,981
Investment in subsidiaries	21	11,375,000	-	11,375,000
Property and equipment	22	1,966,935	-	1,966,935
Intangible assets	23	123,468	-	123,468
Deferred tax asset	(1)	875,249	-	875,249
Other assets	24	511,085	511,085	52,022
Total Assets		492,312,233	276,958,600	215,405,655

Liabilities				
Current income tax liability	17c	334,889	334,889	-
Borrowings	27	313,724,945	38,561,846	275,163,099
Other liabilities	28	1,325,416	1,325,416	-
Total Liabilities		315,385,250	40,222,151	275,163,099

Bank

In thousands of Naira

31 December 2019

Note	Carrying Amount	Current	Non Current
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Assets

Cash and cash equivalents	18	130,431,689	130,431,689	-
Investment securities	19	227,587,961	227,587,961	-
Loans and advances to customers	20	101,899,673	-	101,899,673
Investment in subsidiaries	21	11,375,000	-	11,375,000
Property and equipment	22	989,172	-	989,172
Intangible assets	23	106,472	-	106,472
Deferred tax asset	17b	1,546,819	-	1,546,819
Other assets	24	426,429	426,429	-
Total Assets		474,363,215	358,446,079	115,917,136

Liabilities

Current income tax liability	(1)	600,043	600,043	-
Borrowings	27	308,484,268	25,512,907	282,971,361
Other liabilities	(1)	5,637,966	5,637,966	-
Total Liabilities		314,722,277	31,750,916	282,971,361

35 Dividend

The directors have not proposed any dividend in the year ended 31 December 2020 (31 December 2019: Nil).

OTHER NATIONAL DISCLOSURES

CONSOLIDATED STATEMENTS
(Numbers in thousands)

OTHER NATIONAL DISCLOSURES

Value Added Statement

Group

In thousands of Naira

31 December 2020	%	31 December 2019	%
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Gross income	34,594,464		46,236,882	
Interest expense	(11,270,015)		(8,191,950)	
Impairment loss on loans	(855,839)		(1,072,204)	
Bought in materials and services - local	1,707,625		2,239,245	
	20,760,985		34,733,483	

Applied to pay:

Employees

- Employees as personnel expenses	1,441,782	7%	1,659,385	4%
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Government

- Taxation	882,298	4%	(1,193,632)	3%
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Retained in business

Replacement of property and equipment/Intangible assets	458,681	2%	356,274	2%
- Increase in reserves	17,978,224	82%	33,911,456	97%
	20,760,985	100%	34,733,483	100%

This statement represents the distribution of the wealth created through the use of the Group's assets and its employees' efforts

OTHER NATIONAL DISCLOSURES

Value Added Statement

Bank

In thousands of Naira

	31 December 2020	%	31 December 2019	%
Gross income	33,576,720		45,755,228	
Interest expense	(11,270,015)		(8,191,950)	
Impairment loss on loans	(829,726)		(1,067,912)	
Bought in materials and services - local	(1,591,259)		2,136,904	
	19,885,720		34,358,462	
Applied to pay:				
Employees				
- Employees as personnel expenses	1,240,514	6%	1,586,311	5%
Government				
- Taxation	920,886	4%	(1,175,552)	-4%
Retained in business				
Replacement of property and equipment/Intangibles	438,275	2%	350,834	1%
- Increase in reserves	17,286,045	87%	33,596,869	98%
	19,885,720	100%	34,358,462	103%

This statement represents the distribution of the wealth created through the use of the Bank's assets and its employees' efforts

OTHER NATIONAL DISCLOSURES

Financial Summary

Bank

In thousands of Naira

	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Assets Employed					
Assets					
Cash and cash equivalents	249,275,276	130,431,689	63,314,138	43,159,800	19,600,122
Investment securities	14,162,048	227,587,961	186,167,762	108,761,980	-
Loans and advances	214,023,172	101,899,673	28,289,868	182,306	-
Investment in subsidiaries	11,375,000	11,375,000	11,375,000	-	-
Deferred tax asset	875,249	1,546,819	1,546,819	-	-
Other assets	511,085	426,429	398,102	59,457	23,100
Intangible assets	123,468	106,472	64,452	9,679	-
Property and equipment	1,966,935	989,172	574,445	313,116	-
Total assets	492,312,233	474,363,215	278,808,767	152,486,338	19,623,222
Liabilities					
Employee benefit obligation	-	-	-	230	22,561
Deposit for shares	-	-	-	20,639,965	-
Current income tax payable	334,889	600,043	229,109	41,032	-
Borrowings	313,724,945	308,484,268	151,704,062	87,899,719	-
Other liabilities	1,325,416	5,637,966	831,526	424,565	164,546
Total liabilities	315,385,250	314,722,277	152,764,697	109,005,511	187,107
Equity					
Share capital	100,000	100,000	100,000	40,000	20,000
Share premium	99,762,570	99,762,570	99,762,570	39,940,842	19,978,284
Retained earnings	50,580,403	40,360,711	17,690,389	2,281,255	(562,169)
Other reserves:					
Statutory reserves	23,288,071	18,102,257	8,023,196	1,218,646	-
Regulatory risk reserve	3,195,939	1,315,400	467,915	84	-
Total equity	176,926,983	159,640,938	126,044,070	43,480,827	19,436,115
Total liabilities and equity	492,312,233	474,363,215	278,808,767	152,486,338	19,623,222
Gross income	33,576,720	45,755,228	30,641,949	6,050,245	53,217
Profit/(Loss) before income tax	18,290,873	32,650,093	22,910,945	4,103,186	(395,136)
Taxation	(1,004,827)	946,776	(229,109)	(41,032)	-
Profit/(Loss) for the year	17,286,045	33,596,869	22,681,836	4,062,154	(395,136)

APPENDICES

(This will include the GRI table with corresponding content and page numbering so readers can easily track back in the report)

GRI DISCLOSURE	INDIVIDUAL DISCLOSURE ITEMS	LOCATION
GRI 102-1	Name of organization	Page 7
102-2	Activities, brand, products and services	Page 19, 30-33
102-3	Location of headquarters	Page 7, 136
102-4	Location of operations	Page 136
102-5	Nature and ownership of firm	Page 30-31
102-6	Market served including geolocations, products and services offered, types of customers & beneficiaries	Page 19-21, 61, 63-70
102-7	Scale of organisation- Number of employees, number of operations, net revenues, quantity of products & services offered	Page 19-20
102-8	Total Number of employees- by employment contract permanent & temporary by gender, region, employment type	Page 94-99
102-9	Description of the organization's value chain (business model)	Page 31
102-10	Significant changes to the organizations structures- changes in location, operations, facility openings, closings, expansions, share capital structure, relationships with suppliers/vendors	Page 32-33, 80-81, 71
102-11	Approach to risk management	Page 34
102-12	List of externally developed economic, environmental, and social charters to which org subscribes to	Page 108
102-14	Sustainability statement from most senior decision maker-ceo/chairman	Page 9, 26
102-15	Key impacts, risks and opportunities	Page 57-59, 34
102-17	Description of internal and external mechanisms for ethical/unlawful behavior (whistleblowing)	Page 49
102-18	Governance structure	Page 38
102- 19-23	Reporting structure	Page 39
102-40-44	Stakeholder engagement	Page 73-74
404-1-3	Employee training and education	Page 94-97

S/N	PFI
	DMBS
1	Access Bank Plc
2	Ecobank Nig Ltd
3	First City Monument Bank Ltd
4	Fidelity Bank Plc
5	Wema Bank Plc
6	Guaranty Trust Bank Plc
7	Stanbic IBTC Bank Plc
8	Union Bank Plc
9	United Bank for Africa
10	First Bank of Nigeria
11	Sterling Bank
12	Providus Bank
13	Jaiz Bank
	Merchant Banks
14	Coronation Merchant Bank
15	FSDH Merchant Bank
	MICROFINANCE BANKS/OFIs
16	LAPO
17	NPF Microfinance Bank Ltd
18	Mainstreet Microfinance Bank Ltd
19	Addosser Microfinance Bank Ltd
20	Infinity Microfinance Bank Ltd
21	Bosak Microfinance Bank Ltd
22	AB Microfinance Bank Ltd
23	Hasal Microfinance Bank Ltd
24	Seedvest Microfinance Bank Ltd
25	Baobab Microfinance Ltd
26	Accion Microfinance Bank Ltd
27	Davo Dani Microfinance Bank Ltd
28	Trust Microfinance Bank Ltd
29	Parallex Microfinance Bank Ltd
30	Lafayette Microfinance Bank
31	Microvis Microfinance Bank Ltd
32	Regent Microfinance Bank Ltd
33	Standard Microfinance Bank
34	Astra Polaris MFB
35	ABU Microfinance Bank Ltd
36	Richway Microfinance Bank
	Mortgage Banks
37	Living trust Mortgage Bank
38	Jubilee Life Mortgage Bank
39	Infinity Trust Mortgage Bank
	Finance House
40	FundQuest Financial Services Ltd



United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) create a common understanding of how governments, civil society and businesses of all sizes and from all industries can join forces to drive progress towards ending poverty, ensuring prosperity and protecting the planet.

At DBN, we actively support the achievement of the SDGs currently meeting 10 of the goals and continuously reviewing targets and initiatives within our corporate strategy to ensure they reflect more of the priorities set by the 17 goals.



Global Reporting Initiative

The Global Sustainability Reporting Standard (GRI) are the first and most widely adopted reporting standards for sustainability reporting. Launched in 1997, the GRI standards help businesses to understand and communicate their impact on critical sustainability issues. As a Development Finance Institution, GRI standards inspires accountability and helps us identify and mitigate risks as well protect the environment we serve, improve our society and enhance stakeholder relationships.

Responsibility for the Report

Our reporting team is responsible for the preparation of this integrated report which is oriented towards the principles and standard disclosures of our internally developed guidelines. This responsibility includes the selection and application of appropriate methods for reporting as well as making assumptions and estimates for qualitative sustainability disclosures.

Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the report in a way that is free of intended or unintended- material misstatements.

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