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DBN Development Bank of Nigeria

2021 INTEGRATED & STATUTORY REPORT

DBN
Development
Bank of Nigeria
RC 1215724

ANNUAL INTEGRATED & STATUTORY REPORT 2021

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ANNUAL INTEGRATED & STATUTORY REPORT 2021

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About this Integrated Report

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

Our fourth Integrated Report (IR) provides information and performance data on the operations of the Development Bank of Nigeria (DBN) during the calendar year 2021. 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-evolving 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), Sustainability Standards Certification Initiative (SSCI), 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 other initiatives and achievements, please visit our website: www.devbankng.com.

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Navigating the Report

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 incentivising financial institutions, predominantly deposit-money and microfinance banks and improving the capacity of our financial intermediaries by providing them with funding facilities designed to meet the needs of these smaller clients.

Our Vision

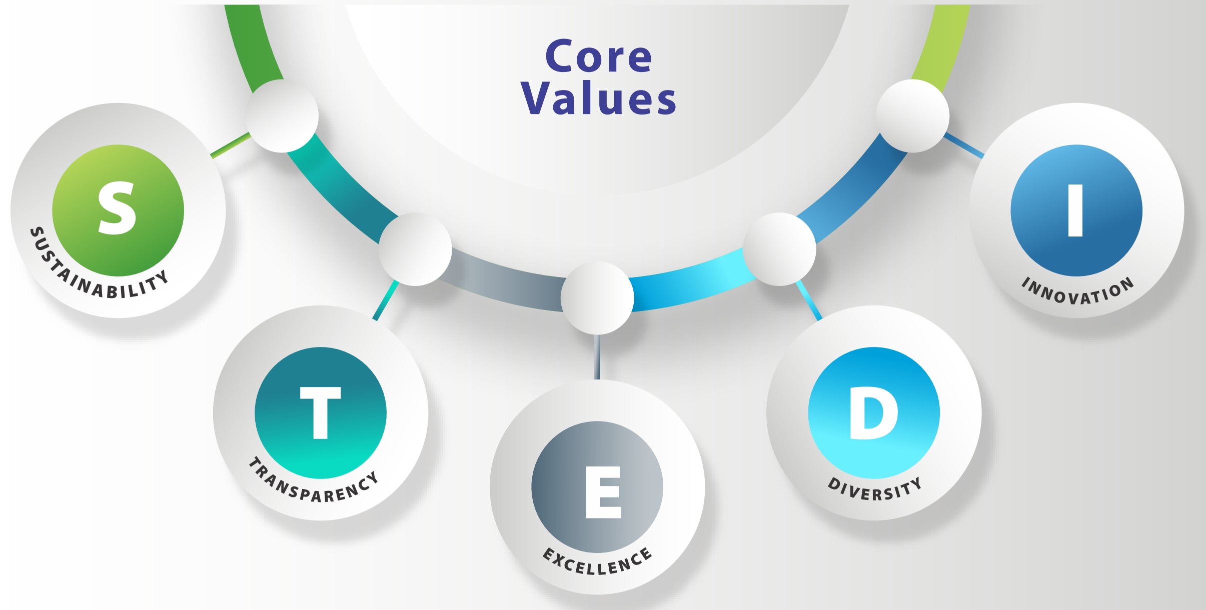
To be Nigeria's primary development finance institution; promoting growth and sustainability.

Our Mission

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

Our Partners include:

- Federal Government of Nigeria
- African Development Bank
- European Investment Bank
- World Bank Group
- KfW
- AFD



Our Five-Year Strategic Plan

R — REACH
- Scale
- Geographical Spread, Sectoral Distribution
- Partnership & Alliance
- Capacity Building

E — EXPLORE NEW CHANNELS
- New Channels/ Mechanism
- Non-regulated Intermediaries
- Research & Engagements

A — ADVOCATE FOR MSMEs
- Policy & Regulation
- Dialogues, Communication & Outreach
- Impact Assessment
- Champion for MSMEs

D — DEVELOP INTERNAL CAPACITY
- Processes
- People
- Technology

I — IMPACT
- Monitoring & Evaluation
- Innovative Products
- Agreements & Incentives

Message from the Chairman

Dr. Shehu Yahaya

> ***The economy experienced stronger output as well as new order growth. On the price front, input price for raw materials increased as well as fuel cost and unfavourable exchange rate movements which hampered the growth trajectory of many firms in the country. Notwithstanding, the economy is expected to grow modestly around 2.7%.***

Operating Environment

2021 was an extraordinary year by any measure. It was a year of hope after surviving various variants of the Covid-19 global pandemic. Unfortunately, the effects of the pandemic lingered on with various permutations of the virus causing temporary lockdowns by governments around the world, supply chains disruptions, and rising security challenges within the country. Despite that, the Development Bank of Nigeria maintained resilience in the face of health and economic headwinds as all Bank employees remained reasonably healthy.

Economic activities improved significantly when compared to 2020 as growth was recorded consecutively in the last three quarters with Gross Domestic Product (GDP) reaching 4.03% at the end of the 3rd quarter. *Drilling down, other than the month of January, headline purchasing managers index registered above the expansion region of 50 index points, signalling an improvement in business conditions in the private sector. The economy experienced stronger output as well as new order growth. On the price front, input price for raw materials increased as well as fuel cost and unfavourable exchange rate movements which hampered the growth trajectory of many firms in the country. Notwithstanding, the economy is expected to grow modestly around 2.7%.*

Governance

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 up scales its governance practices to ensure that these are capable of enshrining in the bank, procedures, protocols and structures that are required to build a virile governance architecture and culture *which serves to ensure that the bank's business not only remains profitable, but is also sustainable, and is positioned to deliver value to all stakeholders, and is responsive to the economic and developmental interests of the 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 within the bank, accountable to the shareholders. The board is headed by the Chairman who is primus interpares 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 governance imperative 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 non-executive 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 through a consensus. If any matter would be put to a vote, the board charter and the bank's Articles of Association, reserve for the Chairman, a casting vote to be exercised for the resolution of any equality of votes, on issues.

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 authorisation 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 Information Technology Steering Committee, which are all aligned to Management responsibilities and reporting lines to the Board of Directors, through the Management Committee, which is highest organ at the level of Management. All Management Committees have charters which regulate their operations and activities.

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 of the Nigerian Code of Corporate Governance, 2018. As a Development Finance Institution licensed by the Central Bank of Nigeria, the bank also complies with the Code of Corporate Governance for Development Finance Institutions issued by the CBN and the Corporate Governance Guidelines 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 and continues to differentiate DBN, as a reference point for corporate governance in the Development Finance space in Nigeria.

Future Plans
Beyond weathering the storm, DBN will seek to push the boundaries further in the coming year, as the Bank faces important challenges related to the imperatives of raising additional capital, new investments and achieving critical milestones in the strategic plan. I am of the view that a combination of strong will to succeed, determination, creativity and resilience, the DBN will achieve its core mandate: Not only to achieve success as an institution, but also to be part of the solution, rather than an impediment, to national development. To make this goal achievable, the Bank will retain its cost-centric focus and continue to collaborate with peer institutions and partners in advocating and enhancing the access to finance for MSMEs. As such, the Bank will broaden its capacity building and advocacy initiatives and further deepen its 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,

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

Our Value Proposition

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

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

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

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

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

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2021 DBN at a Glance

2.1 Major Highlights

Loans Disbursed
N482bn

Over
208,000 MSMEs

66%
Women-owned MSMEs

27%
Youth-owned MSMEs

51 PFIs
On-boarded

Subsidiary
ICGL
IMPACT CREDIT GUARANTEE LIMITED
A credit guarantee company

Head Office (Abuja);
Liaison Office (Lagos)

48
Employees

Shareholders' Fund
(audited accounts)

Our Partners include:

WORLD BANK GROUP
European Investment Bank
AFD
KFW

2.2 DBN Ratings

Agusto&Co.
Research, Credit Ratings, Credit Risk Management

GCR RATINGS

AIAFD AADFI

Information Security Management ISO 27001 Certified

2.3 DBN Customer Satisfaction Feedback

100% of our Participating Financial Institutions promoting access to finance for MSMEs **were satisfied with DBN and its services in 2021,** growing from 96% in 2020.

As against a global average of 30% Net Promoter Score in B2B markets, **the Development Bank of Nigeria in 2021 recorded a world class average Net Promoter Score of 96%** which implies that virtually all of DBN's PFIs would be happy to promote DBN and its message within their network.

96% of our PFIs also alluded to DBN's timeliness and responsiveness, ranking DBN very high in their experience with the Bank.

All our PFIs believe that DBN is a customer-focused Bank with **95% of them agreeing that the DBN team provides them great customer service.**

91% of our PFIs also believe DBN has simplified transaction processes which makes it easy for them to transact with the Bank

In the same vein, **most of our PFIs believe DBN goes over and beyond in resolving their issues and complaints.**

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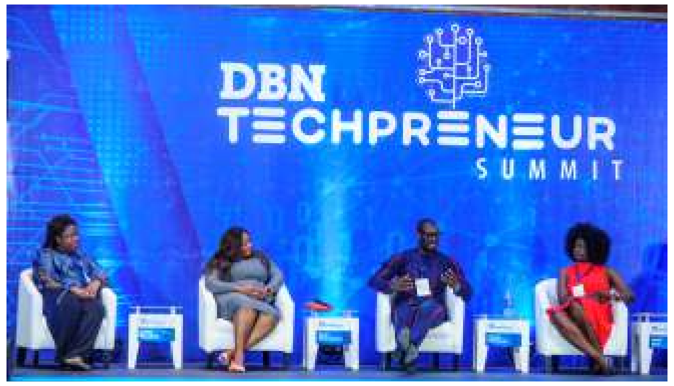
DBN Year in Review

DBN Techpreneur Summit 2021

In 2021, DBN held its inaugural Techpreneur Summit in October. The central objective was to broaden the understanding of techpreneurs concerning available debt funding and mentorship opportunities for MSMEs within the sector and discuss practical steps to resolving some of the obstacles that inhibit the growth of those businesses.

The event also aimed to upskill tech businesses with knowledge on how to access reliable credit, efficiently utilise funds, and improve their business structure to ensure attractiveness to the market.

For other stakeholders in the SME segment, it also aimed to provide a better understanding of the problems faced by tech businesses and enable engagement with members of this segment to effectively provide solutions to those problems.
Most importantly, the Bank intends to use this initiative to isolate MSMEs into relevant sector-based clusters whose needs would be addressed by means of capacity building or Corporate Social Responsibility (CSR) in the long term.



2021 Annual Lecture Series

As part of the Development Bank of Nigeria Plc's advocacy drive for the MSMEs, the Bank launched the DBN Annual Lecture Series in July 2019 as part of its thought leadership initiative which provides a platform for a robust exchange of ideas to meet the challenges and opportunities that exist in the MSME segment of the economy. The lecture aims to increase the understanding of challenges experienced within the MSME segment while proposing practical steps as solutions for promoting sustainable growth in this space.

The 2021 edition held on August 31st with the theme:
"Resilient Innovation: MSMEs' Adaptability in Uncertain Times."

DBN Ambassador Awards

DBN SERVICE AMBASSADORS AWARDS

In commemoration of the 2021 Customers Service Week, Development Bank of Nigeria celebrated its Participating Financial Institutions (PFIs), with a Service Ambassadors Awards ceremony, in recognition of their contribution to the growth of Micro, Small and Medium Scale Enterprises in Nigeria.

At the event, Access Bank, First City Monument Bank, Fidelity Bank and LAPO Microfinance Bank, received recognition awards from DBN as most active PFIs in loan disbursement to MSMEs in Nigeria in different categories for the year 2020. Access Bank and First City Monument Bank were both bestowed with Platinum Service Ambassador awards for recording outstanding growth in loans to MSMEs, and providing innovative solutions for these MSMEs in spite of the Covid-19 pandemic.

In addition, FCMB also got a recognition award for recording the most impact in terms of total end-borrowers financed.

LAPO Microfinance Bank, was awarded as the Bank with the Highest Loan Disbursement to Youth and Women Owned SMEs. Fidelity Bank bagged the award of having the Highest Loan Disbursement to DBN Focused Locations. Wema Bank Plc. received a Special Recognition Award as the first commercial Bank to draw from the DBN financing scheme and for being committed to driving growth in the MSME ecosystem.




















Entrepreneurship World Cup

- A Life-changing Experience

The Entrepreneurship World Cup (EWC) is a global program organized by the Misk Foundation and the Global Entrepreneurship Network (GEN) across more than 100 countries. It combines a broad-reaching pitch competition, aimed at ventures ranging from the idea stage to the growth stage, with a virtual accelerator program to help all participants launch, strengthen, and scale their enterprises.

To date, more than 60 countries are now part of EWC and approximately 100,000 entrepreneurs from around the globe have registered to take part in the competition.

In 2021, DBN further deepened its commitment to Micro, Small, and Medium-Scale Enterprises (MSMEs) by sponsoring the competition, leveraging on the unique entrepreneurship-focused contest to promote the culture of sustainable growth. In an economy where the activities of over 41 million MSMEs account for about 50% of its GDP, DBN is strategically addressing the funding requirements businesses need to scale while encouraging other financial institutions to do the same.

DBN's support for the Entrepreneurship World Cup gives further expression to its 5-year strategic plan of expanding its reach, exploring new channels, advocating MSMEs, developing internal capacity, and increasing its developmental impact.

> ***To date, more than 60 countries are now part of EWC and approximately 100,000 entrepreneurs from around the globe have registered to take part in the competition.***

www.entrepreneurshipworldcup.com

04

04

Operating Context

CEO's Statement

Dr. Tony Okpanachi

> **As Nigeria's foremost wholesale DFI fully given to the mandate of alleviating financing constraints for underserved MSMEs and small corporates in Nigeria, we remain ever-committed to our role in driving sustainable economic growth in the Nigerian economy.**

Distinguished Shareholders,
Members of the Board of Directors, Ladies and Gentlemen.

2021 was a year we had all hoped to recover from the global struggles brought about by the COVID-19 pandemic. For us at DBN, although we were aware of the challenges within the business environment, we maintained our optimism and sustained our commitment to leaving no stone unturned for the cause of the Nigerian MSMEs. This represents the hallmark of our promise at the inception of the institution, to reach financially underserved MSMEs that will ultimately result in the achievement of an inclusive, prosperous and sustainable Nigerian economy. Our performance in 2021 exemplifies the depth of our promise and commitment, and it is on the strength of these that I am happy to report to you, the operating activities and developmental impact of the Development Bank of Nigeria Plc. for the year ended 31st December 2021.

Major Macro-Economic Highlights of 2021

In 2021, Nigeria still suffered the blow from its worst recession in thirty years. Although the economy rebounded to a faster-than-expected rate during the year, major concerns for businesses and households centred around high prices as inflation for the year averaged 16.98% which was triggered by the socio-economic factors, such as insecurity, infrastructure deficit and foreign exchange.

> ***In the first half of 2021, the world witnessed the rise of the Delta variant of COVID-19; and towards the end of the year, another variant, Omicron, took the world by surprise. Based on observations, both variants are resistant to the vaccines, making the global figures of infected persons approach the 350 million mark.***

Nigeria began the year with external reserves of $35.6 billion, which had grown to $40.7 billion as of 17th December 2021. This, primarily, was driven by the $3.35 billion Special Drawing Rights (SDRs) approved by the International Monetary Fund (IMF) in August 2021 and the $4 billion raised from the issuance of Eurobond in September 2021. On the exchange rate, the Naira depreciated on the Investors and Exporters (I&E) Window by 4.1% to N410 per dollar in the first quarter of 2021 from N394 per dollar in the previous quarter. In May 2021, the Central Bank of Nigeria (CBN) adopted the I&E Window rate as the official exchange rate, slightly boosting the stability of the Naira on the I&E Window. Nonetheless, the country's external reserves continued to show a downward trend. As at 20th December 2021, exchange rate on the I&E window had risen to N414.80/dollar, representing a 5.32% depreciation in 2021 year-to-date.

The CBN in a bid to reduce the economic effect of the pandemic on households and businesses extended its development financing interventions and substantially decreased interest rates, among other measures, preventing a catastrophic private sector credit crunch. The CBN's regulatory forbearance for restructuring loans harmed by the COVID-19 pandemic, was critical to keeping the banking sector stable, but NPLs are projected to grow as policies are phased out. A continuation of an accommodative monetary policy might entrench inflation at a high level, well over the upper threshold of the CBN's target band.

Economic Outlook for 2022

A key factor that will continue to pose risk to growth in the global economy is the spread of the Omicron variant of COVID-19 and other possible new variants. These resistant variants will likely trigger a new round of restrictions or perhaps, lockdowns across countries and impact negatively on oil prices in 2022. According to the International Monetary Fund (IMF), the world in 2022 should expect a less drastic growth rate of 4.9%. And although this projected figure might stand, the Omicron variant, global coverage of the vaccines and government interventions are major factors that will shape the trajectory of growth for the global economy in 2022.

Nigeria's recovery, although already projected at 2.7% in 2022 by the IMF, what is clear from the horizon is that several events hang over the country that will shape the dynamics of growth in 2022.

Removal of fuel subsidy

The planned removal of fuel subsidy following the implementation of the Petroleum Industry Act (PIA) by mid-2023 has attracted mixed reactions. Nevertheless, if the removal of subsidy happens, it will result in higher headline inflation in the near term lingering till the end of 2022. There is also the risk of increased cost of production as well as an increase in electricity tariffs, which could arise from the removal of fuel subsidy. On the flip side, if the government does not remove the fuel subsidy, they would have to borrow more to support the fuel subsidy, as such borrowing was not allocated in the budget.

Spread of the COVID-19, Omicron and other new variants

In 2021, Nigeria was affected by the effects of the supply chain shocks from its major foreign import countries which experienced tighter lockdowns as a result of the Omicron variant of COVID-19. Any attempt at implementing new rounds of lockdowns due to existing or possible new variants in these major exporting economies will have indirect effects on the Nigerian economy.

Intensified political activities

The intense actions that will be generated by politicians in the second half of 2022 might spell some consequences for the economy, as those political activities might affect the level of attention given to the economy thereby possibly mounting pressure on the country's inflation and exchange rates.

Federal Government's 2022 budget

The current budget deficit of over N6 trillion along with the government's borrowing plans will impact the economy in many ways. If the government borrows to finance the budget deficit, there will likely be an increase in interest rates and fixed income yields, encouraging investors to shift from equities to government securities.

Financial services

In the financial services, the emergence of Payment Service Banks, increased rise of various fintech expressions, and increased broadband penetration in the country will likely boost the performance of the financial sector.

Persistent FX challenge

Coupled with the current challenge of meeting the forex needs of businesses that the CBN is still trying to solve, many businesses that depend on imported raw materials may continue to have difficulty accessing foreign exchange. As a result of this, capacity utilisation will likely be impacted, affecting the ability of listed companies to pay dividends.

Interest rate normalisation in developed economies

As developed economies plan to normalise their interest rates in 2022, bond yields will rise in those economies, implying capital reversals in frontier and emerging markets. Exit of foreign investors due to higher interest rates in developed economies would mean depletion of foreign reserves and higher exchange rate of the Naira. This, in effect, might affect the Banking sector as banks may reprise their assets which may reduce access to credit by businesses. This also puts more pressure on borrowers' ability to service their borrowings, leading to worsened non-performing loans position in the sector.

International crude oil prices

Oil prices in 2022 are expected to remain broadly stable at about $65 per barrel, driven by the economic recovery among advanced economies. The implementation of the Petroleum Industry Act is likely to improve crude oil output, implying a possible improvement in the oil sector performance in 2022 and the economy as a whole.

Operating Activities

In 2021, the Bank disbursed loans of N159.1 billion, taking total loans disbursed since inception to N482 billion to over 208,000 MSMEs in Nigeria. Outstanding loan volume grew by 50% from N214.0bn in 2020 to N321.6bn as at December 2021. The gross earnings of the Bank also grew by 14% from N33.6bn in 2020 to N38.2bn in 2021.

Sustainability Standards

In 2021, **DBN was awarded a Level-5 Rating, which is the highest possible rating in the Sustainability Standards Certification Initiative (SSCI) Program. The certification was based on the assessment of DBN as a major driver of sustainability principles across every area of its operations, processes and internal policies.**

Credit Risk Rating

In the same year, DBN received the "AAA" credit ratings by two credit rating institutions – Global Credit Rating and Agusto & Co. The "AAA" ratings are the highest possible ratings that can be given to a financial institution.

According to GCR, "The ratings reflect the Bank's strong capitalisation, minimal risk exposure and stable funding structure, complemented by sound liquidity profile, all of which underpin the capacity of DBN in pursuit of its mission to alleviate financing constraints faced by Micro, Small and Medium-scale Enterprises (MSMEs) in Nigeria." Based on comments from Agusto & Co., "DBN's good asset quality, good capitalisation, good liquidity and experienced management team are positive rating factors."

Digital Transformation

In 2021, the Bank as part of its corporate ambition kicked off the implementation of its three-year digital strategy with a view to leveraging its capabilities to stay competitive in a rapidly evolving business landscape, strengthen core business functionalities, and bridge the gap between financial institutions and underserved MSMEs across the country.

DBN's Commitment

As Nigeria's foremost DFI fully given to the mandate of alleviating financing constraints for underserved MSMEs and small corporates in Nigeria, we remain ever-committed to our role in driving sustainable economic growth in the Nigerian economy. We will continue to meet critical financing needs by expanding our channels of disbursement, spreading impact to economically-challenged areas, and creating more products for more market segments. We will also continue to stimulate the demand for finance by providing capacity building programs for finance seekers, increasing the reach of our awareness to reach more financially underserved MSME segments and driving more advocacy for MSMEs. The Bank will also continue to catalyse supply for finance by providing technical assistance to PFIs, offsetting and mitigating risks and increasing access to finance to segments like first-time borrowers, start-ups, women and youths, green sectors etc.

> ***"As Nigeria's foremost wholesale DFI fully given to the mandate of alleviating financing constraints for underserved MSMEs and small corporates in Nigeria, we remain ever-committed to our role in driving sustainable economic growth in the Nigerian economy.***

> ***DBN received the "AAA" credit ratings by two credit rating institutions – Global Credit Rating and Agusto & Co. The "AAA" ratings are the highest possible ratings that can be given to a financial institution.***

Conclusion

Looking ahead into 2022 as the Bank graduates into the fourth year of its five-year strategic plan, we hope to consolidate our positioning as the foremost promoter of social and economic development in Nigeria. We also intend to strengthen our catalytic role in the private sector to enhance development impact in key areas such as gender and youth empowerment, first time access and start-ups. We also aim to amplify our sustainability drive through the full implementation of our green finance strategy and the Green Climate Fund (GCF) accreditation as a direct access entity. We plan to crowd-in social and impact funding to build balance sheet resilience amidst the challenging macro and business landscape, and last but not the least, to continue building our internal capacity to drive the growth ambition of the institution and create sustained impact among businesses and ultimately, in the Nigerian economy.

DBN Mandates

Our mandate is 3-fold:

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 tend 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
- Increased MSME capacity for loan repayments
- Increased lending available to 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

Vision

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

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 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 option to share risk with the Bank up to a 60% threshold of portfolio credit exposure.

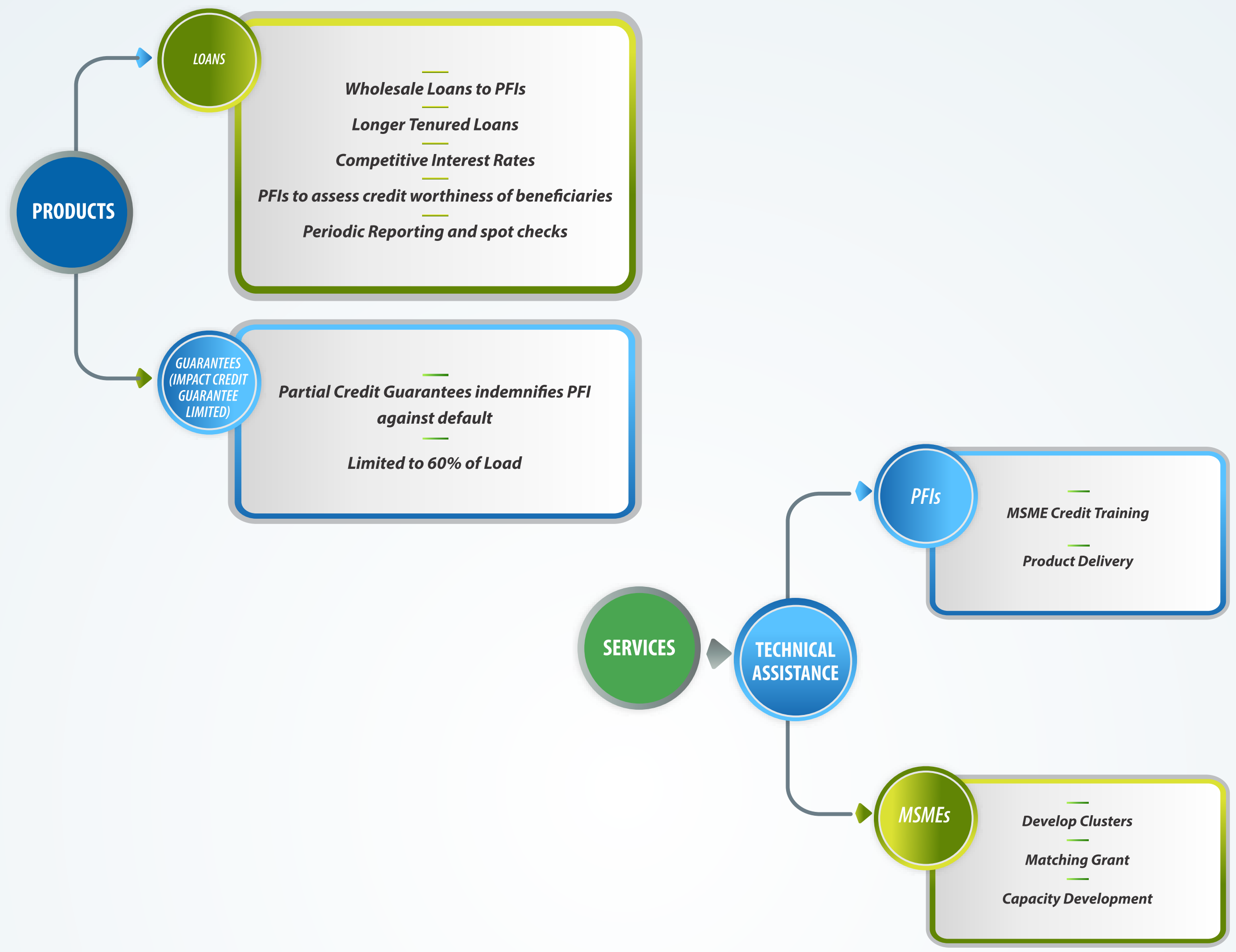
Technical Assistance
- Capacity building will also be provided to the Participating Financial Institutions to bridge specific process, risk and policy gaps. DBN will also partner with PFIs to extend relevant capacity building trainings to MSMEs.

MSME Advocacy
- DBN will continue to advocate for critical policy and infrastructure interventions to support the MSME ecosystem in Nigeria.

Partnerships & Alliances

Development Partners	Capacity Building Partners	Portfolio Guarantee Partners	MSME Sector Partners	Regulatory Partners
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.	These include partners such as Efina, GIZ, Afex, EDC and other international partners that will provide technical assistance to the PFIs as well as the MSMEs.	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	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.	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



MSME Classification

Enterprise Type	Number of Employees	Annual Turnover	Total Assets	Max. Loan Size
MSMEs	<250	<N1.125 billion	<N1.125 billion	<N200m
Small Corporates	<500	<N5.4 billion	<N5.4 billion	<N720m

Product Offerings for MSMEs

Loan Type	End Borrowers' Limit	Tenor (Max)	Moratorium (Max)
Term Loans	N200m (MSMEs) N720m (Small Corporates)	10 Years	18 Months
Finance-2-Finance	N200m	7 Years	Nil
Long Term Finance	N200m (MSMEs) N720m (Small Corporates)	10 Years	7 Years on the principal
Non-Interest	N200m	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.

	RISK	RISK DRIVERS	MITIGANTS
1	**Credit Risk** Risks arising from inappropriate credit policies, poor management, poor loan underwriting, poor credit assessment, laxity in credit assessment and poor lending practices	• Huge credit losses due to default from counterparts 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 reviews 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 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 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.	• Development of Operational Risk Management Framework • Well documented Standard Operating Procedures (SOP). Up-to-date Risk Registers, Key Risk Indicators (KRIs) and Control Risk Self- Assessments (CRSA).

Risks and Opportunities

	RISK	RISK DRIVERS	MITIGANTS
5	***Environmental and Social Risks*** *Risks from environmental and social issues that are related to a client's/ investee's operations which might expose the Bank to credit and or reputational risk.*	• *Specific issues associated with a DFI/or end borrower's operations and industry may result in negative E&S issues with huge financial implications and /or reputational damage.*	• *Detailed review of end borrowers' lists to ensure compliance with the Exclusion list.* • *Strict enforcement of DBN E&S Policy.* • *-Ensuring compliance with national laws and international E&S standards.* • *Training PFIs on best E&S practices.* • *Engaging development partners on the improvement of DBN's E&S practices.*
6	***Technology Risks*** *The inability to manage, develop and maintain secure and agile technology assets to support strategic objectives.*	• *A multi-channel digital experience means more technology to keep relevant,* • *up-to-date and safe from cyber fraud attacks. New types of devices span an extremely wide range of security requirements and have very different security postures.*	• *A robust ISMS that sets out controls processes and systems to manage our IT system risks.*
7	***Cyber/ IT Risk*** *Risk arising from hardware and software failure, human error, spam, viruses and malicious attacks on information that will impact DBN and its clients.*	• *The emergence of remote presence technology may increase the avenues for cyber-attack.* • *Increasing number and sophistication of cybercrime incidents globally.*	• *Development and implementation of an approved Cybersecurity Framework and Strategy.* • *Extensive Disaster Recovery (DR) testing to provide assurance on the effectiveness of Bank's IT Infrastructure's resilience in the event of a disruption.* • *Maintenance of industry leading and regulatory certifications to further provide external and regulatory assurance on Information Security, Quality Assurance, Business Continuity and Privacy Protection* • *Periodic Information Security Awareness and phishing campaign for all employees.* • *Regular vulnerability assessment and penetration tests to identify and rectify potential weaknesses that can be exploited by cybercriminals*

	RISK	RISK DRIVERS	MITIGANTS
8	***Governance and Compliance*** *Compliance with CBN AML /CFT Regulation, 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.*	• *Precarious 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.* • *Active collaboration with regulators and Compliance bodies.*
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 operating and regulatory environment.* • *Emerging Risk which could challenge the business model of the Bank.*	• *DBN's strategy document /SWOT Analysis.* • *Stress testing, scenario analysis and reverse stress testing.* • *Ensure adherence to DBN's Risk Appetite Limits.*
11	***Pandemic/COVID-19 Risk*** *Inability to continue business operations physically due to activation of business continuity plan e.g. shutdown of the office due to increasing infection rate or new variants of the COVID-19.*	• *Staff infected by new variants of the COVID-19.* • *Presidential Steering Committee pronouncement on COVID-19*	• *Implementation of Work from Home Policy* • *Regular review of Business Continuity Plan* • *Development and continuous review of onsite work plan.* • *Adherence to covid-19 protocols, routine cleaning and sensitisation of Staff.*

4.5.2. The Environmental and Social Risk Management (ESRM) Policy

The Environmental and Social Risk Management (ESRM) Policy outlines DBN's overall approach and parameters for the 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 Participating 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 credit and investment decision-making processes.*
- *Strives for positive development outcomes in the activities it supports and continuous commitment to 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.*
- *Fully implements and complies with national requirements for E&S risk management in Nigeria, as well DBN's bilateral and multilateral lenders and/or shareholders' requirements.*
- *Sets out the requirements for PFIs assessment and management of environmental and social risks and impacts associated with the sub-borrowers and sub-projects they finance.*
- *Supports the capacity development of the PFIs to manage environmental and social risks.*
- *Promotes greater transparency and accountability on E&S issues internally and externally through disclosure and reporting.*

In 2021, the ESRM policy was updated to include Grievance Redress Mechanisms. The ESMS grievance mechanism addresses stakeholders' complaints related to issues where DBN projects have failed to respect ESMS principles, standards, and procedures. The mechanism applies to all projects covered under the scope of the ESMS.

"The aim of the grievance redress mechanism is to provide people or communities fearing or suffering adverse impacts from a project with the assurance that they will be heard and assisted in a timely manner."

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 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:

- *Categorisation of DBN-funded projects Into Low, Medium, and High ratings*
- *Creation of Terms and Conditions for lending are determined partly by the E&S categorisation.*
- *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 an Environmental & Social Risk Assessment Report and an Environmental & Social Risk Management Plan (ESMP) from the PFIs.*

E&S Commitment to our PFIs

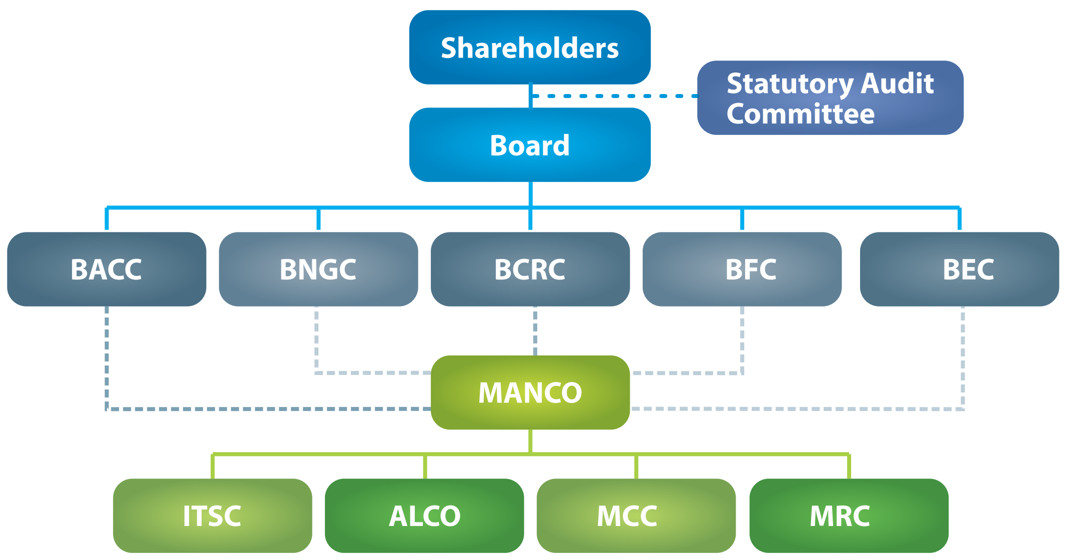
The following were some actions taken by DBN in 2021, which reflect the Bank's commitment to the Environmental and Social sustainability of its Business, as well as those of its Participating Financial Institutions:

- *A virtual capacity building session was held on "Enhancing Sustainability, Environmental and Social Risk Management" for 75 participants spread across DBN, ICGL and four PFIs (Providus Bank, Mainstreet MFB, Baobab MFB and FCMB).*
- *Reviewed the adequacy of four PFIs' ESMS' and its compliance with DBN's E&S Policy and Procedures, ensuring no exposure to prohibited activities, categorisation and screening of key risks including the adequacy of record keeping and reporting on E&S risk management);*
- *Developed tools and templates for identifying, measuring, and reporting E&S risks by PFIs and trained designated staff of the PFIs in using such tools;*
- *Reviewed the process for supervising and monitoring portfolio compliance, including the review of sub-loans and recommended risk mitigation measures;*

05

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 Developpement

Board Composition

- Eleven (11) Directors
- Six (6) Independent Directors
- Three (3) Non-Executives
- Two (2) Executives

Board Committees

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

Our Board

The Board of Directors of the Development Bank of Nigeria Plc ("DBN" or "the Bank") provides overall leadership, entrepreneurial and strategic direction for the bank. In this regard, the Board advances the adoption of practices which promote both an ethical culture and responsible corporate citizenship, in all aspects of the bank's operations, for the enhancement and protection of long-term value, for shareholders and stakeholders alike. Pursuant to this, the Board has developed the overall strategy for the bank and supervises Management in the attainment of that strategy, guided always, by the need for Management to always 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, with the full complement of the information and technical support that are required for the attainment of the bank's objectives.

To ensure it remains effective in the discharge of its responsibilities, the Board of Directors keep under review, the skills, competencies and experience, that are required for the optimal performance of the Board, and which shall ensure that the Board remains comprised of an appropriate balance of skills, competencies and experience, which 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.

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

Dr. Anthony Okpanachi
Managing Director/ Chief Executive Officer

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

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

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

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

Mrs. Ijeoma Ozulumba
Executive Director, Finance and Corporate Services

Mrs. Ijeoma Ozulumba was appointed as an Executive Director in March 2021.

She 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.

Mrs. Clare Omatseye
Independent Non-Executive Director

Clare Omatseye, is the Founder and Managing Director of the International Award winning company, JNC International Limited (JNCI) and the current President of the Healthcare Federation of Nigeria.
JNCI, a company she founded 12-years ago, is a leading Turnkey Medical Equipment Solutions Company, which exclusively represents 16 Global Medical Equipment Manufacturers; Toshiba Medical Systems-Japan, Olympus- Japan, Elekta-Sweden, Getinge-Sweden, Maquet-Germany, Medtronic-USA, and ArjoHuntleigh, EU to name a few.

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

Her vast experience has influenced policies on Public-Private Partnerships as well as Incentives for Private Sector Investments in the Nigerian Health sector.
She is a Member of the Pharmaceutical Society of Nigeria (PSN), an Associate Member of the Paediatric Association of Nigeria (PAN), a member of the Society of Quality in Healthcare in Nigeria (SQHN), and WISCAR (Women in Successful Careers). She sits on the Board of several reputable organizations, a Fellow of the Society for Corporate Governance Nigeria (SCGN),Director, Development Bank of Nigeria, Director, LEAP Africa, Vice President, Lagos Business School Alumni Association (LBSAA), Director, Aspire Coronation Trust(ACT), Founder & Chairman, Vaccipharm Limited, a cold chain Vaccines, Pharma & Medical consumables distribution firm that she founded in 1999.

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

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Mr. Bello Maccido
Independent Non-Executive Director

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. Uche Orji
Non-Executive Director

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

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

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

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

Mr. Andrew Alli
Independent Non-Executive Director

Mr. Andrew Alli is the immediate past President and Chief Executive Officer of the Africa Finance Corporation. Mr. Alli has been an Executive Director of Africa Finance Corporation Since November 01, 2008. He served as Deputy Chief Executive Officer of Travant Capital and also served as its Partner.

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

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

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

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 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. Alo holds a doctorate degree (with specialization in Industrial Sociology) obtained from the University of Ife, Ile-Ife in 1984. He is a Fellow of the Chartered Institute of Personnel Management of Nigeria (CIPM), the Chartered Institute of Bankers of Nigeria (CIBN), the Chartered Institute of Arbitrators of Nigeria (NCIArb), and the Nigeria Institute of Training & Development (NITAD).

At different times, he served as the President of the West African Bankers' Association (WABA); the President/Chairman of Council of the Chartered Institute of Personnel Management of Nigeria (CIPMN); the Chairman of the Learning & Development Network International, and the Vice-President of the Nigerian Association of Management Consultants. Currently, he is a Trustee of the Association of Professional Bodies of Nigeria (APBN); the Risk Management Association of Nigeria (RIMAN); the Women in Banking & Finance Association (WINBAFIN) and the Centre for Financial Journalism.

He has had his fair share of board appointments, serving as Executive Director of Coopers & Lybrand Associates Ltd; MD/CEO of FITC; Non-Executive Director of Nigeria Capital Market Institute (a subsidiary of the Securities & Exchange Commission); Chairman, One World Communications Ltd; and Chairman, School of Banking Honors., Chairman, Berger Paints Nigeria Plc., Chairman, Lewis Berger (Ghana) Ltd, and Independent Non-Executive Director, ARM Life Plc. Currently, he serves as an Independent Non-Executive Director of the Development Bank of Nigeria Plc. and ARM Investment Managers Ltd. He is also an External Member of the Advisory Board of the University of Lagos Business School.

Dr. Alo had published several articles in international journals and contributed chapters in several management books. He is the author of Human Resource Management in Nigeria (1999), Editor of Issues in Corporate Governance in Nigeria (2003), and author of Amazing Grace: My Story. My Life (2020).

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

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

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

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

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

Mr. Kyari Bukar
Independent Non-Executive Director

Mr. Kyari Bukar was appointed in March 2021.

Mr. Kyari Bukar is the Managing Director/Co-Founder of Trans Sahara Investment Corporation, a Private Equity firm based in Lagos, Nigeria.

He has an outstanding career in Engineering and Technology having been former Managing Director/CEO at Central Securities Clearing System Plc, Lagos and ValuCard Nigeria (Unified Payments Ltd), Lagos Respectively and Executive Director at FSB International Bank Plc.

Before joining FSB International Bank, he served in various roles as Manufacturing Development Engineer, Marketing Program Manager, Senior IT Consultant, and as Manager in various sectors of the Hewlett Packard corporation in the United States of America.

Kyari Bukar was the former Chairman of the Board of Directors of the Nigerian Economic Summit Group (NESG) and currently serves on several other Boards; Chairman, SUNU Assurances Plc; Chairman, Ventures Platform; Chairman, ARCA Payments Ltd; Independent Non-Executive Director, Standard Chartered Bank Nigeria Ltd; Member, Nigerian Youth Alliance of Atlanta, Georgia; Member, Committee of Harmonisation of National ID; Member, Nigeria Technology Consultative Group; and leader of Employee Business Contribution Network (HP).

He holds a Bachelor's Degree in Physics from Ahmadu Bello University Zaria, Nigeria, and a Master's Degree in Nuclear Engineering from Oregon State University Corvallis, USA.

Dr. Ahmed Rostom
WorldBank 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.

2021 Annual General Meeting

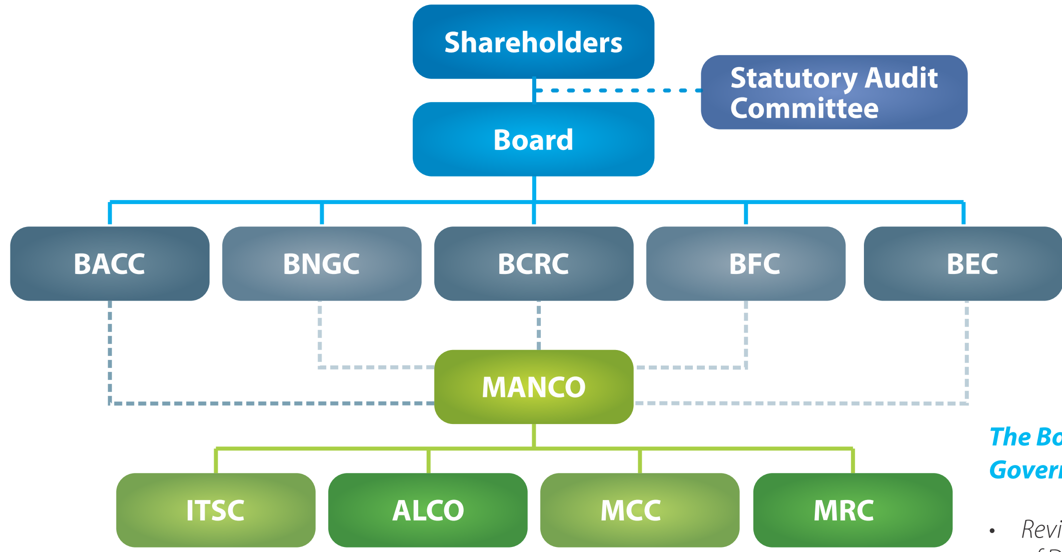
The Bank held its 4th Annual General Meeting on Tuesday, April 27, 2021. The meeting was held in a hybrid format in compliance with the National Centre for Disease Control (NCDC) COVID-19 protocols.

(L-R) Shofola Osho, Company Secretary/Legal Adviser, Tony Okpanachi, MD/CEO and the Dr. Shehu Yahaya, the Board Chairman attending the Bank's 4th Annual General Meeting at Fraser Suites, Abuja FCT

A cross-section of DBN directors at the 4th AGM of April 27, 2022

Mr. Emmanuel Akinwunmi representing the European Investment Bank and the African Development Bank at the 4th AGM

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 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 Credit and Risk Committee ("BCRC")

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

The Board Finance Committee ("BFC")

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

The Board Nomination and Governance Committee ("BNGC")

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

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 2021 to ensure the Bank's compliance to high ethical standards:

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

Whistle Blowing

The Whistleblowing Policy which is on the Bank's website: www.devbankng.com/whistleblowing applies to both internal (staff, contract employees, management or directors) and external (customers, service providers, applicants, auditors, consultants, regulators and other stakeholders) whistle-blowers.

The Policy outlines the procedure for 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 whistle-blower may raise a concern through any of the following channels (this can be done either by declaration or in confidence/ anonymously):

I. *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*

II. *Internal whistleblowing channels:*
   - ***Hotline: 0807-518-0057***
   - *Internal whistleblowing email:* ***whistleblow@devbankng.com***

III. *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 of Nigeria Plc.

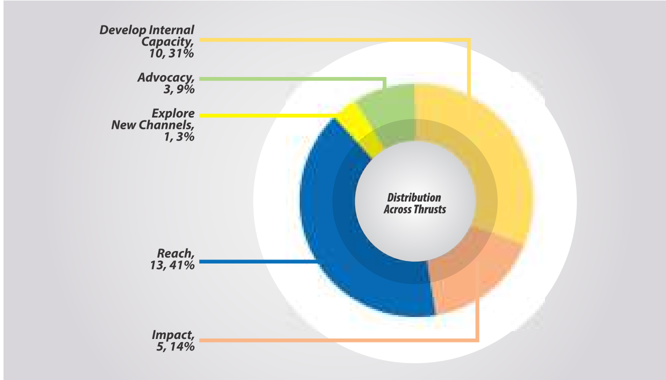
If the concerns affect the Head, Internal Audit, the MD/CEO shall be notified, and where a Director (including the MD/CEO) is involved, such concern shall be directed at the Chairman Board Audit & Compliance Committee.

The whistle-blowing concerns are 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

06

Strategy and Innovation

Dashboard | Snapshot on Progress of 5-year Corporate Strategic Initiatives



Strategic Timelines

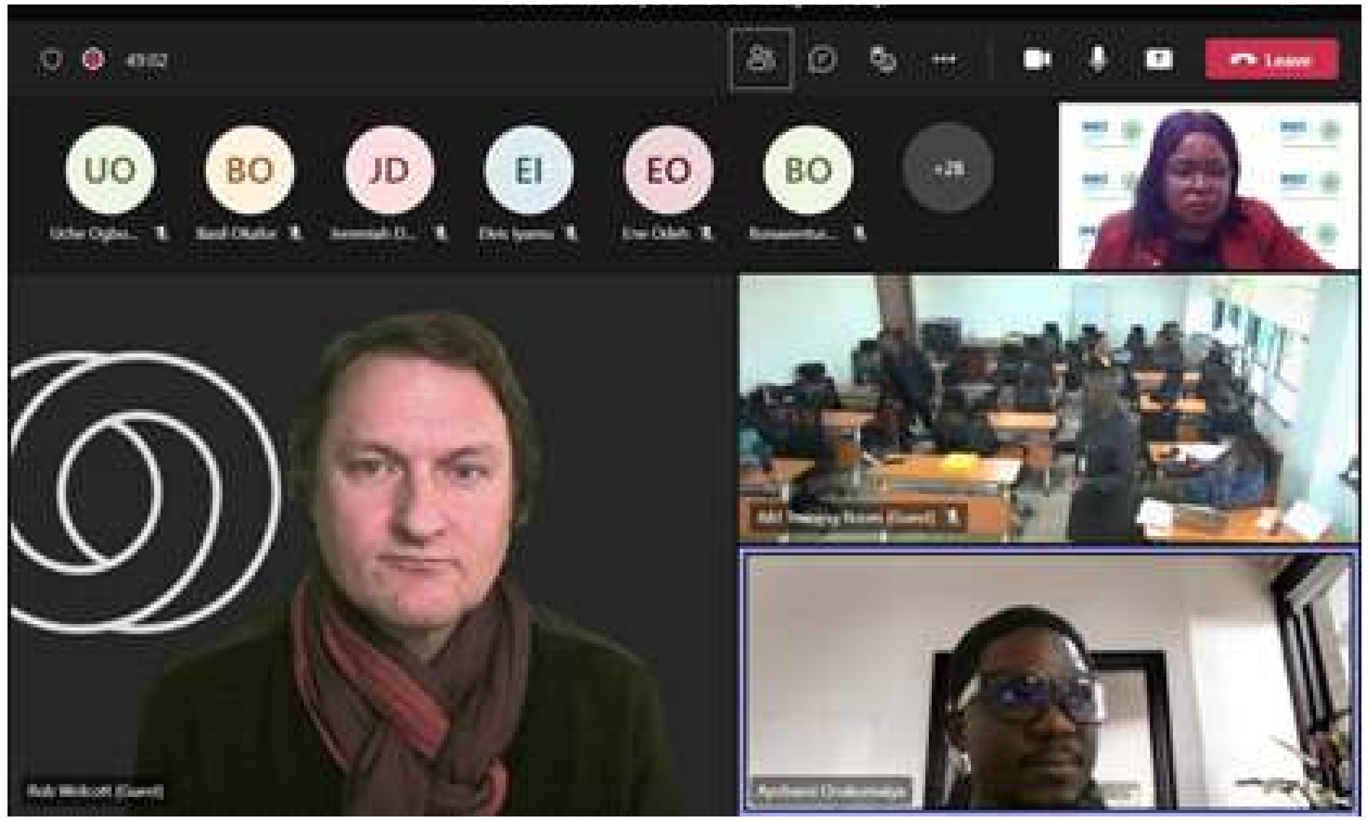
Continuous (2019 - 2023)	12
2021/2	6

DBN Innovation Agenda

Attaining innovation leadership transcends creating a digital architecture, it requires continuous reinvention of our processes, policies, products, and technology to drive customer satisfaction and align employees with the organization's objectives and core values. It is on the strength of these that one of the Bank's thrusts for its Digital Strategy is to create an Innovation Framework that will proliferate the development of new ideas for process improvements, policy refinement, and digital transformation.

The Bank's innovation framework graduated into a two- to three-month Innovation Challenge in 2021, during which employees of the DBN Group had the opportunity to ideate on solutions that would drive improvements or a complete transformation of some major areas of the Bank's business. The 2021 Innovation Challenge was concluded with the DBN Innovation Week, which was a five-day event that held from Monday, 13th to Friday, 17th December 2021 and was themed "Disrupt Yourself" - to resound the Bank's drive to deviate from the norm and encourage unconventional and evolutional thinking among its employees. The Innovation Week enabled the two qualifying Innovation Challenge finalists pitch their proposed solutions and also featured other exciting activities such as Insight Sessions from innovation thinktanks, voting sessions by employees and innovation sponsors, results and recognition day, and so on. At the end of the Innovation Week, Chimdi Anyama, a member of the Corporate Services team was declared the DBN 2021 Innovation Champion.

Overall, with the entire Innovation program, the Bank sponsored and created the platform to drive an innovation culture whereby employees were encouraged to think divergently and proffer new and productive solutions to challenges that would enable the Bank to revolutionize its approach to market and ultimately attain innovation leadership.



Innovation Challenge 2021 winner, Mr. Chimdi Anyama with DBN Executive Director, Mrs. Ijeoma Ozulumba and DBN Chief Operating Officer, Mr. Bonaventure Okhaimo.


Runner Up: Mr. Ayobami Onakomaiya

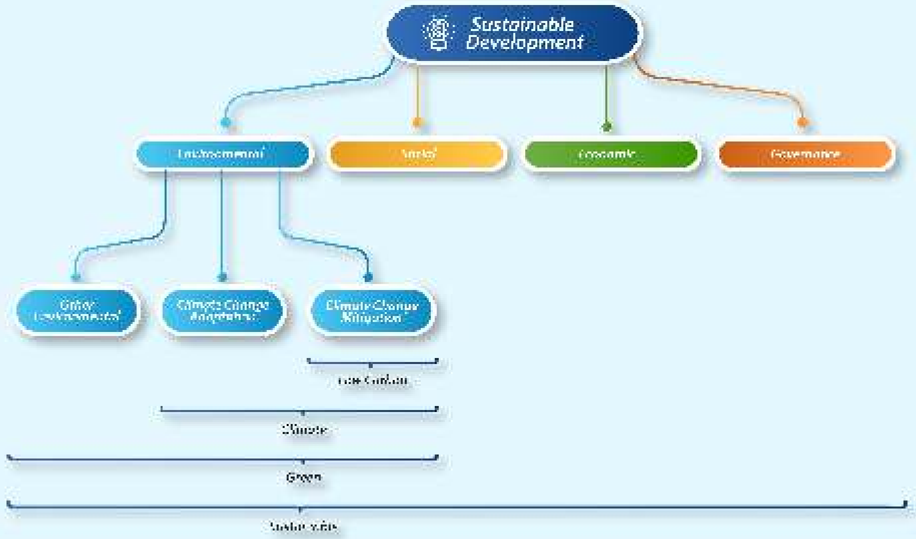

Innovation Challenge 2021 winners, Mr. Chimdi Anyama and Runner Up, Mr. Ayobami Onakomaiya with DBN Executive Director, Mrs. Ijeoma Ozulumba.

DBN's Green Finance Strategy

Globally, green finance has gathered momentum since the 2015 Paris Agreement on Climate Change, which calls for "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". The emergence of green finance has been propelled by the confluence of pressing societal, economic, and environmental issues coupled with the scale and urgency of the challenge of financing sustainable development.

In pursuance of the Bank's vision to be Nigeria's leading Development Finance Institution (DFI); promoting inclusive and sustainable growth, and its mission to facilitate sustainable socio-economic development through the provision of finance and technical assistance to Nigeria's underserved Micro, Small and Medium Enterprises (MSMEs), the Bank has developed a Green Finance Strategy. This Green Finance Strategy places the Bank at the center of Nigeria's green transformation and champions the acceleration of Nigeria's sustainable growth. The Bank's Green Finance Strategy broadens and deepens that process of transformation, mainly by ensuring that growth is all-inclusive. It also aims to bring about national growth that is not just environmentally sustainable but also economically empowering. When growth is inclusive as well as "green", it creates the jobs that the nation needs now and that it will need in ever greater numbers as millions more young people enter the job market, with energies and aspirations to match.

The Bank's Green Finance Strategy is aligned with the banks' overall Strategy and Financial Plan for 2019–2023. It is firmly rooted in the bank's strategic objectives which have been designed to guide the bank's operations and response to market gaps in Nigeria.



Green Strategy Pillars

The following are the three strategic pillars for DBN's green finance strategy:

1. ***Greening Finance:*** *To ensure that the risks and opportunities from climate and environmental factors are integrated into financial decision making of the bank*
2. ***Financing Green:*** *Mobilizing private finance for clean technologies and projects*
3. ***Capturing the Commercial Opportunities:*** *Creating value to clients from actual deployment of technologies with visible economic benefits, in addition to social and environmental impacts that are measurable.*

Five Key Green Priority Areas

The five key strategic priorities identified and addressed by the bank's green finance strategy include:

1. ***Access to Green Finance:*** *The Bank is focused on attracting and crowding-in financing for MSMEs and green projects in the country.*
2. ***Capacity Building:*** *Building internal and external capacity to drive more impact in the green sectors*
3. ***Product Development:*** *Developing green products to mainstream green financing*
4. ***Partnerships:*** *To engage and develop alliances with market stakeholders towards developing a continuous pipeline of green projects that can be funded.*
5. ***Youth and Gender Mainstreaming:*** *To promote the involvement of youth and women in Nigeria's sustainable development agenda.*

DBN has an Environmental and Social Risk policy through which the Bank puts in practice, its commitment to integrating environmental and social considerations into decision-making.

How DBN is driving the Green Agenda
DBN is driving action around green across two fronts: Internally and Externally.

Internal Green Plan

Internally, DBN promotes its Green Agenda using the "PReG" approach:

- ***Programs & Engagements:*** *The Bank engages its staff in various green efforts, some of which include trees planting on the 2021 World Environment Day and set-up of a cross-functional in-house Green Team which is dedicated to pushing progress on the Bank's green agenda.*
- ***Recycling:*** *The Bank has recorded immense progress in its internal waste management efforts across its two offices in Abuja and Lagos Nigeria, which both recorded over 1,000 kg of recycled wastes in 2021.*
- ***Green Building:*** *DBN has a green building project currently under way which also emphasizes the Bank's commitment towards ensuring sustainability across the entire chain of its operations and within its facilities.*

External Green Plan

Externally, DBN drives its green agenda using the "GRAPPLE" approach:

- ***Green Funding:*** *The Bank continues to conduct an assessment of green projects in Nigeria and driving access to more green funding. It is also focused on crowding-in external green funding sources i.e. Green Climate Fund (GCF) and the Green Credit Line from development partners.*
- ***Risk Management:*** *DBN has an Environmental and Social Risk policy through which the Bank puts in practice, its commitment to integrating environmental and social considerations into decision-making. It also outlines the Bank's exclusion list of non-fundable activities, in line with local laws and exclusion requirements of development partners. DBN also has a Green Finance framework in place to reduce vulnerability to risks arising from green finance activities and the environment.*
- ***Affiliations & Accreditations:*** *DBN makes effort towards cultivating new green affiliations and accreditations to help the institution achieve greater impact, visibility and further contribute to the global conversation on green; i.e., DBN's ongoing accreditation as a Direct Access Entity (DAE) of the Green Climate Fund, achievement of the highest level rating (Level 5) of the Sustainability Standards and Certification Initiative (SSCI), and the Bank's recent engagements at the UN Climate Change Conference (COP26) which held in Glasgow, UK.*
- ***Partnerships & Alliances:*** *DBN also continues to foster new partnerships to ensure a continuous pipeline of green projects available for funding. Most recent DBN green partners include Rural Electrification Agency (REA) and FMDQ. However, it is expected that these partnerships will cut across MSME industry associations and groups, public sector, project developers, development partners, bilateral and multilateral partners etc.*
- ***Products & Programs:*** *DBN has also created products and programs aimed at increasing support for MSMEs within the green ecosystem. In particular, the Bank has initiated a green product to cater for the needs of green-focused MSMEs, an Interest Draw Back program that grants rebates to PFIs funding MSMEs that meet the Bank's green criteria as well as its imminent Eco-Innovation challenge to provide a platform for promoting green financing opportunities and adequately engaging with players in the Nigerian green space.*
- ***Learning & Capacity Building:*** *DBN conducts capacity building programs on green for all the relevant external stakeholders in the deployment of its green finance strategy. DBN has also played an instrumental role in providing technical assistance to its Participating Financial Institutions (PFIs), which predominantly include Commercial Banks and Microfinance Banks. These green trainings are also cascaded to MSMEs during the annual Entrepreneurship Development Programs set up for the upskilling of selected MSMEs across the country.*
- ***External Engagement & Awareness:*** *With a view to consolidating the Bank's position as the foremost thought leader and promoter of green finance within the country in addition to also projecting the Bank as the de facto Green Bank of Nigeria, DBN seeks to bridge the huge information asymmetry about the available technologies and funding windows, while also embarking on a comprehensive and robust promotion of green financing opportunities to adequately engage the industry value chain. DBN also seeks to engage with relevant public sector institutions such as law makers, executive arm of government, parastatals, etc. to push for the relevant laws and regulations that will create the necessary incentives for a level playing field in the Nigerian green ecosystem.*

07

Sustainability at DBN

7.1 Sustainability Strategy

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

DBN recognises 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 the Sustainability Standards Certification Initiative (SSCI). Alignment of our operations, processes and activities will ensure synergy between DBNs strategy and local and international sustainable principles.

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

- *Environmental Focussed Activities and Operations:*

  - *We remain committed to ensuring that we manage the impact of our operations on the environment and the communities in which we operate. We recognise that good environmental performance is a fundamental element of the Bank's commitment to developmental impact in Nigeria, and that a responsible approach to environmental issues is critical to our continuous success.*
  - *We continuously monitor our operations to ensure we do not negatively affect the environmentsand 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.*

  2021 Strategic Initiatives

  - *100% loans screened for E&S*

- *Gender Parity and Empowerment:*

  - *Gender parity refer to the equal contribution of women and men to every dimension of life, whether private or public. DBN remains committed to promoting women's economic empowerment through its business activities and operations by developing products and services specifically aimed at women.*

  2021 Strategic Initiatives

  Celebration of 2021 International Women's Day

- *Reporting and Collaboration:*

  - *In 2021 we increased the scope of our reporting mechanisms by undergoing the SSCI certification process. This demonstrates our deliberate efforts to ensure that we remain compliant and make significant progress in moving the needle on social development and impact. Our chosen platforms remain our corporate website, reports, Annual Accounts and Statements etc.*

  2021 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*

- *Financial Inclusion:*

  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.

  2021 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	2021 Activities
1 No Poverty	No Poverty	• N159bn loans disbursed in 2021 • Increased staff strength and average staff salary by MSMEs following loan collection (see the section on M&E exercise)
5 Gender Equality	Gender Equality	• The International Women's Day (IWD) celebration held on March 8th • 38,942 jobs created by women owned end-borrowers in 2020 • % of female staff - 40%
8 Decent Work and Economic Growth	Decent Work & Economic Growth	• An estimate of 119,498 jobs created by loan beneficiaries as captured in the 2021 M&E Report
10 Reduced Inequalities	Reduced Inequalities	• No gender pay gap • Equal learning opportunities for all • Inclusive workplace culture • Anti-discrimination/harassment policies
13 Climate Action	Climate Action	• A total of 1,032.6kg recycled based on recycling activities out of Lagos and Abuja offices • 3.56 MT of CO2 Emission saved • Equivalent of 9 cars taken off the streets • 3 children sponsored through DBN recycled waste program
17 Partnerships for the Goals	Partnerships for the Goals	• Continuation of Sustainability Community of Practice for Micro-finance Banks • Attendance of COP26 conference in Glasgow, Scotland • Joined the board of the Montreal Group Sustainability and Strategy Sub-Committees

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

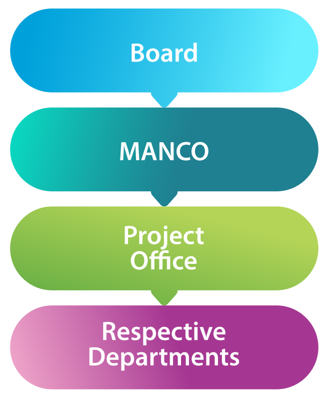
#	NSBP Area	Achievements in 2021
1	Business Activities	100% loans screened for E&S Robust E&S processes Comprehensive risk management processes and oversight
2	Business Operations	Continuous progress on recycling Initiatives in Lagos and Abuja Implementation of Procurement Sustainability policies Developed enterprise-wide Digital Strategy
3	Human Rights	Adherence to local and international human rights regulation and internal business practices
4	Women's Economic Empowerment	IWD 2021 celebration 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 2021 we held the following trainings: PFI training- Virtual capacity building for 75 participants spread across DBN, ICGL and 4 PFIs Held annual DBN Entrepreneurship program Delivered a total of 5,440 employee learning hours across various focus areas Training held for Sustainability Community of Practice forum for MFBs
8	Collaborative Partnerships	We continue to 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) • Nile University
9	Reporting	2021 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

7.2 SSCI Certification

The Sustainability Standards & Certification Initiative (SSCI) is a global initiative for developing and maintaining the first holistic, universally accepted and executable set of across-the-board sustainability standards. The standards, developed by the European Organisation for Sustainable Development, are established by consensus among stakeholders and adopted voluntarily by value driven financial institutions. The standards aim to provide a cutting-edge governance framework to the Board of Directors enabling the value-driven financial institutions to emerge as champions in delivering financial, social, economic and environmental values, embracing innovation, leading in the age of disruption and uncertainties, and ensuring their long-term overall business performance.

Key Objectives of the Standards

- Deliver the highest sustainability standards to drive organisational performance of value driven financial institutions.
- Enable institutions in creating sustainable business models compatible with the requirements of the age of digitalisation and large-scale global crisis and historic challenges and opportunities.
- Turn sustainable development agenda into profitable businesses for value-driven financial institutions.
- Provide international visibility and recognition to value-driven financial institutions.
- Provide a common and universal understanding of sustainability integration in value-driven financial institutions to measure and evaluate performance.



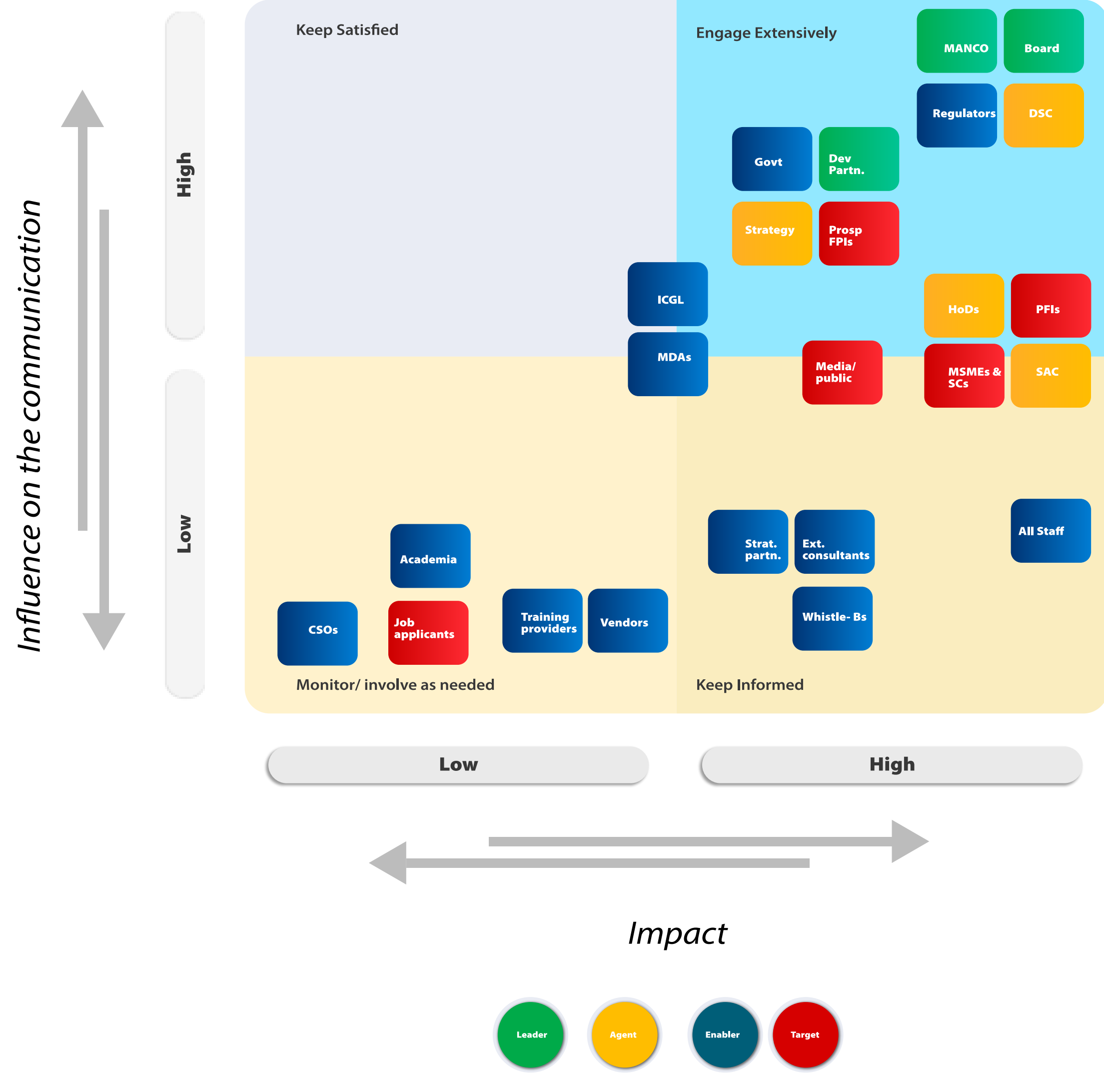
Results

On December 3rd, 2021, the bank was formally awarded the SSCI certification at Level 5 indicating that the bank had achieved over 86% in the rating process. Due to COVID restrictions, the DBN team was unable to be physically present to receive the conferment of the award. Fortunately, a representative from the Nigerian embassy in Karlsruhe, Germany was on hand to receive the certificate on behalf of the Bank.

7.4 Stakeholder Management Framework

As a means of paying closer attention to our stakeholder network, the Bank created a dedicated Stakeholder Management Framework which took a short, medium and long-term view at how it communicates with its stakeholder universe. This framework identifies the Bank's different stakeholders, the roles they play, frequency and content of communication required and the various platforms to be deployed in order to effectively communicate with these respective groups of stakeholders.

In doing so, DBN has come up with a comprehensive Stakeholder Impact Matrix:



Communication Approach

Engage Extensively	Regularly provide in depth details of the implementation and comminication updates
Keep Satisfied	Procatively provide strategic information at critical milestones
Keep Informed	communicate relevant information based on subject matter expertise and respond to key questions raised
Involve as needed	periodically provide high-level information on the implementation, its impact and benefits

Leader – Sponsors and communication owners

Agent – Drivers of the communication

Enabler – Assist and enable implementation of the communication

Target – Impacted by the outcome of the communication

On December 3rd, 2021, the bank was formally awarded the SSCI certification at Level 5 indicating that the bank had achieved over 86% in the rating process. Due to COVID restrictions, the DBN team was unable to be physically present to receive the conferment of the award. Fortunately, a representative from the Nigerian embassy in Karlsruhe, Germany was on hand to receive the certificate on behalf of the Bank.

We have identified twenty-five (25) unique messages to be communicated throughout the engagement life-cycle

01 Product offerings & capacity building initiatives
02 M&E / developmental Impact Results
03 Bank's operational performance
04 Periodic internal Bank-wide updates
05 Macro & industry developments
06 Updates on departmental strategic initiatives
07 Resource requirements & role of staff in achieving corporate initiatives
08 Strategic initiatives value realization reports
09 Product performance reports
10 Statutory returns and updates
11 Sustainability efforts at DBN
12 Thought leadership in development finance
13 Legal opinion
14 Information on key risks and the Bank's control environment
15 Audit findings
16 Instructions and TORs for new projects
17 Guidelines for new partnerships
18 Whistleblowing progress reports and details of new channels
19 PFIs Performance Reviews & Engagement Reports
20 Employee Value Proposition
21 Key Employee Concerns & Resolutions
22 Employee Learning Journeys & Training Support
23 Information on Vacancies/ Recruitment Status Updates
24 IT Security Awareness/Tips
25 Updates o New Process Automations

7.5 Key Sustainability Projects 2021

7.5.1.
International Women's Day Celebration 2021 (IWD)

As a measure to curtail the spread of COVID-19, the bank scaled down its usual in-person IWD celebrations to a virtual-only event. However, the quality and value often derived from such a flagship event was not eroded due to the quality of discussions held on the day in addition to high attendance levels that ranged from local to international allowing for numerous participants who otherwise might not have been able to attend a physical to be present and to participate in the discussions.

Discussions on the day which centred around the global theme: #ChoosetoChallenge, served as a reminder to continuously question existing status quos, explore new opportunities, reach new heights and reveal our innate potential as women (and men) to make the world a better place.

*The panel discussion titled, "**The Cost of Exclusion, Challenging Gender Stereotypes and Promoting Inclusive Growth,"** featured both female and male industry experts who weighed in on the cost of exclusion and based on their experience, proffered practical solutions for how to bridge the existing gender gaps and push for increased parity. The panellists can be seen below:*

7.5.2.
DBN's Community of Practice for Micro-Finance Banks (MFBs)

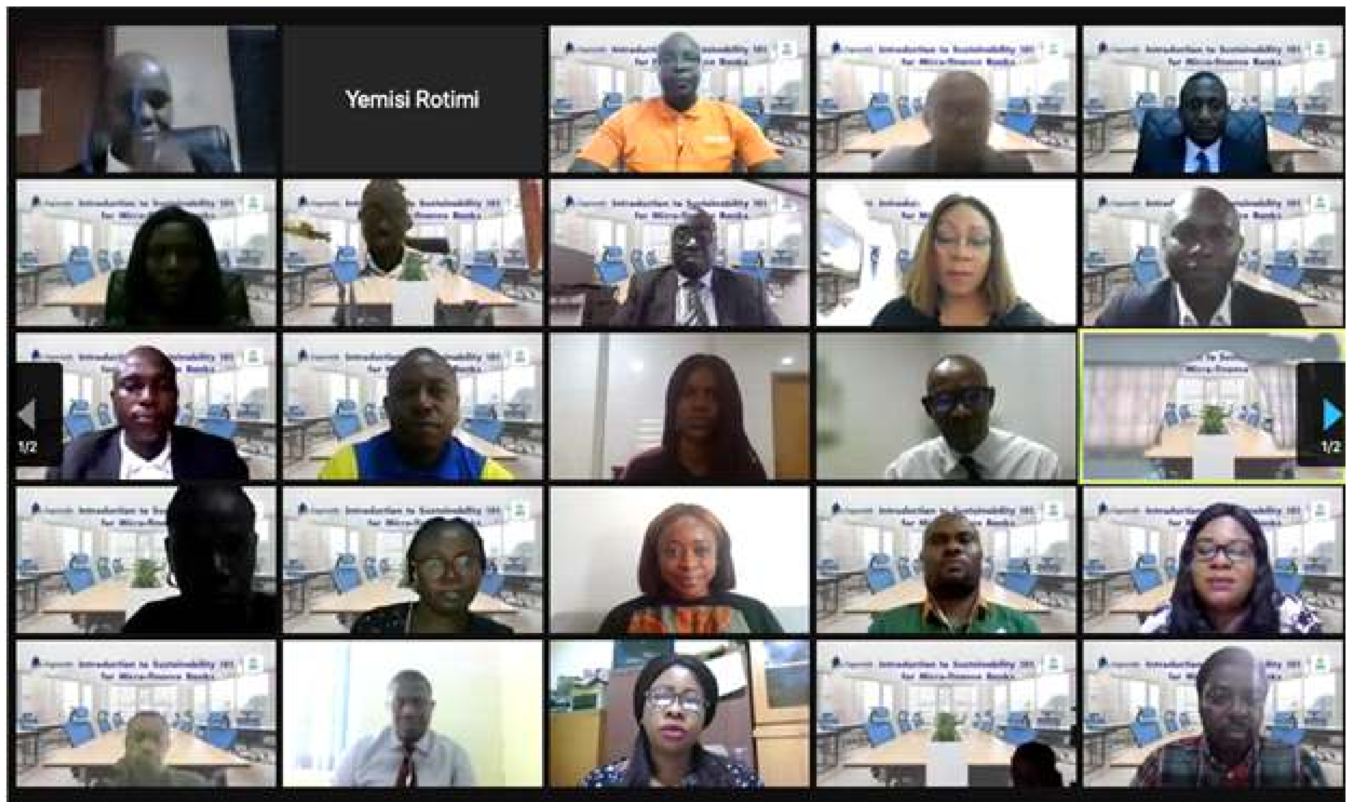
In 2020, we kick-started the Community of Practice for MFBs by hosting an initial webinar to which DBN-affiliated DFIs, the Central Bank of Nigeria, and a sustainability-focused Deposit Money Banks were invited to share experiences concerning their various journeys with sustainability.

In 2021, we deepened our impact in developing the sustainability awareness for MFBs and expanded learning using virtual training modules as a level for capacity building and knowledge management.

In terms of furthering the edicts of SDG 17, we also used 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.

Course Content:

- What is Sustainability?
  - Outline various international standards-NSBPs/SDGs/GRI/Equator Principles/UNEP-FI Principles etc.
- Overview of relationship between Sustainable Development and Finance
- Implication of Sustainable Development for Micro-finance Banks?
  - Creating a financially sustainable organisation
  - Expanding customer base using inclusion & diversification metrics
  - Monitoring impact
  - Reporting impact of lending decisions on local communities/business segments
- Creating sustainability enabled products
- Introduction to Sustainability reporting



(Participants during the DBN Sustainability Community of Practice Training)

7.5.3.
DBN Strategic Alliances

Memorandum of Understanding (MoU) with the Rural Electrification Agency (REA)

An MoU was officially signed on the 19th of August 2021 at the Rural Electrification Agency (REA), Abuja.

The partnership between Rural Electrification Agency of Nigeria (REA) and Development Bank of Nigeria (DBN) is aimed at providing affordable debt financing for REA projects, including the REF Call 2 projects, through selected commercial banks.

Generally, this is geared towards creating an avenue for mini-grid developers from the recently finalised REF Call 2, while engaging with financiers, development finance institutions as well as digital financial institutions within the solar space in Nigeria for the purpose of accessing debt financing.

This will be done through strategic partnerships with other DFIs, Institutional lenders, State Governments and Government Agencies. To this effect, DBN identified REA for strategic partnership on which an MOU was successfully signed by both institutions.

> ***"DBN, in its interest to promote Renewable Energy Finance, offers incentives to Participating Financial Institutions (PFIs) to increase lending to RE/EE as well as specialised green products/offerings for green finance to MSMEs and Scs.***

7.6 DBN engagement at COP26

The United Nations Climate Change Conference (COP26) which held in November 2021 at Glasgow, UK, was an event for participating countries to review their progress and renew their commitments to keeping average global temperature rise well below 2 degrees Celsius by 2030. It was also a moment for countries to bring forward national plans setting out how much they would reduce their emissions - known as Nationally Determined Contributions, or 'NDCs'. Overall, it was agreed that countries would come back every five years with an updated plan that would reflect their highest possible ambition at that time.

DBN participated in this global event as a delegate under the auspices of the Federal Ministry of Environment. The Bank had dealings and negotiations with other parties (countries, multilaterals etc.) to obtain necessary commitments for funding, capacity building etc. based on updated NDCs.

The following were DBN's areas of engagement at the COP26:

Highlights of DBN Engagement

We have categorized the engagements held at COP26 into 5 categories

capacity Building	Pipelines	Funding	carbon Credit /exchange	Our Strategic Engagements
Partnerships cover **delivery of capacity building to DBN** across key interest areas i.e. **gender, green finance, adaption & mitigation projects** etc.	Focus is on **cultivating pipelines** of viable adaption and mitigation projects to **funding by DBN**	Partnerships covers access to **green finance, grants, syndicated funding** for green projects	Engagement covers potential strategic partners to support the **set-up and administration of the proposed carbon exchange** in Nigeria	Partnerships in this category covers key areas such as **events, experience sharing enabling our strategic initiatives** etc.

For the first time, DBN was represented at the COP26 conference in Glasgow.

08

How we create value

8.1
Our value creation model

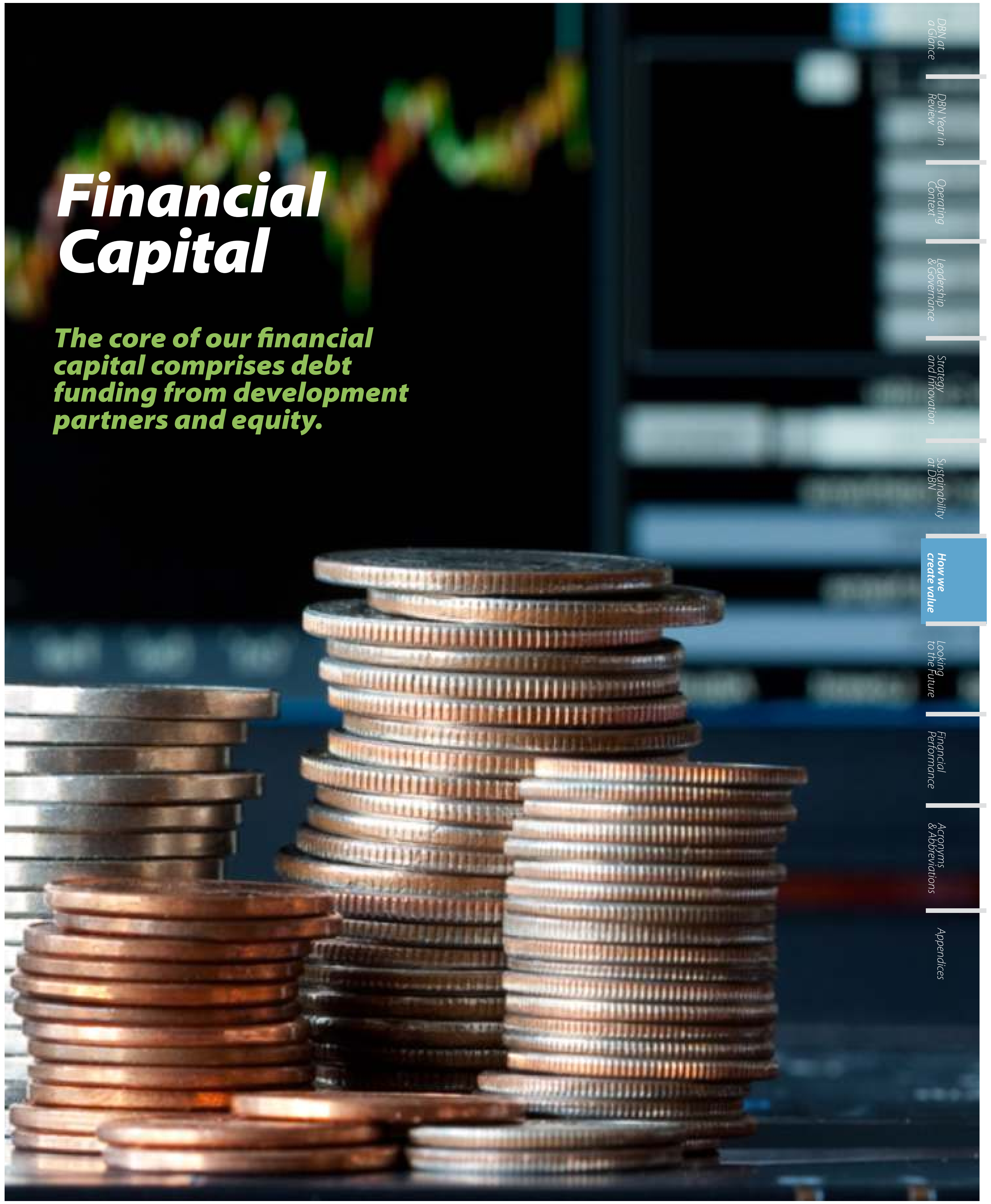
How We Create Value

Inputs	Key Indicators
Financial Capital • Diversity of Funds • Accessing and disbursing medium to long term funds • Product Development	• Cost to income ratio • Loan portfolio make up • Return on Equity • Return on Assets
Human Capital • Investment in employees • Equal opportunities • Social benefits	• DBN Gender diversity ratio • Training hours per employee • % participation in internal employee satisfaction survey
Natural Capital • Environmental and Social Risk Management • Recycling/Environmental Sustainability	• No of environmental conservation techniques adopted • No of environmental awareness programs
Intellectual Capital • Economic Research • Webinars • Capacity Building	• No of reports/journals published for the year • No of MSMEs trained
Social Capital • Corporate Social Responsibility • Human Rights Policy	No of CSR activities carried out No of engagements with all stakeholders
Manufactured Capital • IT infrastructure • Customer satisfaction	Efficiency in health processes Efficient and ergonomic working environment

SGDs

Outputs in 2021

- N482bn disbursed since inception
- 3 products developed
- 6,844 employee learning hours
- 88% Employee Satisfaction Level
- 1,032kg recycled waste
- 60 papers published
- Enhanced digital infrastructure
- 3 CSR activities
- SSCI Accreditation Certificate (Level 5



Financial Capital

The core of our financial capital comprises debt funding from development partners and equity.

8.2.1 Chief Financial Officer's Report

DBN's strong FY2021 performance was largely driven by the innovative products developed and deployed by the Bank. These resulted in increased uptake of DBN loans even during the COVID-19 pandemic and by December 31, 2021 total disbursements grew by 49% to N482bn.

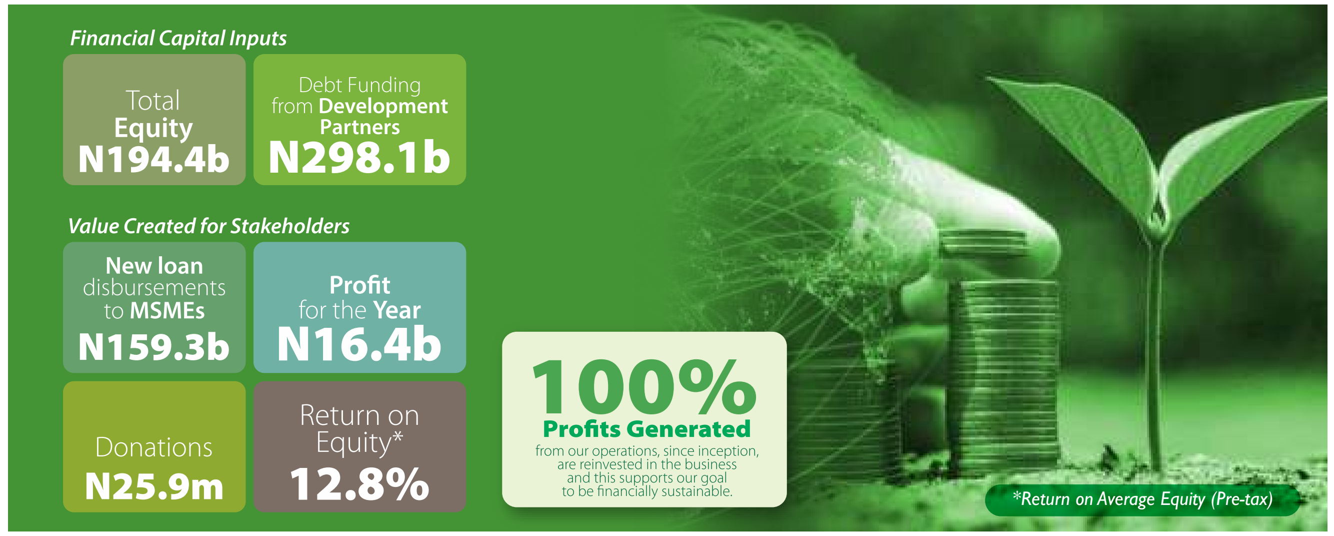
The impact of the increased disbursements over the last four years is seen in the earnings mix of the bank. Income from loans constituted 60.5% of the Bank's earnings in FY2021 compared to 1.8% in FY2018 and this is in line with its core mandate.

The Bank has continued to enshrine efficiency in its operations as it strives to optimize expenses and increase productivity. This was reflected in the cost to income ratio from loans which dropped from 30.7% in FY2020 to 17.6% in FY2021.DBN continues to maintain best practice in its credit risk management.

Looking into the future, the bank seeks to continue to attract impact funds to increase its capacity to meet the financing needs of MSMEs sustainably. DBN will continue to remain innovative with its product offerings and provide more impact financing for MSMEs in the green space.

Financial Capital

Debt funding from International Financial Institutions and Equity funds from the Federal Government of Nigeria and Development Partners; 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 and this supports our goal to be financially sustainable. The bank continues to explore funding sources to expand its capacity to provide affordable finance to small businesses in Nigeria.



TREND IN KEY FINANCIAL INDICATORS

		Bank				
	N'bn	2021	2020	2019	2018	2017
Profitability	Gross Earnings	38.2	33.6	45.8	30.6	6.1
	Net Interes Income	26.0	22.2	37.6	26.2	5.2
	Impairment Charges	0.4	(0.8)	(1.1)	(0.3)	(0.0)
	Operating Income	26.8	21.4	36.4	25.8	5.2
	Operating Expense	(4.1)	(3.1)	(3.7)	(2.9)	(1.1)
	PBT	22.8	18.3	32.7	22.9	4.1

		Bank				
	N'bn	2021	2020	2019	2018	2017
Balance Sheet	Loans & Advances	321.7	214.0	101.9	28.3	0.2
	Total Assets	499.2	492.3	474.4	278.8	152.5
	Borrowings	298.1	312.7	308.5	151.7	87.9
	Equity	192.6	176.9	159.6	126.0	43.5

		Bank				
	N'bn	2021	2020	2019	2018	2017
Ratios	ROAA (pretax)	4.6%	3.8%	8.7%	10.6%	4.8%
	ROAE (pretax)	12.3%	10.9%	22.9%	27.0%	9.4%
	CIR	15.1%	14.5%	10.2%	12.5%	20.5%
	CIR (loans)	17.6%	29.5%	56.6%	590.3%	20435.7%

8.2.2
2021 Financial Performance Highlights

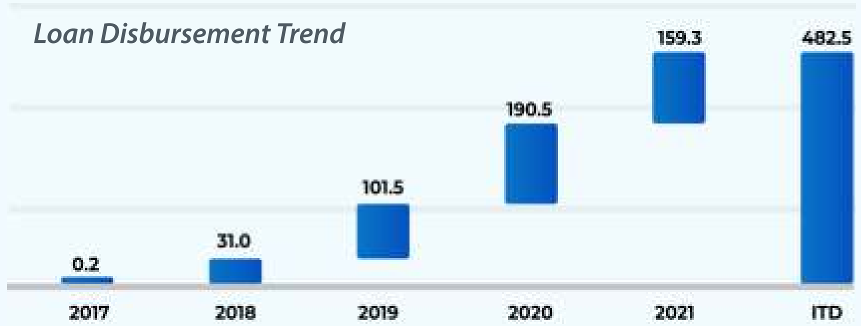
In 2021, the bank delivered a long-term value to all stakeholders, strong financial performance, advocacy and capacity building activities for PFIs and MSMEs.

Return on assets and return on equity (Pre-tax) stood at 4.6% and 12.3% respectively as at December 31, 2021

Asset size grew by 35% CAGR over 5 years, from N152.5bn in 2017 to close at N501.5bn as at December 31, 2021. Loan portfolio as a percentage of total assets also increased significantly from 0.1% as at December 2017 to 64.1% as at December 2021, depicting the growth 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, loan volume of N159.3bn was disbursed in 2021 and the total loan disbursements from inception to December 31, 2021 grew by 49% from N323.2bn in 2020 to N482.5bn in 2021. The loan outstanding also increased by 50% from N214.0bn in 2020 to close at N321.7bn in 2021



Asset Quality

The bank's capital adequacy ratio at 64% is well above the 10% minimum regulatory threshold for wholesale development financial institutions in Nigeria. A robust risk management framework ensures value is preserved within the organization. As at 2021, all loans in the bank's portfolio are performing.

Capital Structure

Equity

Shareholders' funds stood at N194bn as at December 31, 2021. 49% of this amount represent profits reinvested into the business to ensure a stable funding base and long term financial sustainability.

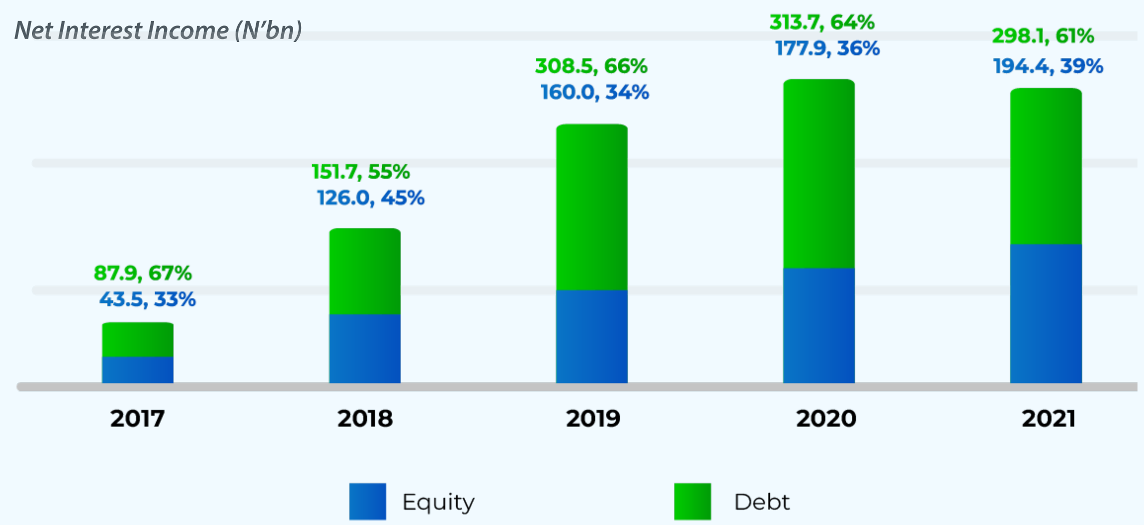
Debt

Debt to equity dropped from 176% as at December 2020 to 153% as at December 2021 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 2021, we have received over 97% of debt commitment funds.

A total of US$1.23 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.

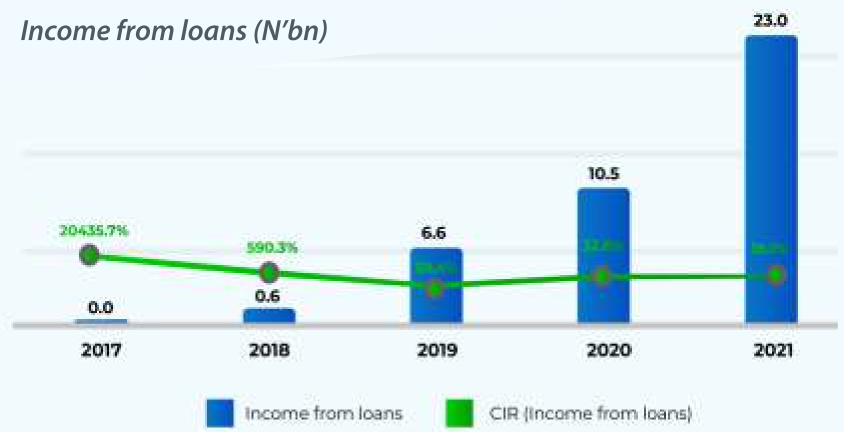
A total of US$1.23 billion has been received from Development partners in respect of loan commitments for MSME financing.

Capital Structure (N'bn)



Earnings

The bank recorded strong earnings of N39.6bn for the year, and this represented a 14% year-on-year growth from N34.6bn recorded in 2020. This was on account of the bank's increased loan portfolio and the recovery witnessed in the Nigerian economic environment during the second half of the year.
Income from Loans grew significantly by 119% year-on-year from N10.5bn in 2020 to N23.0bn in 2021.



Cost Optimization and Efficiency

As the country witnessed recovery from the impact of the COVID-19 pandemic, this triggered an increase in the bank's operational activities which resulted in a 29% increase in operating expenses year on year.
Cost to income from loans is a key metric for the bank which focuses on operational efficiency and maintaining a low cost profile that takes into account income generated from loans. This metric witnessed improved performance from 32.6% recorded in 2020 to 19.1% in 2021.

2022 Outlook

In 2022, the bank's focus remains on financial sustainability, this implies the bank will take deliberate steps aimed at developing innovative products and channels toward providing additional funding to the MSME sector.

The Bank will continue to seek opportunities to optimize available liquidity to grow the earnings on investment whilst maintaining effective cost containment measures. This will aid to improve the overall profitability of the Bank.

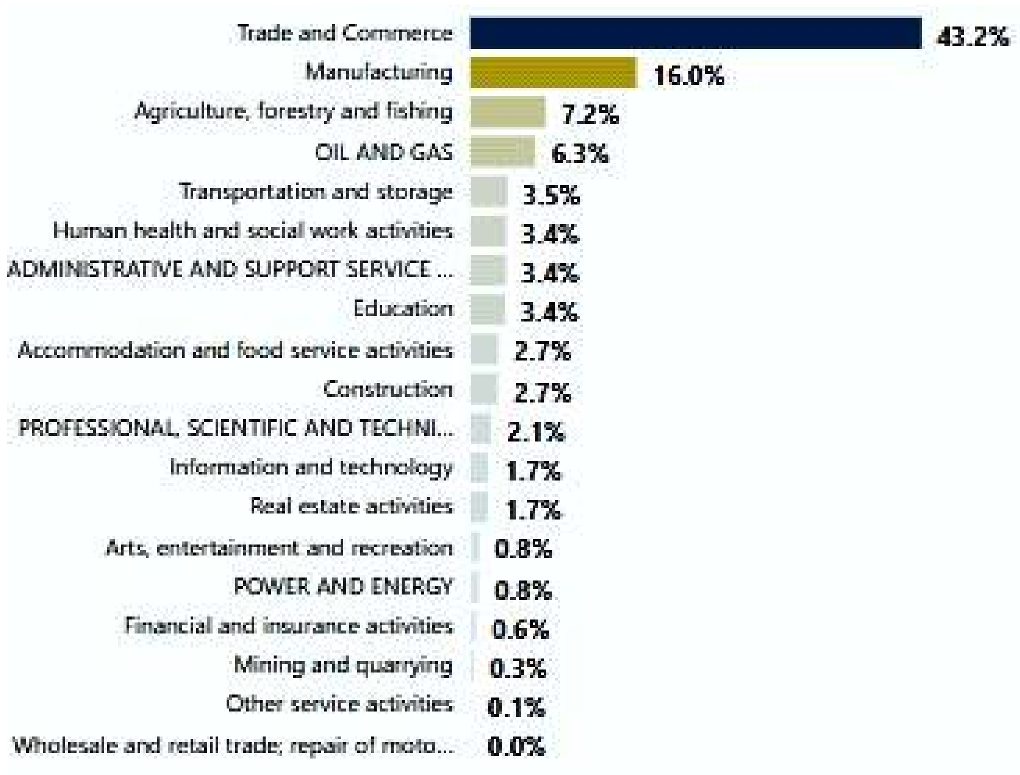
		Group			Bank		
	N'bn	2021	2020	y/y growth	2021	2020	y/y growth
Profitability	Gross Earnings	39.6	34.6	14%	38.2	33.6	14%
	Net Interest Income	26.9	23.2	16%	26.0	22.2	18%
	Impairment Charges	0.3	(0.9)	-141%	0.4	(0.8)	-142%
	Operating Income	28.2	22.4	26%	26.8	21.4	25%
	Operating Expense	(4.4)	(3.4)	29%	(4.1)	(3.1)	31%
	PBT	23.8	18.9	26%	22.8	18.3	24%
		Group			Bank		
	N'bn	2021	2020	y/y growth	2021	2020	y/y growth
Balance Sheet	Loans & Advances	321.7	214.0	50%	321.7	214.0	50%
	Total Assets	501.5	493.5	2%	499.2	492.3	1%
	Borrowings	298.1	313.7	-5%	298.1	313.7	-5%
	Equity	194.4	177.9	9%	192.6	176.9	9%
		Group			Bank		
	N'bn	2021	2020	y/y growth	2021	2020	y/y growth
Ratios	ROAA (pretax)	4.8%	3.8%	97bps	4.6%	3.8%	81bps
	ROAE (pretax)	12.8%	10.2%	260bps	12.3%	10.9%	145bps
	CIR	15.6%	15.3%	31bps	15.1%	14.5%	66bps
	CIR (loans)	19.1%	32.6%	-1345bps	17.6%	29.5%	-1182bps

8.2.3
Loan Portfolio

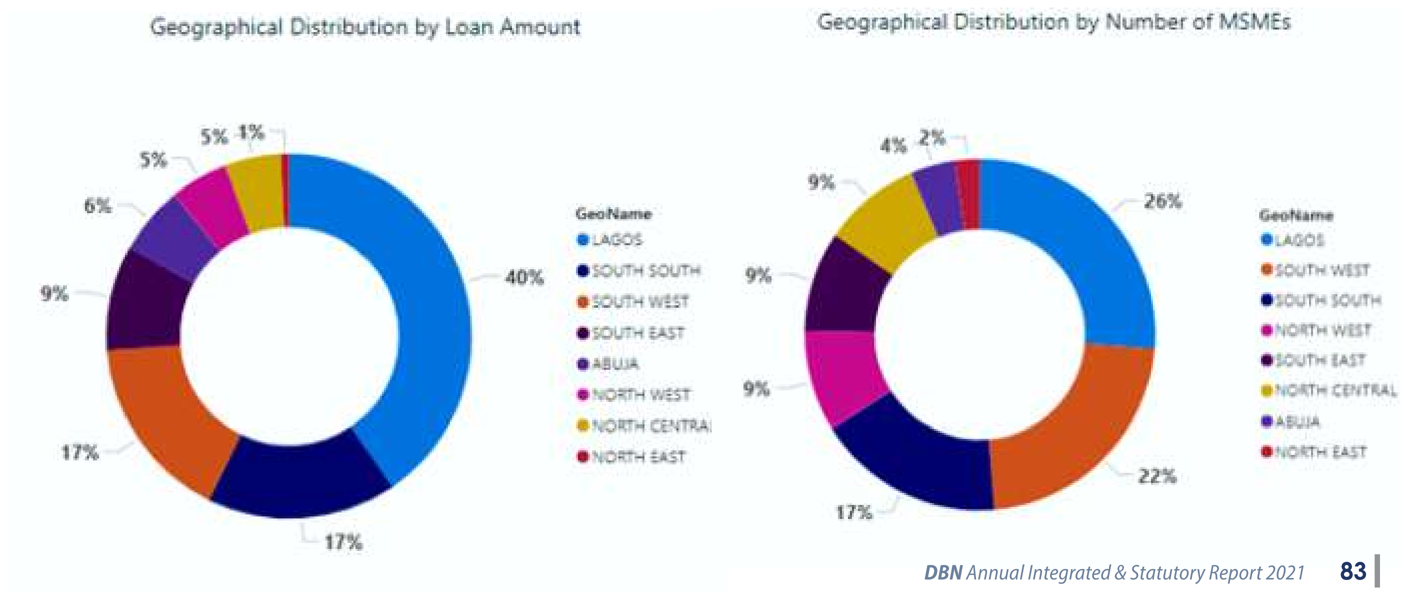
The Bank began its operations in 2017 and has steadily increased its loan portfolio. The total loans disbursed by year end 2021 was =N= 483 billion. This is a 50% year-on-year increase from N321 bn as at December 2020.

Loan Portfolio by Sector
Trade and Commerce accounted for the largest proportion of loans disbursed at 43.2%. Manufacturing, Agriculture and Transportation also account for a significant proportion of loans disbursed.

Loan Amount

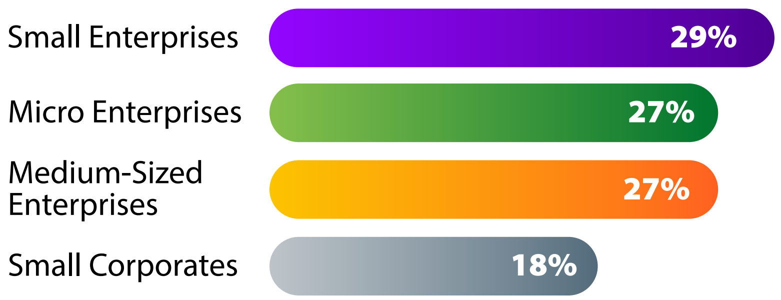


Loan Portfolio by Geography

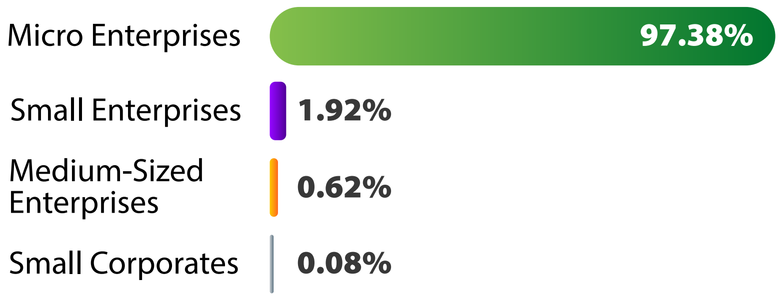


Loan Portfolio by Company Size

Company size by Loan Amount

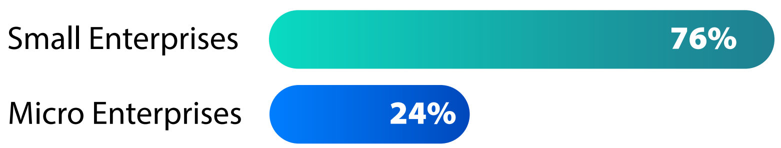


Company size by Number of MSMEs



Loan Portfolio by Gender

Gender Distribution by Loan Amount



Gender Distribution by Number of MSMEs

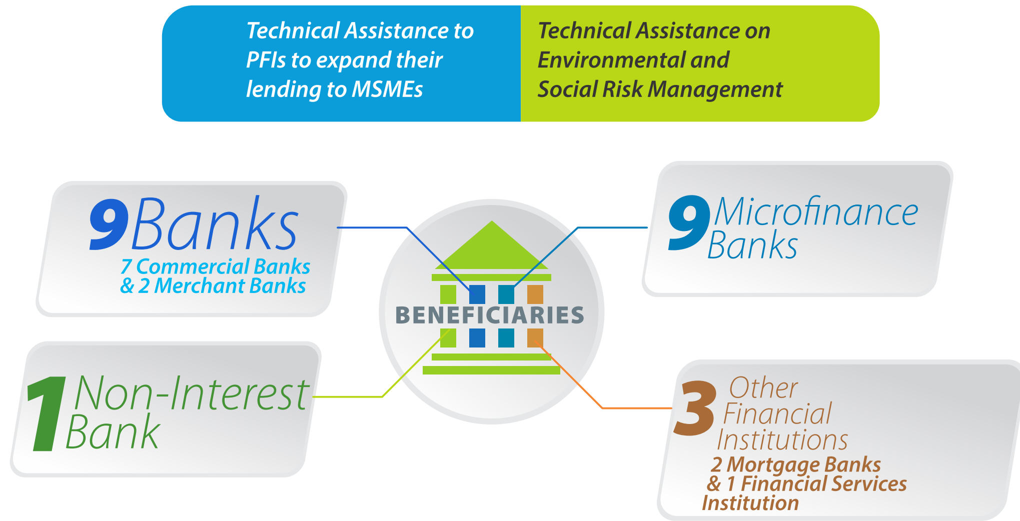
8.2.4.
Technical Assistance and Capacity Building (PIU)

The Technical Assistance (TA) 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), which provides broad-based Project Management support, critical to achieving the objectives of the Bank.

Supporting Participating Financial Institutions

- *To reach out to MSMEs beyond their traditional client base.*
- *To enhance their understanding and usage of appropriate techniques for MSME lending.*
- *To strengthen communication on the appropriate use of new financing instruments.*

Key Activities in 2021:



Title:	***Technical Assistance to PFIs to expand their lending to MSMEs***
Background/Objective:	*The programme focuses on providing support to PFIs in downscaling their operations, expanding their lending and increasing outreach to MSMEs on a sustainable and commercially viable basis.*
Implementation Overview	*A. Tailored Training: provision of trainings aimed at closing gaps identified during the institutional assessment phase.* *B. Certified e-Campus Courses: provision of certified e-courses to all PFIs for programme relevant topics.* *C. Conceptual Support: Developing MSME strategies and best-practice MSME lending documents and tools.* *D. Implementation & Pilots: Guiding the PFIs in implementing recommendations from gap assessments and in execution of pilots.*
Participating Banks	*Guarantee Trust Bank, Ecobank, Access Bank, Union Bank and Wema Bank.*
Term	*24 months*
Achievements	*A. Staff of Ecobank; GT Bank, Access Bank, Union Bank and Wema Bank trained in courses such as MSME Portfolio Risk Management, Credit Scoring Modelling, Treasury Management, E&S Risk Management, Gender Financing, Agri Lending, and SME Financing.* *B. Customers of Union Bank (SMEs), trained on Negotiation Skills and Creditworthiness.* *C. 95% satisfaction index in survey deployed to PFIs.*

Feedback from participating banks

Ecobank	Union Bank	GTBank	Wema Bank
"There has been an improved willingness to lend to MSMEs as a result of the programme".	"The programme has helped with developing new approaches, framework and processes within the Bank".	"Instructors are knowledgeable in their respective subject areas and the training adequately helps to identify change, and augment the bank's delivery of products, services and engagement with MSMEs".	"Knowledge gained has helped to enhance staffs' personal skill; to encourage healthy competition; and to develop frameworks and processes within the Bank".

Title:	Technical Assistance on Environmental and Social Risk Management
Background/Objective:	The programme focuses on providing support to PFIs implementation and compliance with DBN's E&S risk management policies and procedures. The service also involves a review of DBN's sustainable banking policy to identify gaps and proffer recommendations.
Implementation Overview	A. Analyzed DBN's existing processes for managing E&S risks and compliance with the Nigerian Sustainable banking principles (NSBP). B. Reviewed PFI's E&S management systems and compliance with DBN's E&S policies, including screening of key risks and reporting practices. C. Developed efficient and user-friendly templates for the identification, measurement and reporting of E&S risks in transactions submitted by the PFIs, and trained staff of DBN and PFIs in the use of these tools. D. Reviewed PFI's E&S screening forms for sub loans and recommended corrective measures in non-complaint cases.
PFIs trained	Richway Microfinance Bank , First City Monument Bank Providus Bank, Jaiz Bank, Coronation Merchant Bank, FSDH Merchant Bank Living Trust Mortgage Bank , Jubilee Life Mortgage Bank Fund Quest Financial services Ltd , Astra Polaris Microfinance Bank Infinity Trust Microfinance Bank , Regent Microfinance Bank ABU Microfinance Bank , Microvis Microfinance Bank Stanford Microfinance Bank, Baobab Microfinance Bank Mainstreet Microfinance Bank
Term	19 months
Achievements	A. Creation of road maps to address gaps identified in the E&S management systems of each of the PFIs and provision of corresponding mitigation measures. B. Development and training in the use of user-friendly tools and templates to support DBN and the PFIs E&S Management procedures.

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.

8.2.5.
Product Development

In line with its commitment to increase access to Finance to MSMEs in Nigeria, the Development Bank of Nigeria introduced 2 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.

I. Finance-2-Finance Product (F2F)
Product Description:

The DBN Finance to Finance product is a finance product designed specifically for Financial Institutions (FIs) with lending operations to MSMEs. The product provides for DBN Participating Financial Institutions to make funds available to their FIs 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.

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: Start-up, Growth, Expansion
- Number of Employees: Less than 250 for MSMEs
- Asset Base: Less than N1.125 Billion for MSMEs
- Annual Turnover: Less than N1.125 Billion for MSMEs
- Maximum Loan Size: N200 Million

II. Long Term Finance
Product Description:

The Long-Term finance product is a loan 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. 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.

	FYE 2021		Cumulative (from inception)	
Total End Borrowers	73,513		208,371	
Total Women Count	59,180	80.50%	136,994	65.75%
Total Women Volume	N 25,919,075,227.94	30.10%	N 60,086,947,069.83	23.74%
Start-Ups Volume	N 1,546,856,000.00	1.80%	N 1,960,750,600.00	0.77%
Start Ups Count	102	0.14%	124	0.06%
First Time Access to Credit (Volume)	N 14,807,040,155.72	17.20%	N 43,001,453,892.25	16.99%
First Time Access to Credit (Count)	8,954	12.18%	17,063	8.19%
Youth (Count)	20,096	27.34%	57,279	27.49%

More and more young people are going into 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.

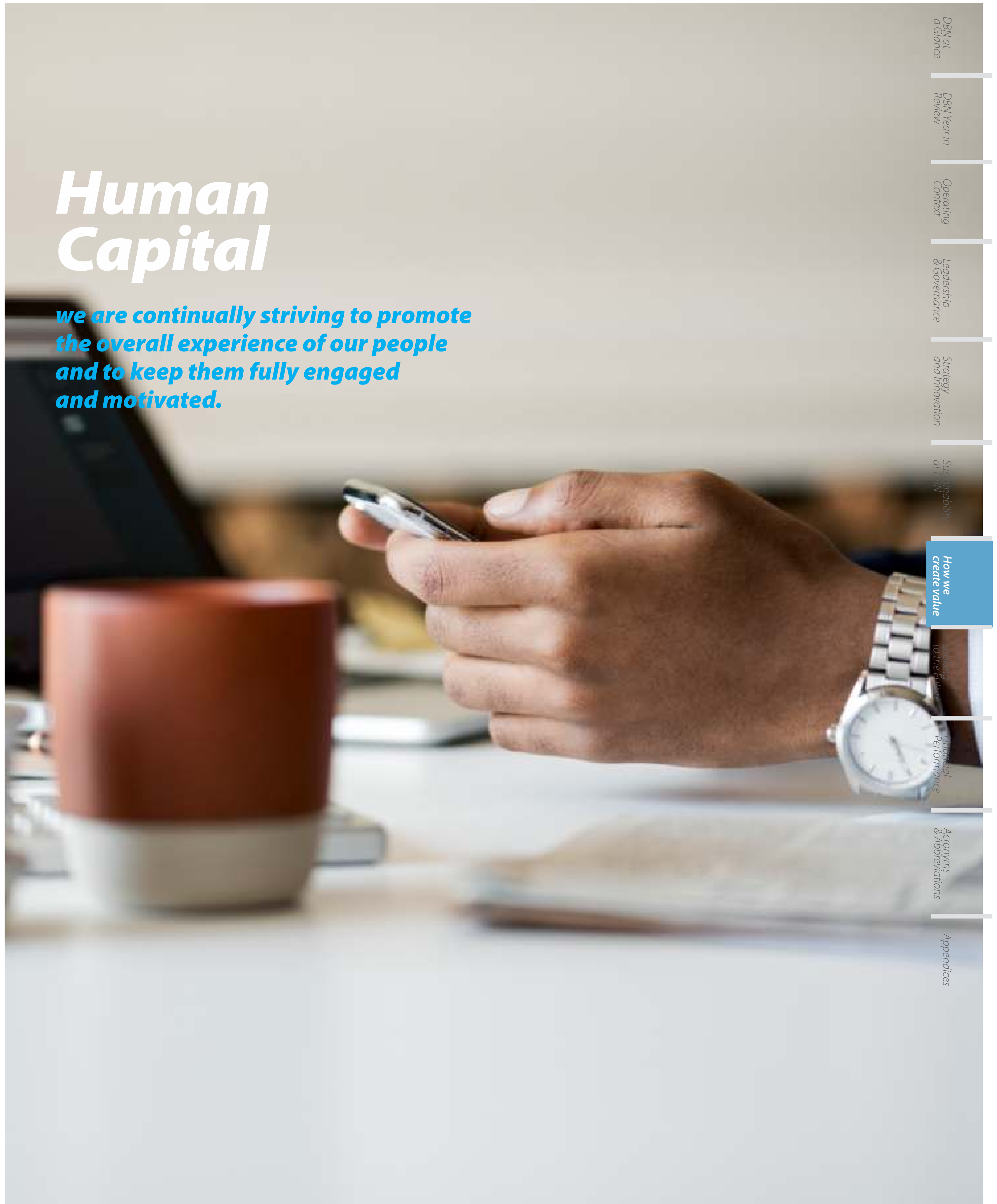
DBN Development Bank of Nigeria
RC 1215724
...Financing Sustainable Growth

www.devbankng.com

@DevBankNG

Human Capital

we are continually striving to promote the overall experience of our people and to keep them fully engaged and motivated.



8.3 Human Capital

8.3.1. EMPLOYEE VALUE PROPOSITION

At DBN, we understand that our human capital is our most valued resource. To this end, we are continually striving to promote the overall experience of our people and to keep them fully engaged and motivated. Our Employee Value Proposition (EVP) was designed to constantly drive positive experiences for employees, while ensuring that DBN remains distinctly competitive within its dynamic industry and talent markets.

Our Employee Value Proposition focuses on four core areas, which are:

Employee Value Proposition

8.3.2. TRAINING AND DEVELOPMENT

In 2021, we kept true to our commitment of continuous investment in the upskilling of our people. The Bank passionately supported the development and empowerment of its workforce with the necessary skills and competencies required to meet the current and future talent demands of the organisation. At DBN, we strongly believe that the continuous empowerment and upskilling of our people is key to helping them accomplish their personal goals as well as the organisational objectives.

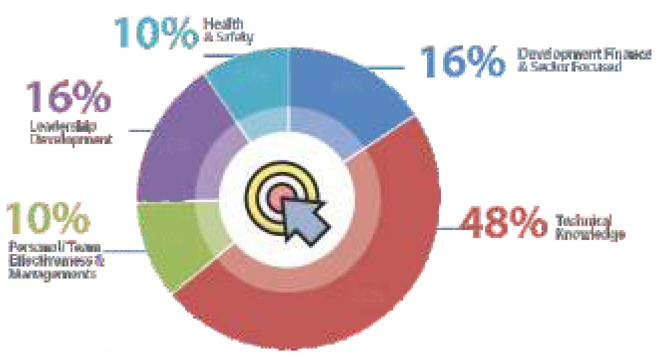
> ***"we are continually striving to promote the overall experience of our people and to keep them fully engaged and motivated.***

Recognising the place of our people as our first Brand Ambassadors, we ensured that they are constantly provided with a conducive environment and a unique culture that they are proud to identify with, which inspires them to thrive and attain their full potentials.

Our corporate philosophy resonates: respect, diversity, innovation and excellence – 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.

Notwithstanding the COVID-19 related challenges that persisted throughout year 2021, we achieved significant success in delivering a wide range of virtual and blended training programs that were focused on strengthening the capabilities of our people in areas related to Technical Knowledge, Leadership Development, Soft Skills, Development Finance, and Health & Safety as presented in the chart below. are:

% Distribution of Learning Hours by Focus Area



> ***"At DBN, we strongly believe that the continuous empowerment and upskilling of our people is key to helping them accomplish their personal goals as well as the organisational objectives.***

8.3.3. EMPLOYEE WELFARE

As a caring organisation, we are always striving to foster a workplace where the welfare of our employees is always prioritised.

Since the advent of COVID-19 pandemic 2 years ago, the Bank has been steadfast in proactively safeguarding the wellbeing of its people in an innovative and sustainable way. Highlighted below are some of the ways in which we promoted and gave sufficient focus to the health and total wellbeing of our employees in 2021.

In 2021, staff and their immediate family members (spouse and up to children) continued to enjoy our free and robust medical cover, including comprehensive annual medical/health check-up to assess their health status; and providing guidance towards making the necessary lifestyle changes where required.
The Bank also continued the provision of a wide range of benefits and perks, such as subscription to gyms, fitness clubs and social clubs for eligible employees.

In the same vein, the Bank cultivated the right partnerships which were aimed at ultimately promoting the health and wellbeing of its people. These include:

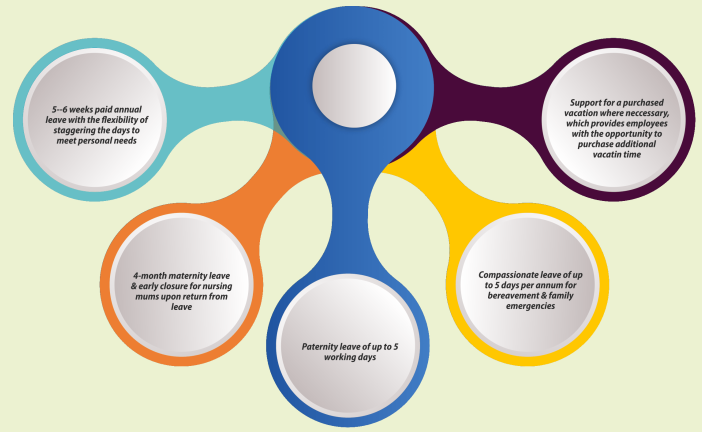
- *Corporate subscription with Employee Assistance Programme Association of Nigeria.*
- *Collaboration with a recreational centre for employees' physical activities such as football, dance, aerobics, and other employee engagement activities.*

Employee Engagement and Work/Life Integration
At DBN, we recognise that building a culture of effective employee engagement is a key driver of success. Hence, employee engagement remains the core of our people management practices.

In 2021, despite the persisting COVID-19 induced challenges, we leveraged technology to continuously enhance our employees' positive experiences through meaningful collaborations, engagements and social interactions across the entire workforce. Where physical engagements were deemed most appropriate to drive the desired experience, such engagements were executed with strict compliance with COVID-19 safety protocols.

Remote and Flexible Work *– Employees continued to leverage the Remote and Flexible Work arrangement to undertake work from the comfort of their home offices and/or have a flexible onsite work resumption & closing schedule. Without compromising performance, this work mode has proven to be an opportunity for enhancing employees' work-life balance, through the integration of work and employees' personal activities.*

In addition, our employees continued to take advantage of the several available opportunities for time-off to attend to their personal and community responsibilities. These include:



8.3.4.
CAREER GROWTH AND DEVELOPMENT OPPORTUNITIES

At DBN, we are passionate about helping our people grow. Therefore, we encourage employees to be enthusiastic about their personal development and we support them towards the achievement of same. We continuously invest in providing our people with opportunities to build and grow their own capabilities, leverage the collective strengths of colleagues and undertake projects that are socially impactful as well as fulfilling.

In 2021, as part of their social responsibility project, staff contributed money to renovate the structures of a public school in Abuja, Nigeria and also provided the students with materials to facilitate learning in a conducive environment.

In its quest to adequately support employees' career growth and development, the Bank made available the following:

- *Robust knowledge management system*
- *Capacity building trainings - minimum of 40 learning hours per employee annually, based on identified business and/or staff development needs*
- *Exam leave of up to 10 working days*
- *Study leave - discretionary and subject to eligibility as defined in staff handbook*
- *Opportunity to participate in the Bank's coaching programme*
- *Robust feedback and leadership development mechanisms*
- *Fast career progression - for consistent high performance as defined in the career and performance management frameworks*
- *Professional membership subscription - for approved relevant professional bodies*
- *Reimbursement of exam cost - for approved professional certifications*

"We continuously invest in providing our people with opportunities to build and grow their own capabilities, leverage the collective strengths of colleagues and undertake projects that are socially impactful as well as fulfilling.

8.3.5.
DIVERSITY & EQUALITY

At DBN, we see our distinct diversity and the differences in our people as a unique source of strength, contributing in positioning the Bank, "A Great Place to Work". As an institution, Diversity is one of our core values and this underpins our behaviour as we interact with 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.

"Diversity is one of our core values and this underpins our behaviour as we interact with 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.

Our collective efforts in valuing and managing diversity and inclusion include:

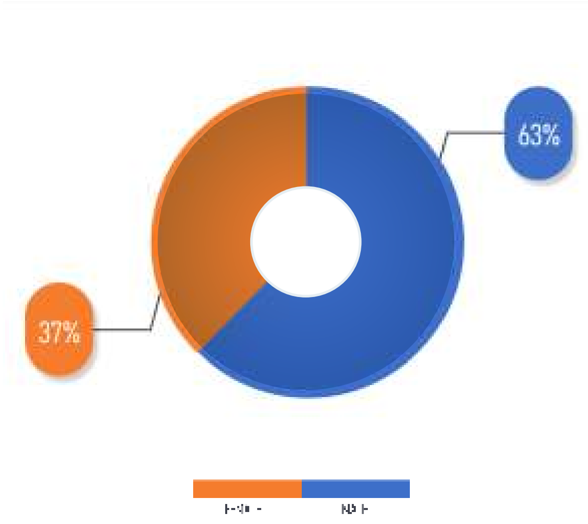
- *Facilitating equal employment opportunities based on relative ability, performance or potential*
- *Building a safe work environment by taking action against inappropriate workplace and business behaviour that does not value diversity, including gender discrimination, harassment, bullying, victimisation, vilification and other non-inclusive behaviours*
- *Attracting and retaining a skilled and diverse workforce as an employer of choice. Our decision making processes in recruitment will always take into account issues of diversity*
- *Creating an inclusive workplace culture where everyone is valued and respected for their distinctive skills, experiences and perspectives*
- *Creating gender sensitive structures, policies and programmes to assist employees to balance their work, family and other responsibilities effectively*
- *Ensuring equal access to women and men of all Bank resources and opportunities.*

The Bank maintained its zero tolerance for discrimination, intimidation, harassment, victimisation, 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.

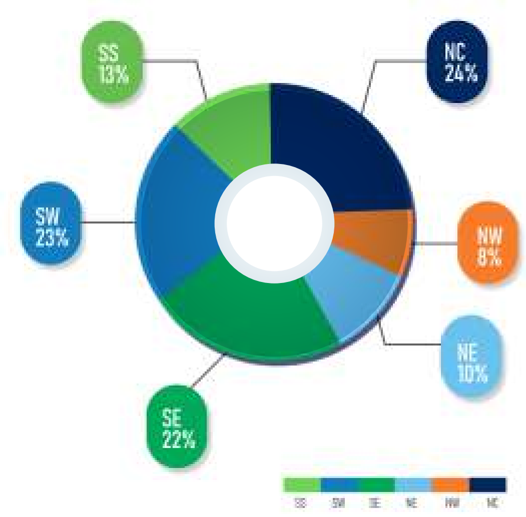
The DBN Workforce Diversity Policy lays out the guiding principles that help employees maintain an inclusive workplace culture and helps in promoting a conducive work environment where everyone is valued and respected.

The charts below represent the Bank's diversity position as at December 31, 2021.

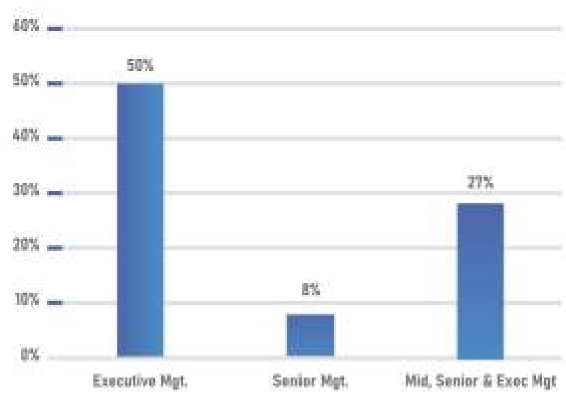
Workforce Gender Distribution



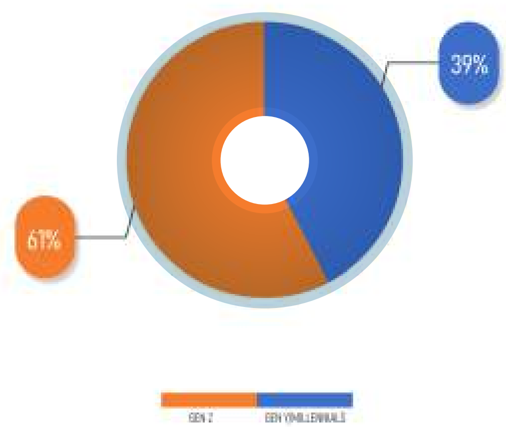
Total Workforce Geographical Distribution



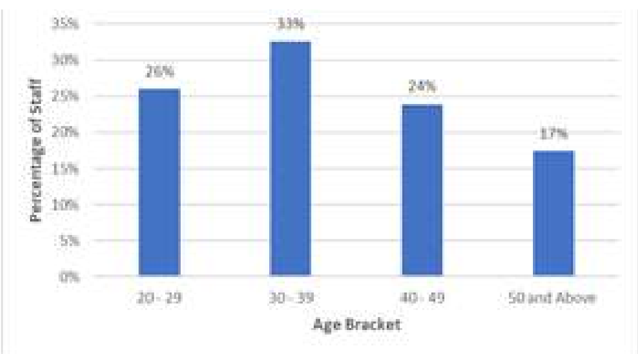
Female Representation at Management Level



Professional Staff Distribution by Generations at Work



Professional Staff Age Distribution



DBN is committed to making continuous efforts at improving the diversity and inclusivity of its workforce, especially in relation to gender composition and geographical representation.

8.3.6.

KEY STATISTICS

KEY STATS AS AT DECEMBER 31, 2021	
Total number of staff (including Front Desk Officers)	48
Female	18
Male	30
TRAINING	
Total Learning Hours	5,440
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	81%
Satisfaction index on a scale of 1 – 5	4
Employees likely to advocate for DBN as a Great Place to Work	84%

Natural Capital

As an environmentally conscious organisation, we are aware that our activities and operations have a real and lasting effect on the environment and the c ommunities in which we operate.

8.4 Natural Capital

As an environmentally conscious organisation, 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 organisation, we place a premium on how our waste is managed. We have adopted an approach for managing general waste and continued our recycling initiatives in 2021.

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.

c. Internal Recycling Initiative: In 2021, we continued to make progress on our recycling initiatives. Impact from these can be seen below:

d. External Social Impact Initiative: In a continued partnership with a local waste recycling firm, we were able to impact 3 children by supporting them in school based on income made from our internal waste activities across Lagos and Abuja.

Water

As an organisation, we are acutely aware that water is an extremely important resource and there is need for its usage to 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 organisation, our immediate focus will shift into the implementation of water management infrastructure.

Power

In a bid to conserve 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.

8.4.1. World Environment Day 2021

In 2020, DBN's plans for the celebration of World Environment Day were postponed due to the Covid-19 pandemic. This year, the global theme: "Ecosystem Restoration" explores how as human beings we can continue the "good work" the inadvertent effects of Covid-19 had on our natural habitats. As such, DBN planned and successfully celebrated the earth on June 05th 2021.

Our plans for the year 2021 were two-fold – an all DBN activity that encouraged all employees to directly participate in an environmentally led activity and secondly, a partnership with an external environmentally focused organisation on a more long-term and Nigeria wide project to promote the concept of circularity and the circular economy.

Phase 1

Abuja and Lagos employee-led activities: On Saturday June 5th, 2021, employees in Abuja and Lagos participated in flora restoration projects. The locations included- Government Junior Secondary School Durumi in Abuja.

The activities were focused on:

- Restoration of green space on school grounds - planting of carpet grass, trees & landscape design.
- Post event, there was a small contribution towards existing "green clubs" in the respective schools.

This year, the global theme: **"Ecosystem Restoration" explores how as human beings we can continue the "good work" the inadvertent effects of Covid-19 had on our natural habitats.**

Phase II

Partnership with MOE +Art Architecture, a local sustainability enabled design and architecture firm focused on creating sustainable practices and methodologies that are relevant to our local and regional Nigerian and extended African communities.

There is a huge amount of material and recyclable waste generated all over Nigeria that has the value to create opportunities for economic development and better sustainable practices.

This new untapped material sector can be categorised as existing organic materials or recycled waste materials.

What is the Material Lab?
The Material Lab aims to answer this question by investigating the materiality of our environment and how we need to build local archives of sustainable materials that can ensure waste reduction and more sustainable approaches to consumer products.

The Material Lab is a foundational step for moving towards a Circular Economy (CE) model.

What will it achieve?

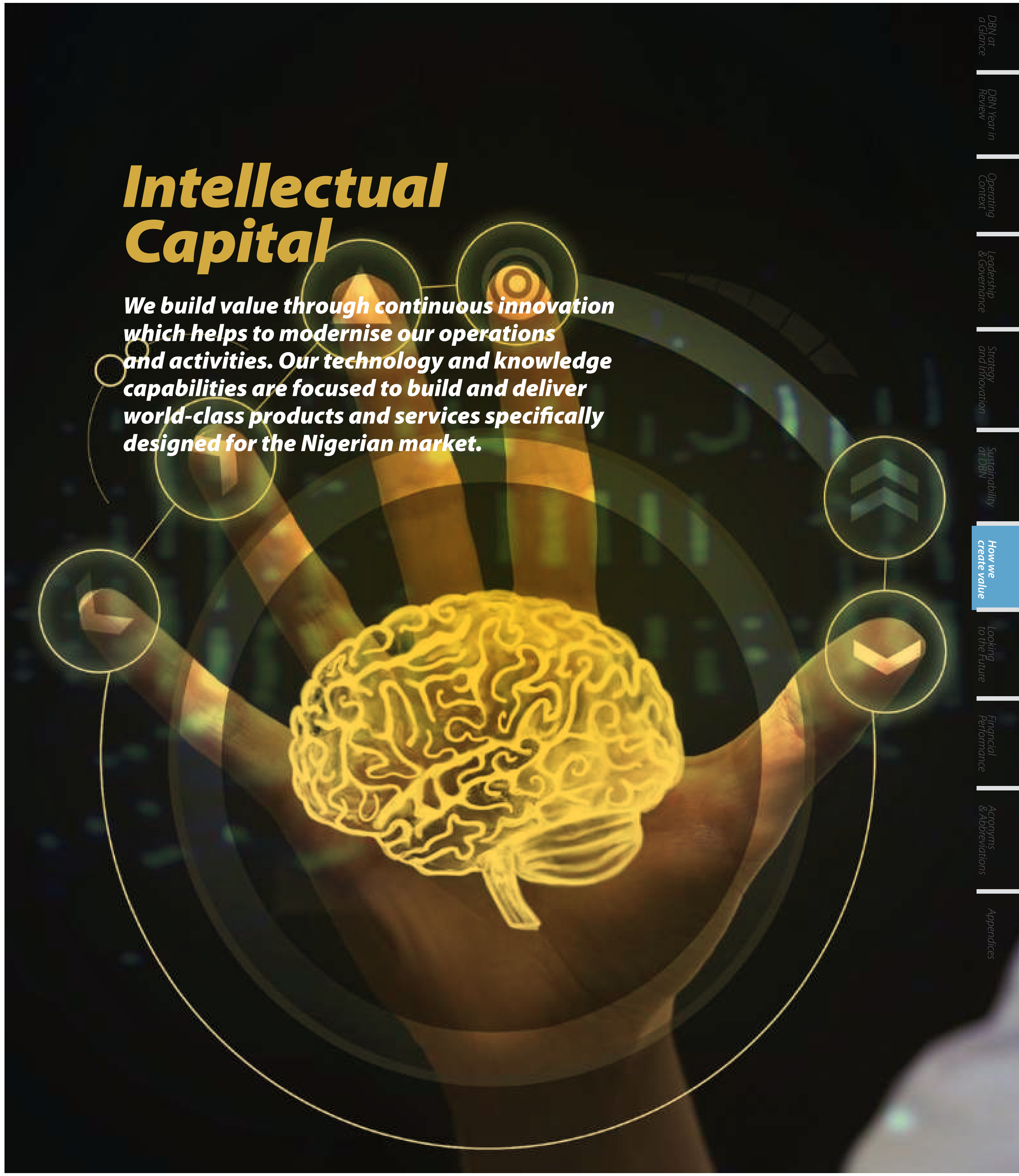
1	2	3
A Material Library	**Mapped and Researched Database of Regional Materials**	**Establish Data Driven Local Knowledge and Increase Growth Opportunities.**
This is an open-source archive and network of regional material items, their production and their possible use	This is an open-source database that can now be used by private citizens, SMES and industry as a whole. This will allow for a better understanding of what, where and how materials exist in various geographical zones in Nigeria and what opportunities may be available in harnessing them sustainably.	This revised data driven focus will allow material use with the end life cycle in mind. Creating avenues for participating in the benefits of a local circular economy.

What is the Impact?

- Showcase innovative, sustainable indigenous Nigerian materials as an opportunity for development in the design and building industry.
- Create a feeling of collaboration between communities and stakeholders.
- Create a uniquely intrinsic experience that encourages knowledge sharing, learning, participation and a must 'check it out' visibility.
- Create information, work and content that lends itself to strong visuals that translate digitally.
- Use the lab and the research visuals to tell the story.
- Build new bridges with the new evolving creative, sustainable and circular economy landscape on the continent and wider diaspora.

Who will Benefit?

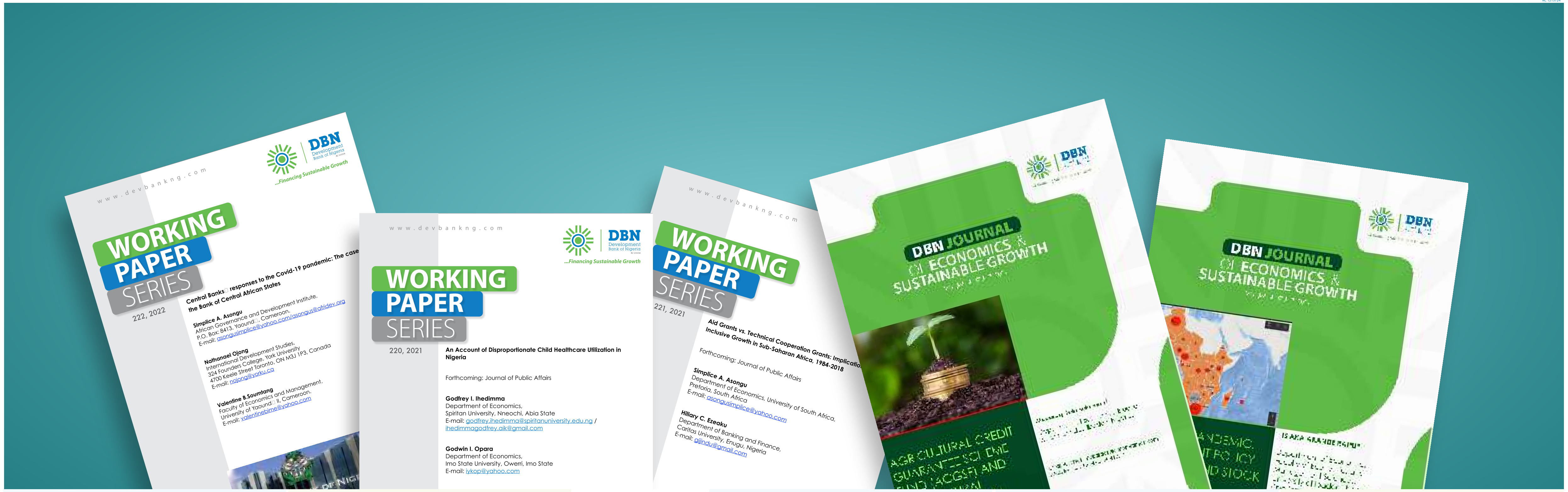
- The aim is to provide new opportunities for economic growth and sustainable practices to existing and new SMEs.
- As a result of the information provided to them by the Material Library, these Entrepreneurs will have access to a new industry/ revenue stream (regional waste materials) that will also boost sustainability across the country.
- The library will provide unprecedented access to map out models that can create better efficiencies in the outlined business models and ventures of individuals, public sector, SMEs and industry as a whole which either currently use unsustainable material practices or produce excess waste.



Intellectual Capital

We build value through continuous innovation which helps to modernise 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.

8.5 Intellectual Capital



8.5.1. DBN Publications

DBN adopts the following approach to publishing intellectual content:

1. Send out a call for papers for both WPS and JESG to a network in the academia, think tanks and other stakeholders.
2. Publishing top tier international peer reviewed journals gives the bank's publications 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 2021:

Publications in Journal of Economics and Sustainable Growth (JESG) 2021

Volume 4, Issue 1

1. Inclusiveness and Growth.
2. Innovative Informal Sector Financing.
3. Investigating The Impact of Remittance And VAT.
4. The Role of SMEs In Tackling Unemployment.

Volume 4, Issue 2

1. Energy Consumption and International Trade.
2. Cross-Border Trade and Economic Growth.
3. Political Regime and Stock Market Performance.
4. Exchange Rate and Stock Price Links in Nigeria
5. Credit Flows in Business and Credit Ratios: Sectorial Distribution and Economic Growth in Nigeria.
6. Climate Change and Finance.

Working Paper Series 2021

WPS 218

7. Fighting African Capital Flight - Trajectories, Dynamics and Tendencies.
8. Financial Access, Governance and the Persistence of Inequality in Africa.
9. Households ICT Access and Educational Vulnerability of Children in Ghana.
10. Macroeconomic Determinants of Household Consumption.
11. Remittances and Productivity in Sub-Saharan Africa.
12. Sustainable Peace building and Development in Nigeria Post-Amnesty Programme.
13. The Effect of Finance on Inequality in Sub-Saharan Africa.
14. Thresholds of Income Inequality that Mitigate the Role of Gender Inclusive Education in Promoting Gender Economic Inclusion.
15. Understanding the Greater Diffusion of Mobile Money Innovations.

WPS 219

1. COVID-19 - Theoretical and Practical Perspectives on Children, Women and Sex Trafficking.
2. COVID-19 and Cacophony of Coughing - Did International Commodity Prices Catch Influenza?
3. Finance, Governance and Inclusive Education in Sub-Saharan Africa.
4. Linking Supervisor Incivility with Job Embeddedness and Cynicism.
5. The COVID-19 Pandemic and the New Poor in Africa.
6. The Economic Consequences of the COVID-19 Pandemic in Nigeria.
7. The Geography of Poverty in Nigeria.
8. The Impact of Tourism Development on Economic Growth in Sub-Saharan Africa.
9. The Recent Political Situation in Ethiopia and Rapprochement with Eritrea.
10. The Role of Institutional Infrastructures in Financial Inclusion-Growth Relations.

WPS 220

1. An Account of Disproportionate Child Healthcare Utilization in Nigeria.
2. Fiscal Vulnerability and Transport Infrastructure Development in Nigeria.
3. Gauging The Laboratory Responses to Coronavirus Disease (COVID-19) in Africa.
4. Mathematical Modelling for Infectious Viral Disease: The COVID-19 Perspective.
5. The Geography of The Effectiveness and Consequences of COVID-19 Measures - Global Evidence.
6. Road Transport Energy Consumption and Vehicular Emissions in Lagos, Nigeria.
7. Information Asymmetry and Insurance in Africa.
8. Does Growth Enhancement Support Scheme (GESS) Contribute to Youth Development in Informal Farm Entrepreneurship - Evidence from Rural Communities in Nigeria.
9. COVID-19 Economic Vulnerability and Resilience Indexes Global Evidence.
10. Global Health Care Infrastructure and Africa in Times of COVID-19 - Insights for Sustainable Development and Future Pandemics.
11. Health Vulnerability Versus Economic Resilience to The COVID-19 Pandemic Global Evidence.
12. Clean Versus Dirty Energy Empirical Evidence from Fuel Adoption And Usage By Households in Ghana.

WPS 221

1. An Account of Disproportionate Child Healthcare Utilisation in Nigeria.
2. Fiscal Vulnerability and Transport Infrastructure Development in Nigeria.
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10. Global Health Care Infrastructure and Africa in Times of COVID-19 - Insights for Sustainable Development and Future Pandemics.
11. Remittance Inflow and Unemployment in Nigeria.
12. Public Debt-Investment Nexus.
13. On the search for environmental sustainability in Africa.
14. Information technology and gender economic inclusion.
15. Inequality finance and renewable energy.
16. Inequality and renewable energy consumption.
17. Inequality and female labour force participation.
18. Fuel subsidies and Carbon Emission in Nigeria.
19. Foreign direct investment in Nigeria.
20. COVID-19 and socioeconomic crisis in Africa.

8.5.2.
Impact Study Results of 2020 DBN Entrepreneurial Program

*Six months after the capacity building program, an impact study was conducted on the beneficiaries of the **2020 DBN Entrepreneurial program.** The study revealed the following:*

Beneficiaries are **more prudent** with their finances and **maintain proper record of their business transactions**

Assessed beneficiaries have **improved access to markets and visibility** by developing and implementing market access strategies including **digital marketing and product branding.**

90% of beneficiaries have developed bankable business plans with support from the training consultants

9 additional employments generated in the 6 months since completion of the training

Beneficiaries have improved on their presentation and pitching skills.

Total turnover of beneficiaries increased by **40%** since completion of training

100% of businesses assessed have now registered their businesses with CAC

Impact Story

Beneficiary: Mr. Mathias Pwol Mancha	Company: Fresh from the Farm Agric. World Ltd
Business: Agriculture	

Summary:
With the pitching skills acquired during the EDP, the Company pitched its business at the equity funding pitching competition by Agro Minds Africa and got shortlisted as a finalist for the **$30,000 equity funding.**

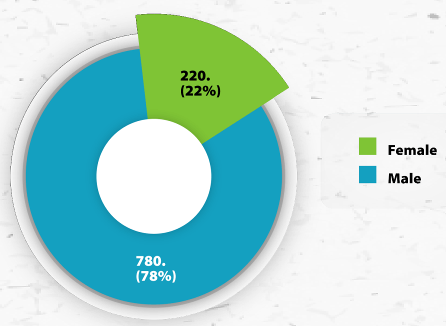
8.5.3.
2021 DBN Entrepreneurship Program

The DBN Entrepreneurship program is an initiative of the Development Bank of Nigeria (DBN) aimed at equipping Micro, Small and Medium Enterprises (MSMEs) with the skills and competencies to defend sound and viable business proposals, improve their capacity to access available credit and improve their capacity for efficient funds utilisation, trade, investments, and access to markets.

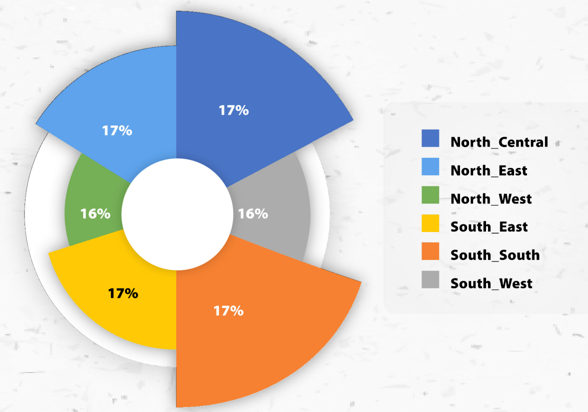
This year, we partnered with Google Nigeria, the Enterprise Development Centre and Wider Perspective Limited to implement the training program.
With over 9000 applications received, the best 1000 businesses were shortlisted to participate in the Google Digital training and upon completion, 200 businesses were selected to participate in the face-to-face training in Lagos and Abuja.

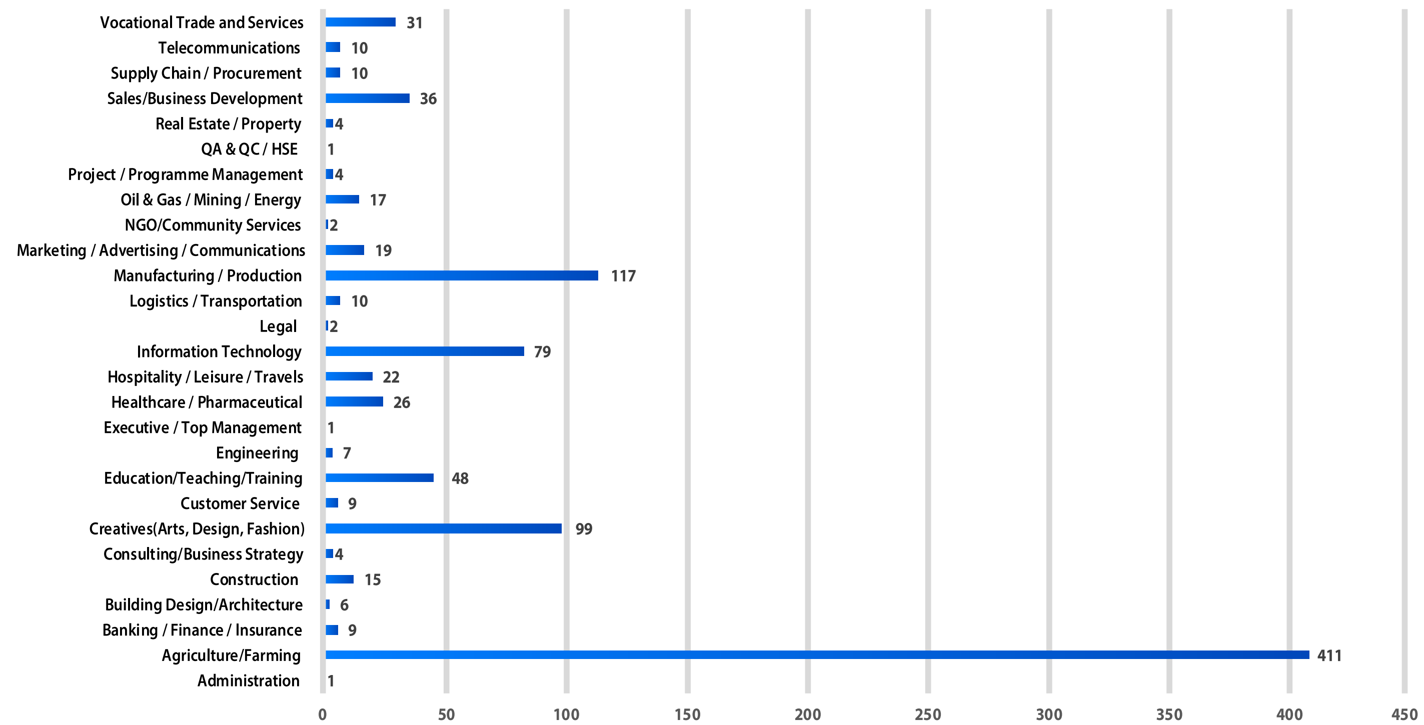
Profile of Shortlisted Businesses:

Gender



Geo-Political Zones





The program was implemented using a blended learning format (self-paced online sessions and in-class sessions). The in-class sessions were delivered using multiple learning methods such as presentations, case studies, group activities, etc. to ensure participants were fully engaged and all learning styles catered for.

Courses taught were needs based and captured below:

For Small-businesses:

- Marketing Management
- Negotiation
- Entrepreneurial Finance
- Investment Readiness
- Data Driven Sales Strategy
- Financial Management
- Operations Management
- Green Financing
- Business Planning

For Micro-Businesses:

- Achieving success in marketing
- Sustainability and Renewable Energy and Funding
- Improving Your Selling Skill
- Managing Your Finances/ Bookkeeping
- Digital Marketing
- Becoming a More Effective Owner Manager
- Presentation Skills/Business Pitching
- Financing for Growing Businesses
- Developing a Bankable Business Plan
- Financial Analyses

8.5.4. The DBN Newsletter – MSME Catalyst

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.

2021 PROGRAM PHOTOSPEAK

A post advisory and mentoring session commenced for all participants immediately after the training. For the small businesses, Business Experts were made available at a business clinic session to offer business advisory services based on areas of challenge identified by the businesses. The post training advisory for the micro-businesses involved business plan reviews, advising on credit facilities and general business counselling.

Social Capital

8.6 Social Capital

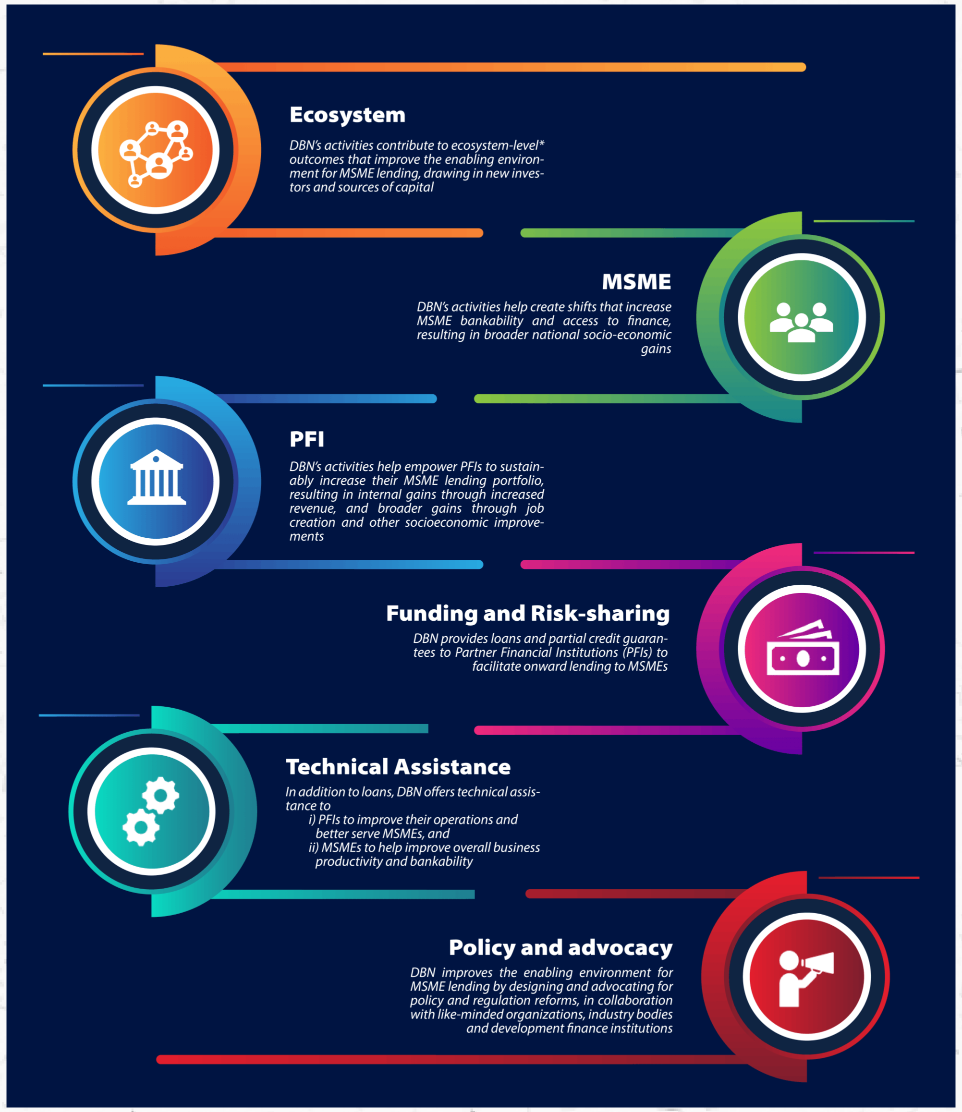
8.6.1. Development Impact Approach

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.

8.6.2. DBN's Theory of Change

DBN is on a mission to increase MSMEs access to finance in Nigeria. We aspire to serve as the primary development finance institution promoting growth and sustainability in Nigeria by enabling access to finance for MSMEs which account for 48% of Nigeria's GDP and 84% of total employment. We aim to transform MSME lending and support broader socio-economic growth through three core activities of funding and risk-sharing, technical assistance and policy and advocacy, and realise impact across three dimensions: Ecosystem, MSME and PFIs.

Figure 1: Dimensions of impact and DBN activities to realise impact



The Theory of Change comprises five logically linked components and articulates how the individual DBN activities lead to outcomes and how these combined outcomes, in turn, deliver the organisation's target impact.

Figure 3: The DBN Theory of Change.

Mission	To facilitate sustainable socio-economic development through the provision of finance to Nigeria's underserved MSME sector through eligible financial intermediaries		
Impact	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		
Outcomes – Economy	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		
Outcomes – MSME	A diverse set of MSMEs receive greater access to affordable and supportive financing, which they put towards productive business uses, and have an improved financial understanding	The MSME sector experiences economic growth as a result of financing, supporting the holistic socio-economic development of Nigeria through the creation of secure jobs and growing businesses	
Outcomes – PFIs	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	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	
	Funding and risk-sharing	**Technical assistance**	**Policy and advocacy**
Outputs	• Wholesale funding provided to PFIs and other intermediaries for onward lending to a diverse set of MSMEs to support socio-economic development • Credit guarantees provided to PFIs • High-quality (i.e. low PAR90) portfolio established by PFIs using DBN financing • Rating from leading agency received by DBN and periodically reviewed	• PFI capacity building in sustainable growth practices and MSME product / service offerings • MSME capacity building to increase business resiliency, improve operations and increase 'bankability' • Support mechanisms provided to entrepreneurs	• Bilateral relationships established with development banks and other organizations to identify opportunity areas in Nigeria's MSME lending environment • Industry relationships developed across the financial ecosystem and recommendations for policy / regulation reforms developed
Key Activities	• Raise funds from a range of private and public sources • Provide credit guarantees to PFIs to expand risk appetite • Extend financing opportunities to a broad and diverse set of MSMEs with a focus on underserved sectors	• Provide a diverse range of capacity building support to PFIs / other intermediaries and MSMEs • Foster the development and formalization of new MSMEs through support mechanisms for current and potential entrepreneurs	• Build relations with other development banks, agencies and FDI organizations in Africa to understand areas of opportunity in Nigeria's MSME lending environment • Develop partnerships with industry and government to share learnings and influence the MSME lending environment through recommendations for policy and regulatory reforms

8.6.3. DBN Strategic Positioning

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.

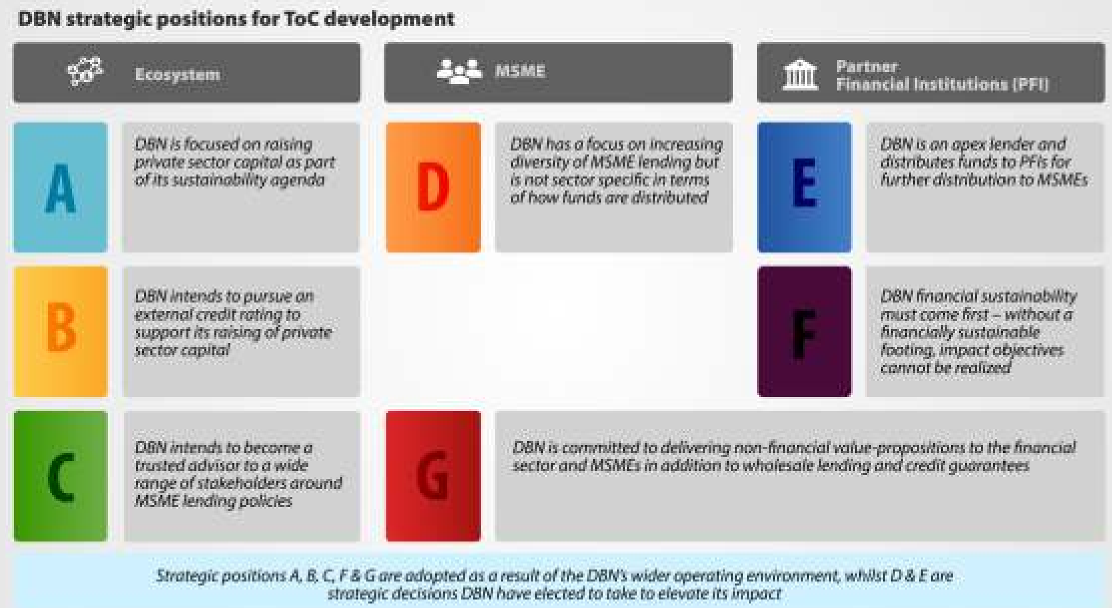


Figure 2: DBN strategic positions

DBN's logical framework defines 29 indicators based upon the theory of change (ToC) to monitor and evaluate DBN performance.

Impact indicators		1. Share of bank credit going to the MSME sector 2. Contribution of the MSME sector to Nigeria's economic output (disaggregated by industrial sector)
Outcome indicators	Ecosystem	3. % 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
	MSME	6. ₦ value of funds disbursed to MSMEs (disaggregated by gender, youth, geography) 7. # MSMEs receiving DBN funds (disaggregated by gender, youth, geography) 8. # of MSMEs reporting growth and increased formalization* (disaggregated by gender, youth, geography) 9. # MSMEs reporting an improved financial understanding and comfort obtaining finance (disaggregated by gender, youth, geography) 10. # MSMEs reporting an increased ability to manage their business operations effectively (disaggregated by gender, youth, geography) 11. # MSMEs that report having access to more affordable and appropriate financial products and services (disaggregated by gender, youth, geography) 12. # total jobs created by MSMEs (disaggregated by gender, youth, geography & job type (formal / informal) 13. Total ₦ value of revenue growth at supported MSMEs (disaggregated by gender, youth, geography) 14. Total ₦ value tax contribution from the MSME sector (disaggregated by gender, youth, geography)
	PFI	15. # PFIs that report an increased understanding of the MSME sector 16. # PFIs reporting an increased ability or willingness to lend to MSMEs due to DBN credit guarantees/ loans / capacity building 17. # PFIs that enhance existing products or services or introduce new products for the MSME sector 18. # PFIs reporting satisfaction with DBN in areas of competitive rates, competitive terms, and efficient processing

	Funding and risk-sharing	Technical assistance	Policy and advocacy
Output indicators	19. ₦ value of lending raised (disaggregated by private sector types) 20. ₦ value of lending to PFIs 21. # PFIs receiving DBN funds (disaggregated by type of bank / institution and geography) 22. DBN PAR90 status across all lending 23. # PFIs who receive credit guarantees and average value of guarantee 24. Credit rating performance received by DBN	25. # PFIs reached through capacity building training/services 26. # MSMEs reached through capacity building training/services 27. # New MSMEs / entrepreneurs reached through capacity building activities / other support mechanisms	28. # partnerships developed and maintained (disaggregated by organization type) 29. # and type of engagements held with target organizations to maintain/grow partnerships

8.6.4.
2021 M&E Exercise

The 2021 M&E exercise was carried out in line with the Bank's result-based M&E framework and captured the findings of the impact evaluation done on the End-borrowers and Participating Financial Institutions (PFIs) who received DBN loans and support in 2020. It showcased DBN's impact in driving innovation and increasing the attractiveness of MSME lending; DBN's contribution to gender and wider social impacts; and MSME and PFI activity using quantitative and qualitative analyses.

The evaluation adopted both quantitative and qualitative methods of data collection and analysis. The quantitative method was driven largely by a sample survey of the Micro, Small and Medium Enterprises (MSMEs) that are the end-borrowers and the Participating Financial Institutions (PFIs). The qualitative aspect was implemented through in-depth interviews of selected end-borrowers and Participating Financial Institutions. Data was collected from over 1000 survey respondents, and 44 interview respondents from various sectors and across all geopolitical zones over a period of 15 weeks. The results below show the key findings of the Bank's 2021 Monitoring & Evaluation exercise, with specific focus on outcomes such as job creation, increased sales, turnover, and gender representation.

MSMEs and Socio-Economic Growth:

The Nigerian entrepreneurship ecosystem remains a vibrant one despite myriads of challenges confronting its growth and development.

Socio-economic growth for micro, small and medium enterprises for the purpose of this evaluation is measured in terms of the businesses experiencing significant changes in key business performance indicators

These include:

- Employment generation
- Upward increase in revenue/profits,
- Increased ability to manage business operations effectively.

119,498
Jobs Created by the end borrowers in 2020

38,942
by women owned end borrowers in 2020

48,877
Jobs Created by youth owned end borrowers in 2020

From the surveyed MSMEs, 76.3% of the respondents reported growth in revenue while about 26% reported growth in staff. Women-owned businesses accounted for 33.3% growth in revenue and 11.9% growth in staff. 34.6% of youth-owned businesses reported growth in revenue and about 10.9% reported growth in staff. Businesses outside Lagos and FCT reported 45.3% growth in revenue and 13.2% growth in staff.

76%
reported growth in revenue

26%
reported growth in staff

Sana Building System (SBS), which uses steel as the preferred building solution fits into the socio-economic growth story of MSMEs in Nigeria. This company created employment opportunities for about 108 people in 2020.

Focus on PFIs:

All the Participating Financial Institutions (PFIs) ***reported an increased willingness to lend to MSMEs.*** *PFI respondents attributed their increased willingness or ability to lend to MSMEs, to the products, services, and training from DBN to some appreciable extent.*

81% *of PFI respondents* ***have made efforts to lower the cost of capital for MSMEs*** *in the past year. DBN loans constituted between* ***8% to 9%*** ***of majority of the PFIs MSME loan portfolio while for 2 of the PFIs, DBN loans constituted 100% of their MSME loan portfolio.***

Majority of ***PFIs have made efforts towards improving access to credit for MSMEs.*** *PFIs increased the single obligor limit per customer, employed the straight-line method for determining reducing balance interest, expanded the range of qualifications for credit, developed more specialised products for more sectors, and enhanced global positions for product papers.*

Impact of DBN Training on PFIs

01

DBN has offered trainings to PFIs during the review period, on a range of topics. These **topics include, ESG, MSME underwriting, MSME product development, MSME outreach, anti money laundering, and portfolio management training.**

02

As a result of these training sessions, **SeedVest implemented an ESG policy**, and has been communicating the benefits of environmental sustainability to all the staff. **NPF MFB also received training on ESG, and support towards developing and implementing an internal ESG policy from DBN.**

Keynote:

*All PFIs interviewed agreed that the **quality of the training** was **HIGHLY SATISFACTORY.***

8.6.5. Impact Stories

Sana Building Systems (SBS)

Figure 9:
SBS Steel Products I
n one of the Warehouses

Background

Sana Building Systems is a modern state-of-the-art steel fabrication factory in Lagos Free Trade Zone. The factory which is on 19,600 sq m has crane yards of about 17,250 sq m and has the ambition to produce 50,000 tons of steel building components per year. Sana Building Systems offers Nigeria the advantages and quality of foreign sourced fabricated steel with the added advantage of local access, local fabrication, world-class design and fabrication, most competitive pricing, full design services, 3-day quotation/proposal cycle and fast, on time delivery.

SBS Steel solutions is widely accepted to be the preferred approach to many building applications. Pre-engineered buildings (PEB) have proven to be the most economical solution for most building applications and is recognised in all construction markets across the world including Asia, Middle East, Europe, and North America.

The range of possible applications is virtually unlimited. From car parks to office buildings, storage buildings, factory buildings, complex industrial buildings, agricultural markets, agricultural packing buildings, wide span warehouse buildings, high-density warehouse buildings, upscale retail malls, basic supermarkets, hospital buildings, school dining areas, libraries, event halls, aircraft hangars, and sport stadiums - the range is endless.

Figure 10:
SBS MD and members of the M&E Team

Sana Building Systems offers Nigeria the advantages and quality of foreign sourced fabricated steel with the added advantage of local access, local fabrication, world-class design and fabrication, most competitive pricing, full design services, 3-day quotation/proposal cycle and fast, on time delivery.

Journey So Far

ISBS using DBN loan, have invested in the acquisition of machines which has improved the operations significantly. The firm in the year under review also created employment opportunities for about 108 people.

Using the latest technology, SBS designs and fabricates steel components to the highest international standards. These products include pre-engineered buildings with all cladding and accessories. The firm has also invested in open storage yards for raw materials and finished goods serviced by overhead crane systems. Over 17,000 sq m of crane serviced outside yards allows proper storage for easy retrieval. All materials are handled carefully to ensure they are not damaged. Structural components are designed using mill produced, and hot rolled. Sections are processed through high-speed CNC beam lines. These lines accept direct downloads from sophisticated engineering detailing programs to ensure absolute dimensional accuracy.

SBS offers modern fabrication techniques as PEB frames are produced on a multi-stage welding line. Using detailed shop drawings, skilled workmen, fit connection end plates, stiffeners, and other required sub-components to the frames, as all frames are thoroughly inspected by Quality Control for dimensional conformance and completeness before transfer to final welding. All production welders are certified to the skill and quality standards of the American Welding Society (AWS). Using the most modern MIG welding equipment, these skilled workmen finish welding the frames.

After non-destructive testing, the completed frames are transferred to the painting line. Frames are mounted onto a complex overhead conveyor system for seamless transfer through cleaning and coating. The fully cured frames are conveyed to a discharge station in the finished goods storage yard. Complete building supply is loaded out for shipment either by sea-freight containers or on flatbed trailers.

The complete range of components required for a building are manufactured by Sana Building Systems. These include roll formed Z purlins and cladding sheets. These are carefully bundled and packed. Main frame members are lifted and packed for safe and secure delivery to site.

Next Steps

SBS is working towards becoming the most modern PEB and hot rolled fabrication company in Africa.

All raw materials, engineering, and fabrication will be code compliant. A second line is planned which will produce conventional hot rolled structures. Area is reserved for a G+3 head office which will house Sales, Finance, Engineering, and all Operations support. In addition, a fully equipped Maintenance department will ensure all machinery remains in prime condition.

A and Shine International Limited

Figure 11:
A & Shine
Honey Production Lab

Background

Mrs. Bukola Ademola started A and Shine Intl Ltd, with her late husband. A & Shine International Ltd is a world-class, pioneer honey producer in Nigeria, offering top-notch honey to quality-conscious consumers across Nigeria and the rest of Africa. The firm started producing honey in the year 2002 and within a short period, it has established itself as a premier Honey producer in Nigeria, distributing to other African countries.

Journey So Far

A & Shine is dedicated to producing different varieties of honey and honey products to maintain its position as a true industry leader. Through years of research and innovation, the firm has been able to come up with garlic, ginger and moringa infused honey; these products have various culinary and health benefits. The group has also begun diversifying their product portfolio to include sesame seed and honey snacks, chin chin and peanuts.

The journey to establishing A & Shine started after a doctor's prescription shortly after Mrs. Bukola's medical surgery in 2000. After noticing the shortage in supply of natural honey, Mrs. Bukola decided to go into the honey business. Mrs. Bukola had attended an entrepreneurship program with the then newly launched Minna Technology Incubation Centre, Niger state where she won an entrepreneurship award.

A and Shine later moved to the Federal Capital Territory, Abuja and was a beneficiary of the USAID empowerment grant. The USAID empowerment program opened other expansion opportunities as A and Shine ventured into poly grains propolis wax, chin chin and peanuts.

The idea to apply for the DBN financing came during the peak of the Covid-19 crisis. A and Shine was badly hit.

"With the help of the DBN Loan, we felt we could stabilise our business across our brands. The honey, the chin chin and Peanuts."

The DBN Loan also assisted A and Shine to improve the operations of the firm especially in product packaging. The firm also diversified into snacks and beverages. The firm has also witnessed an increase in revenue and has incorporated technology in its operations. A and Shine has been involved in community engagements, through training and facilitation of programs in collaboration with the Nigerian Export Promotion Council. The firm employed seven new persons.

A & Shine International Ltd is a world-class, pioneer honey producer in Nigeria, offering top-notch honey to quality-conscious consumers across Nigeria and the rest of Africa.

Next Steps

A and Shine Ltd plans to expand the business operations. Although the firm's products, especially honey, is sold in major cities across Nigeria, there is the plan to have the products in more states of the federation. This means that the firm is working on expanding the production capacity by installing new machines and getting additional staff. There is also a plan to establish factories in different parts of the country.

The firm also plans to obtain NAFDAC certifications for its new products to satisfy regulatory requirements.

2 Way Steel Works Co. Ltd

Figure 15:
M&E Team and Staff of 2 Way Steel Works Co. at one of the workshops

Background

2 Way Steel Works Co. Ltd was founded in 2009 in Kaduna, Northwest Nigeria to provide quality services in the construction sector. The company was established to cater for the growing need of iron and steel both for production and consumption. The company specialises in the fabrication of iron and steel to suit different needs. Some of the products include Silo, Palletized, box, Container, Flat bird, Tankers and LPG Bodies.

The company specialises in the fabrication of iron and steel to suit different needs. Some of the products include Silo, Palletized, box, Container, Flat bird, Tankers and LPG Bodies.

Journey So Far

o2 Way Steel Works Co. Ltd has been making significant progress in the construction industry. The company over the years has become one of the preferred brands for both individual and industrial steel building solutions. From operating from a location that is less than 2 plots of land, the company has been able to expand to more than a hectare of land to accommodate both the construction workshop and warehouse.

2 Way Steel Works Co. Ltd through financing assistance from Development Bank of Nigeria has been able to facilitate this expansion and install some equipment including industrial cranes and higher capacity welding machines. The expansion of the company means that staff can now work from the warehouse and have the finished products packed at the warehouse. This has reduced the time and risks associated in storing finished products.

A major impact of the financing support is in process innovation as reflected in improvements in the processes of the firm. With the installation of welding machines, there is now an improved production cycle. The process of fabrication has been improved and production time fastened as after marking and cutting of steel, there is no more arc welding as a rolling machine has been installed which also ensures plaster welding. This has significantly lessened the production time and ensured that more quality products are made.

2 Way Steel Works Co. Ltd has also been able to produce tanks in different shapes and sizes. Given the installed machines, tanks now have an aerodrome which allows for different shapes, and this compensates for depression.

Within one year, the company has been able to create employment for 50 persons. This is due to the growing job orders from clients across Nigeria. The expanded site has also been able to accommodate more people who work to meet customers' orders. 2 Way Steel Works Co. Ltd has also grown its revenue base as more orders are made.

Next Steps

2 Way Steel Works Co. Ltd plans to install more machines and equipment capable of delivering high-heat welding. The aim is to have welding that is better suited for thicker, and heavier metals. The firm wants to solve complicated welding requirements especially with the machines and expertise.

The firm also intends to expand the customer base to include clients from more parts of the country.

Daystar Schools

Figure 11:
A & Shine
Honey Production Lab

The idea behind Daystar Schools is to provide child-centred education aimed at involving the children in the activities and encouraging them to develop.

Background

Dr. Amuche Okafor is a medic who is also passionate about the welfare of children. This led to the establishment of Daystar Schools Port Harcourt in 2020 to provide qualitative education especially to children. The idea behind Daystar Schools is to provide child-centred education aimed at involving the children in the activities and encouraging them to develop.

Journey So Far

Daystar Schools started with 7 pupils and 4 staff in 2020. The school has grown to accommodate 87 pupils and 14 staff as at the last quarter of 2021. Dr. Okafor utilised the DBN loan to develop the school site which now has classrooms, standard playground, sick bay and security lounge. The school within the short period of time, has attracted the attention of parents and guardians within Elelenwo and its environs, thereby attracting more pupils. Noticeably, there is an increase in the revenue of the school.

Next Steps

With an increasing population of pupils, the school plans to build more classrooms and structures to make learning easier and conducive. Daystar Schools also plans to employ more staff to cater for the expansion drive.

The school also plans to have a secondary school section in the next five years. This would involve the acquisition of a permanent site that will accommodate the different arms of the school. Daystar Schools plans to be a reference point in qualitative education to children.

Manufactured Capital

8.7 Manufactured Capital

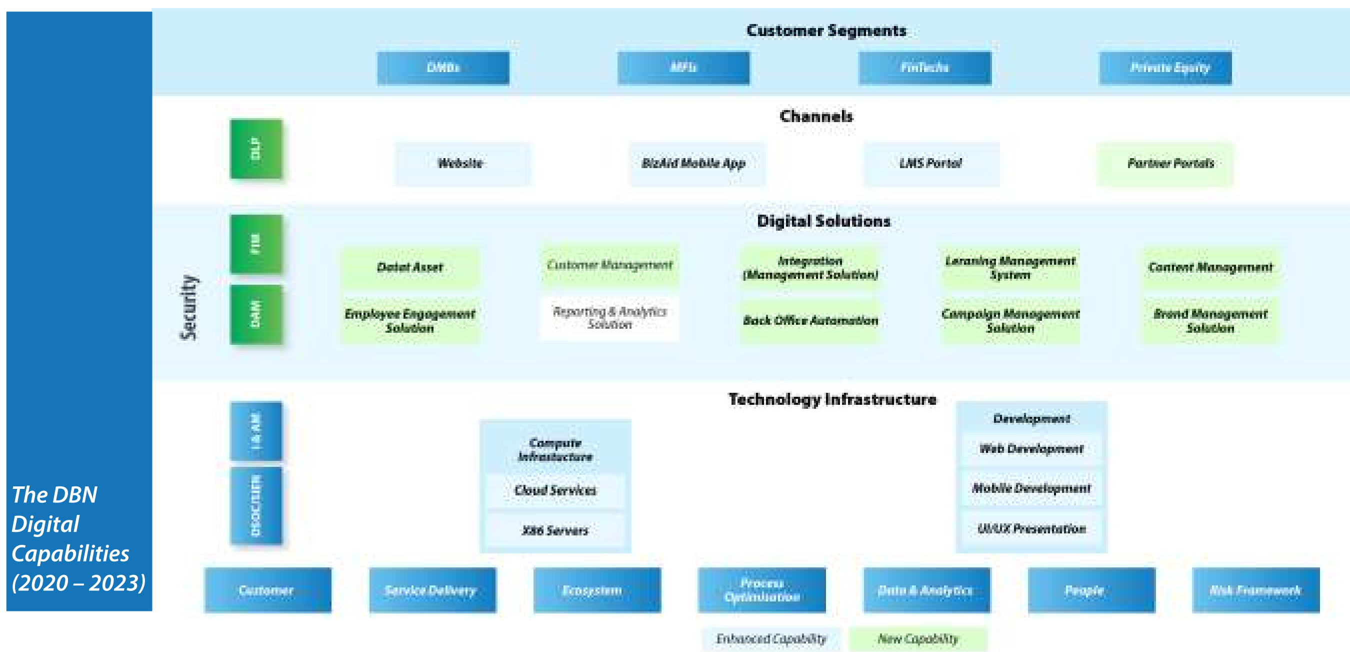
8.7.1. DBN Digital Strategy

A key goal for our business is to continually improve on our business operations. The right use of technology in every area of the business has been identified as an enabler to achieving continuous improvement and creating new values. DBN was assessed to be a developing digital organisation on the EY Digital Maturity Index. The Digital Maturity Index was computed using EY's Digital Readiness framework which assesses an organisation's digital maturity across focus areas. Based on DBN's business aspirations and expectations identified over the course of the digital strategy engagement, we aim to become an established digital organisation. The Digital Strategy and its underpinning initiatives were developed with this goal in mind. The under listed areas of enhancements were identified as key to achieving our goals for the Digital Strategy.

Improved Productivity & Engagement	
Collaboration	Enable our people work from any location by accessing the platforms, information and people required to carry out their tasks effortlessly.
Innovation	Enable our business drive continuous improvement of people, process and technology.
People Engagement	Enable us attract and retain the right skills and talent.
Operational Efficiency	
Digitization of Processes	Enable our business processes be migrated to tools and platforms that reduce manual intervention and improve the time and effort required to complete tasks.
Straight Through Processing	Enable our people have end-to-end visibility on processes/activities relevant to their roles.
Improved Service Delivery	
Self Service	Enable us provide always-on services to our stakeholders (customers, partners and end-borrowers) at their convenience.
Data Analytics & Reporting	Enable us generate data-driven insights about our relationships with stakeholders (customer, partners and end-borrowers).
Ecosystem Partnership	Enable us quickly integrate with stakeholders (customer, partners and end-borrowers) to improve speed to market.

Key Digital Imperative

The figure below shows different capabilities that the DBN Digital Strategy capabilities that will be created or enhanced while implementing this strategy.



8.7.2. 2021 ISO Revalidation Project

The alignment of our processes with leading global best practices captures our zeal to ensure we do our business in a safe and sustainable way.
In 2018, the Bank obtained the International Organisation of Standardisation (ISO) certification in 3 key areas:

- *ISO 22301: 2012 – Business Continuity Management*
- *ISO 27001: 2013 – Information Security Management*
- *ISO 20000: 2011 – IT Service Management*

After the required annual surveillance audits, a recertification exercise was conducted and DBN has obtained new certifications on the newest versions of the different areas.

- *ISO 22301: 2019 – Business Continuity Management*
- *ISO 27001: 2017 – Information Security Management*
- *ISO 20000: 2018 – IT Service Management*

Information Security Management System ISO 27001

IT Service Management ISO 20000 Certified

ISO 20000 IT Service Management

DBN & the Community

8.8
DBN and the Community

8.8.1.
CSR Activities

There is an increasing awareness for responsible corporate organisations to invest in activities that will impact positively on the lives of members of the host communities in which they operate. Thus, The Development Bank of Nigeria's CSR direction is on empowerment with strategic focus on Corporate Social Responsibility Programs and initiatives across diverse areas of poverty eradication, education, healthcare, charity, economic empowerment, and sustainability.

Furthermore, the Bank's CSR initiative encourages staff to volunteer for projects/initiatives within the approved focus areas. The Bank also ensures that high-impact volunteering successes are celebrated.

Premised on the above, the Bank embarked on a classroom renovation project to provide a conducive learning environment for the students at the Durumi Junior Secondary school, Abuja in 2021. The exercise includes a facelift for the classes, new furniture and fittings

The Development Bank of Nigeria's CSR direction is on empowerment with strategic focus on Corporate Social Responsibility Programs and initiatives across diverse areas of poverty eradication, education, healthcare, charity, economic empowerment, and sustainability.











09

Looking to the Future

Updates on 2021 Targets

Targets for 2022

9.1.
Updates on 2021 Targets

S/No.	Area	Promise	Progress
1.	Sustainability	• Sustainability Standards Certification Initiative (SSCI) • Celebration of IWD 2021 • Increased support for Global Sustainability initiatives (Water, Waste, Environmental Management, Women,) etc. • Expand Community of Practice for MFBs	• Completed the SSCI standards at the highest level of certification (Level 5) • IWD celebration held virtually due to COVID-19 restriction in March 2021 • Celebrated World Environment Day across Lagos and Abuja locations in addition to research on Circular Economy project across Kano, Benin, Abeokuta and Lagos • 2nd training program held with MFBs in October 2021
2.	People	• Continue Management Trainee Program in 2021 • Internal capacity building	• First set of Management Trainees completed program • DBN employees participated in capacity development programs throughout the year in review
3.	Operations	• Products to be launched in Q1 2021 • Strategic Alliances with key stakeholders to be initiated to drive product utilization and impact from same.	**Launched the following products** • Green Product Launched **Commenced the following strategic alliances:** • Memorandum of Understanding signed with Rural Electrification Agency (REA) • Memorandum of Understanding signed with signed with FC4S • Strategic Partnership with SME.ng
4.	Technology	• Focus on 2021 will be the implementation of our MSME Learning Management solution to improve the capacity of our MSME Community. • We will also work on our Digital Channels to improve our communication and marketing efforts.	• Commenced design and implementation of MSME Learning Management Solution
5.	Capacity Development	• Provide training to a minimum of 100 MSME participants	• We provided training to over 1000 MSMEs in 2021
6.	Monitoring & Evaluation	• Full implementation of the Bank's newly revised M&E framework	• The new M&E framework was duly implemented with details shared earlier in this 2021 Integrated Report
7.	CSR	• Carry out activities across Abuja and Lagos in line with SDGs 1, 5 and 8	• CSR activities were carried out across various locations in 2021 including the revamp of derelict public-school infrastructure and environmental projects across Lagos and Abuja
8.	Thought Leadership	• DBN Annual Lecture Series • International Women's Day Celebration	• Successfully held DBN Annual Lecture Series (virtual) • Successfully held IWD (virtually)

9.2.
Targets for 2022

S/No.	Area	2022 Promise
1.	Sustainability	• Celebration of global sustainability events • Continuous expansion of strategic partnerships and alliances • Expansion of Sustainability community of practice for MFBs
2.	People	• Scale up capacity on all fronts with focus on development finance, green finance, sustainability and leadership development. • Digitise people management processes and leverage technology to enhance our employees' experience. • Empower our people to innovate and grow by providing the platform (innovation portal) and the enabling environment (policies, physical space, incentives, resources, etc.) to drive a culture of innovation.
3.	Operations	• National policy dialogue to address constraints to MSME finance in Nigeria in partnership with GIZ. • Service Ambassadors Awards Ceremony. • Activities to drive Rural Electrification Agency (REA) Collaboration. • PFI Engagements Sessions with NASME • Capacity Building for MSMEs in Collaboration with GIZ and SMEDAN. • The Financial Centre for Sustainability (FC4S) Collaboration to drive green finance • Gender Initiatives: SME.ng, Signup for UN Women Empowerment Principles (WEP), and the Paris Development Bank's (PDB) statement on Gender Equality and Women's Empowerment • National SME Clinic
4.	Technology	• Implement inaugural Eco-Innovation Challenge • Roundtable engagement with 2021 Techpreneur • Challenge winners and potential investors
5.	Capacity Development	• Capacity building for all MFBs and newly on boarded PFIs on the management of emerging E&S risks such as GRMs, emergency preparedness, and environmental, social, and governance (ESG) ratings.
6.	Monitoring & Evaluation	• Conduct annual M&E exercise • Produce annual impact evaluation report
7.	CSR	• Continue roll out of social impact and development projects across Nigeria
8.	Thought Leadership	• Continuous creation of content that speak to MSME policy creation and ease of operating in Nigerian ecosystems

DBN Development Bank of Nigeria

10

Financial Performance

Annual Financial Report & Accounts

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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*
*Ijeoma D. Ozulumba****	*- Executive Director*
*Kyari Abba Bukar****	*- Independent Non-Executive Director*

*** Re-appointed 23 February 2021*

**** Appointed 31 March 2021*

***** Gambian*

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

Tax Identification Number:	**18945711-0001**
RC No.:	**1215724**

Directors' Report

For the year ended 31 December 2021

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 2021.

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.

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

Operating results

Gross earnings of the Group and Bank stood at N39.20 billion and N38.17 billion respectively (2020: Group: N34.59billion; Bank: N33.58 billion). The Group recorded a profit after taxation of N23.89 billion and the Bank, a profit after taxation of N23.18 billion (2020: Group: 17.98 billion; Bank: N17.29 billion). Highlights of the Group's and Bank's operating results for the year under review are as follows:

In thousands of Naira	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Gross earnings	39,583,460	34,594,464	38,181,383	33,576,720
Interest expenses	(11,688,620)	(11,270,015)	(11,688,620)	(11,270,015)
Personnel expenses	(2,117,513)	(1,441,782)	(1,906,848)	(1,240,514)
Operating expenses	(1,996,963)	(2,938,203)	(1,826,102)	(2,775,318)
Profit before minimum tax	23,780,365	18,944,464	22,759,813	18,290,873
Minimum taxation	-	(83,942)	-	(83,942)
Profit for the year before taxation	23,780,365	18,860,522	22,759,813	18,206,931
Tax (expense)/credit	(7,338,035)	(882,298)	(7,041,505)	(920,886)
Profit for the year after taxation	16,442,330	17,978,224	15,718,308	17,286,045
Retained earnings	61,604,428	51,587,170	59,873,639	50,580,403
Statutory reserve	28,003,563	23,288,071	28,003,563	23,288,071
Regulatory reserve	4,905,519	3,195,939	4,905,519	3,195,939

Dividend

The directors have not proposed any dividend in the year ended 31 December 2021 (31 December 2020: 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
Ijeoma D. Ozulumba***	Executive Director
Kyari Abba Bukar***	Independent Non-Executive Director

** Re-appointed 23 February 2021

*** Appointed 31 March 2021

4

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 (2020: 100,000,000) ordinary shares of [illegible]1 each. The shareholding structure as at the balance sheet date were as shown below:

Shareholders	31 Dec 21 *Number of Shares*	31 Dec 21 *Shareholding Percentage*	31 Dec 20 *Number of Shares*	31 Dec 20 *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 Group and Bank made donations of N25.95 million (31 December 2020: N143.8 million) to various organizations during the period: (see note 16)

Purpose	Beneficiaries	Amount
Donation IRO MSME Clinic and MSME Awards	National MSME Clinic	15,000,000
Donation towards CIBN 2021 Annual Conference	Chartered Institute of Bankers of Nigeria	5,000,000
Donation towards renovation of School Block	Government Secondary School, Durumi	2,148,000
Donation towards Nigerian Economic Society Annual Conference	Nigerian Economic Society	1,000,000
Donation towards Nigerian-British COC Presidential Inauguration Dinner	Nigerian-British Chamber of Commerce	1,000,000
Donation towards WIMBIZ e- Roundtable	Women in Management, Business and Public Service	500,000
Donation towards FICAN 2021 Annual Conference/ 30th Anniversary	Finance Correspondence Association of Nigeria	500,000
Donation towards second edition of the GAIN Youth summit	Grand Africa Initiative	500,000
Donation to Rotary Club - Independent Day for Poverty Eradication	Rotary Club	300,000
Total		**25,948,000**

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 2021**

(a) Analysis of total employees

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Employees	37	18	55	67%	33%
	37	18	55	67%	33%

(b) Analysis of Board and senior management staff

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	14	3	17	82%	18%
Senior Management	14	1	15	94%	6%
	28	4	32	88%	13%

31 December 2020

(a) Analysis of total employees

	Gender Number			Gender 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 Number			Gender 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%

Bank — **31 December 2021**

(a) Analysis of total employees

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Employees	30	16	46	65%	35%
	30	16	46	65%	35%

(b) Analysis of Board and senior management staff

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Board Members (Executive and Non-executive directors)	11	2	13	85%	15%
Senior Management	11	1	12	92%	8%
	22	3	25	88%	12%

31 December 2020

(a) Analysis of total employees

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

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 2021, ICGL guaranteed 7,352 loans (31 December 2020:1749 loans) in the sum of N62.46 billion (31 December 2020: N10.4billion).

As at the end of the year, the Company had on-boarded eleven(11) Partner Financial Institutions (31 December 2020: eight(8) Partner Financial Institutions). The Company also recorded a gross earnings of N1.46billion (31 December 2020: N1.06billions); with earnings from core activities accounting for 43% (31 December 2020: 6.29%); and ended the year with a Profit Before Tax of N1.01billion (31 December 2020: N653.59millions). The Board of ICGL has been strengthened by the appointment of 3 Independent Non-Executive Directors whose nomination has been approved by the Central Bank of Nigeria.

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
Maitama, F.C.T., Abuja Nigeria
1 March, 2022

The Board

The Board of Directors of the Development Bank of Nigeria Plc ("DBN" or "the Bank") provides overall leadership, entrepreneurial and strategic direction for the bank. In this regard, the Board advances the adoption of practices which promote both an ethical culture and responsible corporate citizenship, in all aspects of the bank's operations, for the enhancement and protection of long-term value, for shareholders and stakeholders alike. Pursuant to this, the Board has developed the overall strategy for the bank and supervises Management in the attainment of that strategy, guided always, by the need for Management to always 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, with the full complement of the information and technical support that are required for the attainment of the bank's objectives.

To ensure it remains effective in its discharge of its responsibilities, the Board of Directors keeps under review, the skills, competencies and experience, that are required for the optimal performance of the Board, and which shall ensure that the Board remains comprised of an appropriate balance of skills, competencies and experience, which 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 eleven (11) directors, six (6) of whom are Independent non-executive directors. Of the remaining five (5), three (3) are non-executive directors, who are shareholder representatives, while the other two (2), are the Managing Director/Chief Executive Officer and the Executive Director, Finance and Corporate Services.

Two board appointments were made in the reporting year. These relate to the appointment of an Independent non-executive director and an Executive Director. Both appointments have received the approval of the shareholders and the Central Bank of Nigeria. These new appointments brought the composition of the Board to the statutory limit of eleven (11).

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 all directors in the affairs of the Board and the bank. The Chairman also takes the lead, in the engagements with shareholders, and where necessary, other stakeholders.

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

The preponderance of independent non-executive directors on the Board of the bank 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 in all the bank's dealings. The objective input provided by the overwhelming presence of independent non-executive directors on the board, also facilitates optimal compliance with statutory rules and regulations, and facilitates the inclusion of stakeholders' interests, into the board decision-making process.

The non-executive directors contribute their knowledge, expertise, and judgment on issues of strategy, business performance, banking operations, development finance and technology, amongst others, in board decisions. The non-executive directors also ensure a unique linkage between the bank and its four Institutional shareholders, the African Development Bank, the European Investment Bank, the Ministry of Finance Incorporated and the Nigeria Sovereign Investment Authority, ensuring that the bank continues to enjoy the support of the shareholders and its Development Partners, the World Bank Group, the Agencie Francaise de Developpment, the KFW Development Bank, amongst others.

In keeping with its undertaking with a key Development Partner, the World Bank, and pursuant to its authorization under the Memorandum and Articles of Association, the Board of Directors, from the inception of the bank's operations, granted Observer status to its meetings, to the World Bank Group. Representatives of the World Bank who are designated and approved by the Board of Directors as Observers, are entitled to attend all meetings of the Board and also, to receive information provided to the Board, for its 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 based on the expertise possessed by the Observers, but the Board is not bound to act on such information. Essentially, Observers assure their institutions that the Board and the bank are operating optimally, and in accordance with agreed objectives.

The profile of the World Bank's Observer is available on page 145.

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

Dr. Anthony Okpanachi
Managing Director/ Chief Executive Officer

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

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

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

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

Mrs. Ijeoma Ozulumba
Executive Director, Finance and Corporate Services

Mrs. Ijeoma Ozulumba was appointed as an Executive Director in March 2021.

She 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.

Mrs. Clare Omatseye
Independent Non-Executive Director

Clare Omatseye, is the Founder and Managing Director of the International Award winning company, JNC International Limited (JNCI) and the current President of the Healthcare Federation of Nigeria. JNCI, a company she founded 12-years ago, is a leading Turnkey Medical Equipment Solutions Company, which exclusively represents 16 Global Medical Equipment Manufacturers; Toshiba Medical Systems-Japan, Olympus- Japan, Elekta-Sweden, Getinge-Sweden, Maquet-Germany, Medtronic-USA, and ArjoHuntleigh, EU to name a few.

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

Her vast experience has influenced policies on Public-Private Partnerships as well as Incentives for Private Sector Investments in the Nigerian Health sector. She is a Member of the Pharmaceutical Society of Nigeria (PSN), an Associate Member of the Paediatric Association of Nigeria (PAN), a member of the Society of Quality in Healthcare in Nigeria (SQHN), and WISCAR (Women in Successful Careers). She sits on the Board of several reputable organizations, a Fellow of the Society for Corporate Governance Nigeria (SCGN),Director, Development Bank of Nigeria, Director, LEAP Africa, Vice President, Lagos Business School Alumni Association (LBSAA), Director, Aspire Coronation Trust(ACT), Founder & Chairman, Vaccipharm Limited, a cold chain Vaccines, Pharma & Medical consumables distribution firm that she founded in 1999.

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

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

Mr. Bello Maccido
Independent Non-Executive Director

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. Uche Orji
Non-Executive Director

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

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

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

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

Mr. Andrew Alli
Independent Non-Executive Director

Mr. Andrew Alli is the immediate past President and Chief Executive Officer of the Africa Finance Corporation. Mr. Alli has been an Executive Director of Africa Finance Corporation Since November 01, 2008. He served as Deputy Chief Executive Officer of Travant Capital and also served as its Partner.

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

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

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

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 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. Alo holds a doctorate degree (with specialization in Industrial Sociology) obtained from the University of Ife, Ile-Ife in 1984. He is a Fellow of the Chartered Institute of Personnel Management of Nigeria (CIPM), the Chartered Institute of Bankers of Nigeria (CIBN), the Chartered Institute of Arbitrators of Nigeria (NCIArb), and the Nigeria Institute of Training & Development (NITAD).

At different times, he served as the President of the West African Bankers' Association (WABA); the President/Chairman of Council of the Chartered Institute of Personnel Management of Nigeria (CIPMN); the Chairman of the Learning & Development Network International, and the Vice-President of the Nigerian Association of Management Consultants. Currently, he is a Trustee of the Association of Professional Bodies of Nigeria (APBN); the Risk Management Association of Nigeria (RIMAN); the Women in Banking & Finance Association (WINBAFIN) and the Centre for Financial Journalism.

He has had his fair share of board appointments, serving as Executive Director of Coopers & Lybrand Associates Ltd; MD/CEO of FITC; Non-Executive Director of Nigeria Capital Market Institute (a subsidiary of the Securities & Exchange Commission); Chairman, One World Communications Ltd; and Chairman, School of Banking Honors., Chairman, Berger Paints Nigeria Plc., Chairman, Lewis Berger (Ghana) Ltd, and Independent Non-Executive Director, ARM Life Plc. Currently, he serves as an Independent Non-Executive Director of the Development Bank of Nigeria Plc. and ARM Investment Managers Ltd. He is also an External Member of the Advisory Board of the University of Lagos Business School.

Dr. Alo had published several articles in international journals and contributed chapters in several management books. He is the author of Human Resource Management in Nigeria (1999), Editor of Issues in Corporate Governance in Nigeria (2003), and author of Amazing Grace: My Story. My Life (2020).

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

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

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

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

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

Mr. Kyari Bukar
Independent Non-Executive Director

Mr. Kyari Bukar was appointed in March 2021.

Mr. Kyari Bukar is the Managing Director/Co-Founder of Trans Sahara Investment Corporation, a Private Equity firm based in Lagos, Nigeria.

He has an outstanding career in Engineering and Technology having been former Managing Director/CEO at Central Securities Clearing System Plc, Lagos and ValuCard Nigeria (Unified Payments Ltd), Lagos Respectively and Executive Director at FSB International Bank Plc.

Before joining FSB International Bank, he served in various roles as Manufacturing Development Engineer, Marketing Program Manager, Senior IT Consultant, and as Manager in various sectors of the Hewlett Packard corporation in the United States of America.

Kyari Bukar was the former Chairman of the Board of Directors of the Nigerian Economic Summit Group (NESG) and currently serves on several other Boards; Chairman, SUNU Assurances Plc; Chairman, Ventures Platform; Chairman, ARCA Payments Ltd; Independent Non-Executive Director, Standard Chartered Bank Nigeria Ltd; Member, Nigerian Youth Alliance of Atlanta, Georgia; Member, Committee of Harmonisation of National ID; Member, Nigeria Technology Consultative Group; and leader of Employee Business Contribution Network (HP).

He holds a Bachelor's Degree in Physics from Ahmadu Bello University Zaria, Nigeria, and a Master's Degree in Nuclear Engineering from Oregon State University Corvallis, USA.

Dr. Ahmed Rostom
WorldBank 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, protocols and structures that are required to build a virile governance architecture and culture which serves to ensure that the bank's business not only remains profitable, but is also sustainable, and is positioned to deliver value to all stakeholders, and is responsive to the economic and developmental interests of the 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 within the bank, accountable to the shareholders. The board is headed by the Chairman who is *primus interpares* 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 governance imperative 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 non-executive directors are independent. Irrespective of their designations, all directors exercise independent judgement, when deciding on matters before the board.

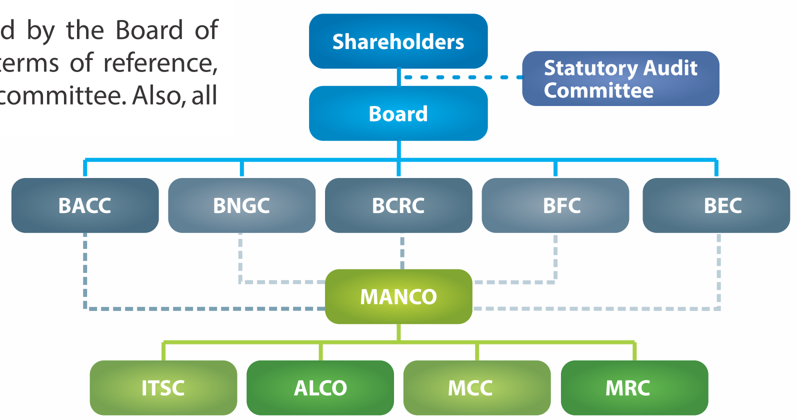
Decisions of the board are reached through a consensus. If any matter would be put to a vote, the board charter and the bank's Articles of Association, reserve for the Chairman, a casting vote to be exercised for the resolution of any equality of votes, on issues.

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.

Our Governance structure:



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 Information Technology Steering Committee, which are all aligned to Management responsibilities and reporting lines to the Board of Directors, through the Management Committee, which is highest organ at the level of Management. All Management Committees have charters which regulate their operations and activities.

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 of the Nigerian Code of Corporate Governance, 2018.

As a Development Finance Institution licensed by the Central Bank of Nigeria, the bank also complies with the Code of Corporate Governance for Development Finance Institutions issued by the CBN and the Corporate Governance Guidelines 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 and continues to differentiate DBN, as a reference point for 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 an adequate 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 board representations on the DBN board.

In the reporting period, the received a nomination request from a shareholder, for the appointment of an Alternate Director for its representative on the DBN Board. The Board of Directors have approved that nomination and presented same to the CBN for necessary regulatory approvals.

The board continues to ensure 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. This situation is a testament to the value which shareholders attach to objectivity and the infusion of stakeholder interests and concerns, in the decisions of the bank.

Before the assumption of duty, and apart from the routine background checks to which all board nominees are subjected, 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 truly independent.

To ensure that the board and the bank continues to harness the unique value, intrinsic to the Independent non-executive 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 2018. 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 six (6) Independent non-executive directors fulfilled the standard of Independence enunciated in Principle 7 of the Nigerian Code of Corporate Governance 2018, in the financial year:

1. *Mr. Andrew Alli* *(Appointed in January 2017, length of stay on the board is 4 years, 11 months)*
2. *Mr. Bello Maccido* *(Appointed in January 2017, length of stay on the board is 4 years, 11months)*
3. *Mrs. Clare Omatseye* *(Appointed in January 2017, length of stay on the board is 4 years, 11 months)*
4. *Dr. Oladimeji Alo* *(Appointed in January 2017, length of stay on the board is 4 years, 11 months)*
5. *Mr. Phillips Oduoza* *(Appointed in January 2017, length of stay on the board is 4 years, 11 months)*
6. *Mr. Kyari Bukar* *(Appointed in March 2021, length of stay on the board is 9 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 Executive Director, Finance and Corporate Services, who is the bank's Chief Financial Officer, the Chief Operating Officer, the Chief Risk 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, who acts as Secretary to all meetings of the Board and its Committees.

In the period under review, the Board met six (6) times, to deliberate on key issues bordering on the bank, its business operations and activities.

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 23	Apr 29	June 15	Aug 3	Oct 27	Nov 30
Non Executive Directors							
Dr. Shehu Yahaya*	6/6	√	√	√	√	√	√
Mr. Uche Orji	6/6	√	√	√	√	√	√
Mr. Batchi Baldeh	6/6	√	√	√	√	√	√
Independent Non Executive Directors							
Mrs. Clare Omatseye	6/6	√	√	√	√	√	√
Mr. Andrew Alli	6/6	√	√	√	√	√	√
Dr. Oladimeji Alo	6/6	√	√	√	√	√	√
Mr. Phillips Oduoza	6/6	√	√	√	√	√	√
Mr. Bello Maccido	6/6	√	√	√	√	√	√
Mr. Kyari Bukar**	5/6	N/A	√	√	√	√	√
Managing Director/CEO							
Mr. Anthony Okpanachi	6/6	√	√	√	√	√	√
Executive Director							
Mrs. Ijeoma Ozulumba**	5/6	N/A	√	√	√	√	√

*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.

**Was appointed as a Director on March 31, 2021.

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, the CBN Code of Corporate Governance for Development Finance Institutions and the Corporate Governance Guidelines issued by the Securities and Exchange Commission.

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 of Independent non-executive directors.

All board committees meet quarterly or as required, ahead of board meetings. To ensure that all directors 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 memberships. This approach ensures that all directors are apprised of board activities and are provided with the information required to enable them function and contribute effectively in 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 ahead of board meetings, to facilitate the presentation by respective board committee chairpersons, of the report of the deliberations and decisions, including the recommendations of the respective committees, 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
Mr. Kyari Bukar – 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 19	Feb 22	Apr 21	Apr 22	July 14	Oct 18
Dr. Oladimeji Alo	6/6		√		√	√	√
Mrs. Clare Omatseye	6/6	√	√	√	√	√	√
Mr. Bello Maccido	6/6	√	√	√	√	√	√
Mr. Kyari Bukar***	2/6	N/A	N/A	N/A	N/A	√	√

*** attended his first meeting as a member of the committee on July 14, 2021

Board Audit and Compliance Committee

Membership

Mr. Andrew Alli– Independent non-executive director - Chairman
Dr. Oladimeji Alo– Independent non-executive director - Member
Mrs. Clare Omatseye – Independent non-executive director - Member
Mr. Kyari Bukar– Independent non-executive director - 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 18	Apr 20	July 19	Oct 15	Nov 29
Mr. Andrew Alli	5/5		√	√	√	√
Dr. Oladimeji Alo	5/5	√	√	√	√	√
Mrs. Clare Omatseye	5/5	√	√	√	√	√
Mr. Kyari Bukar***	3/5	N/A	N/A	√	√	√

*** attended his first meeting as a member of the committee on July 19, 2021.

Board Credit and Risk Committee

Membership

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

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

	Total Attendance	Feb 22	Apr 19	July 16	Oct 18
Mr. Bello Maccido	4/4	√	√	√	√
Mr. Phillips Oduoza	4/4	√	√	√	√
Mr. Batchi Baldeh	4/4	√	√	√	√
Mr. Anthony Okpanachi	4/4	√	√	√	√
Mr. Kyari Bukar***	2/4	N/A	N/A	√	√

***attended his first meeting as a member of the committee on July 19, 2021

Board Finance Committee

Membership

Mr. Phillips Oduoza, Independent non-executive director- Chairman
Mr. Andrew Alli, Independent non-executive director- Member
Mr. Uche Orji, Non-executive director- Member
Mr. Batchi Baldeh, Non-executive director- Member
Mr. Anthony Okpanachi, Managing Director/CEO- Member
Mrs. Ijeoma Ozulumba, Executive Director- 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, stress-testing and related activities, capital raising and capital distributions, the issuance of equity and debt securities; financing plans generally; debt ratings; share repurchase philosophy and strategy; share redemption and purchase activities; and dividend policy;
- To review and recommend to the Board on matters about treasury operations, investment strategies, banking and cash management arrangements; and financial risk management (interest rate, foreign exchange, sensitivities etc.)

	Total Attendance	Feb 15	March 9	Apr 20	July 27	Oct 15	Nov 25
Mr. Phillips Oduoza	6/6		√		√	√	√
Mr. Andrew Alli	6/6	√	√	√	√	√	√
Mr. Uche Orji	6/6	√	√	√	√	√	√
Mr. Batchi Baldeh	6/6	√	√	√	√	√	√
Mr. Anthony Okpanachi	6/6	√	√	√	√	√	√
Mrs. Ijeoma Ozulumba	2/6	N/A	N/A	N/A	√	√	√

*** attended his first meeting as a member of the committee on July 19, 2021.

Board Ethics Committee

Membership

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

	Total Attendance	Feb 18	Apr 22	July 30	Oct 21
Mrs. Clare Omatseye	4/4		√		√
Mr. Andrew Alli	4/4	√	√	√	√
Mr. Phillips Oduoza	4/4	√	√	√	√
Mr. Bello Maccido	4/4	√	√	√	√
Dr. Oladimeji Alo	4/4	√	√	√	√

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 January*).

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, there was no increase in the compensation of the non-executive directors.

The compensation of the Managing Director/Chief Executive Officer and the Executive Director is linked to performance and is specifically designed to prevent excessive risk-taking. The Managing Director/Chief Executive Officer and the Executive Director do not receive Directors Fees or sitting allowances for board meetings attendances. Also, as a serving executive, the Managing Director/Chief Executive Officer 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 2021 audited financial statements.

Directors Training and Continuous Development

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

A new director also receives 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.

In the reporting period, the two new directors, Mr. Kyari Bukar, Independent non-executive director and Mrs. Ijeoma Ozulumba, Executive Director, received induction trainings.

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.

s/n	Director		Trainings Selected	Dates	Facilitator
1.	Dr. Shehu Yahaya	1	Leading Business Transformation for the Boardroom	September 5 – 9, 2021	IoD
		2	AML/CFT Training	October 2021	DBN Group Session
		3.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		4.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
2.	Mr. Uche Orji	1.	Blue Ocean Strategy	March 15 – 20, 2021	INSEAD
		2.	AML/CFT Training	October 2021	DBN Group Session
		3.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		4.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
3.	Mr. Bello Maccido	1.	AML/CFT Training	October 2021	DBN Group Session
		2.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		3.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
4.	Mr. Phillips Oduoza	1.	Leading Business Transformation for the Boardroom	September 5 – 9, 2021	IoD
		2.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		3.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
		4.	AML/CFT Training	October 2021	DBN Group Session
5.	Mrs. Clare Omatseye	1.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		2.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
		3.	AML/CFT Training	October 2021	DBN Group Session
6.	Dr Oladimeji Alo	1.	Advanced Strategy for Directors	July 5 – 9, 2021	INSEAD
		2.	AML/CFT Training	October 2021	DBN Group Session
		3.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		4.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
7.	Mrs. Ijeoma Ozulumba	1.	Company Direction Course 1 & 2	May 19 & 20; June 29 & 30	IoD
		2.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		3.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
		4.	AML/CFT Training	October 2021	DBN Group Session
8	Dr. Tony Okpanachi	1.	AML/CFT Training	October 2021	DBN Group Session
		2.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		3.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
9	Mr. Batchi Baldeh	1.	AML/CFT Training	October 2021	DBN Group Session
		2.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		3.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
10.	Mr. Andrew Alli	1.	Unlocking the power of artificial intelligence in the digital age	September 20, 2021	INSEAD
		2.	AML/CFT Training	October 2021	DBN Group Session
		3.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		4.	Board Training on Digital Trends	August 10, 2021	DBN Group Session
11.	Mr. Kyari Bukar	1.	AML/CFT Training	October 2021	DBN Group Session
		2.	Sustainability Training for Directors	June 8, 2021	DBN Group Session
		3.	Board Training on Digital Trends	August 10, 2021	DBN Group Session

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. Bello Maccido**, Independent non-executive director, **Mr. Phillips Oduoza**, Independent non-executive director and **Dr. Oladimeji Alo**, 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 and Corporate Governance 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, the Securities and Exchange Commission's Corporate Governance Guidelines and the provisions of the Companies and Allied Matters Act. The evaluation assesses both the explicit and implicit aspects of DBN's corporate governance architecture assessing whether the bank's governance systems and procedures were compliant with regulations and best practices.

Usual issues considered by the evaluation include the robustness and commitment to good governance, effectiveness of the governance architecture as regards board/strategic and supervision functions, effectiveness of transparency, disclosure and communication practices.

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, the evaluation report is submitted to the CBN.

Based on the outcome of evaluation, the board is satisfied that the bank is compliant with the corporate governance standards prescribed by the Nigerian Code of Corporate Governance, SEC Corporate Governance Guidelines and the CBN Code of Corporate Governance for Development Finance Institutions.

Messrs PricewaterhouseCoopers were appointed to undertake the evaluation of the Board for the financial year and had provided that service over four financial years, since 2018 when they were first appointed.

Management Team

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

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

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

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

Mrs. Ijeoma Ozulumba
Executive Director, Finance and Corporate Services/ 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.
She was appointed as an Executive Director in March 2021.

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.

Management Team

Mr. 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, both 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)

Mr. 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
Chief Economist
Professor Joseph Nnanna currently serves as the 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 Arts 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.

Mr. 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 doubled as Company Secretary at FBN Mortgages Limited, a subsidiary of FirstBank. He was 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 the 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
5. Mr. Ahmed Rufai Salau Shareholder Representative -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 162.

pwc

2 March 2022

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

Dear Sir,

REPORT ON THE OUTCOME OF THE BOARD EVALUATION EXERCISE FOR THE PERIOD ENDED 31 DECEMBER 2021

PricewaterhouseCoopers ("PwC") was engaged to carry out an evaluation of the performance of the Board of Directors of Development Bank of Nigeria Plc ("the Bank" or "DBN") as required by Principle 14.1 of the Nigerian Code of Corporate Governance (NCCG 2018), Section 2.9.1 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Development of Finance Institutions in Nigeria and the SEC Corporate Governance Guidelines (SCGG) for the period ended 31 December 2021.

Our responsibility was to reach a conclusion on the Board's performance based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 5 March 2021. In carrying out the evaluation, we have relied on representations made by members of the Board and Management and on the documents provided for our review.

The Board has complied significantly with the provisions of the Codes. Areas of compliance include oversight of compliance with regulations and preservation of auditor's independence. In addition, the Board provided strategic guidance and effective oversight of the implementation of the Bank's strategy.

Details of our other findings and recommendations are contained in our report.

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

Yours faithfully,

for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Partner
FRC/2017/ICAN/00000016659

PricewaterhouseCoopers Chartered Accountants
Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria
T: +234 1 271 1700, www.pwc.com/ng TIN: 01556757-0001 LIRS Payer ID: C-307409

Partners: S Abu, O Adekoya, O Adeola, T Adeleke, W Adetokunbo-Ajayi, A Akingbade, UN Akpata, O Alakhume, C Azobu, E Erhie, K Erikume, U Muogilim, C Obaro, P Obianwa, T Labeodan, C Ojechi, U Ojinmah, O Oladipo, W Olowofoyeku, P Omontuemhen, O Osinubi, T Oyedele, AB Rahji, O Ubah, Y Yusuf

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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.

Ahmed Rufai Salau

Member, Statutory Audit Committee

Ahmed Salau holds a BSc degree in accounting from Bayero University, Kano; and MBA in Finance from Ahmadu Bello University, Zaria. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN); a Certified Information System Auditor (CISA) and a Certified Fraud Examiner (CFE).

Prior to Joining NSIA as the Head, Internal Audit, he worked as the Chief Internal Auditor at Abuja Electricity Distribution Company. He also worked as the Head, Internal Audit at Legacy Pension Managers (now FCMB Pension), Senior Audit Officer at Trustfund Pensions and Senior Account Manager at Transcorp Hilton Hotel.

Mr. Andrew Alli

Independent Non-Executive Director

Mr. Andrew Alli is the immediate past President and Chief Executive Officer of the Africa Finance Corporation. Mr. Alli has been an Executive Director of Africa Finance Corporation Since November 01, 2008. He served as Deputy Chief Executive Officer of Travant Capital and also served as its Partner.

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

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

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

Dr. Oladimeji Alo

Independent Non-Executive Director

Dr. Alo holds a doctorate degree (with specialization in Industrial Sociology) obtained from the University of Ife, Ile-Ife in 1984. He is a Fellow of the Chartered Institute of Personnel Management of Nigeria (CIPM), the Chartered Institute of Bankers of Nigeria (CIBN), the Chartered Institute of Arbitrators of Nigeria (NCIArb), and the Nigeria Institute of Training & Development (NITAD).

At different times, he served as the President of the West African Bankers' Association (WABA); the President/Chairman of Council of the Chartered Institute of Personnel Management of Nigeria (CIPMN); the Chairman of the Learning & Development Network International, and the Vice-President of the Nigerian Association of Management Consultants. Currently, he is a Trustee of the Association of Professional Bodies of Nigeria (APBN); the Risk Management Association of Nigeria (RIMAN); the Women in Banking & Finance Association (WINBAFIN) and the Centre for Financial Journalism.

He has had his fair share of board appointments, serving as Executive Director of Coopers & Lybrand Associates Ltd; MD/CEO of FITC; Non-Executive Director of Nigeria Capital Market Institute (a subsidiary of the Securities & Exchange Commission); Chairman, One World Communications Ltd; and Chairman, School of Banking Honors., Chairman, Berger Paints Nigeria Plc., Chairman, Lewis Berger (Ghana) Ltd, and Independent Non-Executive Director, ARM Life Plc. Currently, he serves as an Independent Non-Executive Director of the Development Bank of Nigeria Plc. and ARM Investment Managers Ltd. He is also an External Member of the Advisory Board of the University of Lagos Business School.

Dr. Alo had published several articles in international journals and contributed chapters in several management books. He is the author of Human Resource Management in Nigeria (1999), Editor of Issues in Corporate Governance in Nigeria (2003), and author of Amazing Grace: My Story. My Life (2020).

External Auditors

KPMG Professional Services were the Bank's external auditors for the financial year. They were first appointed in August 2016 and have served as External Auditors for five (5) years.

The bank complied with all regulatory requirements for the appointment and approval of External Auditors.

Risk Management

Risk Governance Framework

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

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

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

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

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

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

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

Whistleblowing

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

To help ensure a high ethical standard, the Bank introduced the following;

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

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

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

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

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

- A formal letter to the MD/CEO, Development Bank of Nigeria Plc. or the Head, Internal Audit, Development Bank of Nigeria Plc.
- Dedicated phone number (080-751-80057).
- Dedicated email address: whistleblowing@devbankng.com
- Via DBN website: *www.devbankng.com/whistleblowing.*
- Where the concern is received by staff other than the MD/CEO or the Head, Internal Audit, the recipient of such concerns shall be required to;
- Immediately pass the concern(s) to the Head, Internal Audit with 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.

Internal control

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

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

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

COSO 2013 Internal Control-Integrated Framework

Control Environment:

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

The key principles relating to the control environment include:

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

Risk Assessment:

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

The key principles relating to risk assessment include:

- Board and management set specific strategic and business objectives with sufficient clarity to enable the identification and assessment of risk exposures;
- Risk exposures that may prevent the achievement of strategic and business objectives are identified and managed;
- In assessing the risks to the Bank`s objectives, the potential for fraud shall be considered; and
- Management and Staff identify and assess changes that could significantly impact the internal control system.

Control Activities:

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

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

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

- Management and staff develop and implement control activities that will contribute to risk mitigation and achievement of strategic and business objectives;
- Management and staff develop and implement control activities over technology to support the achievement of objectives; and
- Management and staff develop and implement policies and procedures (including responsibility and accountability for execution) to support the achievement of set objectives.

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

The key principles relating to information and communication include:

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

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

The key principles relating to monitoring activities include:

- Management has puts in place measures to ensure on-going and/or separate evaluations to ensure that the internal control system is present and functioning as intended; and

Internal and External Audit carries out independent reviews of internal control systems, communicating deficiencies to Board Credit and Risk Committee (BCRC), and Board Audit and Compliance Committee (BACC) and the Board; and monitor corrective actions.

Environmental and Social Risk Management

DBN considers environmental and social risk management to be an important part of its mandate for providing sustainable access to finance. As part of this mandate, DBN is committed to incorporating environmental and social (E&S) risk considerations into its decision making and lending processes in a manner that is aligned with the Nigerian legal requirements and international best practices. DBN also promotes 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 assess and manage the Environmental and Social risk exposures associated with its lending activities.

The following are some internal practices that help 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.
- Categorization of DBN-funded projects into Low, Medium, and High ratings.
- The creation of Terms and Conditions for lending are determined partly by the E&S categorization.
- The Bank organizes capacity building for PFIs to increase their awareness regarding responsible lending and how they can adapt the lending approach.
- For High- and Medium-risk projects, the Bank obtains the Environmental & Social Risk Assessment Report and Environmental & Social Risk Management Plan (ESMP) from the PFIs.

In the opinion of the board of directors, the bank has complied with relevant protocols on E & S risk management and governance.

Statement on Fines and Penalties

The bank has zero-tolerance for regulatory fines and penalties. The bank did not incur any fines or penalties in the financial year.

Human Resources

The bank is an equal opportunities employer and actively ensures diversity (age, gender and geography) in the composition of the workforce. The bank also ensures that staff have a conducive environment for work and is responsive to the needs of staff in the workplace and furthermore in ensuring a work/life balance.

The bank has an approved flexible/remote working policy which provides staff with the opportunity to work remotely. In view of the Covid-19 situation, the bank facilitated staff access to doses of the covid-19 vaccinations and has concluded arrangements to ensure the same access to the booster doses. The bank relies on a combination of remote working arrangements and rotational work, to contain covid-19 infections, while ensuring that staff continue to receive the support and advisory required to manage the prevailing covid-19 environment and can continue to provide value for the bank's operations.

The bank ensures that staff remain motivated through a combination of work tools to ensure optimal work, and compensation and other incentives to drive peek performance. The bank remains committed to its philosophy to maintain compensation at the 75th percentile of Industry practices.

To advance accountability for corporate performance and reporting, the bank has implemented through the DBN Code of Ethics and Professional Conduct, has adopted, and implemented modalities for clawbacks where such may be required.

Other details of the bank's Human resources practices are available on page 137.

Public Access to Information

In view of the indirect shareholding of the Federal Government of Nigeria in the bank, and in keeping with the bank's core values of transparency and ethics, the bank complies with the requirements of the Freedom of Information Act ("FoI") 2011, ensuring thereby, public access to information about the bank, its operations, and activities.
In the period under review, the bank received six (6) requests for information from the public. Responses were provided to all the requests within statutory time limits, and in accordance with the provisions of the FoI Act, the bank filed its FY 2021 Returns, at the Office of the Honourable Attorney-General, within the prescribed statutory timelines.

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 2021 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 2021 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.

Ahmed Rufai Salau
Statutory Audit Committee
FRC/2013/ICAN/00000000968
1 March, 2022

Members of the Statutory Audit Committee are:

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

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	Shehu Yahaya
FRC/2016/CISN/00000015033	*FRC/2019/IODN/00000019238*
Managing Director/CEO	Chairman
1 March, 2022	1 March, 2022

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Chief Executive Officer and Executive Director/Chief Financial Officer, hereby certify the financial statements of the Development Bank of Nigeria Plc for the year ended 31 December 2021 as follows:

a) That we have reviewed the audited financial statements of the Company for the year ended 31 December 2021.

b) That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.

c) That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for, the year ended 31 December 2021.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company is made known to the officer by other officers of the companies, during the period end 31 December 2021.

e) That we have evaluated the effectiveness of the Company's internal controls within 90 days prior to the date of audited financial statements, and certify that the Company's internal controls are effective as of that date

f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

g) That we have disclosed the following information to the Company's Auditors and Audit Committee:

(i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have identified for the Company's auditors any material weaknesses in internal controls, and

(ii) there is no fraud that involves management or other employees who have a significant role in the Company's internal control.

Anthony Okpanachi	Ijeoma Ozulumba
FRC/2016/CISN/00000015033	*FRC/2017/ICAN/00000016105*
Managing Director/CEO	Executive Director/CFO
1 March, 2022	1 March, 2022

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Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Development Bank of Nigeria Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

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

- the consolidated and separate statements of financial position as at 31 December, 2021;
- 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 subsidiaries as at 31 December, 2021, 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 there are no key audit matters to be communicated 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, Statement of Corporate Responsibility 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.

KPMG

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.

i. 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.
ii. 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.
iii. 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 2021.
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.

Kabir Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
07 March 2022
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SG/ICAN
1149636

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

In thousands of Naira	Notes	Group 31 December 2021	Group 31 December 2020	Bank 31 December 2021	Bank 31 December 2020
Assets					
Cash and cash equivalents	18	147,167,291	259,145,775	135,321,043	249,275,276
Loans and advances to customers	20	321,694,875	214,023,172	321,694,875	214,023,172
Investment securities	19	27,957,211	16,605,584	26,618,294	14,162,048
Investment in subsidiaries	21	-	-	11,375,000	11,375,000
Property and equipment	22	2,332,159	2,023,477	2,293,847	1,966,935
Intangible assets	23	160,613	139,533	148,093	123,468
Deferred tax asset	17b	743,546	941,468	724,664	875,249
Other assets	24	1,445,938	593,539	1,066,397	511,085
Total assets		**501,501,633**	**493,472,548**	**499,242,213**	**492,312,233**
Liabilities					
Employee benefit obligation	25	1,671	1,817	-	-
Provision for guarantee	26	161,527	28,765	-	-
Current income tax liability	17c	7,142,706	341,474	6,893,466	334,889
Borrowings	27	298,134,621	313,724,945	298,134,621	313,724,945
Other liabilities	28	1,685,028	1,441,797	1,568,835	1,325,416
Total liabilities		**307,125,553**	**315,538,798**	**306,596,922**	**315,385,250**
Equity					
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)	61,604,428	51,587,170	59,873,639	50,580,403
Other reserves:					
Statutory reserve	29(d)	28,003,563	23,288,071	28,003,563	23,288,071
Regulatory risk reserve	(e)	4,905,519	3,195,939	4,905,519	3,195,939
Attributable to equity holders of the parent		**194,376,080**	**177,933,750**	**192,645,291**	**176,926,983**
Total liabilities and equity		**501,501,633**	**493,472,548**	**499,242,213**	**492,312,233**

The financial statements were approved by the Board of Directors on 14 February, 2022 and signed on its behalf by:

Shehu Yahaya
Chairman
FRC/2019/IODN/00000019238

Anthony Okpanachi
Managing Director/CEO
FRC/2016/CISN/00000015033

Additionally certified by:

Ijeoma Ozulumba
Executive Director/CFO
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

In thousands of Naira	Note	Group 31 December 2021	Group 31 December 2020	Bank 31 December 2021	Bank 31 December 2020
Gross earnings	30(d)	39,583,460	34,594,464	38,181,383	33,576,720
Interest income calculated using the effective interest method	8	38,554,242	34,423,329	37,726,675	33,429,735
Interest expense	9	(11,688,620)	(11,270,015)	(11,688,620)	(11,270,015)
Net interest income		**26,865,622**	**23,153,314**	**26,038,055**	**22,159,720**
Impairment writeback/(losses) on financial assets	10	349,266	(855,839)	351,334	(829,726)
Net interest income after impairment charge on financial assets		**27,214,888**	**22,297,475**	**26,389,389**	**21,329,994**
Guarantee income	11	621,782	66,653	-	-
Guarantee expense	13b	(37,542)	(7,058)	-	-
Other income	12	407,436	104,482	454,708	146,985
Fee and commission expense	13a	(22,598)	(91,451)	(20,844)	(87,524)
Net operating income		**28,183,966**	**22,370,101**	**26,823,253**	**21,389,455**
Personnel expenses	14	(2,117,513)	(1,441,782)	(1,906,848)	(1,240,514)
Depreciation and amortization	15a	(438,228)	(458,681)	(410,903)	(438,275)
General and administrative expenses	16	(1,847,860)	(1,525,174)	(1,745,689)	(1,419,793)
Total expenses		**(4,403,601)**	**(3,425,637)**	**(4,063,440)**	**(3,098,582)**
Profit before minimum tax		**23,780,365**	**18,944,464**	**22,759,813**	**18,290,873**
Minimum taxation		-	(83,942)	-	(83,942)
Profit before tax		**23,780,365**	**18,860,522**	**22,759,813**	**18,206,931**
Tax credit/(expense)	17	(7,338,035)	(882,298)	(7,041,505)	(920,886)
Profit for the year after taxation	17	**16,442,330**	**17,978,224**	**15,718,308**	**17,286,045**
Profit for the year after taxation attributable to:					
Owners of the parent		16,442,330	17,978,224	15,718,308	17,286,045
Other comprehensive income		-	-	-	-
Total comprehensive income		**16,442,330**	**17,978,224**	**15,718,308**	**17,286,045**
Total comprehensive income attributable to:					
Owners of the parent		16,442,330	17,978,224	15,718,308	17,286,045
		16,442,330	**17,978,224**	**15,718,308**	**17,286,045**

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 2021

GROUP *In thousands of Naira*	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
Balance as at 1 January 2021		**100,000**	**99,762,570**	**23,288,071**	**3,195,939**	**51,587,170**	**177,933,750**
Total comprehensive income							
Profit for the year		-	-	-	-	16,442,330	16,442,330
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**16,442,330**	**16,442,330**
Transfer between reserves:							
Transfer to statutory reserve	29(d)	-	-	4,715,492	-	(4,715,492)	-
Transfer to regulatory risk reserve	29(e)	-	-	-	1,709,580	(1,709,580)	-
Balance as at 31 December 2021		**100,000**	**99,762,570**	**28,003,563**	**4,905,519**	**61,604,428**	**194,376,080**

In thousands of Naira	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
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							
Profit for the year		-	-	-	-	17,978,224	17,978,224
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**

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

BANK

In thousands of Naira	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
Balance as at 1 January 2021		**100,000**	**99,762,570**	**23,288,071**	**3,195,939**	**50,580,403**	**176,926,983**
Total comprehensive income							
Profit for the year		-	-	-	-	15,718,308	15,718,308
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	**15,718,308**	**15,718,308**
Transfer between reserves:							
Transfer to statutory reserve	29(d)	-	-	4,715,492	-	(4,715,492)	-
Transfer to regulatory risk reserve	29(e)	-	-	-	1,709,580	(1,709,580)	-
Balance as at 31 December 2021		**100,000**	**99,762,570**	**28,003,563**	**4,905,519**	**59,873,639**	**192,645,291**

In thousands of Naira	Notes	Share Capital	Share Premium	Statutory Reserve	Regulatory risk Reserve	Retained Earnings	Total equity
Balance as at 1 January 2020		**100,000**	**99,762,570**	**18,102,257**	**1,315,400**	**40,360,711**	**159,640,938**
Total comprehensive income							
Profit for the year		-	-	-	-	17,286,045	17,286,045
Other comprehensive income for the year		-	-	-	-	-	-
Total comprehensive income		-	-	-	-	**17,286,045**	**17,286,045**
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**	**50,580,403**	**176,926,983**

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS

For the year ended 31 December 2021

In thousands of Naira	*Note*	Group 31 December 2021	Group 31 December 2020	Bank 31 December 2021	Bank 31 December 2020
Cash flows from operating activities					
Profit after tax		16,442,330	17,978,224	15,718,308	17,286,045
Minimum taxation	17a	-	83,942	-	83,942
Tax expense	17a	7,338,035	882,298	7,041,505	920,886
Profit before tax		**23,780,365**	**18,944,464**	**22,759,813**	**18,290,873**
Adjustments for:					
Impairment on loans and advances to customers	10	452,912	369,318	452,912	369,318
Impairment on other financial assets	10	(802,178)	486,521	(804,246)	460,408
Depreciation of plant and equipment	15a	383,129	409,868	361,499	390,358
Amortization of intangibles	15a	55,099	48,813	49,404	47,917
Write-off of intangible assets	23	-	27,309	-	27,309
Interest income on treasury bills	8	(2,018,553)	(16,500,016)	(1,886,525)	(15,738,932)
Interest income on loans and advances to PFIs	8	(23,036,045)	(10,517,652)	(23,036,045)	(10,517,652)
Interest expense on borrowings	9	11,641,639	11,263,712	11,641,639	11,263,712
Lease expenses	9	4,571	6,303	4,571	6,303
Net increase in provision for guarantee	30a(iv)	132,762	28,316	-	-
Loans and advances to PFIs:					
Loans disbursed	20a	(158,355,544)	(164,360,921)	(158,355,544)	(164,360,921)
Loan principal repayments received	20a	50,417,875	55,297,167	50,417,875	55,297,167
Gain on disposal of Investment	19a	(6,016)	-	-	-
Gain on disposal of plant and equipment	30b	(14,945)	713	(14,945)	713
		(97,364,929)	**(104,496,085)**	**(98,409,592)**	**(104,463,428)**
Changes in:					
Other liabilities	30a(i)	314,798	(4,224,872)	314,986	(4,278,089)
Employee benefit obligation	30a(ii)	(146)	706	-	-
Other assets	30a(iii)	(941,436)	(159,089)	(639,254)	(84,656)
		(97,991,713)	**(108,879,340)**	**(98,733,859)**	**(108,826,173)**
Tax paid	17c	(254,940)	(601,378)	(248,402)	(598,412)
Interest received on treasury bills	19a	1,853,497	16,665,071	2,074,776	15,550,681
Interest received on loans and advances to PFIs	20a	22,849,099	7,088,589	22,849,099	7,088,589
Payment of lease liability - Interest	30c	(4,571)	(6,303)	(4,571)	(6,303)
Net cash used in operating activities		**(73,548,627)**	**(85,733,361)**	**(74,062,958)**	**(86,791,618)**
Cash flows from investing activities					
Acquisition of treasury bills	19a	(27,222,729)	(37,352,374)	(25,008,268)	(34,923,686)
Proceeds from matured investment in treasury bills	19a	15,139,179	257,958,514	12,425,224	248,909,676
Proceeds from disposed investment in treasury bills	19a	973,427	-	-	-
Acquisition of intangible assets	23	(76,179)	(109,182)	(74,029)	(92,221)
Acquisition of property and equipment	30b(ii)	(723,520)	(1,363,955)	(720,117)	(1,356,886)
Proceeds from disposal of property and equipment	30b(i)	30,012	5,302	30,012	5,302
Net cash flows used in investing activities		**(11,879,809)**	**219,138,305**	**(13,347,178)**	**212,542,185**
Cash flows from financing activities					
Long term borrowings received	27a	14,185,500	15,795,675	14,185,500	15,795,675
Repayment of principal on borrowings	27a	(20,918,199)	(12,427,665)	(20,918,199)	(12,427,665)
Repayment of interest on borrowings	27a	(20,499,264)	(9,391,045)	(20,499,264)	(9,391,045)
Payment of lease liabilities - Principal	30c(ii)	(54,928)	(51,711)	(54,928)	(51,711)
Net cash flows from financing activities		**(27,286,891)**	**(6,074,746)**	**(27,286,891)**	**(6,074,746)**
Net increase in cash and cash equivalents		(112,715,327)	127,330,197	(114,697,026)	119,675,820
Cash and cash equivalents, beginning of year		260,245,452	132,915,255	250,355,195	130,679,375
Cash and cash equivalents, end of year	18	**147,530,125**	**260,245,452**	**135,658,169**	**250,355,195**

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

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 micro finance 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 2021 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 2021 were approved for issue by the Board of Directors on 21 February 2022. 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 2022 but they do not have a material effect on the disclosures or on the amounts reported in these Group financial statements.

a Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. When the basis for determining the contractual cash flows of a financial instrument is changed as a direct consequence of interest rate benchmark reform and is made on an economically equivalent basis, the Phase 2 amendments provide a practical expedient to update the effective interest rate of a financial instrument before applying the existing requirements in the standards. The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform. Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued without any interruption.

The Bank initially adopted the Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 from 1 January 2021The Phase 2 amendments provide practical relief from certain requirements in the standards. These reliefs relate to modifications of financial instruments, lease contracts or hedging relationships when a benchmark interest rate in a contract is replaced with a new alternative benchmark rate. For financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cashflows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. A similar practical expedient exists for lease liabilities. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain. Loss recognised immediately in profit or loss where the instrument is not derecognised).

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

Finally, the Phase 2 amendments provide a series of reliefs from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument and consequently the hedge relationship can be continued withoutany interruption.

The Bank has applied the reliefs provided in the Phase 2 amendments for the modification of financial instruments arising from changes in the basis for determining the contractual cash flows for instruments that meet the criteria. None of the other reliefs relating to leases or hedging accounting requirements are applicable to the Bank. As at 31 December 2021, the amendments are not applicable to the Bank, given that it does not apply hedge accounting to its benchmark interest rate exposures and do not have financial instruments where change in interest rate is required by IBOR reform.

b 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. The amendment is currently not relevant to the Group given that it does not have any concessions on rent as a direct consequence of COVID-19.

3.1 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 2022 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 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 The 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 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 foradministrative 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 Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify that costs of fulfilling a contract comprise both: the incremental Costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, 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 date of initial application.

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

f Annual Improvements to IFRS Standards 2018–2020

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

i 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.

g Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group and Bank is still assessing the impact this standard will have on its financial statements.

h Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
-requiring companies to disclose their material accounting policies rather than their significant accounting policies;
-clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
-clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;

The amendments are consistent with the refined definition of material:
"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The amendments are effective from 1 January 2023. This standard is not expected to impact the Group and Bank significantly.

I Definition of Accounting Estimates (Amendment to IAS 8)

This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarifies the following:
-an entity develops an accounting estimate to achieve the objective set out by an accounting policy.
-developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique.
-a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
-a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. This standard is not expected to impact the Group and Bank significantly.

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).

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.

b 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

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; orthe 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 creditimpaired 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.

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. 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.

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.

d 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 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

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

- 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

Qualiitative 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.

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 short of the useful life of the item or lease term
Leasehold improvements	over the short of the useful life of the item or lease term
Right of Use assets	over the short of the useful life of the item or lease term
Buildings	50years
Computer & IT equipment	3years
Furniture and fittings	5years
Plant & Office Equipment	5years
Motor vehicles	5years

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 crystalize 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 reservesa

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.-
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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. 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.

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 expected credit loss model required by IFRS. 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 2021, the difference between the Prudential provision and IFRS impairment was N4.9billion (December 2020: N3.2billion) requiring additional transfer of N1.71billion (December 2020: N1.88 billion) 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 December 2021**	**GROUP December 2020**	**BANK December 2021**	**BANK December 2020**
Impairment on loans and advances per IFRS	(1,559,570)	(1,106,658)	(1,559,570)	(1,106,658)
Provision on loans and advances per Prudential Guidelines	6,465,089	4,302,597	6,465,089	4,302,597
Regulatory Risk Reserve	**4,905,519**	**3,195,939**	**4,905,519**	**3,195,939**
The movement in the Regulatory risk reserve during the year is shown below:				
Balance, beginning of the year	3,195,939	1,315,400	3,195,939	1,315,400
Transfer during the year	1,709,580	1,880,539	1,709,580	1,880,539
Balance, end of the year	**4,905,519**	**3,195,939**	**4,905,519**	**3,195,939**

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)

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 itsstakeholders. 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
- Operational Risk Management Framework
- Reputational Risk Management Framework

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 Committee (MCC)

The Management Credit Committee (MCC) is responsible for the effective and efficient management of all credit risks in the Bank and reports to the Board Management Credit and Risk Committee (BCRC) on all credit risk matters.

c Management Risk Committee (MRC)

The Committee is responsible for managing other risks comprising of; Operational risks, Strategic risk, concentration risk, Reputational Risk, Legal Risk, Information security risk, Business Continuity Management, etc. Reports, deliberation and decisions at the committee are inputs to the quarterly Board Credit and Risk Committee (BCRC) reports.

The Group has exposures to the following risks from financial instruments:
Credit risk
Liquidity risk
Market risk
Operational risk-
-

6.4 Credit risk management

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

The Group's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit is guided by the Credit Policy Manual, which sets out specific rules for risk origination and management of the loan portfolio. The Policy also sets out the risk governance structure and the roles and responsibilities of different individuals and committees involved in the credit process.

The Group recognizes the fact that one of its main assets is its loan portfolio. Therefore, it actively safeguards and strives to continually improve the health of the portfolio. All PFI applications are scrutinized and it is ensured that they meet the eligibility criteria, execute the Master Lending Agreement and have no exceptions during due diligence and rigorous analysis is conducted before loan disbursement. Non-eligible PFIs are weeded out through the administration of preliminary eligibility criteria questionnaire and eligibility due diligence. Loans disbursed to on-boarded PFIs are constantly monitored to identify possible signs of impairment.

The Group's Credit risk capital computation is in line with the CBN Guidance Notes on the Calculation of Capital Requirement for Credit Risk using the Standardized Approach. However, the goal of DBN is 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 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	Explanatory Note
1+	PFIs are judged to be of the highest quality, subject to the lowest level of credit risk.
1	
1-	PFIs are judged to be of high quality and are subject to very low credit risk.
2+	
2	PFIs are judged to be upper-medium grade and are subject to low credit risk.
2-	
3+	
3	PFIs are judged be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
3-	
4+	
4	PFIs are judged to be speculative and are subject to substantial credit risk.
4-	
5+	
5	PFIs are considered speculative and are subject to high credit risk.
5-	
6+	
Grade	**Explanatory Note**
6	PFIs are judged to be speculative of poor standing and are subject to very high credit risk.
6-	
7	
8	PFIs are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
9	PFIs are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
10	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 ,' 'Stage 2' and 'Stage 3' is included in Note 4.7(g)

Group

In thousands of Naira	Notes	Stage 1	Stage 2	Stage 3	Total
		31 Dec 2021			
Loans and advances to customers at amortised cost					
(B) Low–fair risk		323,254,445	-	-	323,254,445
(B-) Higher risk		-	-	-	-
Gross loans	20	**323,254,445**	**-**	**-**	**323,254,445**
Loss allowance	20	(1,559,570)	-	-	(1,559,570)
Carrying amount		**321,694,875**	**-**	**-**	**321,694,875**

In thousands of Naira		Stage 1	Stage 2	Stage 3	Total
		31 Dec 2020			
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**

Bank

In thousands of Naira	Notes	Stage 1	Stage 2	Stage 3	Total
		31 Dec 2021			
Loans and advances to customers at amortised cost					
(B) Low–fair risk		323,254,445	-	-	323,254,445
(B-) Higher risk		-	-	-	-
Gross loans	20	**323,254,445**	**-**	**-**	**323,254,445**
Loss allowance	20	(1,559,570)	-	-	(1,559,570)
Carrying amount		**321,694,875**	**-**	**-**	**321,694,875**

In thousands of Naira		Stage 1	Stage 2	Stage 3	Total
		31 Dec 2020			
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**

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

iiiIncorporation 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.

	2021		2020		
At 31 December	**Upside**	**Downside**	**Upside**	**Central**	**Downside**
Scenario probability weighting	30%	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

		2021			
in thousands of Naira	Notes	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers at amortized cost					
Balance at 1 January		1,106,658	-		1,106,658
Transfer to Stage 1		-	-		-
Transfer to Stage 2		-	-		-
Transfer to Stage 3		-	-		-
Loans disbursed during the year		712,269	-		712,269
Loan repayments received during the year		(259,357)	-		(259,357)
Balance at 31 December	20	**1,559,570**	**-**		**1,559,570**

		2020			
in thousands of Naira	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**

Investment securities - treasury bills (in thousands of Naira)		2021	2020
Balance at 1 January		61,453	433,279
Additions to investment securities		467	61,453
Redemption of investment securities		(61,453)	(433,279)
Balance at 31 December	19	**467**	**61,453**

Cash and cash equivalent - Placements (in thousands of Naira)		2021	2020
Balance at 1 January		1,079,919	247,686
Additions to investment securities		362,836	1,079,919
Redemption of investment securities		(1,079,919)	(247,686)
Balance at 31 December	18	**362,836**	**1,079,919**

Provision for guarantee (in thousands of Naira)		2021	2020
Balance at 1 January		7,418	360
Guarantee expense for the period		37,542	7,058
Claims paid during the period		(4,998)	-
Balance at 31 December	26	**37,992**	**7,418**

Bank

		2021			
in thousands of Naira		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost					
Balance at 1 January		1,106,658	-	-	1,106,658
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3		-	-	-	-
Loans disbursed during the year		712,269	-	-	712,269
Loan repayments received during the year		(259,357)	-	-	(259,357)
Balance at 31 December	20	**1,559,570**	**-**	**-**	**1,559,570**

		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**

Investment securities - treasury bills (in thousands of Naira)		2021	2020
Balance at 1 January		433,279	433,279
Additions to investment securities		-	61,453
Redemption of investment securities		(433,279)	(433,279)
Balance at 31 December	19	**-**	**433,279**

Cash and cash equivalent - Placements (in thousands of Naira)		2021	2020
Balance at 1 January		1,079,919	247,686
Additions to investment securities		337,127	1,079,919
Redemption of investment securities		(1,079,919)	(247,686)
Balance at 31 December	18	**337,127**	**1,079,919**

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	
In thousands of Naira		**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Carrying amount		147,167,291	259,145,775	321,694,875	214,023,172	27,957,211	16,605,584	336,124	94,557
Guaranteed amount		-	-	-	-	-	-	-	-
Collectively impaired:									
Cash and cash equivalents	18	147,530,127	260,245,452	-	-	-	-	-	-
Investment securities	19	-	-	-	-	27,957,678	16,676,483	-	-
Performing loans and advances	20	-	-	323,254,445	215,129,830	-	-	-	-
Other assets	24	-	-	-	-	-	-	342,421	95,758
Gross amount		**147,530,127**	**260,245,452**	**323,254,445**	**215,129,830**	**27,957,678**	**16,676,483**	**342,421**	**95,758**
Allowance for impairment		(362,836)	(1,099,677)	(1,559,570)	(1,106,658)	(467)	(70,899)	(6,296)	(1,201)
Carrying amount		**147,167,291**	**259,145,775**	**321,694,875**	**214,023,172**	**27,957,211**	**16,605,584**	**336,124**	**94,557**
Total carrying amount - amortised cost		147,167,291	259,145,775	321,694,875	214,023,172	27,957,211	16,605,584	336,124	94,557

Bank	**Note**	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
In thousands of Naira		**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Carrying amount		135,321,043	249,275,276	321,694,875	214,023,172	26,618,294	14,162,048	56,691	35,738
Guaranteed amount		-	-	-	-	-	-	-	-
Collectively impaired:									
Cash and cash equivalents	18	135,658,170	250,355,195	-	-	-	-	-	-
Investment securities	19	-	-	-	-	26,618,294	14,223,501	-	-
Performing loans and advances	20	-	-	323,254,445	215,129,830	-	-	-	-
Other assets	24	-	-	-	-	-	-	56,691	35,738
Gross amount		**135,658,170**	**250,355,195**	**323,254,445**	**215,129,830**	**26,618,294**	**14,223,501**	**56,691**	**35,738**
Allowance for impairment		(337,127)	(1,079,919)	(1,559,570)	(1,106,658)	-	(61,453)	-	-
Carrying amount		**135,321,043**	**249,275,276**	**321,694,875**	**214,023,172**	**26,618,294**	**14,162,048**	**56,691**	**35,738**
Total carrying amount - amortised cost		**135,321,043**	**249,275,276**	**321,694,875**	**214,023,172**	**26,618,294**	**14,162,048**	**56,691**	**35,738**

Balances included in Other Assets above are those subject to credit risks. The tables above shows a worst-case scenario of credit risk exposure to the Group and Bank as at 31 December 2021 and 31 December 2020, 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 2020	-	(1,106,658)
Impairment loss recognised	-	(1,559,570)
Amounts written off	-	1,106,658
	-	(1,559,570)

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 2021 (2020: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	
In thousands of Naira		**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Carrying amount		1747,167,291	259,145,775	321,694,875	214,023,172	27,957,211	16,605,584	336,125	94,557
Concentration by sector:									
Finance		146,945,173	258,887,644	321, 694,875	214,023,172	-	-	322,538	93,921
Government		222,118	258,131	-	-	27,957,211	16,605,584	-	-
Others		-	-	-	-	-	-	13,587	636
		147,167,291	259,145,775	321,694,875	214,023,172	27,957,211	16,605,584	336,125	94,557

Concentration by location:	Cash and cash equivalents		Loans and advances to PFIs		Investment securities		Other assets	
In thousands of Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Abuja	222,118	258,131	15,216,168	236,079	27,957,211	16,605,584	13,587	636
North East	-	-	1,447,627	-	-	-	-	-
North West	-	-	16,116,913	35,369	-	-	-	-
North Central	-	-	16,695,964	-	-	-	-	-
South South	-	-	57,969,416	4,839,162	-	-	-	-
South West	146,945,173	258,887,644	176,160,114	208,912,562	-	-	279,307	58,819
Outside Nigeria	-	-	-	-	-	-	43,231	35,102
	147,167,291	259,145,775	283,606,202	214, 023,172	27,957,211	16,605,584	336,125	94,557

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-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Carrying amount		147,167,291	259,145,775	321,694,875	214,023,172	26,618,294	14,162,048	83,841	35,738
Concentration by sector:									
Finance		146,945,173	258,887,644	321,694,875	214,023,172	-	-	70,381	35,102
Government		222,118	258,131	-	-	26,618,294	14,162,048	-	-
Others		-	-	-	-	-	-	13,460	636
		147,167,291	259,145,775	321,694,875	214,023,172	26,618,294	14,162,048	83,841	35,738

Concentration by location:								
In thousands of Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Abuja	222,118	258,131	15,216,168	236,079	26,618,294	14,162,048	13,460	636
North East	-	-	1,447,627	-	-	-	-	-
North West	-	-	16,116,913	35,369	-	-	-	-
North Central	-	-	16,695,964	-	-	-	-	-
South South	-	-	57,969,416	4,839,162	-	-	-	-
South West	146,945,173	258,887,644	176,160,114	208,912,562	-	-	27,150	-
Outside Nigeria	-	-	-	-	-	-	43,231	35,102
	147,167,291	259,145,775	321,694,875	214,023,172	26,618,294	14,162,048	83,841	35,738

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

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	**31 December 2021**		**31 December 2020**	
in thousands of Naira	**Carrying Amount**	**Collateral**	**Carrying Amount**	**Collateral**
Stages 1 and 2	321,694,875	426,196,176	214,023,172	259,026,763
Stage 3	-	-	-	-

Bank	**31 December 2021**		**31 December 2020**	
in thousands of Naira	**Carrying Amount**	**Collateral**	**Carrying Amount**	**Collateral**
Stages 1 and 2	321,694,875	426,196,176	214,023,172	259,026,763
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 Group has a dedicated risk team with the sole responsibility of implementing the market risk section of the Enterprise Risk Management Framework.

Identifying the growing importance of market risks in the Group's operations, management has continued to ensure adequate internal controls and capital resources to address these risks. A range of tools for managing market risk are used, including:

- Stress/Scenario testing
Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist management in capital planning decisions.

In line with the Board approved Stress Testing Framework, a consistent stress testing methodology is applied to the Balance sheet. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. The Group performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which 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 rated assets and liabilities, the Group is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the 90-day Treasury Bills, 10 year Bond and different types of interest. These risks impact both the earnings and the economic value of the Group. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities and advances to banks to manage the overall position arising from the non-trading activities.

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.

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A summary of the Group's interest rate gap position on financial instruments is as follows:

31 December 2021		Re-pricing period							
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	322,553	-	-	-	-	322,553	222,118	544,671
Placements with Banks	18	133,894,359	12,728,261	-	-	-	146,622,621	-	146,622,621
Investment securities	19	-	992,635	26,964,575	-	-	27,957,211	-	27,957,211
Loans and advances	20	193,631	597,769	2,014,684	19,647,298	299,241,493	321,694,875	-	321,694,875
Other assets	24	-	-	-	-	-	-	336,125	336,125
		134,410,542	**14,318,666**	**28,979,259**	**19,647,298**	**299,241,493**	**496,597,259**	**558,243**	**497,155,502**
Borrowings	27	-	-	-	-	(298,134,621)	(298,134,621)	-	(298,134,621)
Other financial liabilities	28	-	-	-	-	-	-	(1,595,041)	(1,595,041)
		-	**-**	**-**	**-**	**(298,134,621)**	**(298,134,621)**	**(1,595,041)**	**(299,729,662)**
Total interest re-pricing gap		**134,410,542**	**14,318,666**	**28,979,259**	**19,647,298**	**1,106,872**	**198,462,638**	**(1,036,798)**	**197,425,839**

31 December 2020		Re-pricing period							
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	-	214,023,172
Other assets	24	-	-	-	-	-	-	94,557	94,557
		246,398,419	**18,081,733**	**6,140,888**	**17,814,459**	**201,038,236**	**489,473,735**	**395,354**	**489,869,088**
Borrowings	27	-	-	-	-	(313,724,945)	(313,724,945)	-	(313,724,945)
Other financial liabilities	28	-	-	-	-	-	-	(1,418,735)	(1,418,735)
		-	**-**	**-**	**-**	**(313,724,945)**	**(313,724,945)**	**(1,418,735)**	**(315,143,680)**
Total interest re-pricing gap		**246,398,419**	**18,081,733**	**6,140,888**	**17,814,459**	**(112,686,709)**	**175,748,790**	**(1,023,381)**	**174,725,408**

A summary of the Bank's interest rate gap position on financial instruments is as follows:

31 December 2021		Re-pricing period							
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	22,911	-	-	-	-	22,911	222,118	245,029
Placements with Banks	18	124,350,868	10,725,146	-	-	-	135,076,014	-	135,076,014
Investment securities	19	-	-	26,618,294	-	-	26,618,294	-	26,618,294
Loans and advances	20	193,631	597,769	2,014,684	19,647,298	299,241,493	321,694,875	-	321,694,875
Other assets	24	-	-	-	-	-	-	83,841	83,841
		124,567,409	**11,322,915**	**28,632,978**	**19,647,298**	**299,241,493**	**483,412,094**	**305,959**	**483,718,053**
Borrowings	27	-	-	-	-	(298,134,621)	(298,134,621)	-	(298,134,621)
Other liabilities	28	-	-	-	-	-	-	(1,499,511)	(1,499,511)
		-	**-**	**-**	**-**	**(298,134,621)**	**(298,134,621)**	**(1,499,511)**	**(299,634,132)**
Total interest re-pricing gap		**124,567,409**	**11,322,915**	**28,632,978**	**19,647,298**	**1,106,872**	**185,277,473**	**(1,193,552)**	**184,083,921**

31 December 2020		Re-pricing period							
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	-	214,023,172
Other assets	24	-	-	-	-	-	-	35,738	35,738
		246,046,864	**8,501,917**	**6,140,888**	**15,474,461**	**201,038,236**	**477,202,366**	**293,868**	**477,496,234**
Borrowings	27	-	-	-	-	(313,724,945)	(313,724,945)	-	(313,724,945)
Other liabilities	28	-	-	-	-	-	-	(1,315,080)	(1,315,080)
		-	**-**	**-**	**-**	**(313,724,945)**	**(313,724,945)**	**(1,315,080)**	**(315,040,025)**
Total interest re-pricing gap		**246,046,864**	**8,501,917**	**6,140,888**	**15,474,461**	**(112,686,709)**	**163,477,421**	**(1,021,212)**	**162,456,209**

Notes to the Consolidated and Separate Financial Statements
For the year ended 31 December 2021

Group Interest sensitivity analysis - 31 December 2021
Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	(1,487,292)	1,487,292
6 months	(289,793)	289,793
12 months	(196,473)	196,473
	(1,973,558)	**1,973,558**

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

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	(2,644,802)	2,644,802
6 months	(61,409)	61,409
12 months	(178,145)	178,145
	(2,884,355)	**2,884,355**

Bank Interest sensitivity analysis - 31 December 2021
Impact on net interest income of +/-100 basis points changes in rates over a one year period (N'000

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	(1,358,903)	1,358,903
6 months	(286,330)	286,330
12 months	(196,473)	196,473
	(1,841,706)	**1,841,706**

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

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	(2,545,488)	2,545,488
6 months	(61,409)	61,409
12 months	(154,745)	154,745
	(2,761,641)	**2,761,641**

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 off oreign exchange rates. This is because its revenues, capital expenditures are primcipally based 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.

Notes to the Consolidated and Separate Financial Statements
For the year ended 31 December 2021

The table below summarises financial instruments at carrying amount, categorised by currenc

Financial instruments by currency					
Group					
In thousands of Naira	Note	**Total**	**Naira**	**US $**	**GBP £**
31 December 2021					
Cash and cash equivalents	18	147,167,291	147,001,134	165,575	582
Investment securities	19	27,957,211	27,957,211	-	-
Loans and advances	20	321,694,875	321,694,875	-	-
Other assets	24	336,124	336,124	-	-
		497,155,501	**496,989,344**	**165,575**	**582**
Borrowings	27	298,134,621	298,134,621	-	-
Other liabilities	28	1,595,041	1,595,041	-	-
		299,729,662	**299,729,662**	**-**	**-**
Net Local Currency Exposur e		**197,425,838**	**197,259,681**		
Net Foreign Currency Exposure				**165,575**	**582**

Group					
In thousands of Naira		**Total**	**Naira**	**US $**	**GBP £**
31 December 2020					
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**

Bank					
In thousands of Naira		**Total**	**Naira**	**US $**	**GBP £**
31 December 2021					
Cash and cash equivalents	18	135,321,043	135,154,886	165,575	582
Investment securities	19	26,618,294	26,618,294	-	-
Loans and advances	20	321,694,875	321,694,875	-	-
Other assets	24	83,841	83,841	-	-
		483,718,053	**483,551,896**	**165,575**	**582**
Borrowings	27	308,509,166	308,509,166	-	-
Other liabilities	28	1,499,511	1,499,511	-	-
		310,008,678	**310,008,678**	**-**	**-**
Net Local Currency Exposure		**173,709,375**	**173,543,218**		
Net Foreign Currency Exposure				**165,575**	**582**

Bank					
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**

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.

Liquidity Contingency Plan

The Group has an approved liquidity contingency funding plan which describes actions and processes necessary for the prevention, management and containment of a liquidity crisis within the group. The plan has been developed in line with the Central Bank of Nigeria's contingency planning framework and the group's Assets and Liabilities Management policy

The plan defines what constitutes a liquidity crisis and clearly states the responsibilities of relevant officers of the group in the process leading to the identification and eventual declaration of a crisis situation. In detail, the plan harnesses the group's strategy for handling a liquidity crisis and describes procedures for managing and making up cashflow shortfalls in stressed liquidity situations. The plan is built upon the output of a stress
test and scenario analysis on the Group's capital.

More so, the framework stipulates the policy review process and defines review frequency as every two years to be executed by the Assets and Liabilities Committee of the group and approved by the Board of Directors. Ownership of the plan as defined in the framework resides with the
Chief Financial Officer.

a Residual contractual maturities of financial assets and liabilities

Group **31 December 2021** **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	544,671	544,671	544,671	-	-	-	-
Placements with banks	18b	146,622,621	136,660,297	127,041,455	9,618,842	-	-	-
Investment securities	19	27,957,211	28,855,000	-	1,000,000	27,855,000	-	-
Loans and advances	20	321,694,875	323,254,445	193,632	598,081	2,019,517	19,668,485	300,774,731
Other assets	24	336,125	336,125	336,125	-	-	-	-
		497,155,502	**489,650,537**	**128,115,882**	**11,216,923**	**29,874,517**	**19,668,485**	**300,774,731**
Non-derivative liabilities:								
Borrowings	27	(298,134,621)	(375,190,481)	-	-	(17,023,121)	(16,377,723)	(341,789,637)
Other liabilities	28	(1,595,041)	(1,595,041)	(723,967)	(775,711)	-	-	(95,363)
Off-balance sheet:								
Financial Guarantees		-	-	-	-	-	-	-
		(299,891,190)	**(376,785,522)**	**(723,967)**	**(775,711)**	**(17,023,121)**	**(16,377,723)**	**(341,885,000)**
Gap (asset - liabilities)		**197,264,312**	**112,865,015**	**127,391,915**	**10,441,212**	**12,851,395**	**3,290,762**	**(41,110,269)**
Cumulative liquidity gap				**127,391,915**	**137,833,127**	**150,684,522**	**153,975,284**	**112,865,015**

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	22	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)
Off-balance sheet:								
Financial Guarantees		-	-	-	-	-	-	-
		(315,143,680)	**(398,881,011)**	**(524,441)**	**(718,089)**	**(23,613,823)**	**(14,957,298)**	**(359,067,360)**
Gap (asset - liabilities)		**174,725,408**	**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**

Bank

31 December 2021 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	245,029	245,029	245,029	-	-	-	-
Placements with banks	18b	135,076,014	135,839,246	124,991,263	10,847,983	-	-	-
Investment securities	19	26,618,294	27,500,000	-	-	27,500,000	-	-
Loans and advances	20	321,694,875	323,254,445	193,632	598,081	2,019,517	19,668,485	300,774,731
Other assets	24	83,841	83,841	83,841	-	-	-	-
		483,718,053	**486,922,561**	**125,513,765**	**11,446,064**	**29,519,517**	**19,668,485**	**300,774,731**
Non-derivative liabilities:								
Borrowings	27	(298,134,621)	(375,190,481)	-	-	(17,023,121)	(16,377,723)	(341,789,637)
Other liabilities	28	(1,499,511)	(1,499,511)	(669,809)	(734,339)	-	-	(95,363)
		(299,634,132)	**(376,689,992)**	**(671,018)**	**(734,339)**	**(17,023,121)**	**(16,377,723)**	**(341,885,000)**
Gap (asset - liabilities)		**184,083,921**	**110,232,569**	**124,843,955**	**10,711,725**	**12,496,395**	**3,290,762**	**(41,110,269)**
Cumulative liquidity gap				**124,843,955**	**135,555,680**	**148,052,076**	**151,342,838**	**110,232,569**

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	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**
Non-derivative liabilities:								
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**

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. T

he 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 MRC, 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 continues to impact negatively 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 recently taken are:

- Vaccination of all Staff at both the Head Office and Lagos Liason Office.
- Staff are to seek approval from Line Supervisor and notify Head, HR, and Risk Management before embarking on any international travels including any public holiday or weekend trips.
- Temperature checks for visitors and staff at all our locations; individuals with temperatures above 38°C were not granted access into our offices.
- All visitors coming to the Bank must pre-send or present on arrival evidence of full vaccination to the Bank before they can

have access to our premises.

- 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 has 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)

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 seemlessly 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 signigicant 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.

Embeded 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 2022: In 2022, 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 enable the Bank to apply the principles and best practices of risk management to improve the security and resilience of its critical cyber infrastructure. The 2022-2023 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.

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 85.02% as at 31 December 2021 (31 December 2020: 75.24%), 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. There is no Adjusted Day One Impact for the Bank for the year ended 31 December 2021

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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):

In thousands of Naira	Note	31 December 2021	31 December 2021 (With adjusted day 1 impact)	31 December 2020	31 December 2020 (With adjusted day 1 impact)
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)	59,873,639	59,873,639	50,580,403	50,580,403
Statutory reserve	29(d)	28,003,563	28,003,563	23,288,071	23,288,071
Transitional adjustment		-	-	47	-
Tier 1 Capital Before Regulatory Deduction		**187,739,772**	**187,739,772**	**173,731,091**	**173,731,044**
Less:					
Intangible assets		(148,093)	(148,093)	(123,468)	(123,468)
Deferred tax assets		(724,664)	(724,664)	(875,249)	(875,249)
Investment in subsidiary - 50%		(5,687,500)	(5,687,500)	(5,687,500)	(5,687,500)
Eligible Tier 1 Capital		**181,179,515**	**181,179,515**	**167,044,874**	**167,044,827**

In thousands of Naira	31 December 2021	31 December 2021	31 December 2020	31 December 2020
Tier 2 Capital Before Regulatory Deduction				
Tier 2 Capital (restricted to 1/3 of Tier 1 Capital)	60,387,132	60,387,132	55,676,041	55,676,041
Less:				
Investment in subsidiary - 50%	(5,687,500)	(5,687,500)	(5,687,500)	**(5,687,500)**
Eligible Tier 2 Capital	**54,699,632**	**54,699,632**	**49,988,541**	**49,988,541**
Total Eligible Capital	**235,879,147**	**235,879,147**	**217,033,415**	**217,033,368**
Risk-weighted assets				
Risk-weighted Amount for Credit Risk	313,538,927	313,538,927	234,790,778	234,790,778
Risk-weighted Amount for Operational Risk	53,825,710	53,825,710	53,652,180	53,652,180
Risk-weighted Amount for Market Risk	**-**	**-**	**-**	**-**
Total weighted risk assets	**367,364,637**	**367,364,637**	**288,442,958**	**288,442,958**
Capital ratios				
Risk weighted Capital Adequacy Ratio (CAR)	64.21%	64.21%	75.24%	75.24%

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	45,754,097	33,429,735	37,726,675
Interest Expenses	(8,191,950)	(11,270,015)	(11,688,620)
Net Interest Income	**37,562,147**	**22,159,720**	**26,038,055**
Fees and Commission Income	-	-	-
Fees and Commission Expenses	(133,242)	(87,524)	(20,844)
Net Fees and Commission Income	**(133,242)**	**(87,524)**	**(20,844)**
Any other operating income	1,131	146,985	454,708
Total net non-interest income	**(132,111)**	**59,461**	**433,864**
Total Gross Income	**37,430,036**	**22,219,181**	**26,471,919**

Capital Charge for Operational Risk (Average of Year 1-3 Total Gross Income)*15%	4,306,057
Operational Risk Calibrated Risk-weighted Amount using Basic Indicator Approach	**53,825,710**

As shown above, DBN currently has a capital adequacy ratio of 85.02% (2020: 75.24%), 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.

As at 31 December 2021, the Bank was in compliance with the minimum capital (shareholdrs' fund) of N200billion.

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 *31 December 2021*	*Note*	Level 1 ₦ '000	Level 2 ₦ '000	Level 3 ₦ '000	Total Fair Values ₦ '000	Total carrying amount ₦ '000
Cash and cash equivalents	18	-	147,167,291	-	147,167,291	147,167,291
Investment securities	19	27,989,560	-	-	27,989,560	27,957,211
Loans and advances to customers	20	-	-	321,694,875	321,694,875	321,694,875
Other financial assets	24	-	-	336,125	336,125	336,125
		27,989,560	147,167,291	322,031,000	497,187,851	497,155,502
Borrowings	27	-	-	298,134,621	298,134,621	298,134,621
Other financial liabilities	28	-	-	1,595,041	1,595,041	1,595,041
		-	-	299,729,662	299,729,662	299,729,662

Group *31 December 2020*	*Note*	Level 1 ₦ '000	Level 2 ₦ '000	Level 3 ₦ '000	Total Fair Values ₦ '000	Total carrying amount ₦ '000
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

Bank *31 December 2021*	*Note*	Level 1 ₦ '000	Level 2 ₦ '000	Level 3 ₦ '000	Total Fair Values ₦ '000	Total carrying amount ₦ '000
Cash and cash equivalents	18	-	135,321,043	-	135,321,043	135,321,043
Investment securities	19	27,141,225	-	-	27,141,225	26,618,294
Loans and advances to customers	20	-	-	321,694,875	321,694,875	321,694,875
Other financial assets	24	-	-	83,841	83,841	83,841
		27,141,225	135,321,043	321,778,716	484,240,984	483,718,053
Borrowings	27	-	-	298,134,621	298,134,621	298,134,621
Other financial liabilities	28	-	-	1,499,511	1,499,511	1,499,511
		-	-	299,634,132	299,634,132	299,634,132

Bank *31 December 2020*		Level 1 ₦ '000	Level 2 ₦ '000	Level 3 ₦ '000	Total Fair Values ₦ '000	Total carrying amount ₦ '000
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
		14,456,450	249,275,276	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

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.

Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

8 Interest income calculated using the effective interest method

In thousands of Naira		GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Placements with banks	18a	13,499,644	7,405,661	12,804,105	7,173,151
Investment in Treasury Bills	19a	2,018,553	16,500,016	1,886,525	15,738,932
Loans and advances to Participating Financial Institutions (PFIs)	20a	23,036,045	10,517,652	23,036,045	10,517,652
		38,554,242	**34,423,329**	**37,726,675**	**33,429,735**

Total interest income, calculated using the effective interest rate method reported above that relate to financial assets carried at amortized cost are ₦38.55billion and ₦37.73billion (31 December 2020: ₦34.42billion and 33.43billion) for Group and Bank respectively.

9 Interest expense

In thousands of Naira		GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Borrowings (See (i) below)	27a	11,641,639	11,263,712	11,641,639	11,263,712
Provision IDB Expense		42,410	-	42,410	-
Lease expense	30c(ii)	4,571	6,303	4,571	6,303
		11,688,620	**11,270,015**	**11,688,620**	**11,270,015**

(i) The amount reported above is calculated using the effective interest method, and relates to borrowings measured at amortised cost

10 Impairment (writeback)/ loss on financial assets

In thousands of Naira	*Notes*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Loans and Advances to customers	20(b)	452,912	369,318	452,912	369,318
Other financial assets	30a(v)	(802,178)	486,521	(804,246)	460,408
		(349,266)	**855,839**	**(351,334)**	**829,726**

11 Guarantee Income

In thousands of Naira	*Notes*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Upfront fee		420,295	53,877	-	-
Guarantee fee		201,487	12,776	-	-
		621,782	**66,653**	**-**	**-**

Guarantee income is earned in the Group in respect of operations of the Bank's subsidiary - Impact Credit Guarantee Limited. Up front 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 ten or of the guarantee. The upfront fee is recognised immediately the service is performed. Guarantee fee is1% 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 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Foreign exchange gains		-	4,114	-	4,114
Other sundry incomes (See (i) below)		407,436	100,368	401,420	100,368
Income from subsidiary - shared services		0	-	53,288	42,503
		407,436	**104,482**	**454,708**	**146,985**

(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 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Custodian fees on treasury bills	22,598	91,451	20,844	87,524
	22,598	**91,451**	**20,844**	**87,524**

b Guarantee expenses

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Guarantee fees	37,542	7,058	-	-

14 Personnel expenses

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Wages and salaries	1,502,811	1,304,919	1,325,992	1,133,546
Pension contribution	74,681	65,281	66,081	56,968
Other allowances	540,021	71,582	514,775	50,000
	2,117,513	**1,441,782**	**1,906,848**	**1,240,514**

i The number of employees, excluding the non-executive directors in employment as at:

	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Executive Management	3	2	2	1
Senior Management	14	16	12	14
Middle Management	8	8	7	7
Officer	30	30	25	25
	55	**56**	**46**	**47**

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 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Below N1,000,000	-	-	-	-
N1,000,001 - N 3,000,000	10	9	8	7
N3,000,001 - N 6,000,000	6	6	5	5
N6,000,001 - N 9,000,000	4	4	2	2
N9,000,001 - N 15,000,000	11	12	11	12
N15,000,001 and above	24	25	21	21
	55	**56**	**46**	**47**

iii The remuneration paid to directors are as follows:

	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Fees as director	130,118	113,200	125,868	113,200
Other Allowances	85,267	75,937	80,050	75,937
Other Directors' emolument	233,534	141,383	233,281	141,383
	448,919	**330,520**	**439,199**	**330,520**
Highest paid director	**154,384**	141,383	**154,384**	**141,383**
Fees and other emoluments disclosed above include amounts paid to: Chairman	**24,550**	28,600	**24,550**	**28,600**

15 Depreciation and amortization

a *In thousands of Naira*	*Notes*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Amortization of intangibles	23	55,099	48,813	49,404	47,917
Depreciation of property and equipment	22	383,129	409,868	361,499	390,358
		438,228	**458,681**	**410,903**	**438,275**

16 General and administrative expenses

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Business promotion and advertisement	236,500	1 32,754	2 36,500	1 32,754
Donations	2 5,948	1 43,819	2 5,948	1 43,819
Legal and secretarial fees	6,489	5 ,760	6 ,489	5 ,760
Electricity expenses	14,671	1 3,160	1 4,671	13,160
Audit fees	2 1,769	1 9,300	1 6,125	1 5,000
Professional services (See note(i) below)	227,130	4 08,961	1 94,244	3 57,604
Other expenses	5 3,954	6 4,847	4 2,431	5 7,833
Other Board expenses	51,865	3 8,680	5 1,865	3 8,680
Newspapers and periodicals	21,607	1 7,420	2 1,607	1 7,420
Corporate subscriptions	29,418	1 6,917	2 9,418	1 6,917
Office consumables	14,946	1 9,963	1 4,946	1 9,963
Staff welfare	1 5,262	8 ,584	1 5,262	8 ,584
Project Implementation unit (PJU) related expense	368,852	1 4,714	3 68,852	1 4,714
Insurance Expenses	7 8,822	7 7,923	6 7,650	6 9,355
Maintenance	2 0,966	1 0,690	2 0,761	1 0,679
Stationery, IT and Communication expenses	1 88,801	1 44,141	1 74,771	1 43,202
Travels and Hotels	6 3,632	6 4,872	5 8,050	4 5,250
Recruitment & Training, Subscription and Contract cost	1 91,684	1 28,911	1 77,179	1 16,571
Director Emolument and expenses	2 09,743	1 89,137	2 05,493	1 89,137
Bank Charges	5 ,801	4 ,621	3 ,429	3 ,391
	1,847,860	**1,525,174**	**1,745,689**	**1,419,793**

(I) Included in professional fees is ₦9 million relating to non-audit services rendered by KPMG Professional Services (2020: N10 million).

17 Taxation

a Tax Expense

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
i *Minimum Tax*				
Minimum Tax	-	83,942	-	83,942
	-	**83,942**	**-**	**83,942**
ii *Current Tax*				
Company Income Tax	6,305,283	-	6,090,087	-
Tertiary Education Tax	541,634	65,493	574,695	65,493
NITDA Levy	2 35,453	189,445	225,345	182,909
Nigerian Police Trust Fund levy	844	962	793	914
NASENI Levy	5 6,900	-	5 6,900	-
iii *Deferred Tax*				
Deferred Tax charge/(credit) (see (b) below)	197,922	626,398	150,585	671,570
	7,338,035	**882,298**	**7,041,505**	**920,886**
Total income tax expense/(credit)	**7,338,035**	**966,240**	**7,041,505**	**1,004,828**

Reconciliation of effective tax rate - Group *In thousands of Naira*		31 December 2021		31 December 2020
Profit before tax		23,780,365		18,944,464
Income tax using the domestic corporation tax rate @ 30%	30%	7,134,109	30%	5 ,683,340
Tax effect of:				
Non-deductible expenses	0.9%	222,289	0.3%	64,068
Tax exempt income	-2.9%	(678,186)	(27.0%)	(5,090,835)
Current year utilized loss	0.0%	-	0.1%	14,997
Minimum tax	0.0%	-	0.4%	83,942
Information technology tax levy	1.0%	235,453	0.8%	189,445
Education tax	2.3%	541,634	0.3%	65,493
NASENI Levy	0.2%	56,900	0.0%	-
Tax incentive	-0.7%	(175,008)	0.0%	-
Nigerian Police Trust Fund levy	0.0%	844	0.0%	9 62
Changes in estimates relating to prior years	0.0%	(0)	(2.0%)	(45,172)
Total income tax expense/(credit)	**31%**	**7,338,035**	**5%**	**966,240**

Reconciliation of effective tax rate - Bank *In thousands of Naira*		31 December 2021		31 December 2020
Profit before tax		22,759,813		18,290,873
Income tax using the domestic corporation tax rate @ 30%	30%	6,827,944	30%	5,487,262
Tax effect of:				
Non-deductible expenses	0.8%	174,757	0.2%	46,818
Tax exempt income	(2.8%)	(638,574)	(26.6%)	(4,862,510)
Minimum tax	0.0%	-	0.5%	83,942
Information technology tax levy	1.0%	225,345	1.0%	182,909
Education tax	2.3%	517,795	0.4%	65,493
NASENI Levy	0.2%	56,900	0.0%	-
Tax incentive	-0.5%	(123,455)	0.0%	-
Nigerian Police Trust Fund levy	0.0%	793	0.0%	914
Total income tax expense/(credit)	**31%**	**7,041,505**	**5%**	**1,004,828**

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 assesable 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 2021 (31 December 2020: Nil)

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Property and equipment	(94,031)	(55,769)	(85,763)	(63,523)
Intangibles	(8,943)	-	(8,943)	-
ECL allowance	629,489	723,518	602,340	711,386
Provisions and Leases	214,729	219,406	214,729	219,406
Unrealised foreign exchange difference	2,301	-	2,301	-
Unrelieved tax losses	-	54,312	-	-
	743,546	**941,468**	**724,664**	**867,270**

The movement in the deferred tax asset during the year was as follows: *In thousands of Naira*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Balance, beginning of the year	**941,468**	**1,567,866**	**867,270**	**1,546,819**
Recognized in profit or loss:				
Property and equipment	(38,262)	(198,681)	(22,240)	(206,435)
Intangible	(8,943)	-	(8,943)	-
ECL allowance	(94,029)	-	(109,046) -	-
		-		
Provisions and Leases	(4,677)	191,240	(4,677)	171,129
Unrealized foreign exchange difference	-	362	2,301	362
Unrelieved tax losses	(54,312)	(619,319)	-	(644,605)
Total amount recognised in profit or loss	**(197,922)**	**(626,398)**	**(142,606)**	**(679,549)**
Balance, end of the year	**743,546**	**941,468**	**724,664**	**867,270**

c Current income tax liability

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Balance, beginning of the year	341,474	603,010	334,889	600,043
Charge for the period:				
Minimum tax	-	83,942	-	83,942
Current tax	7,140,113	255,900	6,890,920	249,316
Witholding tax credit note utilised	(83,942)		(83,942)	
Tax paid	(254,940)	(601,378)	(248,402)	(598,412)
	7,142,706	**341,474**	**6,893,466**	**334,889**

18 Cash and cash equivalents

In thousands of Naira	*Notes*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Treasury Single Account with Central Bank of Nigeria (i)		204,287	253,496	204,287	253,496
Other current account balances with Central Bank of Nigeria (ii)		17,831	4,634	17,831	4,634
Current account balances with local banks		322,553	541,721	22,911	147,237
		544,671	**799,851**	**245,029**	**405,367**
Placements with local banks (iii)		146,985,457	259,445,601	135,413,141	249,949,828
Cash and cash equivalents in the statement of cash flows		**147,530,127**	**260,245,452**	**135,658,170**	**250,355,195**
Less: Allowance for impairment	**30a(v)**	(362,836)	(1,099,677)	(337,127)	(1,079,919)
Cash and cash equivalents in the statement of financial position		**147,167,291**	**259,145,775**	**135,321,043**	**249,275,276**

(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 2021 under this policy is N40.09m (2020: N37.33m). 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 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Opening		259,445,601	259,445,601	249,949,828	249,949,828
Purchase of placements with local banks		2,161,666,143	2,140,440,493	2,150,263,951	2,130,990,493
Interest Income earned on placements with local banks		13,499,644	7,405,661	12,804,105	7,173,151
Proceeds from matured placements with local banks		(2,274,742,361)	(2,140,923,864)	(2,265.353.517	(2,130,722,773
Interest received		(12,701,736)	(7,222,116)	(12,006,197)	(7,035,504)
Closing		**147,167,291**	**259,145,775**	**135,658,170**	**250,355,195**

b The breakdown of the carrying amount of Cash and cash equivalents for Group and Bank is as follows:

Group

31 December 2021	Gross amount	Impairment	Carrying amount
Treasury Single Account with Central Bank of Nigeria	204,287	-	204,287
Other current account balances with Central Bank of Nigeria	17,831	-	17,831
Current account balances with local banks	322,553	(262)	322,291
Total cash and balances with banks	**544,671**	**(262)**	**544,409**
Placements with local banks	146,985,457	(362,574)	146,622,883
Cash and cash equivalents	**147,530,127**	**(362,836)**	**147,167,291**

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**

Bank

31 December 2021	Gross amount	Impairment	Carrying amount
Treasury Single Account with Central Bank of Nigeria	204,287	-	204,287
Other current account balances with Central Bank of Nigeria	17,831	-	17,831
Current account balances with local banks	22,911	-	22,911
Total cash and balances with banks	**245,029**	-	**245,029**
Placements with local banks	135,413,141	(337,127)	135,076,014
Cash and cash equivalents	**135,658,170**	**(337,127)**	**135,321,043**

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**

19 Investment securities

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Investments in treasury bills (measured at amortized cost)	27,957,678	16,676,483	26,618,294	14,223,501
Less: Allowance for impairment	(467)	(70,899)	-	(61,453)
	27,957,211	**16,605,584**	**26,618,294**	**14,162,048**

a Movement in Investment Securities

In thousands of Naira	*Notes*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Opening balance		16,605,584	237,014,094	14,162,048	227,587,961
Purchase of treasury bills		27,222,729	37,352,374	25,008,268	34,923,686
Gain on disposal of treasury bills		6,016	-	-	-
Interest income on treasury bills	8	2,018,553	16,500,016	1,886,525	15,738,932
Interest received		(1,853,497)	(16,665,071)	(2,074,776)	(15,550,681)
Disposal of treasury bills		(973,427)	-	-	-
Maturity of treasury bills		(15,139,179)	(257,958,514)	(12,425,224)	(248,909,676)
Impairment write-back/(allowance for impairment)	30a(v)	70,432	362,686	61,453	371,826
Closing balance		**27,957,211**	**16,605,584**	**26,618,294**	**14,162,048**

20 Loans and advances to customers

In thousands of Naira	*Notes*	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Loans and advances to PFIs at amortised cost		323,254,445	215,129,830	323,254,445	215,129,830
Less: Allowance for impairment (see (b))		(1,559,570)	(1,106,658)	(1,559,570)	(1,106,658)
		321,694,875	**214,023,172**	**321,694,875**	**214,023,172**

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		GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Principal		210,637,086	101,573,332	210,637,086	101,573,332
Impairment		(1,106,658)	(737,340)	(1,106,658)	(737,340)
Interest		4,492,744	1,063,681	4,492,744	1,063,681
Opening		214,023,172	101,899,673	214,023,172	101,899,673
Impairment charge during the year	10	(452,912)	(369,318)	(452,912)	(369,318)
Loans disbursed		158,355,544	164,360,921	158,355,544	164,360,921
Interest income on loans	8	23,036,045	10,517,652	23,036,045	10,517,652
Loan principal payments received		(50,417,875)	(55,297,167)	(50,417,875)	(55,297,167)
Interest received		(22,849,099)	(7,088,589)	(22,849,099)	(7,088,589)
Closing		**321,694,875**	**214,023,172**	**321,694,875**	**214,023,172**
Closing - Loans and advances to PFIs		321,694,875	214,023,172	321,694,875	214,023,172
Principal		318,574,755	210,637,086	318,574,755	210,637,086
Impairment		(1,559,570)	(1,106,658)	(1,559,570)	(1,106,658)
Interest		4,679,690	4,492,744	4,679,690	4,492,744

b Movement in allowances for impairment

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Balance at 1 January	1,106,658	737,340	1,106,658	737,340
Charge for the year (see note 10)	452,912	369,318	452,912	369,318
Closing balance	**1,559,570**	**1,106,658**	**1,559,570**	**1,106,658**

21 Investment in Subsidiary

a Subsidiaries

31 December 2021

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 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**

b Movement in gross investment in subsidiary

In thousands of Naira	BANK 31 December 2021	BANK 31 December 2020
Balance as at the beginning of the year	11,375,000	11,375,000
Additions	-	-
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 2021	31 December 2020
Interest Income	827,567	993,594
Guarantee Fee Income	621,782	66,653
Other Income	6,016	-
Provision for guarantees	(37,542)	(7,058)
Operating Income	**1,417,823**	**1,053,189**
Impairment loss on financial assets	2,068	26,113
Personnel Expenses	210,665	201,268
Depreciation Expenses	27,325	20,406
Fee and commission expenses	1,754	3,927
General & Administrative Expenses	155,459	147,884
Total Expenses	**397,271**	**399,598**
Profit for the period before taxation	**1,020,552**	**653,591**
Tax expense	(296,530)	38,588
Profit for the period after taxation	**724,022**	**692,179**
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income for the period	**724,022**	**692,179**

Statement of Financial Position

In thousands of Naira	31 December 2021	31 December 2020
Assets		
Cash and cash equivalents	11,846,248	9,870,499
Investment securities	1,338,917	2,443,537
Property and equipment	38,313	56,541
Intangible assets	12,521	16,065
Deferred tax asset	18,882	66,219
Other assets	406,691	82,455
Total Assets	**13,661,571**	**12,535,316**
Liabilities		
Other liabilities	143,342	116,381
Employee benefit obligation	1,671	1,817
Current income tax payable	249,241	6,584
Provision for guarantee	161,527	28,765
Total Liabilities	**555,781**	**153,547**
Equity		
Share capital	100,000	100,000
Share premium	11,275,000	11,275,000
Retained earnings	1,730,790	1,006,769
Total Equity	**13,105,790**	**12,381,769**
Total liabilities and equity	**13,661,571**	**12,535,316**

22 Property and equipment

Group *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 2021		776,489	100,779	213,481	79,900	103,925	379,492	1,286,836	2,940,902
Additions during the period		424,859	9,762	27,991	7,782	6,850	-	246,276	723,520
Write off		-	-	-	-	-	(33,079)	-	(33,079)
Disposals		(265,928)	(450)	(8,770)	-	(4,838)		-	(279,985)
Balance as at 31 December 2021		935,420	110,091	232,702	87,682	105,937	346,413	1,533,112	3,351,357
Accumulated Depreciation									
Balance as at 1 January 2021		482,112	47,346	125,798	35,316	86,699	140,154	-	917,425
Charge for the year	15	197,399	21,842	56,205	16,706	10,828	80,150	-	383,130
Reclassifications		-	-	-	-	-	(16,440)	-	(16,440)
Disposals		(252,682)	(270)	(8,770)	-	(3,196)	-	-	(264,918)
Balance as at 31 December 2021		426,829	68,918	173,233	52,022	94,331	203,864	-	1,019,198
Carrying amounts									
Balance at 31 December 2020		294,377	53,433	87,682	44,584	17,226	206,259	1,286,836	1,990,398
Balance at 31 December 2021		**508,591**	**41,173**	**59,469**	**35,660**	**11,606**	**142,549**	**1,533,112**	**2,332,159**

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		744,992	94,219	194,986	75,744	96,765	362,242	5,894	1,574,842
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		-	(4,637)	(10,193)	(315)	-	-	-	(15,145)
Balance as at 31 December 2020		776,489	100,779	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
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	-	917,425
Carrying amount as at 1 January 2020		**454,042**	**64,479**	**125,377**	**56,225**	**46,322**	**305,816**	**5,894**	**1,058,155**
Carrying amount as at 31 December 2020		**294,377**	**53,433**	**87,682**	**44,584**	**17,226**	**239,338**	**1,286,836**	**2,023,477**

i There were no impairment losses on any class of property and equipment during the year. (31 December 2020: Nil)
ii There were no capitalized borrowing cost related to acquisition of property and equipment during the year. (31 December 2020: 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 2020: Nil)
iv There were no capital commitments as at year end. (31 December 2020: Nil)
v The Right of Use (ROU) asset relates to the DBN's lease of its Abuja and Lagos offices

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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 2021		702,769	98,496	208,474	79,419	103,925	379,492	1,286,836	2,859,411
Additions during the period		424,859	9,762	24,589	7,782	6,850	-	246,276	720,117
Write off		-	-		-	-	(33,079)	-	(33,079)
Disposals		(265,928)	(450)	(8,770)	-	(4,838)		-	(279,985)
Balance as at 31 December 2021		861,700	107,808	224,293	87,201	105,937	346,413	1,533,112	3,266,464
Accumulated Depreciation									
Balance as at 1 January 2021		458,284	47,068	125,052	35,219	86,699	140,154	-	892,476
Charge for the year	15	178,969	21,318	53,624	16,610	10,828	80,150	-	361,499
Write off		-	-	-	-	-	(16,440)	-	(16,440)
Disposals		(252,682)	(270)	(8,770)	-	(3,196)	-	-	(264,918)
Balance as at 31 December 2021		384,571	68,116	169,906	51,829	94,331	203,864	-	972,617
Carrying amounts									
Balance at 31 December 2020		244,485	51,428	83,422	44,200	17,226	239,338	1,286,836	1,966,935
Balance at 31 December 2021		**477,129**	**39,692**	**54,387**	**35,372**	**11,606**	**142,549**	**1,533,112**	**2,293,847**

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
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		-	(4,637)	(10,193)	(315)	-	-	-	(15,145)
Balance as at 31 December 2020		702,769	98,496	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
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 amount as at 1 January 2020		**385,720**	**64,012**	**125,377**	**56,031**	**46,322**	**305,816**	**5,894**	**989,172**
Carrying amount as at 31 December 2020		**244,485**	**51,428**	**83,422**	**44,200**	**17,226**	**239,338**	**1,286,836**	**1,966,935**

i There were no impairment losses on any class of property and equipment during the year. (31 December 2020: Nil)
ii There were no capitalized borrowing cost related to acquisition of property and equipment during the year. (31 December 2020: 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 2020: Nil)
iv There were no capital commitments as at year end. (31 December 2020: Nil)
v The Right of Use (ROU) asset relates to the DBN's lease of it's Abuja and Lagos offices.

23 Intangible Assets

In thousands of Naira	Notes	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Cost					
Opening Balance		235,272	153,399	218,311	153,399
Additions		76,179	109,182	74,029	92,221
Write offs *		-	(27,309)	-	(27,309)
Closing Balance		**311,451**	**235,272**	**292,340**	**218,311**
Amortization					
Opening Balance		95,739	46,926	94,843	46,926
Charge during the period	15	55,099	48,813	49,404	47,917
Closing balance		**150,838**	**95,739**	**144,247**	**94,843**
Carrying amount as at		**139,533**	**106,473**	**123,467**	**106,473**
Carrying amount as at		**160,613**	**139,533**	**148,093**	**123,468**

Intangible assets include software and licences
i There were no impairment losses on intangible assets during the year (31 December 2020: Nil)
ii There were no capitalized borrowing cost related to acquisition of intangible assets during the year. (31 December 2020: Nil)
iii There were no liens or encumbrances on intangible assets as at the year end (31 December 2020: Nil)
iv All intangible assets are non-current. All intangible assets have finite useful lives and are amortized over three years.
v There are no internally generated or leased assets included in the above intangible assets account.
vi There are no capital commitments as at year end (31 December 2020: Nil)
* Intangible assets written off represents write off of payments to software developers that were earlier capitalized now expensed.

24 Other assets

In thousands of Naira	Notes	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Financial assets					
Cash Advances		13,363	459	13,363	459
Guarantee Fee Receivables		285,603	60,020	-	-
Receivable from ICGL		-	-	27,150	-
Other Receivables		43,455	35,279	43,328	35,279
Less: Impairment on other financial asset	30a(v)	(6,296)	(1,201)	-	-
		336,125	**94,557**	**83,841**	**35,738**
Non-financial assets					
Prepaid expenses		75,869	89,825	68,865	88,436
WHT receivables		1,033,944	409,157	913,691	386,911
		1,109,813	**498,982**	**982,556**	**475,347**
Total		**1,445,938**	**593,539**	**1,066,397**	**511,085**

25 Employee benefit obligation

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Defined pension contribution				
Opening balance	1,817	1,111	-	-
Additions during the year	-	1,817	-	-
Payments	(146)	(1,111)	-	-
Balance, end of the year	**1,671**	**1,817**	**-**	**-**

There is no employee benefit plan for the Bank's staff, therefore no employee benefit obligation was recognised by the Bank during the year ended 31 December 2021 (31 December 2020 : Nil).

26 Provision for guarantee

In thousands of Naira	Notes	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Deferred Guarantee Income					
Balance, beginning of the year		21,347	89	-	-
Deferred Guarantee Income		102,188	21,258	-	-
Balance, end of the year		**123,535**	**21,347**	**-**	**-**
ECL Allowance on financial guarantee					
Balance, beginning of the year		7,418	360	-	-
Guarantee expense for the period		37,542	7,058	-	-
Claims paid during the period		(6,969)	-	-	-
Balance, end of the year		**37,992**	**7,418**	**-**	**-**
Total		**161,527**	**28,765**	**-**	**-**

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 2021. There was a total claim of N5million paid during the year ended 31 December 2021 (31 December 2020: Nil).

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 2021 (31 December 2020: 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:

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
International Bank for Reconstruction and Development (IBRD) (see note (i))	139,346,822	139,564,841	139,346,822	139,564,841
Agence Francaise de developpement (AFD) (see note (ii)	38,020,125	42,359,171	38,020,125	42,359,171
KfW German Development Bank (see note (iii)	46,509,910	52,322,261	46,509,910	52,322,261
African Development Bank (AfDB) (see note (iv)	61,015,420	65,661,921	61,015,420	65,661,921
African Development Fund (Fund of AfDB) (see note (iv)	13,242,344	13,816,751	13,242,344	13,816,751
Balance, end of the year	**298,134,621**	**313,724,945**	**298,134,621**	**313,724,945**

The Bank has not had any defaults of principal, interest or other breaches with respect to their liabilities during the year.
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I The amount due to International Bank for Reconstruction and Development (IBRD) of N139.35 billion (Principal: N137.93 billion, Interest: N1.42billion) 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 N38.02 billion (Principal: N37.75 billion, Interest: N0.27 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 N46.51 billion (Principal: N46.50 billion, Interest: N0.01 billion) represents the carrying amount of the N18.57billion first tranche, N9.30billion second tranche, N9.32billion third tranche and N9.31billion 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 N61.02 billion (Principal: N60.46 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.

v African development fund ("ADF") is a special fund of the African Development Bank ("AfDB"). The N13.24 billion (Principal: N13.21 billion, Interest: N29.09 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 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
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
Opening	313,724,945	308,484,258	313,724,945	308,484,268
Additional long term debt	14,185,500	15,795,675	14,185,500	15,795,675
Long term principal repayment	(20,918,199)	(12,427,665)	(20,918,199)	(12,427,665)
Interest expense for the year	11,641,639	11,263,712	11,641,639	11,263,712
Interest paid	(20,499,263)	(9,391,045)	(20,499,263)	(9,391,045)
Closing	**298,134,621**	**313,724,945**	**298,134,621**	**313,724,945**
Principal	295,859,547	302,592,246	295,859,547	302,592,246
Interest	2,275,074	11,132,699	2,275,074	11,132,699

The carrying amount of the borrowings approximate the fair value of the borrowings

27 Other liabilities

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Financial Liabilities				
Audit fees	21,769	23,800	16,125	19,500
Accrued directors emolument	8,000	2,250	4,500	2,250
Accrued performance bonus (see note (i))	753,942	694,289	718,214	660,711
Payables to vendors	342,063	203,185	297,993	137,408
Sundry creditors - Other payables	186,583	179,997	179,996	179,997
Lease liability	95,363	166,930	95,363	166,930
Deposit from Participating Financial Institutions	187,320	148,284	187,320	148,284
	1,595,041	**1,418,735**	**1,499,511**	**1,315,080**
Non Financial liabilities				
PAYE payable	6,063	7,706	461	290
NHF payable	47	51	-	-
WHT payable	23,369	10,044	22,217	10,018
VAT payable	15,357	3,240	3,836	28
NSITF payable	286	224	-	-
ITF payable	2,055	1,797	-	-
Insurance claim payable	400	-	400	-
Provision - IDB	42,410	-	42,410	-
	89,987	**23,062**	**69,324**	**10,336**
Total	**1,685,028**	**1,441,797**	**1,568,835**	**1,325,416**

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

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
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
Closing balance	**100,000**	**100,000**	**100,000**	**100,000**

(b) Share premium

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
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:

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Balance, beginning of the year	51,587,170	40,675,299	50,580,403	40,360,711
Profit for the year	16,442,330	17,978,224	15,718,308	17,286,045
Transfer to statutory reserves (see note 29(d))	(4,715,492)	(5,185,814)	(4,715,492)	(5,185,814)
Transfer to regulatory risk reserves (see note 29(e))	(1,709,580)	(1,880,539)	(1,709,580)	(1,880,539)
Balance, end of the year	**61,604,428**	**51,587,170**	**59,873,639**	**50,580,403**

(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 2021, 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

In thousands of Naira	GROUP 31 December 2021	GROUP 31 December 2020	BANK 31 December 2021	BANK 31 December 2020
Balance, beginning of the year	23,288,071	18,102,257	23,288,071	18,102,257
Transfer from appropriation (see note 29(c))	4,715,492	5,185,814	4,715,492	5,185,814
Balance, end of year	**28,003,563**	**23,288,071**	**28,003,563**	**23,288,071**

(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 2021 and 31 December 2020. As at 31 December 2021, the Bank's NGAAP provision was higher than the IFRS impairment; hence, a transfer of N1.71bn (2020: N1.88billion) was made to the Regulatory risk reserve.

In thousands of Naira	GROUP 31 December 2021	GROUP December 2020	BANK 31 December 2021	BANK 31 December 2020
Balance, beginning of the year	3,195,939	1,315,400	3,195,939	1,315,400
Transfer from appropriation (see note 29(c))	1,709,580	1,880,539	1,709,580	1,880,539
Balance, end of year	**4,905,519**	**3,195,939**	**4,905,519**	**3,195,939**

30 Cash flow workings

a Changes in working capital

	In thousands of Naira		GROUP 31 December 2021	GROUP 31December 2020	BANK 31 December 2021	BANK 31 December 2020
(i)	*Other liabilities*					
	Opening		1,441,797	5,701,130	1,325,416	5,637,966
	Change in lease liability (see c(ii) below)		(71,567)	(34,461)	(71,567)	(34,461)
	Change in other liabilities		314,798	(4,224,872)	314,986	(4,278,089)
	Closing	**28**	**1,685,028**	**1,441,797**	**1,568,835**	**1,325,416**
(ii)	*Employee benefit obligation*					
	Opening		1,817	1,111	-	-
	Movement		(146)	706	-	-
	Closing	**25**	**1,671**	**1,817**	**-**	**-**

The Bank did not recognise any employment benefit obligation during the year ended 31 December 2021 (31 December 2020 : Nil).

(iii)	*Other assets*					
	Opening		593,539	435,651	511,085	426,429
	Impairment loss on guarantee fee receivable	22	(5,095)	(1,201)	-	-
	Withholding tax credit note utilised		(83,942)	-	(83,942)	-
	Movement		941,436	159,089	6 39,254	84,656
	Closing	**22**	**1,445,938**	**593,539**	**1,066,397**	**511,085**
(iv)	*Provision for guarantee*					
	Opening		28,765	449	-	-
	Movement		132,762	28,316	-	-
	Closing	**26**	**161,527**	**28,765**	**-**	**-**

The Bank did not recognise any provision for guarantee during the year ended 31 December 2021 (31 December 2020 : Nil).

(v) *Impairment loss on financial assets comprises the following:*					
Impairment loss on cash and cash equivalents		736,841	(848,005)	742,792	(832,233)
Impairment write-back/(charge) on investment securities		70,432	362,685	61,453	371,825
Impairment loss on other financial receivables	24	(5,095)	(1,201)	-	-
Total impairment writeback/(loss) on financial assets	**10**	**802,178**	**(486,521)**	**804,246**	**(460,408)**
(vi) *Impairment loss on Cash and cash equivalent*					
Opening		1,099,677	251,672	1,079,919	247,686
Movement		(736,841)	848,005	(742,792)	832,233
Closing	**18**	**362,836**	**1,099,677**	**337,127**	**1,079,919**

b Property and equipment

(i) **Gain on disposal of property and equipment**		**GROUP**	**GROUP**	**BANK**	**BANK**
In thousands of Naira		**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Proceeds from disposal		30,012	5,302	30,012	5,302
Cost of assets	22	279,985	15,145	279,985	15,145
Accumulated depreciation		(264,918)	(9,130)	(264,918)	(9,130)
Carrying value		15,067	6,015	15,067	6,015
(Loss)/Gain on disposal		**14,945**	**(713)**	**14,945**	**(713)**

(ii) **Purchase of property and equipment**		**GROUP**	**GROUP**	**BANK**	**BANK**
In thousands of Naira		**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Additions to property and equipment	22	723,520	1,381,205	720,117	1,374,136
Additions: Right of Use Assets	22	-	(17,250)	-	(17,250)
Purchase of property and equipment		**723,520**	**1,363,955**	**720,117**	**1,356,886**

c Right of Use Assets (ROU) and Payment of lease liability		**GROUP**	**GROUP**	**BANK**	**BANK**
In thousands of Naira		**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
(i) *Movement in lease liability:*					
Opening		166,930	201,391	166,930	201,391
Changes in lease liability (see (ii) below)		(71,567)	(34,461)	(71,567)	(34,461)
Closing Balance	***28***	95,363	166,930	95,363	166,930
(ii) *Changes in lease liability is summarised below:*					
Addition to lease liability (non cash) -See (iii) below	***22***	-	17,250	-	17,250
Interest expense/paid	***9***	4,571	6,303	4,571	6,303
Write off / lease modification		(16,639)	-	(16,639)	-
Cash paid during the year		(59,499)	(58,014)	(59,499)	(58,014)
		(71,567)	(34,461)	(71,567)	(34,461)
(iii) *Movement in ROU asset*					
Opening		(239,338)	(305,816)	(239,338)	(305,816)
Addition to ROU asset (non cash) - See (ii) above	***22***	-	(17,250)	-	(17,250)
Depreciation	***22***	80,150	83,728	80,150	83,728
Closing	***22***	(142,549)	(239,338)	(142,549)	(239,338)
Addition to ROU in note 22 is the sum of cash and non cash additions					

(d) Gross earnings	**GROUP**	**GROUP**	**BANK**	**BANK**
In thousands of Naira	**31 December 2021**	**31 December 2019**	**31 December 2021**	**31 December 2020**
Interest income	38,554,242	34,423,329	37,726,675	33,429,735
Guarantee income	621,782	66,653	-	-
Other income	407,436	104,482	454,708	146,985
Closing	**39,583,460**	**34,594,464**	**38,181,383**	**33,576,720**

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 Parent and ultimate controlling party

The Federal Government of Nigeria is the Bank and Group's ultimate controlling party with the shares held in trust by the Ministry of Finance Incorporated (MoFI).

The shares of the Bank held by MoFI as at 31 December 2021 stood at 59,868,000 units of share (31 December 2020: 59,868,000 units), constituting 60% shareholding.

b Group and Bank

i Transactions with key management personnel

The Group and Bank's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel has been identified as the Managing Director of the Group. The Group and Bank did not have any transactions with key management personnel except for the following compensation disclosed below:

In thousands of naira	**31 December 2021**	**31 December 2020**
Salaries and wages	146,592	133,878
Pension contribution	7,792	7,505
	154,384	**141,383**

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 N53.3m for the year ended 31 December 2021 (31 December 2020: 42.5m). The amount has however been eliminated at the group. (See Note 12)

There was intercompany receivable of N27m(31 December 2020: Nil) from ICGL to the bank as at 31 December 2021. (See Note 24)

iii Other related parties and balances are listed below:

In thousands of Naira

	Relationship	**Note**	**Nature**	**31 December 2021**	**31 December 2020**
Federal Government of Nigeria (represented by the Ministry of Finance Incorporated)	Shareholder	27	Additional borrowings received	14,185,500	15,795,675
		27	Principal repayments made	20,918,199	12,427,665
		27	Interest expense incurred	11,641,639	11,263,712
		27	Interest repayments made	20,499,264	9,391,045

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 statement

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 *In thousand dollars*	Amount
World Bank	480,000
KfW (German Development Bank)	200,000
Agence Francaise de developpement	130,000
African Development Bank	450,000
	1,260,000

The funds are long 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 2021.

34 The following table shows the analysis of assets and liabilities and on the basis of their current/ non-current classification.

Group		**31 December 2021**		
In thousands of Naira	***Note***	**Carrying Amount**	**Current**	**Non Current**
Assets				
Cash and cash equivalents	18	147,167,291	147,167,291	-
Investment securities	19	27,957,211	27,957,211	-
Loans and advances to customers	20	321,694,875	22,453,382	299,241,493
Property and equipment	22	2,332,159	-	2,332,159
Intangible assets	23	160,613	-	160,613
Deferred tax asset	17b	743,546	-	743,546
Other assets	24	1,445,938	1,445,938	-
Total Assets		501,501,634	199,023,822	302,477,812
Liabilities				
Employee benefit obligation	25	1,671	1,671	-
Provision for guarantee	26	161,527	161,527	-
Current income tax liability	17c	7,142,706	7,142,706	-
Borrowings	27	298,134,621	-	298,134,621
Other liabilities	28	1,685,028	1,685,028	-
Total Liabilities		307,125,553	8,990,932	298,134,621

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	525,856	67,683
Total Assets		493,472,548	289,287,406	204,185,142
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	-	313,724,945
Other liabilities	28	1,441,797	1,441,797	-
Total Liabilities		315,538,798	1,813,853	313,724,945

Bank		**31 December 2021**		
In thousands of Naira	***Note***	**Carrying Amount**	**Current**	**Non Current**
Assets				
Cash and cash equivalents	18	135,321,043	135,321,043	-
Investment securities	19	26,618,294	26,618,294	-
Loans and advances to customers	20	321,694,875	22,453,382	299,241,493
Investment in subsidiaries	21	11,375,000	-	11,375,000
Property and equipment	22	2,293,847	-	2,293,847
Intangible assets	23	148,093	-	148,093
Deferred tax asset	17b	724,664	-	724,664
Other assets	24	1,066,397	1,066,397	-
Total Assets		499,242,213	185,459,116	313,783,097
Liabilities				
Current income tax liability	17c	6,893,466	6,893,466	-
Borrowings	27	298,134,621	-	298,134,621
Other liabilities	28	1,568,835	1,568,835	-
Total Liabilities		306,596,922	8,462,301	298,134,621

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	17b	875,249	-	875,249
Other assets	24	511,085	215,405,655	52,022
Total Assets		492,312,233	276,906,578	215,405,655
Liabilities				
Current income tax liability	17c	69,735	69,735	-
Borrowings	27	313,724,945	-	313,724,945
Other liabilities	17c	1,325,416	1,325,416	-
Total Liabilities		315,120,096	1,395,151	313,724,945

35 Dividend

The directors have not proposed any dividend in the year ended 31 December 2021 (31 December 2020: Nil).

OTHER NATIONAL DISCLOSURES

VALUE ADDED STATEMENT

GROUP

In thousands of Naira	31 December 2021	%	31 December 2020	%
Gross income	39,583,460		34,594,464	
Interest expense	(11,688,620)		(11,270,015)	
Impairment reversal/(losses) on financial assets	349,266		(855,839)	
Bought in materials and services - local	(1,908,001)		(1,707,625)	
	26,336,106		**20,760,985**	
Applied to pay:				
Employees				
- Employees as personnel expenses	2,117,513	8	1,441,782	7
Government				
- Taxation	7,338,035	28	882,298	4
Retained in business				
Replacement of property and equipment/ Intangible assets	438,228	2	458,681	2
- Increase in reserves	16,442,330	62	17,978,224	87
	26,336,106	**100**	**20,760,985**	**100**

This statement represents the distribution of the wealth created through the use of the Group's assets and its employees' efforts

BANK

In thousands of Naira	31 December 2021	%	31 December 2020	%
Gross income	38,181,383		33,576,720	
Interest expense	(11,688,620)		(11,270,015)	
Impairment writeback/(losses) on financial assets	351,334		(829,726)	
Bought in materials and services - local	(1,766,533)		(1,591,259)	
	25,077,564		**19,885,720**	
Applied to pay:				
Employees				
- Employees as personnel expenses	1,906,848	8	1,240,514	6
Government				
- Taxation	7,041,505	28	920,886	5
Retained in business				
Replacement of property and equipment/ Intangible assets	410,903	2	438,275	2
- Increase in reserves	15,718,308	63	17,286,045	87
	25,077,564	**100**	**19,885,720**	**100**

This statement represents the distribution of the wealth created through the use of the Bank's assets and its employees' efforts

FINANCIAL SUMMARY

GROUP

In thousands of Naira	31 DEC 2021	31 DEC 2020	31 DEC 2019	31 DEC 2018	31 DEC 2017
Assets					
Cash and cash equivalents	147,167,291	259,145,775	132,663,583	63,314,138	43,159,800
Investment securities	27,957,211	16,605,584	237,014,094	186,167,762	108,761,980
Loans and advances	321,694,875	214,023,172	101,899,673	28,289,868	182,306
Investment in subsidiaries	-	-	-	11,375,000	-
Property and equipment	2,332,159	2,023,477	1,058,155	574,445	313,116
Intangible assets	160,613	139,533	106,472	64,452	9,679
Deferred tax asset	743,546	941,468	1,567,866	875,249	-
Other assets	1,445,938	593,539	435,651	398,102	59,457
Total assets	501,501,634	493,472,548	474,745,494	278,808,767	152,486,338
Liabilities					
Employee benefit obligation	1,671	1,817	1,111	-	230
Deposit for shares	-	-	-	-	20,639,965
Provision for guarantee	161,527	28,765	449		
Current income tax payable	7,142,706	341,474	603,010	229,109	41,032
Borrowings	298,134,621	313,724,945	308,484,268	151,704,062	87,899,719
Other liabilities	1,685,028	1,441,797	5,701,130	831,526	424,565
Total liabilities	307,125,553	315,538,798	314,789,968	152,764,697	109,005,511
Equity					
Share capital	100,000	100,000	100,000	100,000	40,000
Share premium	99,762,570	99,762,570	99,762,570	99,762,570	39,940,842
Retained earnings	61,604,428	51,587,170	40,675,299	17,690,389	2,281,255
Other reserves:					
Statutory reserves	28,003,563	23,288,071	18,102,257	8,023,196	1,218,646
Regulatory risk reserve	4,905,519	3,195,939	1,315,400	467,915	84
Total equity	194,376,080	177,933,750	159,955,526	126,044,070	43,480,827
Total liabilities and equity	501,501,633	493,472,548	474,745,494	278,808,767	152,486,338
Gross income	39,583,460	34,594,464	46,236,882	30,641,949	6,050,245
Profit before tax	23,780,365	18,944,464	32,946,600	22,910,945	4,103,186
Taxation	(7,338,035)	(966,240)	964,856	(229,109)	(41,032)
Profit for the year	16,442,330	17,978,224	33,911,456	22,681,836	4,062,154

The financial summary for 2017 and 2018 financial years presents the financial information for the parent company - Development Bank of Nigeria Plc. The Subsidiary - Impact Credit Guarantee Limited was incorporated in 2019.

FIVE YEAR FINANCIAL SUMMARY

BANK

In thousands of Naira	31 DEC 2021	31 DEC 2020	31 DEC 2019	31 DEC 2018	31 DEC 2017
Assets					
Cash and cash equivalents	135,321,043	249,275,276	130,431,689	63,314,138	43,159,800
Investment securities	26,618,294	14,162,048	227,587,961	186,167,762	108,761,980
Loans and advances	321,694,875	214,023,172	101,899,673	28,289,868	182,306
Investment in subsidiaries	11,375,000	11,375,000	11,375,000	11,375,000	-
Deferred tax asset	724,664	875,249	1,546,819	875,249	-
Other assets	1,066,397	511,085	426,429	398,102	59,457
Intangible assets	148,093	123,468	106,472	64,452	9,679
Property and equipment	2,293,847	1,966,935	989,172	574,445	313,116
Total assets	499,242,213	492,312,233	474,363,215	278,808,767	152,486,338
Liabilities					
Employee benefit obligation	-	-	-	-	230
Deposit for shares	-	-	-	-	20,639,965
Current income tax payable	6,893,466	334,889	600,043	229,109	41,032
Borrowings	298,134,621	313,724,945	308,484,268	151,704,062	87,899,719
Other liabilities	1,568,835	1,325,416	5,637,966	831,526	424,565
Total liabilities	306,596,922	315,385,250	314,722,277	152,764,697	109,005,511
Equity					
Share capital	100,000	100,000	100,000	100,000	40,000
Share premium	99,762,570	99,762,570	99,762,570	99,762,570	39,940,842
Retained earnings	59,873,639	50,580,403	40,360,711	17,690,389	2,281,255
Other reserves:					
Statutory reserves	28,003,563	23,288,071	18,102,257	8,023,196	1,218,646
Regulatory risk reserve	4,905,519	3,195,939	1,315,400	467,915	84
Total equity	192,645,291	176,926,983	159,640,938	126,044,070	43,480,827
Total liabilities and equity	499,242,213	492,312,233	474,363,215	278,808,767	152,486,338
Gross income	38,181,383	33,576,720	45,755,228	30,641,949	6,050,245
Profit before tax	22,759,813	18,290,873	32,650,093	22,910,945	4,103,186
Taxation	(7,041,505)	(1,004,828)	(1,004,828)	(229,109)	(41,032)
Profit for the year	15,718,308	17,286,045	33,596,869	22,681,836	4,062,154