

You are advised to read and understand the contents of this Abridged Prospectus. If in doubt, please consult your Stockbroker, Solicitor, Banker or an independent Investment Adviser registered by the Securities and Exchange Commission. This Prospectus has been seen and approved by the Directors of the Issuer and they jointly and individually accept full responsibility for the accuracy of all information given and confirm that, after having made inquiries which are reasonable in the circumstances, and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

INVESTING IN THIS OFFER INVOLVES RISKS. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY THE PROSPECTIVE INVESTORS, SEE "RISKS" ON PAGE 24 OF THE FULL PROSPECTUS



RC 220824

NPF MICROFINANCE BANK PLC

PUBLIC OFFERING

by way of an Offer for Subscription Of

713,342,234
Ordinary Shares of 50 kobo each

at

N1.50 per share

Payable in full on Application

Application Opens:	June 24 2021
Application Closes:	June 30 2021

LEAD ISSUING HOUSE



RC 617327

JOINT ISSUING HOUSES



RC 739441



RC 248316



RC 155399



RC 116443

This prospectus and the securities, which it offers, have been cleared and registered by the Securities and Exchange Commission ("the commission"). Investors may confirm the clearance of the prospectus and the registration of securities by contacting the Securities and Exchange Commission by contacting the commission on sec@sec.gov.ng or +234(0)94621100; +234(0)94621168. It is a civil wrong and criminal offence under the Investments & Securities Act (no. 29 of 2007) (the "ACT" or "ISA") to issue an abridged prospectus which contains false or misleading information. Investors are advised to note that liability for false or misleading statements or acts made in connection with the prospectus is provided in sections 85 and 86 of the ISA. Registration of this Abridged Prospectus and the Shares which it offers does not relieve the parties of any liability arising under the Act for false or misleading statements contained or for any omission of a material fact in this Abridged Prospectus.

THIS ABRIDGED PROSPECTUS IS DATED JUNE 10 2021

Table of Contents

INDEBTEDNESS OF THE ISSUER.....	3
HISTORY AND BUSINESS OF THE COMPANY	4
SHARE CAPITAL HISTORY	5
DIRECTORS, AUDIT COMMITTEE AND OTHER PARTIES TO THE OFFER.....	6
PURPOSE OF THE OFFER.....	9
CLAIMS AND LITIGATIONS	50
MATERIAL CONTRACTS.....	50
PROCEDURE FOR APPLICATION AND ALLOTMENT.....	51
RECEIVING AGENTS	53
APPLICATION FORM – ORDINARY SHARES	54

INDEBTEDNESS OF THE ISSUER

As at 30th of September 2020, NPF Microfinance Plc had a total debt amount of approximately ₦1.95 billion in respect of on-lending to customers broken down as follows:

BORROWINGS	LOAN BALANCE (₦' 000)
BOI concessionary loan	-
CBN concessionary	1,025,290
DBN concessionary loan	871,442
CBN housing microfinance loan	50,849
TOTAL INDEBTEDNESS	1,947,581

Apart from the foregoing, the Company has no outstanding debenture, mortgage, charges or other similar indebtedness other than in the ordinary course of business.

HISTORY AND BUSINESS OF THE COMPANY

NPF Microfinance Bank Plc (Formerly NPF Community Bank Ltd) was incorporated on 19th May, 1993 as a Limited Liability Company under the provision of the Companies and Allied Matters Act cap C20 LFN 2004. The bank provides banking services to both serving and retired Officers and men of Nigeria Police Force, its ancillary institutions and the general banking public.

The bank commenced business on 20th August, 1993 at 1 Ikoyi Road Obalende, Lagos having obtained a provisional license to operate as a Community Bank on 12th July 1993 from Central Bank of Nigeria.

The bank obtained its full license to operate as a Community Bank on 24th January, 2002. On 31st December, 2007 the bank converted from its Community Bank status to a Microfinance Bank following Central Bank of Nigeria directive to all Community Banks. The approval granted to the bank was a unique one as it allows the bank to open branches in all the states.

The authorized capital of the bank at inception was N500,000.00 made up of 500,000 ordinary shares of N1.00 each and this has over the years increased to its current level of N3,000,000,000.00 made up of 6,000,000,000.00 ordinary shares of 50k each of which 2,286,637,766 ordinary shares of 50k each are issued and fully paid up. These shares were listed on the floor of Nigeria Exchange Limited on 1st December 2010. The balance sheet size of the bank is over N19.6billion as at 31st December, 2019.

NPF Microfinance Bank has its Head Office located at Aliyu Atta House, 1 Ikoyi Road, Obalende and other branch offices in Obalende, Ikeja, Abuja Main, Port Harcourt, Kano, Osogbo, Benin, Sokoto, Onitsha, Akure, Lokoja, Yola, Abuja 2, Bauchi, Lafia, Enugu, Kaduna, Oji River, Tejuosho, Ikorodu, Ibadan, Abeokuta, Asaba, Port Harcourt2, Aswani, Calabar, Akwa, Aba, Jos, Ado-Ekiti, Makurdi, Uyo, Owerri, Ilorin and Minna. The bank has intention to open additional three offices organically in all the Police commands in the federation.

Over the years, NPF Microfinance Bank Plc has continued to live up to its dream of becoming the bank of first consideration for all Police businesses and selected other businesses, through its continued improvement in personalized service delivery and most importantly employing committed and trustworthy personnel to deliver excellent financial results comparable to none in the industry.

At NPF Microfinance Bank, strong capital base, development in superior asset quality, professionalism and corporate governance are abiding principles. The bank's customer-specific approach to customer services consistently reinforces its value creation processes towards assisting customers in their goals.

SHARE CAPITAL HISTORY

DATE ISSUED	AUTHORISED		ISSUED & FULLY PAID		NOMINAL	REMARKS
	FROM	TO	FROM	TO	VALUE	
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
1993	500	500	-	-	1	CASH & KIND
1996	500	30,000	-	17,976	1	CASH
1999	-	30,000	17,996	21,571	1	BONUS 1:4
2000	30,000	80,000	21,571	40,186	1	CASH
2001	-	80,000	40,186	58,624	1	CASH
2002	80,000	250,000	-	58,624	1	CASH
2003	-	250,000	-	58,624	1	CASH
2004	-	250,000	58,624	239,958	1	BONUS 1:10 & CASH
2005	250,000	500,000	239,958	239,958	1	-
2006	500,000	1,000,000	239,958	259,955	1	BONUS 1:12
2007	1,000,000	2,000,000	259,955	417,192	1	CASH
2008	-	2,000,000	-	417,192	1	-
2009	-	2,000,000	417,192	1,143,328	1	CASH
2010	-	2,000,000	1,143,328	-	50K	SHARE-SPLIT 1:2
2011	-	2,000,000	1,143,328	-	50K	SHARE-SPLIT 1:2
2012	-	2,000,000	1,143,328	-	50K	-
2013	-	2,000,000	1,143,328	-	50K	-
2014	2,000,000.00	3,000,000	1,143,328	-	50K	-
2015	-	3,000,000	1,143,328	-	50K	-
2016	-	3,000,000	1,143,328	-	50k	-
2017	-	3,000,000	1,143,328	-	50k	-
2018	-	3,000,000	1,143,328	-	50k	-
2019	-	3,000,000	1,143,328	-	50k	-
2020	-	3,000,000	1,143,328	-	50k	-

DIRECTORS, AUDIT COMMITTEE AND OTHER PARTIES TO THE OFFER

DIRECTORS OF NPF MICROFINANCE BANK PLC	
DIG. AZUBUKO JOEL UDAH (RTD) Chairman	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. AKINWUNMI LAWAL Managing Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. FRANCIS CHUKWUEMEKA NELSON Executive Director, Finance & Administration	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. JOHN KWABE TIZHE Executive Director, Operations	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos
MR. MOHAMMED DANTSOHO SAEED Independent Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. USMAN ISA BABA Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. JIBRIN GARBA GANE Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. SALIHU ARGUNGU HASHIMU Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. AMINU SALEH PAI Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. ABDULRAHMAN SATUMARI Independent Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MRS. RAKIYA EDOTASHEHU Independent Non-Executive Director	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.

AUDIT COMMITTEE	
MR. ABDULRAHMAN SATUMARI Chairman	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. MOHAMMED D. SAEED Member	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. JIBRIN G. GANE Member	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.
MR. SALIHU ARGUNGU HASHIMU Member	Aliyu Atta House, No 1, Ikoyi Road, Obalende, Lagos.

PROFESSIONAL PARTIES	
LEAD ISSUING HOUSE	Cowry Asset Management Limited Plot 1319, Karimu Kotun Street, Victoria Island, Lagos
JOINT ISSUING HOUSES	CardinalStone Partners Limited 5, Okotie Eboh Street, Ikoyi Lagos. FCSL Asset Management Company Limited 15 Ribadu Road, Off Awolowo Road, Ikoyi Lagos. Integrated Trust and Investment Limited 61, Marina Road, Lagos Island Lagos Lead Capital Plc 281, Ajose Adeogun Street, Victoria Island, Eti Osa, Lagos.
REPORTING ACCOUNTANT	Pro Edge Partners 36A Acme Road (2 nd Floor) Beside Press House, Ogba Ikeja, Lagos
REGISTRARS	CardinalStone Registrars Limited 358, Herbert Macaulay Way, Yaba Lagos.
AUDITORS	KPMG Professional Services KPMG Tower, Bishop Aboyade Cole Street, Victoria Island, Lagos.
SOLICITOR TO THE ISSUE	Tokunbo Orimobi LP Plot 1963B Buraimoh Kenku Street, Off Oyin Jolayemi Street, Victoria Island, Lagos
STOCKBROKER	Regency Assets Management Limited 63 Norman Williams Street, Off Awolowo Road, S.W Ikoyi Lagos
RECEIVING BANKS	First Bank of Nigeria Limited 35, Marina Road Lagos Island Lagos. United Bank for Africa Plc 57 Marina Street, Lagos Island, Lagos

PURPOSE OF THE OFFER

The proceeds of the Public Offer will be used to deepen NPF Microfinance Bank's retail infrastructure through expansion of branch network and capital resources required for value creation particularly in emerging opportunities.

The net proceeds of the Public Offer, estimated at N1,041,056,363.11, after deducting N28,974,988.12 which is the estimated cost of the Public Offer with cost of printing and advertisement inclusive (representing 2.71% of the gross offer proceeds of N1,070,013,351.23) will be applied as shown below:

UTILIZATION	%	NGN	Estimated Completion Period
To expand branch network	30.0%	312,316,908.93	12 months
IT Upgrade	40.0%	416,422,545.25	24 months
Working Capital	30.0%	312,316,908.93	Continuous
TOTAL	100%	1,041,056,363.11	

i. To expand branch network

As at 30th September 2020, the Bank had 35 branches nationwide from which it operates.

Subject to the approval of the CBN, planned branch expansion, post-offer, will cover the following states in order to achieve a nation-wide coverage:

- Bayelsa (Yenagoa)
- Lagos (Ajah)
- Lagos (Egbeda)
- Kebbi (Birnin - Kebbi)
- Gombe
- Abuja (Gwagwalada)
- Zamfara (Gusau)
- Katsina
- Ebonyi (Abakaliki)
- Jigawa
- Taraba
- Maidiguri
- Oyo (Ogbora Ora)
- Abia (Umuahia)
- Yobe (Damaturu)

ii. I.T. Upgrade

Part of the proceeds of the hybrid offer will be used to fund critical IT. asset acquisition stated below:

S/NO	DESCRIPTION
1	AGENCY BANKING PLATFORM INTEGRATION
2	USSD PLATFORM INTEGRATION PLUS SORT CODE
3	HIGH END SERVERS FOR WED SERVICES AND IFRS 9
4	DESKTOP COMPUTERS
5	LAPTOPS
6	RECOVERY SITE
7	WINDOWS SERVERS LICENSES
8	POWER BACK UP (INVERTER AND SOLAR)
9	DEPLOYMENT OF ATM MACHINES
10	INTEGRATIONS WITH E-PLATFORMS
11	BACK UP SOLUTION
12	SECURITY SOLUTIONS
13	MOBILE AND INTERNET BANKING APPLICATION
14	ISP WAN AND INTERNET
15	NETWORK DEVICES
16	AGENCY BANKING PLATFORM DEVICES
17	OFFICE 360 2019
18	PURCHASE OF ADDITIONAL BVN MACHINES
19	DIGITAL AND ANTI-VIRUS LICENSES

1. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIVE YEARS ENDED 31 DECEMBER 2019

(Extracted from the Reporting Accountants' Report)

		Q3 2020	2019	2018	2017	2016	2015
	Notes	N'000	N'000	N'000	N'000	N'000	N'000
Gross earnings		<u>3,359,061</u>	<u>4,447,812</u>	<u>3,950,377</u>	<u>3,654,875</u>	<u>2,925,229</u>	<u>2,592,694</u>
Interest income	5.3	2,953,203	3,279,624	2,960,525	2,605,413	1,997,486	1,795,895
Interest expense	5.4	<u>(301,767)</u>	<u>(383,605)</u>	<u>(430,021)</u>	<u>(318,898)</u>	<u>(223,480)</u>	<u>(263,360)</u>
Net interest income		2,651,436	2,896,019	2,530,504	2,286,515	1,774,006	1,532,535
Fee and commission income	5.5	349,394	856,531	733,560	779,878	716,876	585,443
Other income	5.6	<u>56,464</u>	<u>311,657</u>	<u>256,292</u>	<u>269,584</u>	<u>210,867</u>	<u>211,356</u>
Net operating income		<u>3,057,294</u>	<u>4,064,207</u>	<u>3,520,356</u>	<u>3,335,977</u>	<u>2,701,749</u>	<u>2,329,334</u>
Net (write-back)/impairment loss on financial assets	5.7	258,839	(129,689)	446,749	184,927	39,866	68,005
Personnel expenses	5.8	1,397,124	1,818,246	1,341,874	1,306,773	1,008,055	978,278
Depreciation Administration and general expenses	5.9	<u>188,081</u>	<u>229,151</u>	<u>176,872</u>	<u>122,788</u>	<u>96,014</u>	<u>75,851</u>
Total operating expenses		<u>2,583,663</u>	<u>3,054,940</u>	<u>3,224,021</u>	<u>2,516,158</u>	<u>1,905,090</u>	<u>1,643,877</u>
Profit before tax		473,631	1,009,267	296,335	819,819	796,659	685,457
Tax charge for the year	5.18.1	<u>(89,310)</u>	<u>(211,573)</u>	<u>(91,406)</u>	<u>(187,929)</u>	<u>(248,536)</u>	<u>(174,301)</u>
Profit for the year		<u>384,321</u>	<u>797,694</u>	<u>204,929</u>	<u>631,890</u>	<u>548,123</u>	<u>511,156</u>
Other comprehensive income							
Items that will never be reclassified to profit or loss							
Equity investment at fair value through OCI, net of tax		(4,130)	(372)	(2,405)	-	-	-
Items that are or may be reclassified to profit or loss		-	-	-	-	-	-
Other comprehensive income for the year, net of tax		<u>(4,130)</u>	<u>(372)</u>	<u>(2,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>380,191</u>	<u>797,322</u>	<u>202,524</u>	<u>631,890</u>	<u>548,123</u>	<u>511,156</u>

The accompanying notes and significant accounting policies form an integral part of these financial statements.

2. STATEMENT OF FINANCIAL POSITION

(Extracted from the Reporting Accountants' Report)

		Q3 2020	2019	2018	2017	2016	2015
	Notes	N'000	N'000	N'000	N'000	N'000	N'000
ASSETS							
Cash and cash equivalents	5.10	2,035,967	3,128,104	4,940,352	5,752,469	1,889,881	3,054,860
Pledged assets	5.11	560,524	467,486	800,787	409,674	581,425	583,038
Loans and advances to customers	5.12	16,819,901	13,776,931	10,593,635	9,008,675	9,095,801	7,881,519
Investment securities	5.13	697,102	893,534	291,081	16,681	37,574	38,154
Other assets	5.14	357,099	386,272	301,751	172,879	257,546	346,969
Property and equipment	5.15	894,582	897,485	657,661	591,964	499,646	394,070
Intangible asset	5.16	53,407	33,906	12,285	-	-	-
Deferred tax assets	5.18.3	-	-	-	-	-	35,411
TOTAL ASSETS		<u>21,418,582</u>	<u>19,583,718</u>	<u>17,597,552</u>	<u>15,952,342</u>	<u>12,361,873</u>	<u>12,334,021</u>
LIABILITIES							
Deposits from customers	5.17	12,858,762	11,327,058	10,465,119	9,126,494	6,792,391	6,610,113
Current tax liabilities	5.18.2	168,119	230,511	87,082	146,270	199,571	188,983
Other liabilities	5.19	1,136,836	665,908	244,817	325,702	547,804	656,307
Borrowings	5.20	1,947,581	1,965,665	2,078,843	1,550,468	349,249	630,795
Deferred tax liabilities	5.18.3	56,486	66,638	76,370	61,569	19,910	-
TOTAL LIABILITIES		<u>16,167,784</u>	<u>14,255,780</u>	<u>12,952,231</u>	<u>11,210,503</u>	<u>7,908,925</u>	<u>8,086,198</u>
CAPITAL AND RESERVES							
Share capital	5.21	1,143,328	1,143,328	1,143,328	1,143,328	1,143,328	1,143,328
Share premium	5.22	1,517,485	1,517,485	1,517,485	1,517,485	1,517,485	1,517,485
Retained earnings	5.23	1,096,920	986,183	317,420	717,826	496,513	472,546
Fair value reserve	5.24	(6,907)	(2,777)	(2,405)	-	-	-
Statutory reserve	5.25	1,348,133	1,348,133	1,248,579	1,224,110	1,145,124	1,006,398
Regulatory risk reserve	5.26	151,839	335,586	420,914	139,090	150,498	108,066
TOTAL EQUITY		<u>5,250,798</u>	<u>5,327,938</u>	<u>4,645,321</u>	<u>4,741,839</u>	<u>4,452,948</u>	<u>4,247,823</u>
TOTAL LIABILITIES AND EQUITY		<u>21,418,582</u>	<u>19,583,718</u>	<u>17,597,552</u>	<u>15,952,342</u>	<u>12,361,873</u>	<u>12,334,021</u>

The accompanying notes and significant accounting policies form an integral part of these financial statements.

3. STATEMENT OF CHANGES IN EQUITY

(Extracted from the Reporting Accountants' Report)

	2019	2018	2017	2016	2015
	N'000	N'000	N'000	N'000	N'000
Opening/restated balance:					
Share capital	1,143,328	1,143,328	1,143,328	1,143,328	1,143,328
Share premium	1,517,485	1,517,485	1,517,485	1,517,485	1,517,485
Retained earnings	317,420	717,826	496,513	472,546	406,530
Fair value reserve	(2,405)	-	-	-	-
Statutory reserve	1,248,579	1,224,110	1,145,124	1,006,398	877,748
Regulatory risk reserve	420,914	139,090	150,498	108,066	95,314
	<u>4,645,321</u>	<u>4,741,839</u>	<u>4,452,948</u>	<u>4,247,823</u>	<u>4,040,405</u>
Net movement during the period/year:					
Retained earnings	783,096	(11,674)	564,312	366,965	409,014
Fair value reserve	(372)	(2,405)	-	-	-
Statutory reserve	99,554	24,469	78,986	138,726	128,650
Regulatory risk reserve	(85,328)	281,824	(11,408)	42,432	12,752
	<u>796,950</u>	<u>292,214</u>	<u>631,890</u>	<u>548,123</u>	<u>550,416</u>
Retained earnings	<u>(114,333)</u>	<u>(388,732)</u>	<u>(342,999)</u>	<u>(342,998)</u>	<u>(342,998)</u>
	<u>(114,333)</u>	<u>(388,732)</u>	<u>(342,999)</u>	<u>(342,998)</u>	<u>(342,998)</u>
Closing balance:					
Share capital	1,143,328	1,143,328	1,143,328	1,143,328	1,143,328
Share premium	1,517,485	1,517,485	1,517,485	1,517,485	1,517,485
Retained earnings	986,183	317,420	717,826	496,513	472,546
Fair value reserve	(2,777)	(2,405)	-	-	-
Statutory reserve	1,348,133	1,248,579	1,224,110	1,145,124	1,006,398
Regulatory risk reserve	335,586	420,914	139,090	150,498	108,066
	<u>5,327,938</u>	<u>4,645,321</u>	<u>4,741,839</u>	<u>4,452,948</u>	<u>4,247,823</u>

4. STATEMENT OF CHANGES IN CASHFLOWS

(Extracted from the Reporting Accountants' Report)

		Q3 2020	2019	2018	2017	2016	2015
	Note	N'000	N'000	N'000	N'000	N'000	N'000
Cash flows from operating activities:							
Profit for the year		384,321	797,694	204,929	631,890	548,123	511,156
Adjustments for:							
Depreciation of property and equipment	5.15	188,081	229,151	176,872	122,788	96,014	75,851
Net (write-back)/impairment loss on financial assets	5.7	258,839	(129,689)	446,749	184,927	39,866	68,005
Net interest income		(2,651,436)	(2,896,019)	(2,530,504)	(2,286,515)	(1,774,006)	(1,532,535)
Dividend/miscellaneous income		-	(1,510)	-	(24)	(153)	(1,472)
Profit on disposal of available-for-sale financial assets		-	-	-	(15,274)	-	-
Miscellaneous income		(1,642)	-	-	-	-	-
Profit on sale of property and equipment		(2,533)	(1,303)	(3,273)	(1,228)	(2,285)	5,893
Tax expense	5.18.1	89,310	211,573	91,406	187,929	248,537	174,301
		(1,735,060)	(1,790,103)	(1,613,821)	(1,175,507)	(843,904)	(698,801)
Change in pledged assets		(93,787)	333,824	(391,709)	176,803	10,761	52,052
Change in loans and advances		(3,136,115)	(3,031,242)	(1,814,921)	(83,122)	(1,193,364)	(1,368,905)
Change in trade and other receivables		592	853	(247,776)	85,835	85,314	(160,869)
Change in deposits from customers		1,531,704	853,353	1,331,203	2,314,066	176,090	1,806,739
Change in other liabilities		422,304	438,361	16,638	(119,670)	63,627	(204,685)
		(3,010,362)	(3,194,954)	(2,720,386)	1,198,405	(1,701,476)	(574,469)
Interest received		2,917,819	3,196,010	2,946,576	2,584,357	1,932,242	1,760,266
Interest paid		(262,978)	(368,378)	(350,700)	(243,045)	(221,831)	(305,541)
Tax paid	5.18.2	(161,852)	(77,876)	(135,793)	(199,571)	(182,627)	(199,430)
Retirement benefit obligations paid		-	(16,001)	(97,522)	(102,432)	(172,130)	(192,562)
Net cash from/(used in) operating activities		(517,373)	(461,199)	(357,825)	3,237,714	(345,822)	488,264
Cash flows from investing activities:							
Acquisition of property and equipment/intangible asset		(163,717)	(426,499)	(254,854)	(267,539)	(201,806)	(105,509)
Proceeds from disposal of property and equipment	7,415	1,303	3,273	53,661	2,501	1,026	
Dividends received	-	-	-	24	153	1,472	
Purchase of Treasury bill investments	214,090	(585,560)	(265,894)	-	-	-	
Proceeds from disposal of investments	-	-	-	36,324	-	-	
Net cash from/(used in)							

investing activities	57,788	(1,010,756)	(517,475)	(177,530)	(199,152)	(103,011)
Cash flows from financing activities:						
Repayment of borrowings	(668,368)	(928,859)	(465,264)	(454,597)	(297,204)	(88,499)
Additions to borrowings	500,000	731,000	921,740	1,600,000	20,197	46,317
Payment of lease liability	(7,032)	(32,156)	-	-	-	-
Dividend paid	(457,331)	(114,333)	(388,732)	(342,999)	(342,998)	(342,998)
Net cash generated (used) in financing activities	(632,731)	(344,348)	67,744	802,404	(620,005)	(385,180)
Net (decrease)/increase in cash and cash equivalents	(1,092,316)	(1,816,303)	(807,556)	3,862,588	(1,164,979)	73
Cash and cash equivalents at 1 January	3,128,610	4,944,913	5,752,469	1,889,881	3,054,860	3,054,787
Cash and cash equivalents at 31 December	2,036,294	3,128,610	4,944,913	5,752,469	1,889,881	3,054,860

5. NOTES TO THE FINANCIAL STATEMENTS

FOR THE FIVE YEARS AND NINE MONTHS ENDED 30 SEPTEMBER 2020

5.1 ABOUT THE BANK

NPF Microfinance Bank Plc (the Bank) is a public limited liability company domiciled in Nigeria. The Bank's registered office is at Aliyu Atta House, 1 Ikoyi Road, Obalende, Lagos. The Bank is engaged in the provision of banking services to members of the Police community, to poor and low income households and micro-enterprises of the public at large. Such services include retail banking, granting of loans, advances and allied services. The Bank currently operates from its registered office and thirty-five (35) branches located across many States in Nigeria.

5.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. The Bank has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise stated.

5.2.1 Basis of preparation

(i) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2004 and relevant Central Bank of Nigeria (CBN) guidelines and circulars. The IFRS accounting policies have been consistently applied to all periods presented.

These financial statements are presented in Naira, which is the Bank's functional and presentation currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

(ii) *Basis of accounting and measurement*

These financial statements have been prepared on a going concern basis, which assumes that the Bank will continue its operations in the foreseeable future. These financial statements have been prepared on the historical cost basis except for the following material items, which are measured on the following alternative basis in the financial statements:

- Equity securities measured at FVTOCI
- Investment securities (treasury bills) measured at FVTOCI
- Financial assets and liabilities measured at amortised cost

(iii) *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements in the process of applying the Bank's accounting policies.

5.2.2 Interest income and expense

(i) *Effective interest rate*

Interest income and expense on financial instruments are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instruments, but not Expected Credit Loss. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including Expected Credit Loss.

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.

(ii) *Amortised cost and gross carrying amount*

The 'amortised 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 amortisation 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 amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) *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 amortised 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 amortisation 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 amortised 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 amortised 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.

5.2.3 Fees and commission

Fees and commission is measured based on the consideration specified in a contract with a customer. The bank recognises this income when it disburses loans and accepts deposits from its customers. 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.

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 fees and commission income, including loan account servicing fees, investment management fees, etc. are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Bank'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 Bank 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.

5.2.4 Other income

The total sum includes income from salary administration, service fees and charges, profit on disposal of property and equipment and dividend. They are recognised as soon as the related services are performed and when the entity's right to receive payment is established.

5.2.5 Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Bank 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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

(i) *Bank acting as a lessee*

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component. The Bank 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 any improvements made to branches or office premises.

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 re-measurements 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 Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of 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 Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised 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, (i) if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, (ii) if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or (iii) if there is a revision in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2020, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank 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 Bank presents its 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 Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) Bank acting as a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Bank 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 Bank 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 Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether: – fulfilment of the arrangement was dependent on the use of a specific asset or assets; and – the arrangement had conveyed a right to use the asset.

5.2.6 Income tax

Income tax expense comprises current tax (company income tax, tertiary education tax, National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items

recognised directly in equity or in other comprehensive income.

The Bank had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The related expenses are recognised in other expenses.

(i) *Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to 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 tax assets and liabilities are offset only if certain criteria are met and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the Bank during the year)

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 profit for the period are treated as income tax in line with IAS 12.

(ii) *Deferred tax*

Deferred tax is recognised 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 recognised for the following temporary differences:

- 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 it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised 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 recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Bank. 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised 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 any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

5.2.7 Financial instruments

(i) *Recognition and initial measurement*

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date the Bank becomes a party to the contractual provisions of the instruments. A financial asset or financial liability is measured initially at fair value plus or minus, 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.

(ii) *Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as 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.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as 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 solely payment of principal and interest.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- how the performances of the portfolio is evaluated and reported to the Bank's management

- the risks that affect the performance of the business model (and the financial assets held within that business model) as its strategy for how those risks are managed;

- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Certain debt securities are held by the Bank Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Reclassifications

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

(iii) Derecognition

Financial assets

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

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) 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

recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised 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 Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank 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 Bank continues to recognise 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.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Bank derecognises 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 recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised 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 amortised 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 recognised 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 recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Interest rate benchmark reform (policy applied from 1 January 2020)

If the basis for determining the contractual cashflows of a financial asset or financial liability measured at amortised cost changes as a rate benchmark, then the bank updates the effective interest rate of the financial asset or 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 cashflows 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 cashflows required by interest rate benchmark reform, then the Bank 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 Bank applies the policies on accounting for modifications set out above to the additional changes.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the 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 recognised 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 Bank 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 Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. 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 Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vi) *Impairment*

The Bank recognises 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;
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank 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.

The Bank 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 Bank 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 recognised 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 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 recognised 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 shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank 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;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows

that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

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 derecognised and the 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 assets are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new assets is treated as the final cash flow from the existing financial asset at the time of its recognition. The 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 rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; 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 impaired.

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 recognised 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 amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised 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 recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised 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 Bank's procedures for recovery of amounts due.

5.2.8 Cash and cash equivalents

Cash and cash equivalents include bank notes and coins on hand, unrestricted balances held with central groups 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. The reconciliation of the opening cash and cash equivalents to the closing cash and cash equivalents in the statement of cash flows is done using the indirect method.

5.2.9 Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from their original class held-for-trading to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial measurement of assets pledged as collateral is at fair value while subsequent measure is at amortized cost.

5.2.10 Loans and advances

Loans and advances' captions in the statement of financial position include loans and advances measured at amortised cost; 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 Bank 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 Bank's financial statements.

5.2.11 Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost: - interest revenue using the effective interest method; and - ECL and reversals.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case, they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

5.2.12 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When 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 the item of property and equipment and are recognized net within other income in profit or loss.

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the statement of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset

is derecognised 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:

Land	Not depreciated
Buildings	50 years
Computer equipment	3 years
Office equipment	5 years
Furniture, fittings and office equipment	5 years
Motor vehicles	4 years
Right of use assets	Lower of lease term or the useful life of the leased asset

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

(iv) *De-recognition*

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

5.2.13 Intangible asset

Computer software

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred. Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life for computer software is three (3) years.

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

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

5.2.14 Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss and are used to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

5.2.15 Deposits and borrowings

Deposits and borrowings are the Bank's sources of funding. When the Bank sells a financial asset and simultaneously enters into a "repo" or "lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements. Deposits and borrowings are initially measured at fair value plus or minus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

5.2.16 Prepayments and other receivables

Prepayments include costs paid in relation to subsequent financial periods and are measured at cost less amortization for the period. The Bank recognises prepaid expense in the accounting period in which it is paid.

Other assets comprise other recoverables.

5.2.17 Provisions and other liabilities

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense. Other liabilities are short term obligations to third parties. They are recognized at cost.

Restructuring: A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Bank levies: A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

Contingent liability

5.2.18

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

5.2.19 Expenditure

Expenses are recognised in the profit or loss as they are incurred unless they create an asset from which future economic benefits will flow to the Bank. An expected loss on a contract is recognised immediately in profit or loss.

Employee benefits

5.2.20

(i) Defined contribution plan

A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the period during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) 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 employees and the obligation can be estimated reliably.

5.2.21 Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(ii) Dividend on the Bank's ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the date of the statement of financial

position are dealt with in the subsequent events note. Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Companies and Allied Matters Act of Nigeria.

5.2.22 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

5.2.23 Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are regularly reviewed by the Bank's management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment information is provided on the basis of operating and reportable segments in the manner the Bank manages its business. The financial statements of the Bank reflect the management structure of the Bank and the way in which the Bank's management reviews business performance.

Invariably, management considers its retail banking operations, whose results are shown in the statement of financial position and statement of comprehensive income, as its only operating segment.

OTHER FINANCIAL INFORMATION - AUDITED ACCOUNTS FOR THE NINE MONTHS ENDED, SEPTEMBER 30, 2020

a) Statement of Financial Position

NPF Microfinance Bank Plc.
Interim Report
30 September 2020

STATEMENTS OF FINANCIAL POSITION
AS AT

<i>In thousands of naira</i>	Note	30 September 2020	31 December 2019
ASSETS			
Cash and cash equivalents	16	2,035,967	3,128,104
Plledged assets	17	560,524	467,486
Loans and advances to customers	18	16,819,901	13,776,931
Investment securities	19	697,102	893,534
Property and equipment	21(a)	894,582	897,484
Intangible asset	21(b)	53,407	33,906
Other assets	20	357,099	386,272
TOTAL ASSETS		21,418,582	19,583,717
LIABILITIES			
Deposits from customers	22	12,858,762	11,327,058
Current tax liabilities	15(b)	168,121	230,511
Borrowings	24	1,947,581	1,965,665
Deferred tax liabilities	15(c)	56,486	66,637
Other liabilities	23	1,136,835	665,907
TOTAL LIABILITIES		16,167,785	14,255,778
CAPITAL AND RESERVES			
Share capital	25	1,143,328	1,143,328
Share premium	26(a)	1,517,485	1,517,485
Retained earnings	26(b)	1,096,919	986,184
Fair value reserve	26(c)	(6,907)	(2,777)
Statutory reserve	26(d)	1,348,133	1,348,133
Regulatory risk reserve	26(e)	151,839	335,586
TOTAL EQUITY		5,250,797	5,327,939
TOTAL LIABILITIES AND EQUITY		21,418,582	19,583,717

The financial statements were approved by the Board of Directors on 2 March 2021 and signed on its behalf by:


Mr. Azubuko Joel Uduh (Esq.)
Chairman
FRC/2016/NBA/00000013775


Mr. Akinwunmi Larwal
Managing Director/Chief Executive Officer
FRC/2014/CIBN/00000006345

Additionally certified by:


F.C. Nelson, FCA
Chief Financial Officer
FRC/2014/ICAN/00000006856

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

b) Statement of Profit or Loss and other comprehensive income

NPF Microfinance Bank PLC
Interim Report
10 September 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED

<i>In thousands of naira</i>	Note	30 Sept 2020	Unaudited 30 Sept 2019
Gross earnings		3,359,061	3,292,895
Interest income	8	2,953,203	2,383,806
Interest expense	9	(301,767)	(356,953)
Net interest income		2,651,436	2,026,853
Fee and commission income	10	349,394	697,226
Revenue		3,000,830	2,724,079
Other income	11	56,464	211,863
Net impairment loss on financial assets	12	(258,839)	(170,323)
Personnel expenses	13	(1,397,124)	(1,080,480)
Depreciation and amortisation	21	(188,081)	(127,428)
Administration and general expenses	14	(739,619)	(824,365)
Total operating expenses		(2,527,199)	(1,990,733)
Profit before tax		473,631	733,346
Income tax expense	15(a)	(89,311)	(158,679)
Profit for the period		384,320	574,667
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Equity investment at fair value through OCI	19(a)	(4,130)	-
Other comprehensive income for the period		(4,130)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		380,190	574,667
Basic and diluted earnings per share (kobo)	31	17	25

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

c) Statement of Changes in Equity

NPF Microfinance Bank PLC
Interim Report
30 September 2020

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020

<i>In thousands of naira</i>	Share Capital	Share Premium	Retained Earnings	Fair Value Reserve	Statutory Reserve	Regulatory Risk Reserve	Total
Balance at 1 January 2020	1,143,328	1,517,485	986,184	(2,777)	1,348,133	335,586	5,327,939
Total comprehensive income							
Profit for the period	-	-	384,320	-	-	-	384,320
Other comprehensive income							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	(4,130)	-	-	(4,130)
Total other comprehensive income	-	-	-	(4,130)	-	-	(4,130)
Total comprehensive income	1,143,328	1,517,485	1,370,504	(6,907)	1,348,133	335,586	5,708,129
Transfer to statutory reserve	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Contributions by and distributions to equity holders							
Dividend paid (see note 32)	-	-	(457,332)	-	-	-	(457,332)
Transfer to regulatory risk reserve	-	-	183,747	-	-	(183,747)	-
Total contributions and distributions	-	-	(273,585)	-	-	(183,747)	(457,332)
Balance as at 30 September 2020	1,143,328	1,517,485	1,096,919	(6,907)	1,348,133	151,839	5,250,797

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

<i>In thousands of naira</i>	Share Capital	Share Premium	Retained Earnings	Fair Value Reserve	Statutory Reserve	Regulatory Risk Reserve	Total
Balance at 1 January 2019	1,143,328	1,517,485	318,690	(2,405)	1,248,579	420,914	4,646,591
Total comprehensive income							
Profit for the period	-	-	574,667	-	-	-	574,667
Other comprehensive income							
Fair value reserve (FVOCI equity instruments):							
Equity investments at FVOCI - net change in fair value	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	1,143,328	1,517,485	893,357	(2,405)	1,248,579	420,914	5,221,258
Transfer to statutory reserve	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Contributions by and distributions to equity holders							
Dividend paid (see note 32)	-	-	(114,333)	-	-	-	(114,333)
Transfer to regulatory risk reserve	-	-	-	-	-	-	-
Total contributions and distributions	-	-	(114,333)	-	-	-	(114,333)
Balance at 30 September 2019	1,143,328	1,517,485	779,024	(2,405)	1,248,579	420,914	5,106,925

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

d) Statement of Cash Flows

NPF Microfinance Bank PLC
Interim Report
30 September 2020

STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED

<i>In thousands of naira</i>	Note	30 September 2020	Unaudited 30 September 2019
Cash flows from operating activities			
Profit for the period		384,320	574,667
<i>Adjustments for:</i>			
Depreciation and amortization	21	188,081	127,428
Net impairment loss on loans and advances to customers	12	229,531	172,291
Net impairment write-back on cash and cash equivalents	12	(179)	-
Net impairment loss on pledged assets	12	749	-
Net impairment (write-back)/loss on other assets	12	28,581	-
Net impairment write-back on investment	12	157	(1,968)
Interest income	8	(2,953,203)	(2,383,806)
Interest expense	9	301,767	356,953
Profit on sale of property and equipment	11	(2,533)	(969)
Miscellaneous income	11	(789)	-
Gain on derecognition of lease liability	11	(853)	-
Tax expense	15(a)	89,311	158,679
		(1,735,060)	(996,725)
<i>Changes in:</i>			
- pledged assets	33(b)	(93,787)	(58,351)
- loans and advances to customers	33(c)	(3,136,115)	(3,210,053)
- other assets	33(d)	592	(112,629)
- deposits from customers	33(e)	1,531,705	(3,636,308)
- other liabilities	33(f)	422,304	4,457,803
		(3,010,361)	(3,556,263)
Interest received	33(h)	2,917,819	2,270,793
Interest paid	33(i)	(263,350)	(297,700)
Tax paid	15(b)	(161,852)	(77,876)
Retirement benefit obligations paid	33(f)	-	16,001
Net cash used in operating activities		(517,743)	(1,645,045)
Cash flows from investing activities			
Acquisition of property and equipment	33(a)(i)	(163,717)	(188,215)
Proceeds from disposal of property and equipment	33(a)(ii)	7,787	969
Disposal/(purchase) of treasury bill investments	33(g)	214,090	(551,148)
Net cash flows from/(used in) investing activities		58,159	(738,394)
Cash flows from financing activities			
Repayment of principal on borrowings	24(b)	(585,868)	(809,743)
Repayment of interest on borrowings	24(b)	(82,500)	-
Payment of lease liability	33(j)	(7,032)	-
Additions to borrowings	24(b)	500,000	-
Dividend paid	32	(457,332)	(114,333)
Net cash used in financing activities		(632,732)	(924,076)
Net decrease in cash and cash equivalents		(1,092,316)	(3,307,515)
Cash and cash equivalents as at 1 January		3,128,610	4,944,913
Cash and cash equivalents as at 30 September	16	2,036,294	1,637,398

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

e) Notes to the Financial Statements

NPF Microfinance Bank PLC
Interim Report
30 September 2020

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

8 Interest income

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Loans and advances	2,806,142	2,127,994
Treasury bills	22,072	19,531
Call accounts	121	38,191
Pledged assets	28,719	30,879
Money market placement	96,149	167,211
Total interest income	2,953,203	2,383,806

9 Interest expense

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Term deposits	116,723	210,686
Current deposits	12,955	9,358
Savings deposits	16,689	18,265
Borrowings	150,283	118,644
Lease expense	5,117	-
Total interest expense	301,767	356,953

Total interest expense reported above relates to financial liabilities measured at amortised cost using the applicable effective interest rates.

10 Fees and commission income

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Credit-related fees and commission	275,227	595,361
Deposit-related fees and commission	74,167	101,865
	349,394	697,226

(i) Disaggregation of fee and commission income

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major type of fees.

Loan management fee	90,934	140,590
Loan commitment fee	107,947	277,800
Legal fee	-	87,109
Insurance fee	63,819	77,225
Credit search fee	12,527	12,637
	275,227	595,361
Account administration and maintenance fee	28,037	60,307
Commission on turnover	46,130	41,558
	74,167	101,865
	349,394	697,226

The fee and commission presented above relate to financial assets and liabilities measured at amortised cost. These figures excludes amounts incorporated in determining the effective interest rate on such financial assets and liabilities.

Loan management fee relates to fees for loan processing and fee on overdraft facilities granted to customers.

(ii) Contract balances

The following table provides information about contract liabilities.

Contract liabilities, which are included in 'loans and advances to customers'	(135,050)	(40,658)
---	-----------	----------

The loans and advances with customers run for tenors of between 3months-2years. The loans and overdraft were impaired by ₦732 million (31 December 2019: ₦502 million). The management fees on these facilities are deferred and spread over the tenor of the loan. The amount of revenue recognised for the period ended 30 September 2020 was ₦91 million (30 September 2019: ₦140 million).

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(iii) Performance obligation and revenue recognition policy

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

For the accounting policy for fees and commissions in the scope of IFRS 9, see note 4(b).

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The rates for the different class of accounts are set on an annual basis. Transaction-based fees for interchange and overdrafts are charged to the customer's account when the transaction takes place. Loan servicing fees are charged once when the transaction takes place.	Revenue from deposit related services are recognized overtime as the services are provided. Revenue from credit related services are recognized at a point in time when the transaction takes place.

11 Other income

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Service fees and charges (see (i) below)	52,262	22,975
Income on salary administration (see (ii) below)	-	187,919
Miscellaneous income	789	-
Profit on disposal of property and equipment	2,533	969
Gain on derecognition of lease liability	853	-
Dividend income	27	-
	<u>56,464</u>	<u>211,863</u>

- (i) Service fees and charges include fees on customer requests such as issuance of letter of indebtedness, charges on issuance of drafts, seals, stamps, reference letters and signature confirmation letters. These are recognized at the point in time when the transaction takes place.
- (ii) The bank charges income on the salary accounts of customers for salary administration. This administration charge is of two types; a charge of ₦300 is made on accounts of customers who earn ₦50,000 and below and a ₦500 charge on accounts of customers who earn above ₦50,000. This income is recognized at the point in time when the transaction takes place i.e when the salary is paid.

12 Impairment loss on financial assets

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Impairment loss on loans and advances to customers (see note 18(c))	229,531	172,291
Impairment loss/(write-back) on investments (see note 19)	157	(1,968)
Impairment loss on other assets (see note 20(a))	28,581	-
Impairment writeback on cash and cash equivalent (see note 16(b))	(179)	-
Impairment loss on pledged assets (see note 17(b))	749	-
	<u>258,839</u>	<u>170,323</u>

13 Personnel expenses

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Wages and salaries	1,342,954	1,030,814
Post-employment benefits:		
Defined contribution plan - pension cost	54,170	48,301
Other staff cost:		
Expense on retirement benefit	-	1,365
	<u>1,397,124</u>	<u>1,080,480</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(a) The average number of persons employed during the period by category:

	30-Sept-2020	Unaudited 30-Sept-2019
Executive Directors	3	3
Management	63	49
Non-management	385	315
	<u>451</u>	<u>367</u>

The number of employees of the Bank, including executive directors, who received emoluments in the following ranges were:

	30-Sept-2020	Unaudited 30-Sept-2019
Less than N500,000	4	-
N500,001 - N1,000,000	10	18
N1,000,001 - N2,500,000	309	228
N2,500,001 - N3,500,000	65	62
N3,500,001 - N4,500,001	26	24
N4,500,0001 - N5,500,000	13	12
N5,500,001 and above	24	23
	<u>451</u>	<u>367</u>

(b) Director's emolument

The remuneration paid to the Directors of the Bank (excluding pension and certain allowances) was:

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Fees and sitting allowances	65,230	39,730
Other Directors' expenses	28,889	68,140
Total Non-executive Directors' remuneration (see note 14)	<u>94,119</u>	<u>107,870</u>
Executive compensation (see note 27(b)(i))	63,146	35,501
	<u>157,265</u>	<u>143,371</u>

The Directors' remuneration shown above includes:

The Chairman	18,080	10,471
Highest paid Director	<u>25,291</u>	<u>20,233</u>

The number of Directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges were:

Below N1,000,000	-	-
N1,000,001 - N5,000,000	1	1
N5,000,001 - N10,000,000	7	7
N10,000,001 and above	3	3
	<u>11</u>	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

14 Administration and general expenses

<i>In thousands of naira</i>	Unaudited	
	30-Sept-2020	30-Sept-2019
Repairs and maintenance cost	61,361	53,270
Vehicle and generator running cost	63,036	68,040
Office expenses	104,674	86,523
Computer expenses	84,097	69,702
Travel expenses	26,132	50,167
AGM and year-end expenses	44,463	50,538
Directors' remuneration	94,119	107,870
Bank charges	10,249	29,334
Marketing/publicity expenses	77,726	115,520
Professional fees	54,758	17,715
Subscription fees	4,569	6,324
Charges and levies	3,900	30,084
Insurance cost	31,195	33,855
NDIC premium	24,639	31,947
Rent and rates	3,088	22,116
Auditor's remuneration	9,200	15,990
Fraud, forgery and theft	20	2,115
Other expenses (see note a)	42,393	32,355
	739,619	824,365

(a) Other expenses includes the following:

Corporate social responsibility	1,660	85
Donations	860	2,096
Electricity expenses	10,499	10,094
Recruitment expenses	7,255	415
Damaged ATM cards	(83)	-
Loan recovery expenses	1,726	51
Stamp duties	1,061	77
Legal expenses	6,551	7,018
SMS alerts	12,578	12,504
Bad debts written off	-	10
Miscellaneous expenses	286	5
	42,393	32,355

15 Income taxes

<i>In thousands of naira</i>	Unaudited	
	30-Sept-2020	30-Sept-2019
(a) Amounts recognized in profit or loss		
<i>Current tax expense</i>		
Company income tax	86,716	144,708
Education tax	8,243	13,756
National Information Technology Development Agency (NITDA) levy	4,485	7,485
Nigeria Police Trust Fund (NPTF) levy	18	29
	99,462	165,978
<i>Deferred tax expense</i>		
Reversal of temporary differences - Credit	(10,151)	(7,299)
	(10,151)	(7,299)
<i>Tax expense</i>	89,311	158,679

The Bank believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(b) Movement in current tax liabilities

<i>In thousands of naira</i>	30-Sept-2020	31-Dec-2019
Balance at 1 January	230,511	87,082
Income tax expense (see note (a) above)	99,462	221,305
Tax paid	(161,852)	(77,876)
Balance at period end	168,121	230,511

(c) Movement in deferred tax balances

30 September 2020

	Balance at 1 January	Recognized in profit or loss (see (a))	Recognized in OCI	Balance at 30 September
Property and equipment	141,235	-	-	141,235
ECL impairment on loans and advances	(50,067)	(28,545)	-	(78,612)
ECL impairment on other assets	(23,629)	23,399	-	(230)
Others	(901)	(5,006)	-	(5,907)
Deferred tax liabilities	66,637	(10,151)	-	56,486

31 December 2019

	Balance at 1 January	Recognized in profit or loss (see (a))	Recognized in OCI	Balance at 31 December
Property and equipment	123,481	17,754	-	141,235
ECL impairment on loans and advances	(47,111)	(2,956)	-	(50,067)
ECL impairment on other assets	-	(23,629)	-	(23,629)
Others	-	(901)	-	(901)
Deferred tax liabilities	76,370	(9,733)	-	66,637

(d) Reconciliation of effective tax rate

In thousands of naira

Profit before tax	473,631	733,346
Tax using the Company's domestic tax rate	30%	142,090
Non-deductible expenses	8%	36,348
Tax-exempt items	-22%	(101,873)
Tertiary Education Tax	2%	8,243
NITDA Levy	1%	4,485
Nigeria Police Trust Fund (NPTF) levy	0%	18
	19%	89,311

	30-Sept-2020	Unaudited 30-Sept-2019
	473,631	733,346
	30%	30%
	142,090	220,004
	8%	7%
	36,348	54,444
	-22%	-19%
	(101,873)	(137,039)
	2%	2%
	8,243	13,756
	1%	1%
	4,485	7,485
	0%	0%
	18	29
	19%	22%
	89,311	158,679

16 Cash and cash equivalents

In thousands of naira

(a) Cash and cash equivalents comprise:

Cash on hand:

	30-Sep-2020	31-Dec-2019
Cash on hand	134,400	101,781
	134,400	101,781

Deposits with banks:

Current account balances with other banks	1,854,138	1,178,980
Money market placements	47,756	1,847,849
	1,901,894	3,026,829

Cash and cash equivalents for cash flow purposes:

Impairment allowance (see note (b) below)	(327)	(506)
Cash and cash equivalents	2,035,967	3,128,104

(b) Movement in impairment allowance:

Balance at 1 January	506	4,561
Impairment writeback (see note 12)	(179)	(4,055)
	327	506

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash-in-hand, deposits held at call with other banks, other short-term highly liquid investments with original maturities less than three months. The current balances with other banks also includes ATM working capital accounts and the suspense accounts used to manage settlement of ATM transactions with Sterling Bank to be refunded to the Head office by branches. For financial reporting purposes, the balances in the ATM related accounts were combined in order to have a net position.

17 Pledged assets

Pledged assets, initially recognised at fair value and subsequently measured at amortised cost, represent placements and Treasury Bills with banks that serve as collateral for the Bank's borrowings, use of NIBSS platform and ATM transactions as analysed below:

<i>In thousands of naira</i>			30-Sept-2020	31-Dec-2019
<i>Underlying transaction</i>	<i>Counterparty</i>	<i>Asset description</i>		
BOI concessionary loan	Sterling Bank Plc	Fixed placement	-	103,469
DBN concessionary loan	Development Bank of Nigeria	Treasury Bills	466,346	269,090
NIBSS Platform	First Bank of Nigeria Plc	Fixed placement	75,000	75,000
ATM Transactions	Sterling Bank Plc	Call placement	20,000	20,000
			561,346	467,559
Impairment allowance (see note (b) below)			(822)	(73)
			560,524	467,486
Current			560,524	467,486
Non-current			-	-
			560,524	467,486

(b) Movement in impairment allowance:

Balance at 1 January	73	596
Impairment allowance/(writeback) (see note 12)	749	(523)
	822	73

18 Loans and advances to customers

<i>In thousands of naira</i>		30-Sep-2020	31-Dec-2019
(a) Loans and advances to customers comprise:			
Loan and advances to customers at amortised cost		16,819,901	13,776,931
		16,819,901	13,776,931
Current		5,208,160	4,937,172
Non-current		11,611,741	8,839,759
		16,819,901	13,776,931

(b) Loans and advances to customers at amortised cost:

	30 September 2020			31 December 2019		
	Gross Amount	ECL Allowance	Carrying Amount	Gross Amount	ECL Allowance	Carrying Amount
Term loans	15,916,464	(345,772)	15,570,692	13,351,275	(289,171)	13,062,104
Overdrafts	1,634,916	(385,707)	1,249,209	727,604	(212,777)	514,827
	17,551,380	(731,479)	16,819,901	14,278,879	(501,948)	13,776,931

(c) Movement in allowances for impairment

	30 September 2020				31 December 2019			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at the beginning of the period	151,696	4,765	345,487	501,948	153,252	3,785	374,175	531,212
Charge/(writeback) during the period (see note 12)	89,888	(665)	140,328	229,531	(1,556)	980	(28,688)	(29,264)
Balance at the end of the period	241,584	4,100	485,815	731,479	151,696	4,765	345,487	501,948

19 Investment securities

Investment securities comprise:

(a) Investment securities measured at FVTOCI:

	Fair value at 30-Sept-2020	Fair value at 31-Dec-2019
<i>Equity securities:</i>		
Listed equities	3,424	2,505
Unlisted equities	6,350	11,399
	<u>9,774</u>	<u>13,904</u>

The Bank has designated these equity investment securities at FVTOCI. They are held to be disposed off in the nearest future. None of these investments were disposed during the period ended 30 September 2020 (31 December 2019: nil), and there were no transfers of any cumulative gain or loss within equity relating to these investments (31 December 2019: nil). The change in fair value on these investments were as follows:

	30-Sept-2020	31-Dec-2019
Balance at beginning of the period		
Listed equities	2,505	3,787
Unlisted equities	11,399	10,489
	<u>13,904</u>	<u>14,276</u>
Balance at end of the period		
Listed equities	3,424	2,505
Unlisted equities	6,350	11,399
	<u>9,774</u>	<u>13,904</u>
Fair value loss	<u>(4,130)</u>	<u>(372)</u>

(b) Investment securities at amortised cost

Treasury bills	687,623	879,768
ECL impairment	(295)	(138)
	<u>687,328</u>	<u>879,630</u>
Total investment securities	<u>697,102</u>	<u>893,534</u>
Total investment securities for cashflow purpose	<u>697,597</u>	<u>893,672</u>
Current	697,102	893,534
Non-current	-	-
	<u>697,102</u>	<u>893,534</u>

(c) Movement in impairment allowance

Balance at the beginning of the period	138	-
Impairment charge during the period (see note 12)	157	138
Balance at the end of the period	<u>295</u>	<u>138</u>

20 Other assets:

<i>In thousands of malta</i>	30-Sept-2020	31-Dec-2019
Prepayments (see note (a) below)	161,744	221,334
Inventories (see note (b) below)	145,730	124,714
Other receivables (see note (c) below)	151,330	113,348
	<u>458,804</u>	<u>459,396</u>
Impairment allowance (see note (d) below)	(101,705)	(73,124)
	<u>357,099</u>	<u>386,272</u>
Current	264,060	198,411
Non-current	93,039	187,861
	<u>357,099</u>	<u>386,272</u>

(a) Prepayments comprise the following:

Prepaid insurance	10,732	24,300
Prepaid staff benefits	93,039	187,861
Other prepaid expense	57,973	9,173
	<u>161,744</u>	<u>221,334</u>

(b) Inventories comprise stock of (debit cards, stock of credit cards, stock of cheques, books/journals/CDs, stock of office stationeries, stock of micr cheques and non micr cheques, asset suspense account, deferred share issue cost.

Stock	72,723	57,887
Asset in suspense	33,850	30,359
Deferred share issue cost	39,157	36,468
	<u>145,730</u>	<u>124,714</u>

(c) Other receivables includes staff cash advances, sundry debtors and suspense accounts.

(d) Movement in impairment allowances:

Balance at the beginning of the period	73,124	158,498
Impairment charge/(writeback) during the period (see note 12)	28,581	(85,374)
Balance at the end of the period	<u>101,705</u>	<u>73,124</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

In thousands of naira

21 Property and Equipment

(a)	Buildings	Freehold Land	Right-of-Use Asset	Furniture and Fittings	Motor Vehicles	Computer Equipment	Office Equipment	Total
Cost:								
Balance as at 1 January 2019	280,049	-	-	71,238	423,269	175,627	150,288	1,100,471
Recognition of Right-of-use asset on initial application of IFRS 16	-	-	65,327	-	-	-	-	65,327
Adjusted balance	280,049	-	65,327	71,238	423,269	175,627	150,288	1,165,798
Additions during the year	145,444	-	38,361	29,733	75,752	83,238	53,971	426,499
Reclassification	(6,979)	6,979	-	-	-	(26,408)	-	(26,408)
Disposals	-	-	-	(74)	-	(274)	-	(348)
Balance at 31 December 2019	418,514	6,979	103,688	100,897	499,021	232,182	204,260	1,565,541
Balance as at 1 January 2020	418,514	6,979	103,688	100,897	499,021	232,182	204,260	1,565,541
Additions during the period	26,845	-	16,217	9,157	7,740	82,356	37,619	179,934
Reclassification	(15,698)	15,698	-	-	-	-	-	-
Disposals	-	-	-	(324)	(6,715)	(2,188)	-	(9,227)
Balance at 30 September 2020	429,661	22,677	119,905	109,730	500,046	312,350	241,879	1,736,248
Accumulated Depreciation and Impairment:								
Balance at 1 January 2019	38,829	-	-	38,963	195,447	88,814	80,737	442,810
Charge for the year	6,069	-	21,959	13,690	94,638	62,593	30,202	229,151
Disposals	-	-	-	(74)	-	(274)	-	(348)
Reclassification	-	-	-	-	-	(4,787)	-	(4,787)
Impairment	-	-	-	-	-	-	1,231	1,231
Balance at 31 December 2019	44,898	-	21,959	52,579	290,085	146,346	112,190	668,057
Balance at 1 January 2020	44,898	-	21,959	52,579	290,085	146,346	112,190	668,057
Charge for the period	6,017	-	19,421	11,307	68,431	45,885	26,521	177,582
Disposals	-	-	-	(324)	(1,461)	(2,188)	-	(3,973)
Reclassification	-	-	-	-	-	-	-	-
Balance at 30 September 2020	50,915	-	41,380	63,562	357,055	190,043	138,711	841,665
Net Book Value: 31 December 2019	373,616	6,979	81,729	48,318	208,936	85,836	92,070	897,484
Net Book Value: 30 September 2020	378,746	22,677	78,525	46,168	142,991	122,307	103,168	894,582

- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2019: Nil).
- There was no impairment loss (31 December 2019: ₦1.2 million) on the office equipment class during the year.
- There were no property and equipment pledged as securities for liabilities (31 December 2019: Nil).
- There were no contractual commitments for the acquisition of property and equipment (31 December 2019: Nil).
- On 1 January 2019, following the adoption of IFRS 16, the Bank recognises right-of-use assets for leases of branch premises and has presented right-of-use assets within 'property and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns.
- For better presentation, the computer and office equipment class were separated and the intangible assets of ₦33.9 million in computer equipment in 2019 was reclassified.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(b) Intangible asset

<i>In thousands of naira</i>	30-Sept-2020	30-Dec-2019
Computer software		
Cost:		
Balance at start of the period	38,693	12,285
Reclassification from PPE	-	26,408
Addition during the period	30,000	-
Balance at end of the period	68,693	38,693
Accumulated Amortisation:		
Balance at start of the period	4,787	-
Charge for the period	10,499	-
Reclassification from PPE	-	4,787
Balance at end of the period	15,286	4,787
Carrying amount at end of the period	53,407	33,906

- The intangible asset was reclassified from property and equipment.
- All intangible assets are non-current. Intangible assets of the Bank have finite useful life and are amortised over 3 years.
- The Bank does not have internally generated intangible assets.

22 Deposits from customers

<i>In thousands of naira</i>	30-Sept-2020	31-Dec-2019
Current deposits	4,136,692	3,718,043
Savings deposits	3,294,648	2,555,400
Term deposits	5,291,770	4,762,339
Sundry deposits	135,652	291,276
	12,858,762	11,327,058
Current	12,858,762	11,327,058
Non-current	-	-
	12,858,762	11,327,058

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED**

23 Other liabilities

<i>In thousands of naira</i>	30-Sept-2020	31-Dec-2019
<i>Financial liabilities</i>		
Accounts payable	5,685	6,932
Productivity bonus (see note (a) below)	14,225	300,299
Sundry creditors	68,428	126,478
Accruals	136,948	79,410
Other payables (see note (b) below)	832,715	68,169
Unearned income	1,690	-
Lease liability (see note (c) below)	48,624	42,961
	<u>1,108,315</u>	<u>624,249</u>
<i>Non-financial liabilities</i>		
Withholding tax payable	28,520	41,658
	<u>1,136,835</u>	<u>665,907</u>
Current	1,104,617	622,946
Non-current	32,218	42,961
	<u>1,136,835</u>	<u>665,907</u>

(a) These amounts represent provision made at the end of the period for payment of productivity bonus to employees of the Bank. It is linked to the performance of the Bank.

(b) These amounts comprise the transactions of the bank's customers performed through the various channels but were yet to be settled as at period end as well as other provisions made by the bank for expenses incurred in its ordinary course of business.

(c) The movement in lease liabilities during the period is as follows:

Opening balance	42,961	37,382
Additional lease liabilities	8,431	-
Interest on lease liability (see note 9)	5,117	5,579
Gain on derecognition of lease liability (see note 11)	(853)	-
Lease payments	(7,032)	-
	<u>48,624</u>	<u>42,961</u>
Maturity analysis- contractual undiscounted cashflows		
Less than one year	17,243	8,378
Between one and five years	47,764	48,927
More than 5 years	-	6,300
	<u>65,007</u>	<u>63,605</u>

24 Borrowings

<i>In thousands of naira</i>	30-Sept-2020	31-Dec-2019
<i>(a) Borrowings comprise:</i>		
BOI concessionary loan (see note (i) below)	-	47,679
CBN concessionary (see note (ii) below)	1,025,290	1,000,000
DBN concessionary loan (see note (iii) below)	871,442	854,531
CBN housing microfinance loan (see note (iv) below)	50,849	63,455
	<u>1,947,581</u>	<u>1,965,665</u>
Current	1,043,056	1,485,521
Non-current	904,525	480,144
	<u>1,947,581</u>	<u>1,965,665</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED**

- (i) The Bank of Industry (BOI) loan was availed the Bank on 10 March 2017. The amount availed was ₦500 million at a rate of 12% per annum for a duration of 3 years. This loan is for on-lending to the Bank's customers. It is for the benefit of small and medium sized enterprises to grow their businesses and to become financially independent. The BOI loan was fully liquidated during the period on 31 March 2020.
- (ii) The Central Bank of Nigeria (CBN) Micro Small and Medium sized Enterprises Development Fund (MSMEDF) loan of ₦1 billion was granted to the Bank on 22 December 2017 at a rate of 2% per annum. The loan tenor is 2 years and it is for on-lending to the Bank's customers for the benefit of small and medium sized enterprises to help grow their businesses and become financially independent. The loan matured in December 2019 but the principal was not paid to the CBN. Interest recognition and payment have continued under the initial contractual terms while the loan principal is repayable on demand.
- (iii) The Development Bank of Nigeria (DBN) loan of ₦731 million was granted to the Bank on 5 December 2019. The loan is for a duration of 2 years at an interest rate of 13.79% per annum. The loan is for on-lending to micro, small and medium enterprises to grow their businesses.
- The facility is callable, cancellable and renewable and is to be reviewed twelve (12) months after the first draw down and every six (6) months subsequently.
- An additional facility of ₦500 million was granted to the Bank by the Development Bank of Nigeria (DBN) on 28 September 2020 at a rate of 12.79%. The loan tenure is 2 years and is for on-lending to micro, small and medium enterprises.
- (iv) The Central Bank of Nigeria (CBN) housing microfinance loan of ₦91.74 million was granted to the Bank on 18 May 2018 at an interest rate of 15.99% per annum. The loan tenor is 5 years and it is for on-lending to the Bank's customers to take care of their housing needs.

(b) The movement in borrowings during the period was as follows:

<i>In thousands of naira</i>	30-Sept-2020	31-Dec-2019
Balance, beginning of the period	1,965,666	2,078,843
Additions during the period	500,000	731,000
Interest accrued during the period (see note 9)	150,283	84,682
Interest paid during the period	(82,500)	(119,116)
Principal repayment during the period	(585,888)	(809,743)
Balance at period end	1,947,581	1,965,666
Total repayment of borrowings (for cashflow purpose)	(668,368)	(928,859)

25 Share capital

Authorised:

8,000,000,000 units of ordinary shares of 50 kobo each 3,000,000 3,000,000

Issued and fully paid:

2,286,657,766 units of ordinary shares of 50 kobo each 1,143,328 1,143,328

26 Share premium and reserves

The nature and purpose of the share premium and reserve accounts in equity are as follows:

(a) Share premium

The share premium warehouses the excess paid by shareholders over the nominal value for their shares. Premiums from the issue of shares are reported in share premium.

(b) Retained earnings

Retained earnings comprise the undistributed profits from previous periods, which have not been reclassified to the other reserves noted below.

(c) Fair value reserve

Fair value reserve comprise the cumulative net change in the fair value of equity securities designated at fair value through other comprehensive income.

(d) Statutory reserve

The Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.8.1.7 of the Amended Regulatory and Supervisory Guidelines for Microfinance Banks issued by the Central Bank of Nigeria (CBN), an appropriation of 50% of profit after tax is made if the statutory reserve is less than 50% of its paid-up share capital, 25% of profit after tax if the statutory reserve is greater than 50% but less than 100% of its paid-up share capital and 12.5% of profit after tax if the statutory reserve is greater than the paid up share capital.

(e) Regulatory risk reserve

The regulatory risk reserve warehouses the excess of the impairment allowance on loans and advances computed based on the Central Bank of Nigeria prudential guidelines over that computed based on the expected credit loss (ECL) model under IFRS. For better presentation, the regulatory risk reserve was reclassified from retained earnings on the statement of changes in equity (see note 6(e)(ii)).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

27 Related party transactions

(a) Parent and ultimate controlling party

As at the period ended 30 September 2020, the Nigeria Police Co-operative Society Limited owns the majority of the Bank's shares. As a result, the parent and ultimate controlling party of the Bank is the Nigeria Police Co-operative Society Limited. The Bank does not have a subsidiary.

(b) Transactions with key management personnel

Key management personnel is defined as the Bank's executive and non-executive directors, including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank.

(i) Key management compensation for the period comprised:

<i>In thousands of naira</i>	Unaudited	
	30-Sept-2020	30-Sept-2019
Salaries and other short-term benefits	63,146	35,501
Retirement benefits	-	3,274
	63,146	38,775

(ii) Loans and advances

In addition to their salaries, the Bank also provides non-cash benefits to its executive directors. Loans to key management personnel include housing loans and other personal loans which are given under terms that are no more favourable than those given to other staff. The housing loans are secured by property of the respective borrowers. All other loans are unsecured and interest rates charged on the related parties are at arm's length.

The movement in the loans and receivables to key management personnel during the period was:

<i>In thousands of naira</i>	30-Sept-2020	31-Dec-2019
At start of the period	108,214	113,594
Granted during the period	10,000	19,727
Repayment during the period	(48,873)	(27,107)
At end of the period	69,341	108,214
Impairment	-	36,211
Interest earned	5,888	2,162

Loans granted to Late Mr. Jude Ohanehi have been fully liquidated. Other loans granted to key management personnel were performing as at 30 September 2020 (31 December 2019: Performing).

Loans and advances outstanding:

The amounts granted and their balances as at 30 September 2020 were as follows:

In thousands of naira

<i>Name</i>	<i>Relationship</i>	<i>Facility type</i>	<i>Amount granted</i>			<i>Status</i>	<i>Security</i>
				30-Sept-2020	31-Dec-2019		
Mr. Akinwunmi Lawal	Managing Director	Housing loan	36,735	20,919	25,511	Performing	Secured
Mr. Akinwunmi Lawal	Managing Director	Personal loan	10,000	10,000	-	Performing	Secured
Mr. Jude Ohanehi	Executive Director	Housing loan	43,013	-	34,649	Non-performing*	Secured
Mr. Jude Ohanehi	Executive Director	Personal loan	2,500	-	1,562	Non-performing*	Secured
Mr. Francis Nelson	Executive Director	Housing loan	42,027	23,932	29,186	Performing	Secured
Mr. Francis Nelson	Executive Director	Personal loan	1,000	292	667	Performing	Secured
Mr. John Tizbe	Executive Director	Housing loan	16,227	14,198	15,889	Performing	Secured
Mr. John Tizbe	Executive Director	Personal loan	2,000	-	750	Performing	Secured
			153,502	69,341	108,214		

* The amount have been fully recovered in the current period.

(iii) Deposits

(a) The following directors had deposits with the Bank as at period ended:

<i>In thousands of naira</i>			30-Sept-2020	31-Dec-2019
<i>Name</i>	<i>Relationship</i>	<i>Type of deposit</i>		
Mr Joel Udah	Chairman	Current deposit	147	-
Mr Joel Udah	Chairman	Savings deposit	51	-
Mr Saeed Dantsoho	Non-Executive	Current deposit	12,728	2,935
Mr Saeed Dantsoho	Non-Executive	Term deposit	701,841	501,315
Mr Lawal Akinwunmi	Managing Director	Current deposit	3,401	968
Mr Lawal Akinwunmi	Managing Director	Savings deposit	600	-
Mr Francis Nelson	Executive Director	Current deposit	68	607
Mr Francis Nelson	Executive Director	Savings deposit	3	-
Mr Francis Nelson	Executive Director	Term deposit	305	-
Mr John Kwabe Tizhe	Executive Director	Current deposit	2,838	-
Mr John Kwabe Tizhe	Executive Director	Savings deposit	1	-
Mr John Kwabe Tizhe	Executive Director	Term deposit	373	-
Mr Jibrin G. Gane	Non-Executive	Current deposit	4,022	5,730
Mr Hashimu Argungu	Non-Executive	Current deposit	115	326
Mr Abdurrahman Satumari	Non-Executive	Current deposit	36	958
Mrs Rakiya Edota Shehu	Non-Executive	Current deposit	744	4,710
Mr Isa Uman Baba	Non-Executive	Current deposit	134	1,137
Mr Galandachi Dasuki	Non-Executive	Current deposit	-	6,112
Aminu Salei Pal	Non-Executive	Current deposit	6,226	-
			<u>733,723</u>	<u>524,798</u>

(b) Deposits of other related parties

Included in deposits is an amount of N94 million (31 December 2019: N38 million), representing deposits from major shareholders. The balances as at 30 September 2020 were as follows:

<i>In thousands of naira</i>			30-Sept-2020	31-Dec-2019
<i>Name of company/individual</i>	<i>Relationship</i>	<i>Type of deposit</i>		
NPF Cooperative Society Limited	Major shareholder	Current deposit	2,090	962
NPF Welfare Insurance Scheme	Major shareholder	Current deposit	91,631	37,412
			<u>93,721</u>	<u>38,374</u>

(c) Transaction with related parties

The Chairman, Mr. Udah owns the property in Aba leased by the Bank for use as a branch. The property was initially leased to the Bank in 2016 for a 3-year duration, which ended in May 2019, at a cost of N5,610,000. The lease agreement has been renewed for another 3 years at a cost of N5,610,000.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

28 Compliance with banking and other regulations

During the period, the Bank did not pay any penalties (31 December 2019: Nil).

29 Events after the reporting period

There were no subsequent events which could have a material effect on the financial position of the Bank as at 30 September 2020 or the profit for the period then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

30 Contingencies

Litigation and claims

The Bank in its ordinary course of business was involved in 14 cases as at 30 September 2020 (31 December 2019: 12) as a co-defendant. The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and/or threatened claims or litigations which may be material to the financial statements. However, the total amount that may be claimed against the Bank is estimated at ₦820 million (2019: ₦856 million).

31 Earnings per share

The Bank presents basic EPS data for its ordinary shares. Basic earnings per share (EPS) is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Basic earnings per share

In thousands of naira

	30-Sept-2020	30-Sept-2019
Net profit attributable to shareholders	384,320	574,667
Number of shares in issue (in thousands)	2,286,656	2,286,656
Weighted average number of shares in issue (in thousands)	2,286,656	2,286,656
Basic earnings per share (kobo)	17	25

32 Dividend per share

	30-Sept-2020	30-Sept-2019
Dividend proposed		
Number of shares issued and ranking for dividend	2,286,656	2,286,656
Proposed dividend per share (kobo)	-	-
Interim dividend paid (Kobo)	-	-
Final dividend per share proposed	-	-
Dividend paid during the period	457,332	114,333
Interim dividend paid during the period	-	-
Total dividend paid during the period	457,332	114,333
Dividend paid per (kobo)	20	5

The Board of Directors, pursuant to the powers vested in it by the provisions of the Companies and Allied Matters Act of Nigeria (CAMA), 2020, has not proposed any dividend for the third quarter ended 30 September 2020 (31 December 2019: final; 20 kobo).

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 30 September 2020 and 31 December 2019 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

33 Statement of cash flows notes

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
(a)(i) Proceeds from disposal of property and equipment		
Cost of property and equipment disposed during the period (see note 21)	9,227	323
Accumulated depreciation on property and equipment disposed (see note 21)	(3,973)	(323)
Net book value of property and equipment disposed	5,254	-
Profit on sales of property and equipment (see note 11)	2,533	969
Proceeds from disposal of property and equipment	7,787	969

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(a)(ii) Acquisition of PPE

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
PPE additions during the period	179,934	188,215
Less ROU assets additions	(16,217)	-
	163,717	188,215

(b) Changes in pledged asset (see note 17)

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Balance at the beginning of the period	467,559	801,383
Cash (inflow)/ outflow	93,787	58,351
Balance at period end	561,346	859,734

(c) Loans and advances to customers (see note 18)

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Balance at beginning of the period	14,278,879	11,124,847
Balance at period end	17,551,380	14,447,913
Cash outflow	3,272,501	3,323,066
Interest receivable	(136,386)	(113,013)
	3,136,115	3,210,053

(d) Changes in other assets (see note 20)

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Balance at beginning of the period	459,396	460,249
Cash (inflow)/ outflow	(592)	112,629
Balance at period end	458,804	572,878

(e) Changes in deposit from customers (see note 22)

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Balance at beginning of the period	(11,327,058)	(10,465,119)
Balance at period end	(12,858,762)	(6,828,811)
Cash outflow/(inflow)	(1,531,705)	3,636,308
Interest payable	2,055	1,100
	(1,529,650)	3,637,408

(f) Other liabilities (see note 23)

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Balance at beginning of the period	(665,907)	(243,547)
Balance at period end	(1,136,835)	(4,198,255)
	(470,928)	(4,441,802)
Lease liabilities (see note 23)	48,624	-
Retirement benefit obligations paid	-	(16,001)
Cash (inflow)/ outflow	(422,304)	(4,457,803)

(g) Investment securities (see note 19)

<i>In thousands of naira</i>	30-Sept-2020	Unaudited 30-Sept-2019
Balance at beginning of the period	893,672	291,081
Cash outflow/(inflow)	(196,275)	66,254
Balance at period end	697,397	357,335
<i>Explained by:</i>		
Impairment (loss)/write-back on investments (see note 12)	(157)	1,968
Fair value loss	4,130	-
Disposal/(purchase) of treasury bill investments	214,090	(551,148)
Unwinding of discount on treasury bill investments	(21,788)	482,926
	196,275	(66,254)

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(h) Interest received

<i>In thousands of naira</i>	Unaudited	
	30-Sept-2020	30-Sept-2019
Interest income (see note 8)	2,953,203	2,383,806
Interest on loans received	122,790	-
Interest receivable on loans (see note 33 (c))	(136,386)	(113,013)
Unwinding of discount on treasury bill investments (see note 33(g))	(21,788)	-
Interest received	<u>2,917,819</u>	<u>2,270,793</u>

(i) Interest paid

<i>In thousands of naira</i>	Unaudited	
	30-Sept-2020	30-Sept-2019
Interest expense on liabilities (see note 9)	(301,767)	(356,953)
Interest on deposit paid	(8,586)	(9,358)
Interest payable on borrowings	35,241	67,511
Interest payable on deposits	2,055	1,100
Lease interest payable	9,707	-
Interest paid	<u>(263,350)</u>	<u>(297,700)</u>

(j) Lease

<i>In thousands of naira</i>	Unaudited	
	30-Sept-2020	30-Sept-2019
Lease liabilities at the beginning of the period	42,961	-
Additional lease liabilities	8,431	-
Interest on lease liability (see note 9)	5,117	-
Gain on derecognition of lease liability (see note 11)	(853)	-
Lease payments	<u>(7,032)</u>	-
ROU asset at the end of the period	<u>48,624</u>	-

34 Unclaimed dividends

Unclaimed dividends summed up to ₦109,992,534.87 as at 30 September 2020 (31 December 2019: ₦107,978,690.60). This amount is made up of ₦105,854,116.73 (31 December 2019: ₦103,193,047.00) invested with Stanbic IBTC Asset Management Limited in fixed income mutual funds and ₦4,138,418.14 (31 December 2019: ₦4,785,643.60) in the custody of Cardinal Stone Registrars Limited.

The investment balance of ₦105,854,116.73 (31 December 2019: ₦103,193,047.00) is analysed below:

	30-Sept-2020	31-Dec-2019
	₦'000	₦'000
Net investible balance 1 July - 30 September 2020	104,802	100,830
Net income earned	1,052	2,363
	<u>105,854</u>	<u>103,193</u>

35 Fees for non-audit services

KPMG Professional Services rendered the following non-audit services to the Bank:

Service description	Unaudited	
	30-Sept-2020	31-Dec-2019
	₦'000	₦'000
Tax consultancy - Recurring	1,460	1,398
Tax consultancy - VAT	6,341	-
Tax compliance check/tax audit	-	3,990
	<u>7,801</u>	<u>5,388</u>

OTHER NATIONAL DISCLOSURES

**OTHER NATIONAL DISCLOSURES:
VALUE ADDED STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

	30-Sep-20		30-Sep-19	
	N'000	%	N'000	%
Gross earnings	3,359,061		3,292,895	
Bought-in-materials and services - local	(998,458)		(994,688)	
Value added	2,360,603	100	2,298,207	100
Distribution of value added:				
To employees				
- As salaries and other benefits	1,397,124	59	1,080,480	47
To providers of finance				
- As interests	301,767	13	356,953	16
To the Government				
- As taxes	89,311	4	158,679	7
Retained in the business				
- Asset replacement (depreciation and amortisation)	188,081	8	127,428	6
- Profit to augment reserves	384,320	16	574,667	25
Value added	2,360,603	100	2,298,207	100

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

**OTHER NATIONAL DISCLOSURES:
 FINANCIAL SUMMARY AS AT**

	30-Sept-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
<i>In thousands of naira</i>					
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Cash and cash equivalents	2,035,967	3,128,104	4,940,352	5,752,469	1,889,881
Pledged assets	560,524	467,486	800,787	409,674	581,425
Loans and advances to customers	16,819,901	13,776,931	10,593,635	9,008,675	9,095,801
Investment securities	697,102	893,534	291,081	16,681	37,574
Property and equipment	894,582	897,484	657,661	591,964	499,646
Intangible asset	53,407	33,906	12,285	-	-
Other assets	357,099	386,272	301,751	172,878	257,545
TOTAL ASSETS	21,418,582	19,583,717	17,597,552	15,952,341	12,361,872
LIABILITIES					
Deposits from customers	12,858,762	11,327,058	10,465,119	9,126,494	6,792,391
Current tax liabilities	168,121	230,511	87,082	146,270	199,571
Borrowings	1,947,581	1,965,665	2,078,843	1,550,468	349,249
Deferred tax liabilities	56,486	66,637	76,370	61,569	19,910
Other liabilities	1,136,835	665,907	243,547	315,251	537,353
TOTAL LIABILITIES	16,167,785	14,255,778	12,950,961	11,200,052	7,898,474
CAPITAL AND RESERVES					
Share capital	1,143,328	1,143,328	1,143,328	1,143,328	1,143,328
Share premium	1,517,485	1,517,485	1,517,485	1,517,485	1,517,485
Retained earnings	1,096,919	986,184	318,690	728,276	506,963
Fair value reserve	(6,907)	(2,777)	(2,405)	-	-
Statutory reserve	1,348,133	1,348,133	1,248,579	1,124,110	1,145,124
Regulatory risk reserve	151,839	335,586	420,914	139,090	150,498
TOTAL EQUITY	5,250,797	5,327,939	4,646,591	4,652,289	4,463,398
TOTAL LIABILITIES AND EQUITY	21,418,582	19,583,717	17,597,552	15,852,341	12,361,872
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
	30-Sept-2020	30-Sept-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
Gross income	3,359,061	3,292,895	3,950,377	3,654,875	2,925,229
Profit before taxation	473,631	733,346	287,155	819,819	803,440
Profit after taxation	384,320	574,667	195,749	631,890	554,903
Dividend	457,332	114,333	388,732	342,999	342,998
Basic and diluted earnings per share (kobo)	17	25	9	28	24
Dividend per share (kobo)	20	5	17	15	15
Net assets per share (kobo)	230	233	203	203	195

CLAIMS AND LITIGATIONS

NPF Microfinance Bank Plc is currently involved in twelve (12) pending cases – all of which were instituted against the Bank. A review of these cases was conducted to confirm their status and ascertain the “Contingent Liability” of the Bank. The total amount claimed in the twelve (12) cases is N762,933,199.56 (Seven Hundred and Sixty-Two Million Nine Hundred and Thirty-Three Thousand, One Hundred and Ninety-Nine Naira, Fifty-Six Kobo) only. Please note that these figures do not include interest claims against the Company. As Solicitors to the Offer, we are of the opinion that the claims and litigation are not likely to have any material adverse effect on the Bank and/or the Hybrid Offer and are not aware of any pending or threatened claims or litigation involving the Bank other than those disclosed in the schedule of claims and litigations.

MATERIAL CONTRACTS

The following agreement has been entered into and is considered material to this Issue:

- A Vending Agreement dated June 10 2021 between NPF Microfinance Bank Plc, Cowry Asset Management Limited, CardinalStone Partners Limited, FCSL Asset Management Company, Integrated Trust and Investment Limited and Lead Capital Plc.

Except as disclosed above, the Company has not entered into any material contract except in the ordinary course of business.

PROCEDURE FOR APPLICATION AND ALLOTMENT

APPLICATION

- a) If you are in doubt as to the action to take, please consult your financial adviser, stockbroker, solicitor, accountant, tax consultant, bank manager or any other professional adviser for guidance. Care must be taken to follow these instructions as applications that do not comply with the instructions will not be accepted.
- b) The general investing public is hereby invited to apply for the Ordinary Shares through any of the Receiving Agents listed on page 53 of this Abridged Prospectus.
- c) Applications for the Ordinary Shares being offered must be made in accordance with the instructions set out at the back of the Application Form attached hereto. Care must be taken to follow these instructions, as applications, which do not comply, will be rejected. Specifically, it is mandatory that applicants state their Bank Account Number and Bank Verification Numbers (BVN) otherwise their applications would be rejected.
- d) The Application List for the Ordinary Shares being offered will open on June 24 2021 and close on June 30 2021. Applications must be for a minimum of 1,000 Ordinary Shares and in multiples of 1,000 Ordinary Shares thereafter. The number of Ordinary Shares for which an application is made and the value of the cheque or bank draft attached should be entered in the boxes provided on the Application Form.
- e) The subscription currency for the Offer is the Nigerian Naira (₦).
- f) The applicant should make only one application, whether in his own name or in the name of a nominee. Multiple or suspected multiple applications will be rejected. Individual applicants should sign the declaration and write his/her full names, address, daytime telephone number and mobile telephone number in the appropriate space on the Application Form. Where the application is being made on behalf of a minor, the full names of the applicant and the minor as well as the date of birth of the minor should be provided. The appropriate space on the Application Form should be used by joint applicants. A corporate applicant should affix its seal in the box provided and state its Incorporation Registration (RC) Number.
- g) Applications should be forwarded ONLY to any of the Receiving Agents listed on page 66 of this Prospectus, together with evidence of Real Time Gross Settlement (“RTGS”) or National Electronic Funds Transfer (“NEFT”) for the full amount of the purchase price. All bank commissions and transfer charges must be prepaid by the applicant. All unfunded applications will be rejected.

PAYMENT INSTRUCTIONS

Applicants should ensure that payment of full purchase price is received upon submission of the Application Form. Payments can be made via RTGS or NEFT into the designated proceeds account domiciled with the Receiving Bank:

Bank Name:	First Bank of Nigeria Limited	United Bank for Africa Plc
Account Name:	NPF MFB Public Offer	NPF MFB Offer
Account Number:	2036022500	1022238228
Narration:	<i>“[Full Name of Shareholder]’s payment for NPF MFB Rights”</i>	<i>“[Full Name of Shareholder]’s payment for NPF MFB Rights”</i>

ALLOTMENT

The Issuing House and the Directors of the Company reserve the right to accept or reject any application in whole or in part for not meeting the conditions of the Offer. The Allotment Proposal will be subject to the clearance of the SEC.

All irregular or suspected multiple applications will be rejected.

APPLICATION MONIES

All application monies will be retained in a separate interest yielding bank account with the Receiving Banks pending Allotment. If any application is not accepted, or is accepted for fewer Ordinary Shares than the number applied for, the application monies in full or the surplus amounts (as the case may be) will be transferred (including accrued interest) to the account number of the affected applicant as stated on the application, within five (5) working days of Allotment.

The CSCS accounts of successful applicants would be credited immediately after the date of Allotment Clearance by SEC

RECEIVING AGENTS

BANKS

ACCESS BANK PLC	GTBANK PLC	STANDARD CHARTERED BANK LTD
CITI BANK NIGERIA LTD	HERITAGE BANK LTD	STERLING BANK PLC
DIAMOND BANK PLC	JAIZ BANK PLC	UBA PLC
ECOBANK NIGERIA PLC	KEYSTONE BANK PLC	UNION BANK OF NIGERIA PLC
FCMB LIMITED	MAINSTREET BANK LTD	UNITY BANK PLC
FIDELITY BANK PLC	SKYE BANK PLC	WEMA BANK PLC
FIRST BANK OF NIGERIA Limited	STANBIC IBTC BANK PLC	ZENITH INTERNATIONAL BANK PLC

STOCKBROKERS & OTHER RECEIVING AGENTS

ADONAI STOCKBROKERS LTD	EDC SECURITIES LTD	INVESTORS AND TRUST COMPANY LTD	READINGS INVESTMENTS LTD
AFRICAN ALLIANCE STOCKBROKERS LTD	EDGEFIELD CAPITAL MANAGEMENT LTD	KAPITAL CARE TRUST & SECURITIES LTD	REGENCY ASSETS MANAGEMENT LTD
AFRINVEST SECURITIES LTD	EFCP LTD	KEDARI CAPITAL LTD	RENCAP (SECURITIES) NIGERIA LTD
AMYN INVESTMENTS LTD	EL-ELYON ALLIANCE & SECURITIES LTD	KINLEY SECURITIES LTD	REWARD INVESTMENTS & SERVICES LTD
ANCHORAGE SECURITIES AND FINANCE LTD	ELIXIR SECURITIES LTD	KOFANA SECURITIES & INVESTMENT LTD	RMB NIGERIA STOCKBROKERS LTD
ANCHORIA INVESTMENT AND SECURITIES LTD	ENTERPRISE STOCKBROKERS PLC	KUNDILA FINANCE SERVICES LTD	ROSTRUM INVESTMENT AND SECURITIES LTD
APEL ASSET LTD	EQUITY CAPITAL SOLUTIONS LTD	LAMBETH TRUST AND INVESTMENT CO. LTD	ROYAL GUARANTY AND TRUST LTD
APT SECURITIES AND FUNDS LTD	EUROCOMM SECURITIES LTD	LEAD SECURITIES & INVESTMENT LTD	ROYAL TRUST SECURITIES LTD
ARM SECURITIES LTD	EXPRESS DISCOUNT ASSET MANAGEMENT LTD	LIGHTHOUSE ASSETS MANAGEMENT LTD	SANTRUST SECURITIES LTD
ARTHUR STEVEN ASSET MANAGEMENT LTD	EXPRESS PORTFOLIO SERVICES LTD	LONGTERM GLOBAL CAPITAL LTD	SECURITIES AFRICA FINANCIAL LTD
ASSOCIATED ASSET MANAGERS LTD	FALCON SECURITIES LTD	MAGNARTIS FINANCE & INVESTMENT LTD	SECURITIES AND CAPITAL MGT. COMPANY LTD
ATLASS PORTFOLIOS LTD	FBN SECURITIES LTD	MAINSTREET BANK SECURITIES LTD	SECURITY SWAPS LTD
BAUCHI INVESTMENT CORPORATION LTD	FCSL ASSET MANAGEMENT COMPANY LTD	MARIMPEX FINANCE & INVESTMENT CO. LTD	SFC SECURITIES LTD
BELFRY INVESTMENTS AND SECURITIES LTD	FIDELITY FINANCE COMPANY LTD	MARRIOTT SECURITIES & INVESTMENT CO. LTD	SHELONG INVESTMENT LTD
BESTWORTH ASSET AND TRUST LTD	FIDELITY SECURITIES LTD	MAVEN ASSET MANAGEMENT LTD	SIGMA SECURITIES LTD
BGL SECURITIES LIMITED	FINANCIAL & ANALYTICS CAPITAL LTD	MAXIFUND INVESTMENTS AND SECURITIES PLC	SIGNET INVESTMENTS & SECURITIES LTD
CALYX SECURITIES LTD	FINANCIAL TRUST COMPANY NIG. LTD	MBC SECURITIES LTD	SKYVIEW CAPITAL LTD
CAMRY SECURITIES LTD	FINMAL FINANCE SERVICES LTD	MBL FINANCIAL SERVICES LTD	SMADAC SECURITIES LTD
CAPITAL ASSETS LTD	FIRST INTEGRATED CAPITAL MANAGEMENT LTD	MEGA EQUITIES LTD	SOLID-ROCK SECURITIES & INVESTMENT PLC
CAPITAL BANCORP PLC	FIRST STOCKBROKERS LTD	MERISTEM SECURITIES LTD	SPRING TRUST & SECURITIES LTD
CAPITAL EXPRESS SECURITIES LTD	FIS SECURITIES LTD	MERISTEM STOCKBROKERS LTD	SPRINGBOARD TRUST & INVESTMENT LTD
CAPITAL TRUST BROKERS LTD	FORESIGHT SECURITIES & INVESTMENT LTD	MDAS STOCKBROKERS LTD	STANBIC IBTC STOCKBROKERS LTD
CARDINALSTONE SECURITIES LTD	FORTE FINANCIAL LTD	MILESTONE CAPITAL MANAGEMENT LTD	STANDARD ALLIANCE CAPITAL & ASSET MANAGEMENT LTD
CASHCRAFT SECURITIES LTD	FORTHRIGHT SECURITIES AND	MISSION SECURITIES LTD	STANDARD UNION SECURITIES LTD
CASHVILLE INVESTMENTS & SECURITIES LTD	FORTRESS CAPITAL LTD	MOLTEN TRUST LTD	TFS SECURITIES & INVESTMENT COMPANY LTD
CDL CAPITAL MARKETS LTD	FSOH SECURITIES LTD	MORGAN CAPITAL SECURITIES LTD	THE BRIDGE SECURITIES LTD
CENTRE POINT INVESTMENTS LTD	FUNDS MATRIX AND ASSETS MANAGEMENT LTD	MOUNTAIN INVESTMENT AND SECURITIES LTD	TIDDO SECURITIES LTD
CENTURY SECURITIES LIMITED	FUNDVINE CAPITAL AND SECURITIES LTD	MUTUAL ALLIANCE INVESTMENT & SECURITIES LTD	TOMIL TRUST LIMITED
CHAPEL HILL DENHAM SECURITIES LTD	FUTUREVIEW SECURITIES LTD	NETWORK CAPITAL LTD	TOPMOST SECURITIES LTD
CHARTWELL SECURITIES LTD	GIDAUNIYA INVESTMENT AND SECURITIES LTD	NETWORK SECURITIES & FINANCE LTD	TOWER ASSETS MANAGEMENT LTD
CITI INVESTMENT CAPITAL LIMITED	GLOBAL ASSET MANAGEMENT NIG. LTD	NEWDEVCO INVESTMENT & SECURITIES CO. LTD	TOWER SECURITIES & INVESTMENT COMPANY LTD
CITY CODE TRUST & INVESTMENT COMPANY LTD	GLOBALVIEW CAPITAL LTD	NIGERIAN INTERNATIONAL SECURITIES LTD	TRADELINK SECURITIES LTD
CLEARVIEW INVESTMENTS CO. LTD	GOLDEN SECURITIES LTD	NIGERIAN STOCKBROKERS LTD	TRADERS TRUST AND INVESTMENT COMPANY LTD
COMPASS INVESTMENT & SECURITIES LTD	GREENWICH SECURITIES LTD	NOVA FINANCE & SECURITIES LIMITED	TRANSAFRICA FINANCIAL SERVICES LTD
CORDROS CAPITAL LTD	GRUENE CAPITAL LIMITED	PAC SECURITIES LTD	TRANSWORLD INVESTMENT & SECURITIES LTD
CORE TRUST AND INVESTMENT LTD	GTI SECURITIES LTD	PARTNERSHIP SECURITIES LTD	TRUST YIELDS SECURITIES LTD
CORONATION SECURITIES LTD	HARMONY SECURITIES LTD	PEACE CAPITAL MARKET LTD	TRUSTBANC CAPITAL MANAGEMENT LTD
COWRY SECURITIES LTD	HEARTBEAT INVESTMENTS LTD	PHRONESIS SECURITIES LTD	TRUSTHOUSE INVESTMENTS LTD
CROSSWORLD SECURITIES LTD	HEDGE SECURITIES & INVESTMENTS COMPANY LTD	PILOT SECURITIES LTD	TRW STOCKBROKERS LTD
CROWN CAPITAL LTD	HELIX SECURITIES LTD	PINEFIELDS INVESTMENTS SERVICES LTD	TYNDALE SECURITIES LTD
CSL STOCKBROKERS LTD	HERITAGE CAPITAL MARKET LTD	PIPC SECURITIES LTD	UNEX CAPITAL LTD
DE LORDS SECURITIES LTD	ICMG SECURITIES LTD	PIVOT TRUST & INVESTMENT COMPANY LTD	UNION CAPITAL MARKETS LTD
DEEP TRUST INVESTMENT LTD	ICON STOCKBROKERS LTD	PORTFOLIO ADVISERS LTD	UNITED CAPITAL SECURITIES LTD
DIAMOND SECURITIES LTD	IMPERIAL ASSET MANAGERS LTD	PRIMERA AFRICA SECURITIES LTD	VALMON SECURITIES LTD
DOMINION TRUST LTD	INDEPENDENT SECURITIES LTD	PRIMEWEALTH CAPITAL LTD	VALUELINE SECURITIES & INVESTMENT LTD
DSU BROKERAGE SERVICES LTD	INTEGRATED TRUST & INVESTMENTS LTD	PROMINENT SECURITIES LTD	VETIVA SECURITIES LTD
DUNBELL SECURITIES LTD	INTERNATIONAL STANDARD SECURITIES LTD	PSI SECURITIES LTD	WOODLAND CAPITAL MARKET PLC
DUNN LOREN MERRIFIELD SECURITIES LTD	INTERSTATE SECURITIES LTD	PYRAMID SECURITIES LTD	WSTC FINANCIAL SERVICES LTD
DYNAMIC PORTFOLIO LTD	INVESTMENT ONE FUNDS MANAGEMENT LTD	QUANTUM SECURITIES LTD	ZENITH SECURITIES LTD
ECL ASSET MANAGEMENT LTD	INVESTMENT ONE STOCKBROKERS INTL LTD	RAINBOW SECURITIES AND INVESTMENT CO. LTD	ZION STOCK BROKERS & SECURITIES LTD

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

1. Applications should be made only on the Application Form or scanned copies of the Application Form.
2. Applications must not be for less than the minimum number of shares stated on the Application Form. Applications for more than the minimum number of shares must be in the multiples stated on the Application Form. The number of ordinary shares for which an application is made and the amount of the cheque or bank draft attached should be entered in the boxes provided.
3. The Application Form when completed should be lodged with any of the Receiving Agents listed on Page 53. Applications must be accompanied by a cheque or bank draft made payable to the Receiving Agent to whom the application is submitted, for the full amount payable on application. The cheque or draft must be drawn on a bank in the same town or city in which the Receiving Agent is located and crossed "NPF MFB Public Offer" with the name, address and daytime telephone number of the applicant written on the back. All bank commissions and transfer charges must be prepaid by the applicant. All cheques and drafts will be presented upon receipt and all applications in respect of which cheques are returned unpaid will be rejected.
4. The applicant should make only one application, whether in his own name or in the name of a nominee. Multiple or suspected multiple applications will be rejected.
5. Joint applicants must all sign the Application Form.
6. An application from a group of individuals should be made in the names of those individuals with no mention of the name of the group. An application by a firm which is not registered under the Companies and Allied Matters Act Cap C20 LFN 2004 should be made either in the name of the proprietor or in the names of the individual partners. In neither case should the name of the firm be mentioned.
7. An application from a corporate body must bear the corporate body's seal and be completed under the hand of a duly authorised official.
8. An application from a pension or provident fund must be in the name of each individual trustee unless the trustee is a limited liability company.
9. An application by an illiterate should bear his right thumb print on the Application Form and be witnessed by an official of the bank or stockbroker at which the application is lodged who must first have explained the meaning and effect of the Application Form to the illiterate in his own language. Above the thumb print of the illiterate, the witness must record in writing that he has given this explanation to the illiterate in a language understandable to him and that the illiterate appeared to have understood same before affixing his thumb impression.
10. The applicant should not print his signature. If he is unable to sign in the normal manner he should be treated for the purpose of this Offer as an illiterate and his right thumbprint should be clearly impressed on the Application Form.

