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Annual Report & Accounts 2015

My Future is Bright

My Future is Bright

ACCION
Microfinance Bank

EXTENDING BOUNDARIES

Annual Report & Accounts 2015

Year	Award	Organization	Comments
October 2009	2nd Runner Up Microfinance Bank of the Year	African Bankers Awards	Nominated
June 2011	Best Performing MFI	Global Microfinance Achievement Awards	Nominated
August 2011	Best Microfinance Bank 2011	Lagos State Enterprise Award (LEAD)	Won
April 2012	Best Place to Work (Culture)	Best Place to Work Award	Won
October 2012	Best Microfinance Bank 2012	Lagos State Enterprise Award (LEAD)	Won
December 2013	Best Microfinance Bank 2013	Lagos State Enterprise Award (LEAD)	Won
October 2014	Best Microfinance Bank 2014	Lagos State Enterprise Award (LEAD)	Won
December 2014	EFInA Award for Service Provider that has helped deepen Financial Inclusion In Nigeria	EFInA (Microfinance Category)	Won
December 2015	Most Outstanding Microfinance Bank in ICT Usage		Won

Mission

To economically empower micro-entrepreneurs and low income earners by providing financial services in a sustainable, ethical and profitable manner.

Vision

To be the market leader in the provision of microfinance and related financial services, at world class standards.

VALUES

Integrity
We adhere to the highest ethical standard; employing fairness, probity and mutual respect in all we do.

Customer service
We actively seek to understand our customers' circumstances, problems, expectations and needs with the aim of delighting and surpassing their expectations in our service delivery.

Leadership
We are committed to an attitude and culture of positively influencing the environment around us both as an organization and individually through our people.

Innovation
Ours is a creative team determined to generate new products, services and processes that lead to new dimensions of performance and value creation for all our stakeholders.

Teamwork
We collaborate with all our stakeholders by effectively interacting and proactively building effective and value adding relationships to achieve our shared goals.

Our customers & events

APONGBON
Accion Microfinance Bank Ltd
16, Apongbon Street,
Apongbon, Lagos.
Tel : 01-2911044, 01-2911045

BARIGA
Accion Microfinance Bank Ltd
3, Tijani Ashogbon Street,
Opp. Abeokuta Street,
Bariga, Lagos.
Tel: 01-2911067

BARUWA
Accion Microfinance Bank Ltd
154 Ipaja Road
Baruwa, Ipaja, Lagos
Tel: 01-2931760, 01-2931761

BOUNDARY
Accion Microfinance Bank Ltd
62, Bale Street,
Boundary, Ajegunle
Lagos.
Tel: 01-2934424, 01-2934425

EJIGBO
Accion Microfinance Bank Ltd
91 Ikotun Isolo Road,
(Mobil Petrol Station),
Ejigbo, Lagos.
Tel: 01-4538962, 01-4538963

IDI-ORO
Accion Microfinance Bank Ltd
118 Agege Motor Road,
Beside Ecobank Nig. Plc. Building,
Idi-Oro, Mushin, Lagos.
Tel: 01-2911723, 01-2911724

IDUMAGBO
Accion Microfinance Bank Ltd
19, Idumagbo Avenue,1st Floor
Lagos Island, Lagos.
Tel: 01-2911728, 01-3426899

IKEJA
Accion Microfinance Bank Ltd
5, Oba Akran Avenue,
Ikeja, Lagos.
Tel : 01-2911052, 01-2911053

IKOTUN
Accion Microfinance Bank Ltd
40, Ikotun-Idimu Road,
Beside Mr. Biggs,
Ikotun Local Government, Lagos.
Tel : 01-2911054, 01-2911055

IKORODU
Accion Microfinance Bank Ltd
62, Owolowo Street,
Off Ayangburen Road,
Ikorodu, Lagos.
Tel: 01- 2911734, 01-2911735

ISOLO
Accion Microfinance Bank Ltd
32, Ire-Akari Estate Road
(Above Chicken Republic)
Isolo, Lagos
Tel: 01-2934425

KETU
Accion Microfinance Bank Ltd
572 Ikorodu Road,
Ketu, Lagos.
Tel : 01-2911065, 01-2911066

LADIPO
Accion Microfinance Bank Ltd
93 Ladipo Street,
Beside Ecobank Nig. Plc. Building,
Matori, Mushin, Lagos.
Tel : 01-2911070, 01-2911634

OBALENDE
Accion Microfinance Bank Ltd
26B Lewis Street,
Lagos.
Tel:01-4532768, 01-4532769

OJODU
Accion Microfinance Bank Ltd
Ise Oluwa House (Ground Floor),
Plot 898a Isheri Road, Ojodu,
Lagos.
Tel : 070-2828 1589, 01-2911732

OKE-ARIN
Accion Microfinance Bank Ltd
58, Kosoko Street
Oke-Arin, Lagos
Tel: 01-2911043, 01-2911732

OKE ODO
Accion Microfinance Bank Ltd
437 Lagos Abeokuta Expressway
Ile-Epo Bus Stop
Oke-Odo, Lagos
01-2930596, 01-2930597

ORILE
Accion Microfinance Bank Ltd
Vinjosco Plaza,
(left wing 1st and 2nd floor)
21 Coker Street, Coker, Orile, Lagos.
Tel: 01-4532767, 01-3426898

OSHODI
Accion Microfinance Bank Ltd
20, Oshodi Street
Oshodi, Lagos.
Tel : 01-2911729, 01-2911731

OYINGBO
Accion Microfinance Bank Ltd
152 Herbert Macaulay Road
Yaba, Lagos
Tel: 01-2911727, 01-2917742

SANGO OTA
Accion Microfinance Bank Ltd
46, Ijoko road, Sango Ota, Ogun State.
Tel: 08150822713, 01-2719325, 01-2719326.

SURULERE
Accion Microfinance Bank Ltd
77, Ojuelegba Road, Surulere, Lagos
Tel : 01-2911733, 01-2915571

TRADE FAIR COMPLEX
Accion Microfinance Bank Ltd
(Balogun Business Association)
Emanolink Plaza, Hall 3,
Beside Kano Plaza, BBA, Lagos.
Tel : 01-2911726, 01-2915571

PORT HARCOURT
Accion Microfinance Bank Ltd
28, Ikwerre Road
Mile 1, Diobu
Port Harcourt, Rivers State
Tel: 084-669579

Accion Microfinance Bank Ltd
21, Ada George Road, Rumuokokwu
Town, Mile 3 Diobu. Port Harcourt,
Rivers State
Tel: 084-669580

Accion Microfinance Bank
Call Centre: **01 - 2951010**

BRANCH NETWORK

Accion Microfinance Bank Branches are in the following locations:

NIGERIA

Unity and Faith, Peace and Progress

Capital : Abuja
Currency : Naira (NGN)
Languages : English, Hausa, Igbo, Yoruba.

179 million Population

7th most populous country on earth

CORPORATE HEAD OFFICE
Accion Microfinance Bank Ltd
4th Floor Elizade Plaza
322A Ikorodu Road
Anthony, Lagos.
Tel : 01-2719325-6
Fax : 01-2719327
Email : info@accionmfb.com
Website : www.accionmfb.com

AGEGE
Accion Microfinance Bank Ltd
Ashake House
223 Old Abeokuta Road,
Opp Police Station
Agege, Lagos.
Tel : 01-2911047, 01-2911048

AGRIC IKORODU
Accion Microfinance Bank Ltd
NNPC Filling Station
50, Isawo Road (1st Floor)
Agric, Ikorodu, Lagos
01-2952398, 01-2952399

AGUDA
Accion Microfinance Bank Ltd
16 Kushimo Street, 1st Floor
(Opposite Mr. Biggs/ Mobil)
Aguda, Surulere
Tel : 01-2915568, 01-2915569

AJAH
Accion Microfinance Bank Ltd
XYZ Plaza (Ground floor)
No 1 Kassim Oyofo Street,
Thomas Estate, Ajah,Lagos.
Tel : 01-4540066, 01-4540067

AKOWONJO
Accion Microfinance Bank Ltd
13, Shasha Road (Beside KFC),
Akowonjo, Lagos.
Tel: 01-2911068, 01-2911069

AKUTE
Accion Microfinance Bank Ltd
89 Ojudu-Akute Road, Alagbole,
Ogun State.
Tel: 0815082215, 01-2719325,
01-2719326

ALABA
Accion Microfinance Bank Ltd
27/28, Igbede Road,
Ojo-Alaba, Lagos.
Tel : 01-2911049, 01-2911050

ANTHONY
Accion Microfinance Bank Ltd
1st Floor Elizade Plaza
322A Ikorodu Road,
Anthony, Lagos.
Tel : 01-2911056, 01-2911633

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	IFRS				NGAAP
	2015 N 000	2014 N 000	2013 N 000	2012 N 000	2011 N 000
Assets					
Cash and cash equivalents	756,568	536,990	411,229	258,056	261,351
Loans and advances	5,294,462	3,975,266	3,002,293	1,830,124	1,558,051
Financial investments - held to maturity	177,391	119,516	99,022	245,958	305,371
Other assets	241,925	196,976	190,715	121,760	50,510
Deferred Tax asset	-	1,297	-	-	-
Property and equipment	293,912	212,438	215,818	175,634	93,780
Intangible assets	24,756	44,152	34,186	7,607	3,631
Total assets	**6,789,014**	**5,086,236**	**3,953,263**	**2,639,140**	**2,272,694**
Liabilities					
Deposits from customers	2,120,599	1,421,819	1,058,236	543,433	431,828
Current tax liabilities	299,185	314,131	193,099	123,548	100,501
Debt issued and other borrowed funds	1,087,259	554,614	504,980	153,368	157,157
Other liabilities	259,864	228,183	171,965	109,992	112,456
Deferred tax liabilities	21,748	-	2,771	15,908	4,758
Total liabilities	**3,788,654**	**2,518,747**	**1,931,051**	**946,248**	**806,700**
Equity attributable to owners of the Bank					
Issued share capital	1,211,000	1,206,490	1,205,834	1,205,834	1,205,834
Share Premium	3,513	446	-	-	-
Statutory reserve	932,345	795,860	484,582	289,815	152,249
General reserve	853,502	538,161	310,565	197,243	106,147
Regulatory Risk reserve	-	26,532	21,231	-	1,764
Total equity	**3,000,360**	**2,567,489**	**2,022,212**	**1,692,892**	**1,465,994**
Total liabilities and equity	**6,789,014**	**5,086,236**	**3,953,263**	**2,639,140**	**2,272,694**
PROFIT AND LOSS ACCOUNT					
Gross earnings	3,358,507	2,717,918	1,851,069	1,300,815	1,038,826
Profit before taxation	838,434	911,191	554,187	400,870	306,523
Profit after taxation	545,941	622,555	389,534	275,132	211,373
Per share data (Kobo)					
Earnings per share (Basic)	45	52	32	23	18
Net assets per share	**2,48**	**2.13**	**1.68**	**1.40**	**1.22**

Earnings per share are based on profit after tax and the number of issued share capital at the end of each year.

STATEMENT OF VALUE ADDED

	2015 N 000	%	2014 N 000	%
Gross earnings	3,358,507		2,717,919	
Interest expense	(157,999)		(117,317)	
	3,200,508		**2,600,601**	
Bought in goods and services				
Administrative overheads-Local	(825,788)		(613,219)	
Provision on loan losses	(346,103)		(213,896)	
Value added	**2,028,615**		**1,773,487**	
Distributed as follows				
To pay employees:				
Salaries and other allowances	1,064,487	52.57	63,215	42.8
To Government:				
Taxation	**269,447**	**13.3**	**292,703**	**16.5**
To provide for enhancement of assets expansion of business and payment of dividend to shareholders				
Depreciation and amortization	125,693	6.2	85,158	5.8
Deferred taxation	23,046	1.1	(13,138)	(0.2)
Profit for the year	545,941	28	389,534	35
	2,028,615	**100**	**1,216,134**	**100**

OUR CUSTOMER'S STORY

Mr. Alabi Shehu Ajani aka SAAS
- Customer at Oke Arin Branch

SAAS as he is fondly called is a customer at our Oke Arin Branch since 2007, his workshop is situated in the ever busy Oke Arin Market, Lagos. The workshop is filled with several young men (19 in all) who are apprenticing to learn about print production, the place is filled with activities typical of a busy workshop.

SAAS, a former boxing champion, now a 'printing champion' credits the tremendous improvement in his business to Accion MfB's enabling partnership. He says he has no regrets using Accion MfB; as the bank has given him the opportunity to excel in life. He excitedly refers Accion MfB to his colleagues in the market place.

BOARD OF DIRECTORS:	Mr. Patrick Akinwuntan	Chairman
	Mr. John Fischer	Vice Chairman
	Ms. Bunmi Lawson	Managing Director/CEO
	Mr. David Kruijff	Non - Executive Director
	Mr. Omar Hafeez	Non - Executive Director (Resigned 15th May, 2015)
	Mr Akin Dawodu	Non- Executive Director (Appointed 15th May, 2015)
	Dr. Olusegun Aina	Independent Director
	Mrs. Habiba Balogun	Independent Director

MANAGEMENT	Ms Bunmi Lawson	Managing Director/CEO
	Nwanna Joel-Ezeugo	Chief Commercial Officer
	Promise Nwankwo	Chief Finance Officer
	Gift Mahubo	Chief Information Officer
	Stephen Olalere	Chief Operations Officer
	Babatunde Omolere	Head, Risk Control and Compliance
	Robert Magala	Resident Advisor
	Emeka Uzowulu	Head, Product & Business Development
	Oladeji Alonge	Head, Marketing Communications
	Waheed Fagbenro	Head, Internal Audit
	Oladapo Famuyide	Resident Advisor (Channels & Technology)

SECRETARY

Aluko & Oyebode
1, Murtala Mohammed Drive
Ikoyi,
Lagos.

REGISTERED OFFICE

c/o Aluko & Oyebode
1, Murtala Mohammed Drive
Ikoyi,
Lagos.

AUDITORS

Akintola Williams Deloitte
Chartered Accountants
235, Ikorodu Road
Ilupeju,
Lagos.

BANKERS

Zenith Bank Plc
Head Office Branch
Plot 8A, Ajose Adeogun Street
Victoria Island,
Lagos.

Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business and meet the capital adequacy requirements of the local banking supervisor, the Central Bank of Nigeria. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on banking Supervision (BIS rules/ratios) and adopted by the Central bank of Nigeria in supervising the Bank. During the past year, the Bank had complied in full with all its externally imposed capital requirements.

Capital Management

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value. The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities.

No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

	2015 N'000	2014 N'000
Tier 1		
Share capital	1,211,000	1,206,490
Share premium	3,513	446
General reserve	853,502	538,161
Statutory reserve	932,345	795,860
Regulatory Risk Reserve	-	26,532
	3,000,360	2,567,489
Tier 2		
Debt issued and other borrowed funds	1,087,259	554,614
Total Qualifying tier 2 Capital		

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

At 31 December 2015	Within 12 months N'000	After 12 months N'000	Total N'000
Assets			
Cash and cash equivalents	756,568	-	756,568
Loans and advances	5,294,462	-	5,294,462
Financial investments - held to maturity	177,391	-	177,391
Other assets	241,925	-	241,925
Deferred Tax asset	-	-	1,297
Property and equipment	-	293,912	293,912
Intangible Assets	-	24,756	24,756
Total Assets	**6,470,346**	**318,668**	**6,789,014**
Liabilities			
Deposits from customers	2,120,599	-	2,120,599
Debt issued	-	1,087,259	2,120,599
Current tax liabilities	299,185	-	299,185
Other liabilities	259,864	-	259,864
Deferred tax liabilities	21,748	-	-
Total liabilities	2,701,396	1,087,259	3,788,665
Net	3,768,950	(768,590)	3,000,360
At 31 December 2014			
Assets			
Cash and cash equivalents	536,990	-	536,990
Loans and advances	3,975,266	-	3,975,266
Financial investments - held to maturity	119,516	-	119,516
Other assets	1,297	-	1,297
Deferred Tax asset	196,576	-	196,576
Property and equipment	-	212,438	212,438
Intangible Assets	-	44,152	44,152
Total Assets	**4, 829,645**	**256,590**	**5, 086,236**
Liabilities			
Deposits from customers	1,421,819	-	1,421819
Debt issued	-	554,614	554,614
Current tax liabilities	314,131	-	314,131
Other liabilities	228,183	-	228,183
Deferred tax liabilities	-	-	-
Total liabilities	**1,964,134**	**554,614**	**2,518,747**
Net	**2,865,512**	**(298,023)**	**2,567,489**

Guaranty Trust Bank Plc
6 Adeyemo Alakija Street
Victoria Island,
Lagos.

Ecobank Nigeria Limited
Oke-Arin Branch
7 Sanusi Olusi Street
Oke-Arin,
Lagos.

Stanbic IBTC Bank Plc
(A Member of the Standard Bank Group)
77, Ojuelegba Road, Yaba
Lagos.

Standard Chartered Bank
142, Ahmadu Bello Road
Victoria Island,
Lagos.

Citibank Limited.
27, Kofo Abayomi street,
Victoria Island,
Lagos.

Mrs. Tayo Yusuf
- Customer at Ladipo Branch

A pioneer customer at our Ladipo Branch since 2007, Mrs. Yusuf deals in the sale and refill of cooking gas and gas cylinders. As Accion MfB has grown steadily over the years, she has seen her business grow steadily from one outlet to three outlets and from 1 employee to 6 employees. She is currently putting finishing touches to a gas plant project situated within her 3rd outlet. For Mrs. Yusuf, She is happy she's extending the boundaries of her business kudos to her relationship with Accion MFB.

As at December 2014	On demand	Less than 30 days	1 to 30 days	31 to 60 days	61 to 90 days	91 and above	Total
	N'000	N'000		N'000	N'000	N'000	N'000
Financial assets							-
Cash and cash equivalents	536,990						536,990
Loans and advances to customers		3,924,102		**40,512**	**29,145**	**225,288**	**4,219,047**
Financial investmensts held to maturity					119,516		119,516
Other assets	196,576.16						196,576
							-
Total undiscounted financial	**733,566**	**3,924,102**		**40,512**	**148,661**	**228,288**	**5,072,129**
Financial liabilities							-
Deposits from customers		562,314.00		144,983.00	72,491.00	631,011.00	1,410,799.00
Debt issued and other borrowed funds						**554,613.72**	**554,613.72**
Other liabilities		228,183.00				1,185,625.00	1,413,808.00
Total undiscounted financial	**-**	**790,497**		**144,983**	**72,491**	**2,371,250**	**3,379,221**
Total undiscounted financial	**733,566**	**3,133,605**	**-**	**-104,471**	**76,170**	**-2,145,962**	**1,692,908**

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. In other words, market risk consists of interest rate risk, foreign exchange risk and other price risk such as equity price risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or he fair value of financial instruments. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks.

The Bank's financial instruments (including assets and liabilities) except foreign loans are done on a relatively short term basis including financial assets held to maturity. Therefore, the risk arising from such transactions have very minimal impact on the Bank's performance. All borrowings including long term borrowings are denominated in local currency to avoid foreign risks.

The Bank does not invest in publicly quoted equities of companies and as such the Bank is not exposed in any equity price risks.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Transactions in foreign currencies are insignificant and therefore the exposure to the Bank of fluctuation in foreign exchange rates is very minimal.

Commitments and guarantees

The Bank does not have any Commitments or guarantees other than contractual commitments in the ordinary course of business. The Bank ensures that Service level agreements are done within the ambit of the law with due care to ensure that the bank is not duly exposed to third parties.

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Liquidity risks are mitigated by the Bank by ensuring that it maintains liquid assets equal to at least 50% of customers' savings and deposits at any point in time. Monthly periodic liquidity reports are also prepared for monitoring purposes.

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December 15. Trading derivatives are shown at fair value in a separate column. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations. Gross settled, non-trading derivatives are shown separately, by contractual maturity at the foot of the note.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the bank could be required to pay and the table does not reflect the expected cash flows indicated by the bank's deposit retention history.

Contractual maturities of undiscounted cash flows of financial assets and liabilities

As st 31 December 2015	On demand	Less than 30 days	1 to 30 days	31 to 60 days	61 to 90 days	91 and above	Total
	N'000	N'000		N'000	N'000	N'000	N'000
Financial assets							
Cash and cash equivalents	756,568						756,568
Loans and advances		4,992,261		326,364	42,688.85	240,404.67	5,601,719.00
Financial investments - held to maturity					177,391.47		177,391
Other assets	241,925						241,925
							-
Total undisclosed financial	998,493	4,992,261		326,364	220,080.00	240,405.00	6,777,604.00
Financial Liabilities							
Deposit from customers		845,225		217,927	108,963	948,485.00	2,120,599.00
Debit issued and other borrowed funds						1,087,259.00	1,087,259.00
Other liabilities		259,864					259,864.00
Total undiscounted financial	-	1,105,089		217,927	108,963	2,035,743	3,467,722
Net undisclosed financial	988,493.22	3,887,172		108,438	111,117.73	-1,795,338.73	3,309,882

FINANCIAL STATEMENTS HIGHLIGHTS FOR THE YEAR ENDED 31ST DEC 2015

	2,015 N000	2,014 N001	% Change
Satement of Profit and Loss			
Gross Earnings	3,358,508	2,717,918	24%
Interest and similar income	3,198,213	2,571,015	24%
Interest Expense	(157,999)	(117,317)	35%
Fees and other income	160,295	146,903	9%
Total income	3,200,509	2,600,601	23%
Provisions for risk and other assets	(346,106)	(213,896)	62%
Operating expenses	(2,015,970)	(1,475,514)	37%
Profit before taxation	838,433	911,191	-8%
Taxation	(292,492)	(288,636)	1%
Profit after taxation	545,941	622,555	-12%
Transfer to statutory reserve	136,485	311,278	-56%
Transfer to general reserve	409,456	311,278	32%
Statement of Financial Position Highlights			
Cash and cash equivalents	756,568	536,990	41%
Loans and advances	5,294,462	3,975,266	33%
Financial investments held to maturity	177,391	119,516	48%
Property and Equivalents	293,912	212,438	38%
Intangible Assets	24,756	44,152	-44%
Deposits from Customers	2,120,599	1,421,819	49%
Issued share capital	1,211,000	1,206,490	0%
Statutory Reserve	932,345	795,860	17%
General Reserve	853,502	538,161	59%
Regulatory reserve	-	26,532	-100%
Total Assets and Liabilities	6,789,014	5,086,236	33%
Key indicators			
Per share data kobo			
Basic Earnings per share-K	45	52	-13%
Net Asset per share -N	2.48	2.13	16%
Dividend per share-K	15	10	50%

We are Accion Microfinance Bank!

Offering a brighter future to over 250,000 clients for the past 8 years by providing them easy to access various financial products and services that include savings, loans, micro-insurance and e-commerce, and economically empowering them to actualize their dreams of a brighter future, Accion Microfinance Bank has grown in all facets from being State Microfinance Bank to getting its National license 2 years ago. We have increased in Clientele, staff strength, assets, and technology and in several other ways. We are indeed 'Extending Boundaries'.

Growing Satisfied and Loyal Customers
Many clients have numerous testimonies of how their partnership with Accion MfB has helped them become financially independent and enable them provide financial support to their families. Several 'grass to grace' stories of our customers are captured below in their own languages.

"One of the things I appreciate about Accion MfB is the effort they put into communicating effectively with their customers, "says Mrs Tolulope Olufelo, a 2-time Best Loan Customer of the year who started her relationship with Accion MfB in 2010. According to Mrs. Olufelo who is a customer at the Bank's Oke Arin Branch, her clothing business has not just grown in sales volumes with an increase in the number of shops in Lagos, she has also extended the boundaries of her business influence across three continents through her relationship with Accion MfB.

Another interesting story is that of Mrs. Monsurat Etti Thomas, a customer at the Idumagbo Branch, Lagos. She is the Proprietor/Founder of Bolafade Nursery & Primary School in Okepopo, Lagos Island. "Though I started the school in 1999 with few students in a small place, with my partnership with Accion MfB, the school today has its own structure, " says Mrs. Etti Thomas. Currently she is set to extend her boundaries by commencing the secondary school arm of the School in a larger space

Recently, Accion International sponsored Mrs. Etti Thomas and Mrs. Olufelo on an all-expense paid trip to the USA to attend its55th Anniversary Gala celebrations in recognition of their achievements.

Mrs. Tolulope Olufelo
Customer at Accion MfB, Oke Arin Branch – best Loan Customer for 2 years running.

Mr. Sunny Mischerach-Shedrach
Savings customer at Oke-Arin Branch -Winner of the Accion MfB/Verve Promo trip to Brazil.

Accion CEO Michael Schlein listening to the stories of the Accion MFB Nigeria customers during the 55th Gala Night.

Our Offerings - Services/ Products
Over the years, several products have been introduced to cater for the stated and implied needs of the customers. The people living with disabilities' (PLWD) product was introduced with the support of the Central Bank of Nigeria to cater for the physically challenged active entrepreneurs. These products and others have been applauded for the unique value proposition.

Credit risk exposure for each internal credit risk rating

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all geographic regions. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the bank's rating policy. The attributable risk ratings are assessed and updated regularly. The Moody's /Agusto's equivalent grades are relevant only for certain of the exposures in each risk rating class.

Analysis of risk concentration

The Bank's concentrations of risk are managed by client/counterparty. The maximum credit exposure to any client or counterparty as of 31 December 2015 was N4.0 million (2014: N3 million), before taking account of collateral or other credit enhancements.
The following table shows the risk concentration by industry for the components of the statement of financial position.

Industry analysis 31-Dec-15	Financial services N'000	Government N'000	Health N'000	Consumers N'000	Retail and Wholesale N'000	Transport and co. N'000	Services N'000	Total N'000
Financial assets								
Cash and cash equivalents	756,568.02							756,568.02
Loans and advances to customers								
Micro Business (MCB)	-	-	47,457		2,409,999		1,654,726	4,162,516
Small Business (SB)	-	-			572,790		381,860	954,650
Medium Business (MDB)	-	-			91,239		381,860	473,099
Strategic Alliance	-	-						–
STAFF LOAN	-	-		83,552				83,552
Financial investments held to maturity	177,391	-						177,391
	933,959	-	47,457	83,552	3,074,028		2,418,446	6,607,776.50

31-Dec-14	Financial services N'000	Government N'000	Health N'000	Consumers N'000	Retail and Wholesale N'000	Transport and co. N'000	Services N'000	Total N'000
Financial assets								
Cash and cash equivalents	536,989.89							536,989.89
Loans and advances to customers								
Micro Business (MCB)	-	-	39,433.00		1,616,173.79	41,207.00	1,109,679.20	2806492.99
Small Business (SB)	-	-			384,119.72		256,079.81	640,199.54
Medium Business (MDB)	-	-			384119.72		256,079.81	640,199.54
Strategic Alliance	-	-					85,359.94	85,359.94
STAFF LOAN	-	-		48,345.00				48,345.00
Financial investments held to maturity	119516.16	-						119516.16
	656,506	-	39,433	48,345	2,384,413	41,207	1,707,199	4,877,103

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The type of collateral obtained are is:

For Micro business and Small business loans personal guarantees are used.

Management monitors the market value of collateral, and will request additional collateral in accordance with the underlying agreement.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use

Credit quality by class of financial assets

The Bank manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the bank's internal credit rating system. The amounts presented are gross of impairment allowances.

Note	Neither past due nor past impaired Performing	1-30 days	31-60 days	61-90 days	91 and above	Past due but not impaired	Individually impaired	Total
	2,015 N'000	2,015 N'000	2,015 N'000	2,015 N'000	2,015			2,015
Cash and cash equivalents	756,568							
Loans and advances to customers	4,992,261.17	326,364.41	72,097.80	42,688.85	204,411.88	-	35,992.79	5,673,816.91
Micro Business (MCB)	2,945,317.69	193,038.54	43,258.68	25,613.31	111,018.42		35,992.79	3,354,239.45
Small Business (SB)	1,227,215.71	83,328.67	18,024.45	10,672.21	58,370.91		-	1,397,611.95
Medium Business (MDB)	490,886.28	33,331.47	7,209.78	4,268.89	23,348.36		-	559,044.78
Strategic Alliance	245,443.14	16,665.73	3,604.89	2,134.44	11,674.18		-	279,522.39
STAFF LOAN	83,398						-	83,398.34
Financial investmensts held to maturity				177,391			-	177,391.47
Quoted - Government debt securities								-
Quoted -Other debt securities								-
Total	4,992,261.17	326,364.41	72,097.80	220,080.33	204,411.88	-	35,992.79	5,851,208.38

Note	Performing	1-30 days	31-60 days	61-90 days	91 and above	Past due but not impaired	Individually impaired	Total
	2,014 N'000	2,014 N'000	2,014 N'000	2,014 N'000	2,014			2,014
Cash and cash equivalents	536,989.89	-	-	-	-	-	-	536,989.89
Loans and advances to customers	3,924,102.00		40,512	29,145	208,288	-	17,000.00	4,219,047.00
Micro Business (MCB)	2,325,454.20		24,307	17,487	124,973		17,000.00	2,509,221.20
Small Business (SB)	968,939.25		10,128	7,286	52,072		-	1,038,425.50
Medium Business (MDB)	387,575.70		4,051	2,915	20,829		-	415,370.20
Strategic Alliance	193,787.85		2,026	1,457	10,414		-	207,685.10
STAFF LOAN	48,345.00						-	48,345.00
Financial investmensts held to maturity				119,516			-	119,516.00
Quoted - Government debt securities								-
Quoted - Other debt securities								-
Total	3,924,102	-	40,512	148,661	208,288	-	17,000	4,338,563

Encouraging Returns
Despite the very tough operating terrain of the year 2015 where most banks struggled with dwindling income margins, Accion Microfinance Bank grew; extending the boundaries as its key performance indicators remained positive with growth recorded in the number of active loan clients, loan portfolio balance, total disbursement and total number of account and in savings deposits.

Leveraging on Technology & New Channels
Several technologies have been deployed over the years ranging from the issuance of debit cards to the introduction of In-Branch POS and Automated Teller Machines (ATM)in our branches to further improve the bank's service delivery to its customers and further get them to imbibe the cashless philosophy. The bank has extended its boundaries in technological innovations with the introduction of the Digital Field Application that helps to automate customer data capturing, using Tablets in the field for clients' loan application and also the Electronic Document Management System (EDMS) to assist in driving the Centralized Processing Centre (CPC) initiative of the Bank where the business of loan processing is centralized for efficiency and quick turnaround.

Our People, Our Best Asset
Since its inception, Accion MfB has been at the forefront of the socio economic growth of the nation at large and the host communities in particular. The bank is offering employment opportunities for over 1500 people along its value chain. From providing direct employment opportunities to 76 personnel in 2007 the bank spread beyond Lagos to Rivers. Accion MfB shall continue to extend its boundaries as we add Ogun, Oyo and Anambra States in the coming months of the year 2016.

Accion MfB sees his staff as its greatest assets and is not relenting on efforts at recognizing and rewarding dedicated and loyal employees. The bank did sustain its training and capacity development programmes for its employees to enable them improve productivity and performance as they constantly undertake on – the- job and off- the- job training. Several Staff have been exposed to several local and international training at the Frankfurt School of Finance & Management, the Boulder Institute of Management, Italy, The School of African Microfinance, The Harvard Business School, the Lagos Business School/ Pan African University, to mention a few.

Accion MfB's core values are anchored on strong organizational culture of excellence and team commitment. The Annual Staff Tournament started in 2012 as a notable in-reach programme aimed at building a strong bond and comradeship within the employees through competitive sporting events. This event has proven to be one of the most popular staff initiatives in the bank.

Accion Microfinance Bank has won several awards including the EFInA Award for the financial service provider that has deepened financial inclusion in Nigeria, the Lagos State Enterprise (LEAD) award for Best Microfinance Bank in Lagos State multiple times, and the LEAD Centenary MFB of the Year, for its impact on socio-economic development, contributions to sustainable development, and its commitment to financial inclusion in Nigeria etc.

To enrich the welfare offering of the bank, the Accion Multipurpose Cooperative Society was commenced few years ago with several staff benefitting tremendously. In fact some proudly own landed properties today through the Cooperative Society.

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ACCION MICROFINANCE BANK LIMITED

NOTICE OF THE TENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Tenth Annual General Meeting of **ACCION MICROFINANCE BANK LIMITED** will be held at Protea Hotel, 42/44 Isaac John Street, GRA, Ikeja, Lagos on Friday, 10th June, 2016 at 4.00 pm for the transaction of the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December, 2015 together with the reports of the Directors and the Auditors thereon.

2. To declare a dividend.

3. To elect/re-elect Directors.

4. To approve a review of the remuneration of the Auditors of the Company.

SPECIAL BUSINESS

5. To consider and if thought fit, pass the following resolution as an ordinary resolution:

   "That the Directors' remuneration be reviewed as recommended by the Board of Directors"

6. To consider and if thought fit, pass the following resolutions as special resolutions:

   i. That Article 77 of the Articles of Association of the Company be amended as follows:
   "Subject to Article 92(B), the Board shall consist of not less than three (3) Directors and not more than Eleven (11). A Director need not be a Shareholder of the Company".

   ii. That Article 78 of the Articles of Association of the Company be amended as follows:
   "For every 10% shareholding in the issued share capital of the Company, each shareholder will have the right to designate one director to the Board of the Company.

shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to the credit risk

The following table shows the maximum exposure to credit risk by class of financial asset. It also shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to the credit risk.

Maximum exposure to credit risk.
Type of collateral or credit enhancement

31-Dec-2015	Maximum exposure to credit risk N'000	Fair value of collateral and credit enhancements held: Cash N'000	Property N'000	Other N'000	Net collateral N'000	Net exposure N'000
-	-	-	756,568	756,568	-	756,568
Financial assets	-	-	-	-	-	-
			-	-		
Placements with banks and discount Houses	-	-	-	-	-	-
-	-	-	-	-	-	-
Loans and advances to Customers	-	-	-	-	-	-
Micro Business (MCB)	4,397,196	563,669.70	-	-	563,669.70	3,833,526
Small Business (SB)	617,523	256,213.50	-	-	256,213.50	361,310
Medium Business (MDB)	349,260	122,982.48	-	-	122,982.48	226,277
Strategic Alliance	226,440	81,988.32	-	-	81,988.32	144,452
STAFF	83,398	24,821.00	-	-	24,821.00	58,577
Financial Investments -held	177,391	-	-	-	-	177,391
	6,607,776	1,049,675.00			1,049,675.00	5,558,101

31-Dec-2014	Maximum exposure to credit risk N'000	Fair value of collateral and credit enhancements held: Cash N'000	Property N'000	Other N'000	Net Collateral N'000	Net Exposure N'000
Financial assets	536,990	-	-	-	-	536,990
		-	-	-	-	-
Placement with banks and discount houses		-	-	-	-	-
		-	-	-	-	-
Loans and advances to customers			-	-	-	-
Micro Business (MCB)	2,524,507	456,747.68	-	-	456,747.68	2,067,759
Small Business (SB)	1,051,878	207,612.58	-	-	207,612.58	844,265
Medium Business (MDB)	420,751	99,654.04	-	-	99,654.04	321,097
Strategic Alliance	175,574	66,436.03	-	-	66,436.03	109,138
STAFF LOAN	48,345	1,899.22	-	-	1,899.22	46,446
Financial investmensts held to maturity	119,516	-	-	-	-	119,516
	4,877,561	832,349.55			832,349.55	4,045,211

the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Impairment
Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Bank generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Bank would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Bank may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry–specific problems). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit administration to ensure alignment with the bank's overall policy.

Analysis of maximum exposure to risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It also

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The Board shall have the power to appoint to the Board independent directors who must meet all regulatory and supervisory criteria and qualifications as laid down by the Central Bank of Nigeria or any other relevant authority. Such appointment may be approved at the Annual General meeting following the appointment of such Director and if not so approved, the appointment automatically ceases".

By Order of the Board

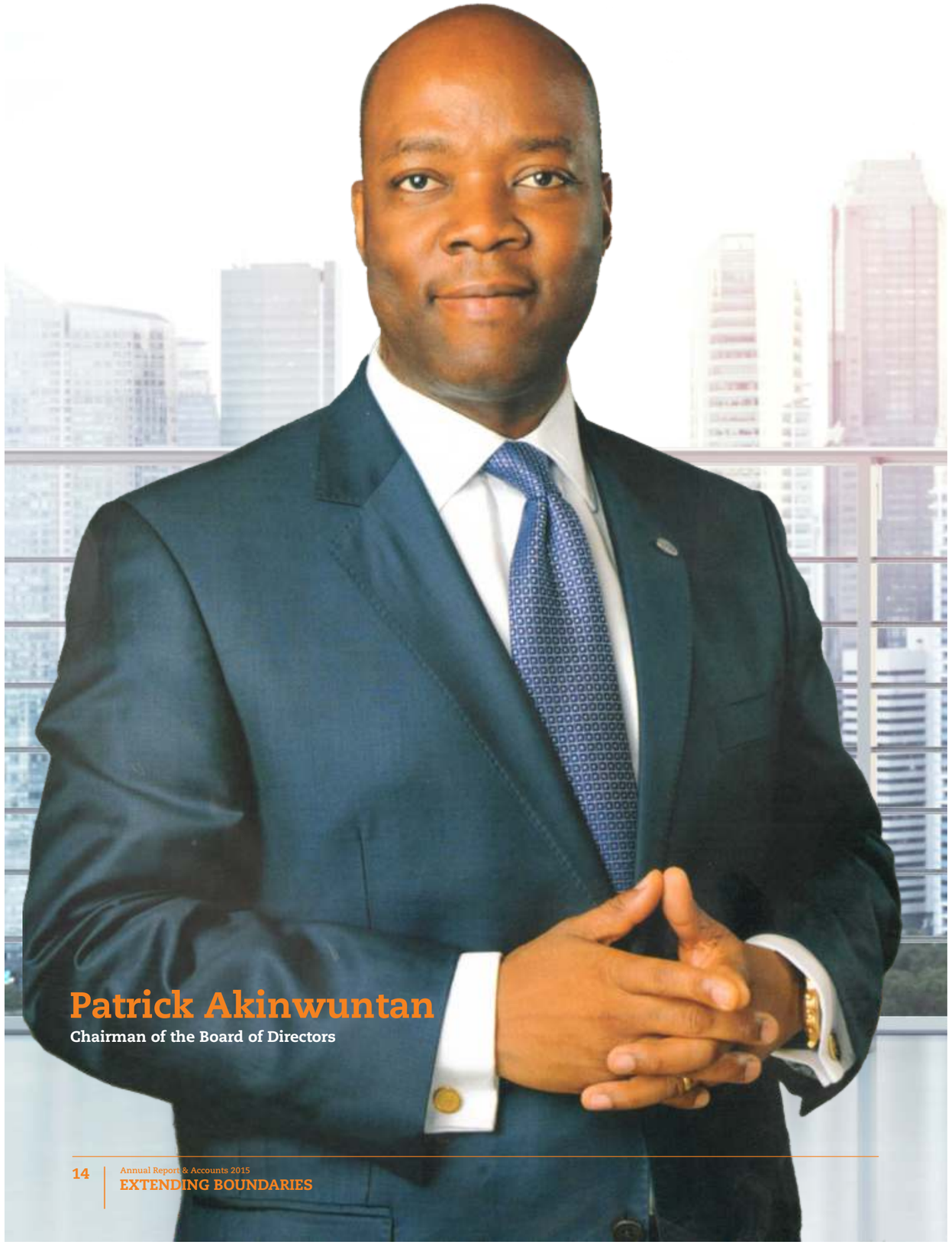
Aluko & Oyebode

ALUKO & OYEBODE
COMPANY SECRETARIES

ALUKO & OYEBODE
Company Secretary
16th May, 2016

REGISTERED OFFICE
1, Murtala Muhammed Drive,
Ikoyi, Lagos,
Nigeria.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member. A form of proxy is attached.



Patrick Akinwuntan
Chairman of the Board of Directors

normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Risk and investment Committee, and the head of each business department. The report includes aggregate credit exposure, forecasts, hold limit exceptions, portfolio quality report, enterprise risk report and risk profile changes. On a monthly basis, detailed reporting of product, customer and staff risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Supervisory Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up–to–date information.

A daily report is given to the all relevant members of the bank on the analysis of, portfolio performance vis-à-vis growth and quality with detail analysis to all the officers concerned, Liability report is properly measured to assist in liquidity analysis, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses different tools based on departmental processes /operation and other instruments to manage exposures resulting from changes which may in clued interest rates, equity risks, credit risks, and exposures arising from forecast transactions etc.

In accordance with the Bank's policy, its risk profile is assessed before entering into transactions, which are authorised by the appropriate level of seniority within the Bank. The effectiveness of is assessed by the Risk Controlling Unit. In situations of ineffectiveness, the Bank will enter into a new hedge relationship to mitigate risk on a continuous basis by residence controller who ensures that all process are in line with policy and area of deviation are properly monitored through reporting and immediate action.

Concentration Risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. The Bank is not exposed to any concentration risk as the major activity of MFB is to enhance working capital of micro entrepreneur.

Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on

framework resides with the Board of Directors. The Board will be responsible for approving all significant policies relating to the management of risks throughout the institution and also accessing the risk management activities that are being undertaken in the in institution.

- Managing Director and CEO: The MD/CEO should be responsible for the sharing the risk management policy and framework approved by the Board and the management team. The MD/CEO should also be responsible for approving and monitoring the policies and processes that are put in place and that they are in line with Accion MfB's strategy and target market.
- Risk Control and Compliance Department: The overall responsibility of the risk compliance and compliance department at Accion MfB would be to identify and monitor the different risks faced by the institution and to propose controls (policies/strategies) to manage the risks. The department should also be responsible for monitoring the implementation of controls and provide feedback on adjustments that need to be made in existing policies/process.
- Head Risk Control and Compliance: To manage the overall working of the risk department. In addition to identifying and monitoring risks faced by the institution the Head of Risk Control and Compliance would also be responsible for ensuring that the institution is compliant with regulatory and internal compliance.
- Regional Control and Compliance Officer: The main responsibility is to coordinate the activities of Branch Controllers across the branches. With the expanded network of branches, he/she liaises with head office in reporting and responsibilities.
- Credit and Portfolio Risk Officer: The main responsibility of the credit and portfolio risk officer would be to develop tools to implement Credit and portfolio risk management, including portfolio performance tracking and analysis, Portfolio Growth, Account maintenance and Recovery strategies monitoring and analysis and scoring tools implementation and tracking to enable insights based on information available within the institution.
- SME Risk Officer: The main responsibility of SME risk officer would be to develop tools to implement SME portfolio risk management, including portfolio performance tracking and analysis, Portfolio Growth, Account maintenance and Recovery strategies monitoring and analysis and scoring tools implementation and tracking to enable insights based on information available within the institution.
- Operational Risk Officer: The main responsibility of the Operational risk and control officer would be to enable insights based on information on operational risks and market risk available within the institution, as well of the thorough roll out of the operational risk and internal control frameworks and procedures.
- Credit Risk Analyst: The primary objective of the Credit Risk Analyst is to generate the reports required for the identification, definition and monitoring of specific risks presented in the various portfolio segments.
- IT Risk: Monitors the back end transactions to validate that all input to the system are duly authorized as posted.
- Archivist: Responsible for safe keeping of all old documents of the bank both physically and Electronically. The document is warehoused in safe environment.
- Branch Internal Control: Resident staff at each branches and Head Officer will support the roll out of the Operational risk framework and internal control and compliance procedures.
- Asset and Liability Committee (ALCO): The ALCO Committee is responsible for ensuring that there are adequate policies, procedures and benchmarks on risk arising out of asset liability management from both a long-term and day-to-day perspective. At Accion MfB in addition to this the committee would also be responsible for taking decisions related to asset and resource allocation.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in

CHAIRMAN'S ADDRESS

In 2016, we continued our strategy of expanding our operations to other states as well as increasing our presence in Lagos State. In this vein, I am pleased to inform you that that we now have operational branches in Ogun, Oyo, Anambra States in addition to Rivers State. This is a significant step for us as we continue to actualize our mission

On behalf of the Board of Directors, it is my pleasure to welcome you to the 10th Annual General Meeting of Accion MicroFinance Bank Limited and present to you the annual report and financial statements for the year ended 2015. The Bank's performance continues to be positive in line with our vision of being the market leader in ensuring that Nigerians are financially included, while providing our customers with easy access to funds to grow their business.

Economic Overview

A year of contrasts, 2015 started on a challenging note for the Nigerian economy and was characterized by several highs and lows. An election year which eventually culminated in a change of guard combined with declining crude oil prices in the global market. The government needed time to settle in leading to delayed reaction to managing the economy hits by declining oil prices. With crude oil accounting for over 80% of Nigeria's revenue, the decline in the price of a barrel of crude oil severely affected the income revenue of the Federal Government leading to a combination of spending cuts and raising additional revenue from non-oil activities.

Boko Haram's continued terrorist activities in the North Eastern part of the country was significantly curtailed by the later part of the year, but it still had a negative impact on socio economic activities in this area. By the end of 2015 the economy was experiencing a slow-down. Micro entrepreneurs were not left out of the challenges witnessed in the environment as inflation rose, cost of electricity, transportation and other essential commodities.

Our Achievements

In spite of this atmosphere, Accion Microfinance Bank's key performance indicators remained positive as our active borrowers grew by 27.9%, from 34,245in 2014 to 43,788 in December 2015. Our accounts base increased by 47.8% from 150,321 in 2014 to 222, 158 accounts in December 2015, while number of savers grew by 38.2% from 86,665 in 2014 to 119, 758 in December 2015. The bank made a profit after tax of N545.9M at the end of 2015 representing a drop of -12.3% compared to 2014. However, shareholders' funds grew to N3bn in 2015 from N2.6bn in 2014 representing a growth of 16.9%. Compared to December 2014, our total loan portfolio grew by 28.1% from N4.2bn in December 2014 to N5.4bn in December 2015. Total loans disbursed grew by 33.3% from 10.3bn in 2014 to N13.7bn in 2014, with total loans disbursed from inception to date closing at N46.56bn at the end of December 2015.

It also gives me great joy to announce to you that our bank received an award from the Ikeja City Awards for the 'Most Consistent Microfinance Bank of 2015'.

Extending our Boundaries

In 2015, our branches increased by 8 branches as we started banking operations at Agric Ikorodu, Aguda, Oke-Odo, Baruwa, Festac, Isolo, Boundary and Mile 1 in Port Harcourt, Rivers

State. In 2016, we continued our strategy of expanding our operations to other states as well as increasing our presence in Lagos State. In this vein, I am pleased to inform you that that we now have operational branches in Ogun, Oyo, Anambra States in addition to Rivers State. This is a significant step for us as we continue to actualize our mission to economically empower micro entrepreneurs and ensure that Nigerians have easy access to financial services and benefit in the brighter future that is the hallmark of Accion Microfinance Bank Limited.

Future Outlook

2016 is a significant year for Accion Microfinance Bank as we continue with our strategic plan to expand geographically in Nigeria with a variety of retail channels whilst improving on our operational efficiency through technology driven operations and self-service resulting in more convenience, easy access for our clients and smaller space requirements for lower costs.

Innovation and the use of technology which has helped us operate at more efficient levels will be leveraged on in 2016 to enable us continue to serve our customers more efficiently. The first sets of Accion MfB ATMs were commissioned in 2015 and we envision that by the end of 2016, we should have over 50 ATM machines functioning in every state that we have a presence in.

To further enhance operational efficiency, save time and cost and guaranty easy access to our customers, we intend to commence with our digital field application project in 2016 which should improve our loan process and operational efficiency, amongst other benefits.

I must express my appreciation to the entire staff, management and my colleagues on the Board for their commitment, and selfless service, which has enabled us to deliver these results. To our esteemed customers, we remain grateful for your loyalty.

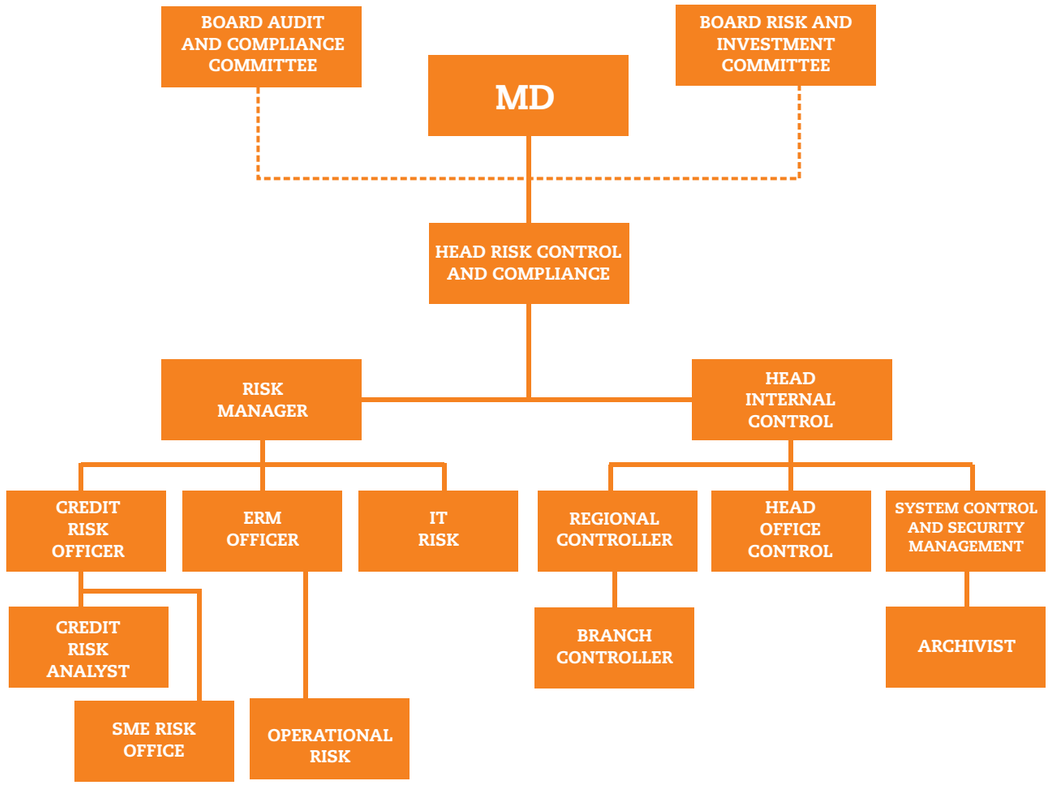
Together we will create a brighter and better future.

Thank you

Patrick Akinwuntan
Chairman of the Board

- The Risk Control & Compliance Department is currently constituted of thirty-five staffs covering six different roles: Head, Risk Control and Compliance will head the department, reporting directly to the CEO, and supported by two Officers (Credit and portfolio risk management officer four members and an Operational risk and control officer). As supporting staff, the Credit and Portfolio risk management officer will have a data analyst, and the Operational risk and support officer will have Resident Branch Controllers, and Head office support comprising System Management and Security and Head Office Control staff. The archivist for part of the department.

A diagrammatic representation of the structure of the department and reporting is as follows:



Key Stake Holders in Risk Management Process at Accion MfB

Given the scope of the risk department defined above the following have been identified as the key stake holders in the risk management process at Accion MfB:

- Board of Directors: The ultimate responsibility for Accion MfB's risk management policy and

Introduction

Risk is an integral part of financial services. When financial institutions issue loans, there is a risk of borrower default. In addition to credit risk, there are other forms of risks such as operational risk, market risk, reputational risk, country/political risk etc. Risk can neither be completely avoided nor should it be ignored. Absence of risk management could lead to financial losses, which will ultimately prevent Accion Microfinance Bank Limited (Accion MfB) from achieving its objectives.

Over the past few years, Accion MfB has expanded, introduced new products and continues to be a major microfinance institution within the financial market in Lagos and of recent in Rivers State. Also, the environment for microfinance in Nigeria has changed significantly in the past few years, with a strong focus on customer protection, reputational risk, and good governance. Hence, it is now important that Accion MfB has set up a full-fledged risk and compliance management department and identify the various stakeholders responsible to identify and manage the risks facing the institution.

This document aims to outline the structure of the risk and compliance management department within Accion MfB. It also aims to identify the major stake holders in the risk management process at Accion MfB and define the roles and responsibilities of these stake holders.

Objectives and scope for the Risk Control and Compliance Department at Accion MfB

The main objectives of the Risk Control and Compliance Department at Accion MfB are:

- To identify, measure and prioritize the risks which Accion MfB is exposed to.
- To help Accion MfB reduce risk levels and keep risk exposure within the set limits.
- To establish a risk management culture which enables all departments to take and manage risks in line with business objectives.
- To define and implement methodologies to guarantee compliance with internal policies and external requirements and regulations.

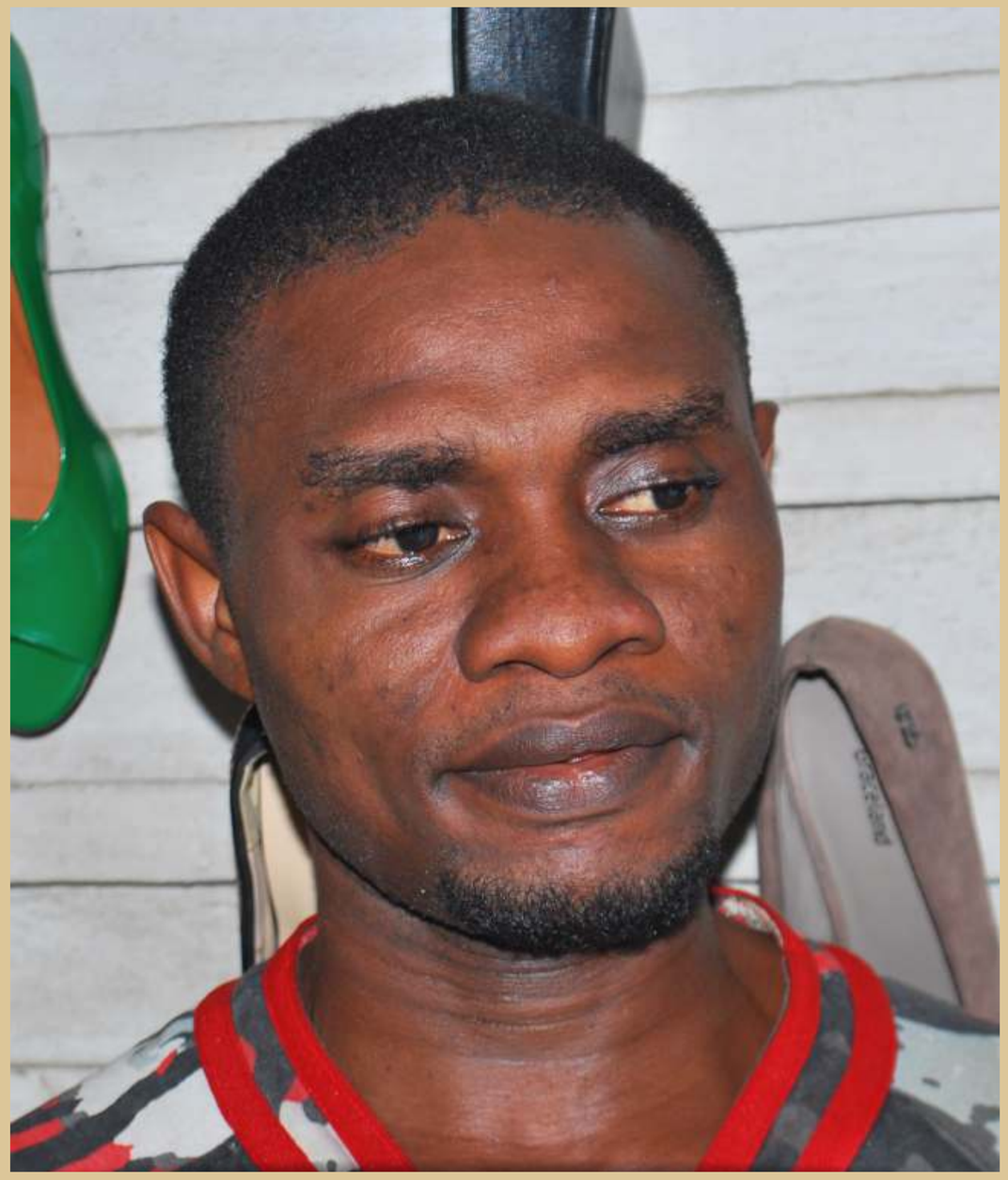
The Risk Management Department is responsible for managing the following types of risk:

- Operational risk
- Credit risk
- External compliance risk (CBN and regulatory compliance)
- Internal Control and compliance
- Financial risk (in conjunction with Finance Department via ALCO)

Structure of the Risk Control and Compliance Department at Accion MfB

Risk management processes in small, uncomplicated organizations are different from those in organizations with larger volumes, and greater complexity and outreach. However, there are no strict rules for how an entity should structure the department that is responsible for risk and compliance management and the risk management process itself; but rather, it is the overall philosophy of the institution's board and senior management that guides the implementation of best practices in the management and control of risks.

Comprehensive risk management should always be led by senior management which should be involved in the entire process of installing risk management standards and then ensuring that all decisions and policies issued by the entire management team are followed, controlled and later evaluated, based on cost/benefit criteria and the organization-wide propensity for risk-taking.Given the current size and structure of the Accion MfB the proposed structure of the risk department at Accion MfB is as follows:



Mr. Henry Anozie
-Customer at Port Harcourt Branch

Our first customer at our Port Harcourt branch has seen his sales tripled in sales performance since he started relationship from Accion MfB. This is because he has been able to access funds which provide him the opportunity to stock up items in his shop thus meeting the demand of his growing customers and offering them variety of choice.

Patrick Akinwuntan
Chairman of the Board of Directors

Bunmi Lawson
Managing Director/CEO

John Fischer
Vice Chairman of the Board of Directors

33. Employees

I) Number of employees other than Directors in receipt of emoluments within the following ranges:

			Number	Number
100,001	-	500,000	222	159
500,001	-	1,000,000	344	297
1000,000	-	2,000,000	144	119
2,000,001	-	3,000,000	42	53
3,000,001	-	4,000,000	8	8
4,000,001	-	5,000,000	8	4
Over 5,000,000			29	14
			797	671

ii) The average number of persons employed in the year were as follows:

Managerial	29	28
Other Staff	768	643
	797	671

iii) Staff costs were:

Salaries and Allowances	994,737	720,794
Pension costs	69,750	42,421
	1,064,487	763,215

Terms and conditions of transactions with related parties

The above-stated outstanding balances arose in the ordinary course of business. They are amounts due to Accion International for Technical assistance services to the bank. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2015: N21,499). The bank also has Deposit from Citibank amounting to N159.643m and placements made by Ecobank and Zenith Bank with various maturities amounting to N4,961m. These are transactions done in the ordinary course of business.

Owners of the Bank

Name of shareholder	Country of incorporation	Number of shares	Percentage of shares held
Accion Investments in Microfinance	USA	443,184,162	35.77
Citibank	Nigeria	246,555,669	19.90
Ecobank Limited	Nigeria	269,225,436	21.73
International Finance Corporation (IFC)	-	156,010,382	12.59
Zenith bank Plc	Nigeria	90,858,036	7.33
Stanbic IBTC Trustees	Nigeria	5,166,800	0.42
		1,211,000,485	**97.75**
Issued but unpaid		27,372,486	2.25
		1,238,872,971	**100**

31. Events after reporting period

There are no known material events after the reporting period which has not been considered in the preparation of these financial statements.

32. Chairman and Directors' emoluments:

		2015 N'000	2014 N'000
I)	Fees		
	Director	1,250	1,250
	Other emoluments	19,587	15,894
		20,837	17,144
ii)	Chairman	450	450
	Highest paid Director	**17,671**	**13,682**
iii)	The Emoluments of all other Directors fell within the following ranges:	Number	Number
	200,000 -- 500,000	6	6
	Over 500,000	1	1
		7	7

Akin Dawodu
Non - Executive Director

David Kruijff
Non - Executive Director

Dr. Olusegun Aina, OFR
Independent Director

Habiba Balogun
Independent Director

Bunmi Lawson

Managing Director/CEO

28. Regulatory Risk Reserve

This is a reserve that arose by comparing impairment of risk asset under IFRS and provisions for the risk asset using CBN prudential Guideline. Where the impairment under IFRS is lower than the provision amount under Prudential Guideline, the IFRS impairment figures is recognized in the profit or loss account. However, the difference between the IFRS impairment and the prudential guideline provisioning are transferred from the distributable reserve to non-distributable reserve. This has impacted on the retained earnings by a decrease of N21, 231,000 for 2013 and N5,301,999 in 2014 making a total regulatory reserve of N26, 531,967. In 2015, the Regulatory reserve opening balance was transferred back to distributable reserve in line with IFRS standard due to IFRS impairment figures higher than Prudential Guideline provision.

29 Contingent liabilities

The Bank in the ordinary course of the business is presently involved in some litigation suits instituted against third parties by and on behalf of the Bank. The directors are of the opinion that the aforementioned cases are not likely to have a material adverse effect on microfinance bank and are not aware of any other pending or threatened claims and litigations or any other contingent liability.

30. Related party disclosures

	2015 N'000	2014 N'000
Compensation of key management personnel of the Bank	133,304	100,835
Short-term benefits		
Post-employment pension (defined contribution)	-	-
	133,304	100,835

The non–executive directors do not receive pension entitlements from the Bank.

Transaction with other related parties

	Interest from related parties	Interest to related parties	Amounts owed by related parties	Amounts owed to related parties
	N'000	N'000	N'000	N'000
Entities with significant influence over the Bank:				
2015	-	-	-	21,499
2014	-	-	-	9,739

24. Retirement benefit plan

Defined contribution plan
A defined contribution plan is a pension plan under which the Bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Bank in a fund under the control of trustees.

The total expense charged to income is N69.751 million in 2015, (2014: N42 million) represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

25. Issued capital and reserves

	2015 N'000	2014 N'000
Authorized		
Ordinary shares of N1 each	1,240,000	1,240,000
Ordinary shares		
Issued and fully paid		
At 1 January 2015	1,206,490	1,205,834
Additional shares	4,510	656
At 31 December 2015	1,211,000	1,206,490

26. Share premium

The Bank has share scheme under which subscription to its shares has been granted to certain qualifying members of staff. At year end (2015), Four employees had subscribed to the Bank's shares at N1.68k per share for 4,510,000 shares with a share premium of N3.067million.

27. Statutory Reserve

	2015 N'000	2014 N'000
Balances		
At 1 January 2015	795,860	484,582
Addition during the year	136,485	311,278
At 31 December 2015	932,485	795,860

Microfinance Bank is required to make an appropriation to a statutory reserve. As stipulated by section 8.1.7 Central Bank of Nigeria Revised Regulatory & Supervisory Guidelines for Microfinance Banks (MFBs) in Nigeria an appropriation of the following:

- Where the amount of the MFB's reserve fund is less than 50 per cent of its paid-up capital, an amount which shall not be less than 50 per cent of the MFB's net profit for the year;
- Where the amount of the MFB's reserve fund is 50 per cent or more, but less than 100 per cent of its paid-up capital, an amount which shall not be less than 25 per cent of the MFB's net profit for the year; or
- Where the amount of the MFB's reserve fund is equal to 100 per cent or more of its paid up capital, an amount equal to 12.5 per cent of the MFB's net profit for the year.

Extending Boundaries For a Brighter Future - During the year, we continued to leverage on technology as a major driver of the Bank's expansion strategy to enable us achieve our objective of getting things done easily, quickly and right.

2015 was surely a remarkable year for us in Accion Microfinance Bank. The bank has remained focused to its vision 'to be the market leader in the provision of microfinance and related financial services at a world class standard' irrespective of the tough economic realities and political uncertainties witnessed in the year. The banking industry like other sectors of the economy was not immune from these harsh realities with the microfinance subsector being worst hit. This led to significant decline in income margins of many banks and MFIs.

Despite these, Accion Microfinance Bank made relative progress in key performance indicators. The Bank grew its active loan clients from 34,245 in 2014 to 43,788 while the outstanding loan portfolio balance also grew from N4.26bn to N5.45bn. These indicate a growth of 28% each in active clients and portfolio size respectively. Total disbursement in 2015 was N13.77bn compared to N10.33bn in 2014 indicating a 33% growth. Cumulatively, total disbursement of the Bank from inception to date grew by 42% from N32.79bn at the end of 2014 to N46.56bn in 2015.

The bank's efforts to inculcate a savings culture in its customers have started yielding results with the 38% growth from 86,665 in 2014 to 120,000 clients. In the same vein, total number of accounts grew by 48% to 222,158 from 150,321 in 2014 as deposits on the other hand grew by 49% to close at N2.1bn compared to N1.4bn in 2014. However, the Bank witnessed a marginal decline in profit when compared to previous years as it recorded a profit before tax of N838m compared to N911m in 2014.

Extending Our Boundaries

At the last Annual General Meeting, we announced that the Bank was granted a national banking license by the Central Bank of Nigeria, enabling the commencement of our National Expansion Programme. In the course of the year the Bank opened the first branch outside Lagos State in the garden city of Port Harcourt, Rivers state in line with the Bank's five year Strategy Plan. At the end the year, we grew our operational network from 23 to 31 branches. In May 2016, we have opened two (2) in Ogun State with branches at Akute and Sango Otta, with plans for more in Oyo and Anambra States by the end of June 2016.

During the year under review, the bank successfully launched various new products and embarked on several projects to deepen financial inclusion, improve on efficiency so as to serve our customers better. Of significance is the product for People living with Disabilities (PLWD), this product is specially designed to provide financial services to the economically active disabled. This product offering is subsidized through the CBN 220m Micro, Small and Medium Entrepreneur Development Fund(SMEDF) which is

characterized with low interest rate without administrative fee.

We have continued to leverage on technology as a major driver of the Bank's expansion strategy to get things done easily, quickly and rightly. Some of the key projects deployed in the year include the Electronic document management system (EDMS) which enhances better data warehousing and management. We commenced a pilot run of these projects; DFA (Digital Field Application) initiative to create efficiency in our data capturing in the loan process, Central Processing Centre (CPC) with a centralized processing of loans. We have also embraced the BVN in compliance to CBN directives.

Beyond the Bank's growth in the key financial parameters, it has also contributed tremendously to the socio-economic development of the environment as the bank has grown to an approximate of 800 staff strength as at 2015 year end. We believe that our people are our real assets, so we insist on the uncompromising hiring and training policy that promotes training both locally and internationally in the best institutions which has resulted in a groomed, loyal and dedicated workforce. We engender functional and healthy working environment that helps build team spirit and comradeship within the employees. We launched the company's intranet and do organize staff tournament to enhance communication and interpersonal relationship respectively amongst staff.

As a leader in the microfinance banking sector, Accion MFB constantly seeks to extend the frontiers of the industry by capacity building, through its endowment fund of N2Million for the CIBN Microfinance Certification Examinations and actually offer cash award of N100, 000 (One hundred thousand Naira) to the Best students in the Microfinance Certification programme of the Institute to enhance professionalism.

In recognition of the Bank's impressive corporate governance and empowerment of low income earners; the Bank was awarded "The Most Consistent Microfinance Bank of the Year 2015" by the Ikeja City Award during its 10th anniversary in December 2015.

In closing, we commend the unalloyed support and commitment of our staff who are passionate to see the Bank succeed. We also cherish the much needed support of the Board and shareholders of the Bank as we take the stride to launch into the new phase of a 'Brighta future' in the New Year.

Thank You.

Bunmi Lawson
Managing Director/CEO

20. Intangible assets

	Computer software N'000
Cost	
At 1 January, 2015	133,737
Additions	5,486
Disposals	-
At 31 December 2015	**139,223**
At 1 January, 2015	89,585
Amortisation charge for the year	24,882
At 31 December 2015	**114,467**
Net book value	
At 31 December 2015	**24,756**
At 1 January 2015	44,152

	2015 N'000	2014 N'000
21. Deposits from customers		
Saving accounts	1,420,592	887,553
Current accounts	49,010	193,223
Term and call deposits	637,843	330,023
	2,107,445	1,410,799
Interest payable on saving accounts	15	-
Interest payable on term deposits	13,139	11,020
	2,120,599	1,421,819
22. Debt issued and other borrowed funds		
Undated floating rate debt issued	1,059,500	529,550
Interest payable on undated floating rate debt issued	27,759	25,064
	1,087,259	**554,614**

LOAN amount of N479.6 m was taken from Regional Fund for Sub-Saharan Africa (REGMIFA) through the Fund Manager Symbiotic in three tranches with first repayment in April, 2015 and final repayment in October, 2016. The average interest rate is 17.25%. No asset was pledged as collateral for the loan. There is also N50m taken in October 2014 and Dec 2015 N209m from Central Bank of Nigeria (CBN) MSME Fund at the rate of 3% per annum for on-lending purposes, while N400m came from IFC in Oct and Nov 2015 @ the rate of 18.5%. The total amount outstanding (2015: N1,087,259 and 2014: N554, 614) include Interest payable on both loans.

	2015 N'000	**2014 N'000**
23. Other liabilities		
Accrued expenses	98,800	112,246
Accounts payable and sundry creditors	139,565	106,198
Due to Accion International	21,499	9,739

		2015 N'000	2014 N'000
17.	Financial investments- held to maturity		
	Treasury bills		
	Maturing within 91 days	177,391	36,106
	Maturing after 91 days	-	83,410
		177,391	119,516

Treasury bills are debt securities issued by the Federal Government of Nigeria at effective rate of 10.03%: in 2015 (2014 10-11.5%).

		2015 N'000	2014 N'000
18.	**Other assets**		
	Prepayments	204,307	185,974
	Consumables	23,071	7,337
	Other receivables	18,100	6,819
	Staff prepayment	-	-
		245,478	200,130
18b	Allowance for impairment losses on other assets	(3,553)	(3,553)
		241,925	**196,576**

		N'000	N'000
18c	**Impairment allowance for other assets**		
	At 1 January 2015	3,553	562
	Charge for the year	-	2,991
	At 31 December 2015	3,553	3,553

19. Property and equipment

	Leasehold improvements	Machinery & equipment	Computer & accessories	Furniture & fittings	Motor vehicles	Total Cost
	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January, 2015	99,152	96,446	166,292	76,330	66,275	504,496
Additions	41,543	34,933	54,924	24,538	27,000	182,938
Disposals	-	(4,843)	(86)	(703)	(8,400)	(14,032)
At 31 December 2015	140,695	126,536	221,131	100,165	84,875	673,402
Depreciation						
At 1 January 2015	62,685	45,663	116,267	37,813	29,629	292,068
Depreciation charge for the year	15,929	19,329	33,524	14,448	17,580	100,811
Depreciation on disposals	-	(4,255)	(20)	(703)	(8,400)	(13,378)
At 31 December 2015	78,614	60,737	149,772	51,559	38,809	379,490
Net book value						
At 31 December 2015	62,081	65,799	71,359	48,606	46,066	293,912
At 1 January 2015	36,467	50,783	50,025	38,517	36,646	212,438

No property and equipment has been pledged as security for liabilities (2015: None).

Mrs. Latifat Owoeye
-Customer at Idioro Branch

In 2008, Mrs. Owoeye joined Accion MfB as a customer of Idi Oro branch, Lagos and over the years. Hers has been an interesting story of success extended to all fronts of life; personal and business alike. Beyond growing from a small shop with few provision items to a well-stocked bigger shop, she is particular excited that she has been able to support her family in the home front and in training three of the children to university level.

Bunmi Lawson
Managing Director/CEO

Nwanna Joel-Ezeugo
Chief Commercial Officer

Promise Nwankwo
Chief Finance Officer

Gift Mahubo
Chief Information Officer

Stephen Olalere
Chief Operations Officer

		2015 N'000	2014 N'000
16.	**Loans and advances**		
	Loans and advances to customers	5,590,419	4,170,669
	Loans and advances to staff	83,398	48,374
		5,673,817	4,219,043
	Allowance for impairment losses	(379,355)	(243,777)
		5,294,462	3,975,266

		2015 N'000	2014 N'000
16b	**Maturity analysis of loans and advances by past-due status**		
	Performing	4,992,261	326,364
	1- 30 days	3,924,102	-
	31- 60 days	72,098	40,513
	61-90 days	42,689	29,145
	91 and above	240,405	225,283
		5,673,817	4,219,043
	Individual Impairment	(35,993)	(17,000)
	Collective impairment	(343,362)	(226,777)
		5,294,462	3,975,266

16c Impairment allowance for loans and advances

	N'000
At 1 January 2015	243,777
Charge for the year	356,550
Recoveries	(10,444)
Amounts written off	(210,528)
At 31 December 2015	**379,355**
Individual impairment	35,993
Collective impairment	343,362
	379,355
At 1 January 2014	130,640
Charge for the year	213,895
Recoveries	(354)
Amounts written off	(100,403)
At 31 December 2014	**243,777**
Individual impairment	17,000
Collective impairment	226,777
	243,777

13. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year of Accion Microfinance Bank Limited by the weighted average number of ordinary shares outstanding during the year.

	2015 N'000	2014 N'000
Net profit attributable to owners of the Bank	545,941	622,555
	'000	'000
Weighted average number of shares in issue	1,211,000	1,206,490
Basic earnings per share	45	52

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements which would require the restatement of earnings per share.

14. Dividend paid and proposed

	2015 N'000	2014 N'000
Dividend paid and proposed		
Declared and paid during the year:		
Dividends on ordinary shares	181,650	120,650
Final dividend for 2015: 10k kobo per share	181,650	120,650

15. Cash and cash equivalents

Cash on hand	42,035	22,034
Cash at banks	107,546	152,238
Placements with banks and discount houses	604,192	358,426
Interest receivable on placements with banks	`2,795	`4,292
	756,568	536,990

Cash at banks earns interest at fixed rates based on the bank deposit rates. Placements with banks and discount houses are made for varying periods of between one day and three months, depending on the immediate cash requirements of the bank, and earn interest at the respective short-term deposit rates.

Babatunde Omolere
Head, Risk Control and Compliance

Robert Magala
Resident Advisor

Emeka Uzowulu
Head, Product & Business Development

Oladeji Alonge
Head, Marketing Communications

Waheed Fagbenro
Head, Internal Audit

Oladapo Famuyide
Resident Advisor (Channels & Technology)

Ethics and Governance Committee

1. Habiba Balogun Chairperson
2. Dr. Olusegun Aina OFR, Member

Audit and Compliance Committee

1. Olumide Obayomi - Chairperson
2. David Kruijff - Member
3. Brian Kuwik - Member

Reconciliation between tax expense and the product of accounting profit multiplied by Nigerian tax rate for the years ended 31 December 2015 and 2014 is as follows:

	2015 N'000	2014 N'000
Reconciliation of the total tax charge		
Accounting profit before tax	838,433	911,191
At Nigeria's statutory income tax rate of 30% (2015: 30%)	249,525	272,225
Income not subject to tax		
Non-deductible expenses for tax purpose	23,046	(4,067)
Tax impact of balancing charge		
Education tax 2% (2015: 2%)	19,911	20,478
Tax effect of the difference in profit used		-
Income tax expense reported in the profit or loss account	292,492	288,636
The effective income tax is 32.1 % (2014: 31.7%)		
b) Deferred tax Liability		
At 1 January	-	2,771
(Write-back)/charge during the year	23,046	(4,067)
Transfer to Deferred Tax asset	(1,298)	(1,297)
At 31 December 2015	21,748	-
Statement of profit or loss and other comprehensive income		
Accelerated depreciation for tax purpose		
Allowances for loan losses		
Other temporary differences		
Deferred tax expense		
c) Statement of financial position		
Accelerated depreciation for tax purpose		
Impairment allowance for loans		
Other temporary differences		
Net deferred tax liabilities		
Reconciliation of current tax liabilities		
At 1 January15	314,131	193,099
NTIDA	8,384	9,111
Tax charge in the statement of profit or loss	269,447	292,703
	591,962	494,913
Payment during the year	(292,777)	(180,782)
At 31 December 2015	299,185	314,131

The information technology development levy represents 1% of profit for the year in accordance with section 12(2a) of National Information Technology Development Act (NITDA) 2007.

		2015 N'000	2014 N'000
11.	**Other operating expenses**		
	Rents charges payable under operating leases	88,801	67,623
	Repairs and maintenance	62,586	57,490
	Contract and support services	11,053	26,851
	Professional fees	29,501	30,690
	Directors fees	3,167	3,462
	Insurance expenses	49,698	34,259
	Audit Fees	9,833	8,000
	Technical service expenses	31,000	18,000
	Communication expenses	20,098	20,254
	Trainee allowance and recruitment expenses	70,689	36,046
	System support expenses	49,148	25,349
	NITDA levy	8,384	9,111
	Others	30,733	26,916
	Utilities	31,441	22,914
	Medical expenses	84,398	48,922
	Training and travels	72,851	41,741
	Stationery expense	26,016	14,280
	Advertisement and Business promo	56,430	50,380
	Security	26,099	22,154
	Telephone office	25,529	23,414
	Bank charges	7,567	3,969
	Branded promo items	17,003	6,441
	Recovery Expenses	1,497	7,553
	Office Provision	12,268	7,400
		825,790	613,219

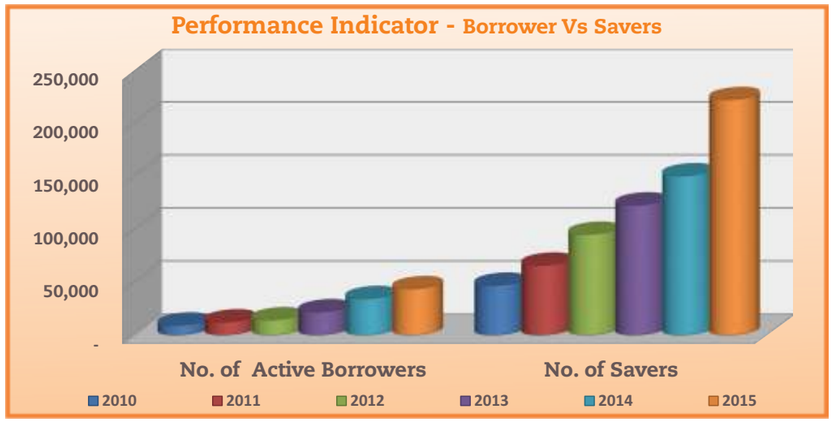
12. Income tax

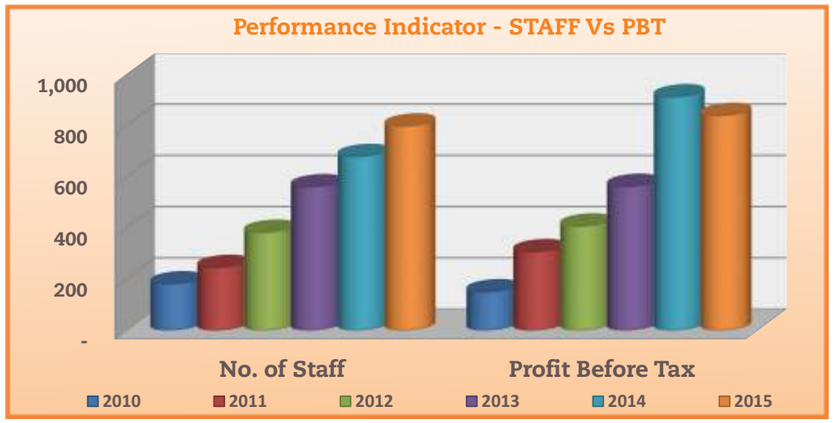
The components of income tax expense for the years ended 31 December 2015 and 2014 are:

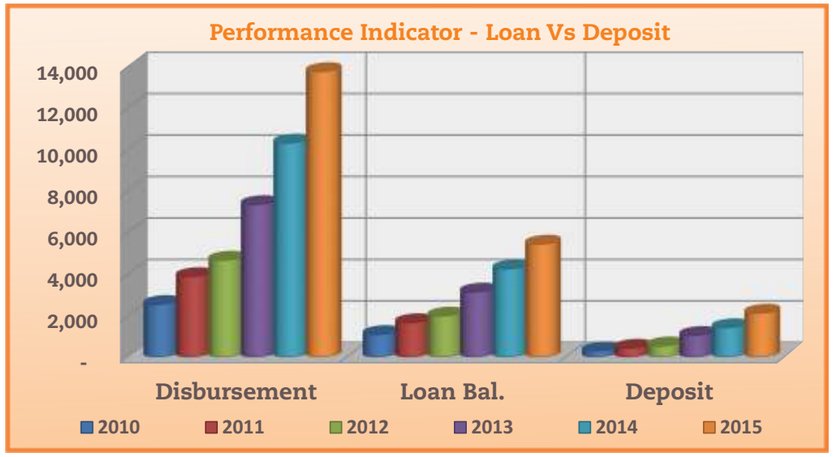
		2015 N'000	2014 N'000
a)	Current income tax:		
	Company income tax	249,535	272,225
	Education tax	19,911	20,478
	Deferred income tax (note 12b)	23,046	(4,067)
	Income tax expense reported in the profit or loss account	292,492	288,636

Risk and Investment Committee

1. **Dr. Olusegun Aina, OFR** - Chairperson
2. **John Fischer** - Member
3. **David Kruijff** - Member
4. **Akin Dawodu**- Member
5. **Ms Bunmi Lawson** - Member







		2015 N'000	2014 N'000
5.	**Interest and similar income**		
	Cash and cash equivalents	61,256	42,750
	Loans and advances	3,118,891	2,517,211
	Financial investments- held to maturity	18,066	11,054
		3,198,213	**2,571,015**
6.	**Interest and similar expenses**		
	Deposits from customers	66,505	31,080
	Debt issued and other borrowed funds	91,494	86,237
		157,999	**117,317**
7.	**Fees and commission income**		
	Insurance fees	88,217	74,562
	Commission on turnover	1,982	475
		90,199	**75,037**
8.	**Other operating income**		
	Other fees	69,044	72,028
	(Loss)/profit on sale of property and equipment	1,051	(162)
		#70,095	**71,866**
9.	**Credit loss expense**		
	Loans and advances to customers	356,550	214,249
	Bad debt recovered	(10,444)	(353)
		346,106	**213,896**
10.	**Personnel expenses**		
	Salaries and allowances	994,737	715,920
	Pension costs- defined contribution plan	69,750	42,421
	Staff cost adjustment	-	4,874
		1,064,487	**763,215**

4. Fair value of the financial assets and liabilities

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	31-Dec-15		31-Dec-14	
	Carrying amount N'000	Fair value N'000	Carrying amount N'000	Fair value N'000
Financial assets				
Cash and cash equivalents	756,568	756,568	536,990	536,990
Loans and advances	5,294,462	5,294,462	3,975,266	3,975,266
Financial investments- held to maturity	177,391	177,391	119,516	119,516
	6,228,421	6,228,421	4,631,772	4,631,772
Financial liabilities				
Deposits from customers	2,120,599	2,120,599	1,421,819	1,421,819
Debt issued and other borrowed funds	1,087,259	1,087,259	554,614	554,614
	3,207,858	3,207,858	1,976,433	1,976,433

Fair value of financial assets and liabilities not carried at fair value

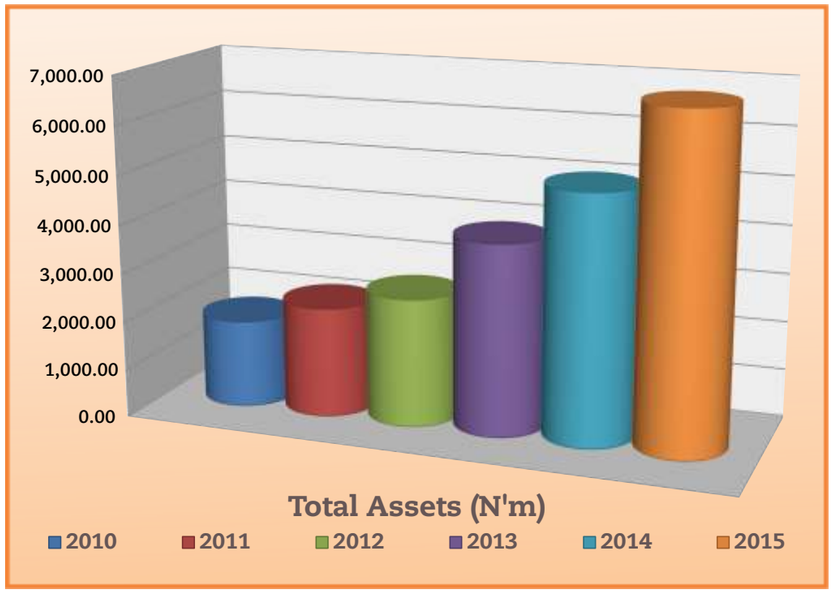
Below are the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

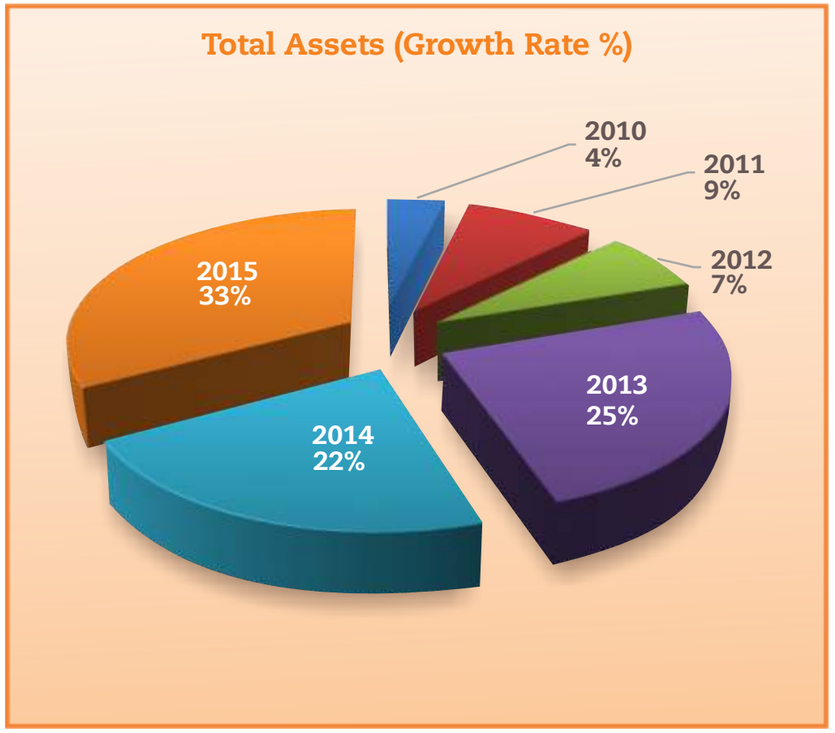
Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

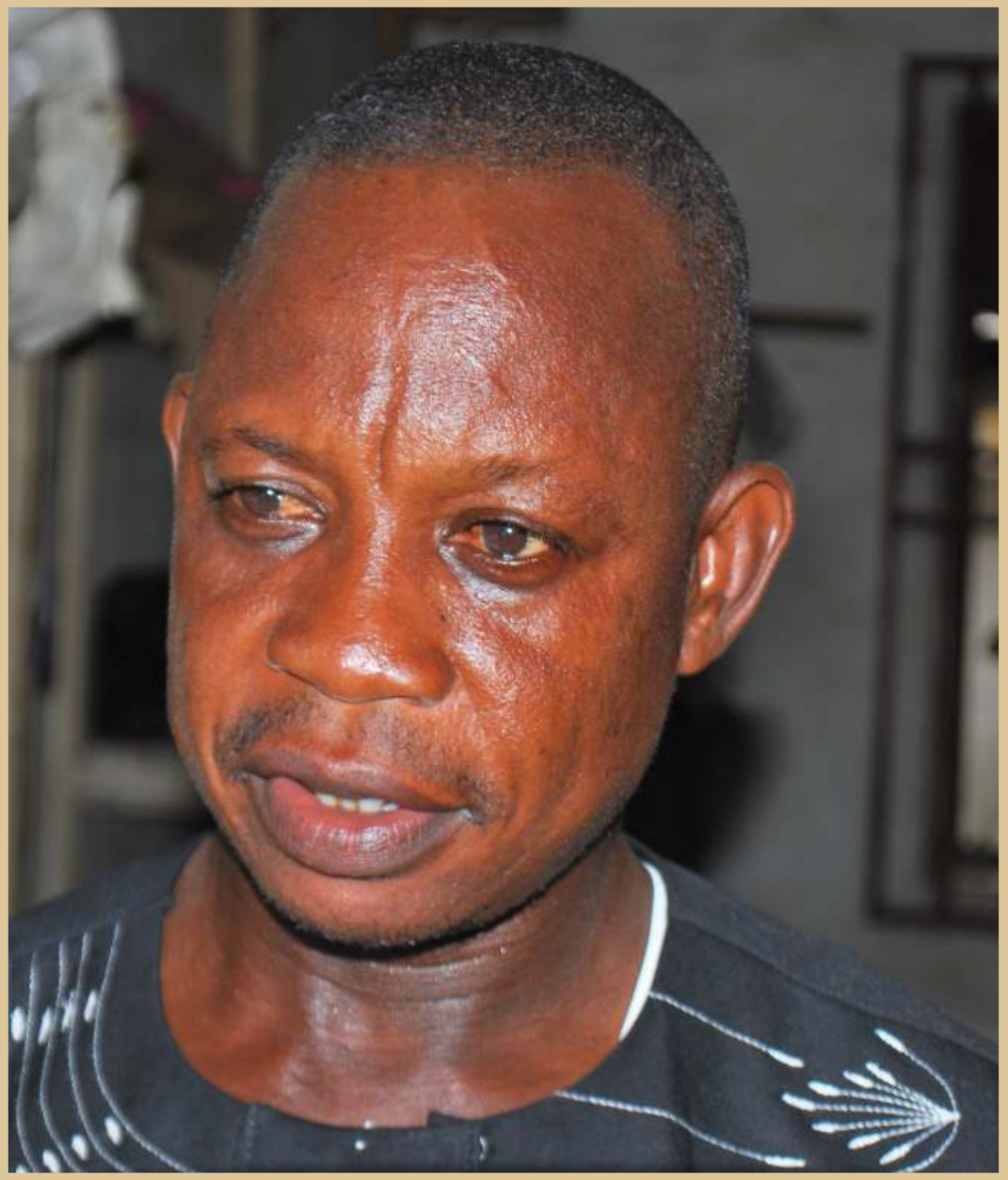
Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of staff loans is based on discounted cash flows using prime-lending interest rates stated on the Central Bank of Nigeria website. For fixed interest-bearing deposits, fair value is based on discounted cash flows using prevailing money–market interest rates for debts with similar credit risk and maturity.





OUR CUSTOMER'S STORY



Mr. Daniel Williams
-Customer at Port Harcourt Branch

He is a pioneer savings customer at our Mile 1, Port Harcourt Branch. He says that he has truly enjoyed easy and unfettered access to his funds at Accion MFB which has helped him seize opportunities in his business where he sells printing materials and helped to build his confidence of a brighter future.

Standard	Subject of amendment	Details
IAS 34 Interim Financial Reporting	Disclosure of information included 'elsewhere in the interim financial report'	The amendment clarifies the requirements relating to information required by paragraph 16A of IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendment requires that such information to be included either in the interim financial statements or incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements. .

The directors of the company do not anticipate that the application of these amendments will have a material effect on the financial statements.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 Disclosures of Interests in Other Entities.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

Annual Improvements to IFRSs 2012 - 2014 Cycle
(Effective for annual periods beginning on or after 1 January 2016)
The Annual Improvements include amendments to a number of IFRSs, which have been summarised below.

Standard	Subject of amendment	Details
IFRS 5 Non-current Assets held for sale and Discontinued Operations	Changes in methods of disposal	The amendment introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations.
IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1)	(I) Servicing contracts (ii)Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements	The amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to satisfy the requirements in IAS 34 Interim Financial Reporting.
IAS 19 Employee Benefits	Discount rate: regional market issue	The amendment clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high quality bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency should be used.

Mr. Nofiu Fadipe
- Customer at Idioro Branch

Starting with Accion MFB as a savings customer in 2012 in our Idi oro branch, Mr. Nofiu Fadipe' s dedication to saving with Accion MFB qualified him to win the Accion MfB Save Promo Star Prize of a Kia Picanto vehicle 2 years ago. Mr. Fadipe now accesses our loan to grow his businesses both as a 'Garri' foodstuff wholesaler and a transporter. He credits Accion MfB with being the engine for the growth he has seen in his business and for motivating him more to save for a 'Brighter future' as he has been able to train his children in good schools.

The Directors have pleasure in presenting their report on the affairs of Accion Microfinance Bank Limited ("the Microfinance Bank") together with the Microfinance Bank's audited financial statements and auditor's report for the year ended 31 December, 2015.

Legal Form

The Microfinance Bank was incorporated as a private limited liability company on the 16th of May 2006 with an authorized share capital of N432, 250,000. Accion Microfinance Bank Limited was granted approval to operate as a microfinance bank by the Central Bank of Nigeria (CBN) on 20 April, 2007.

The authorized share capital has since been increased to N1, 240,000,000 with issued share capital of N1, 238,872,971 of which N1, 211,000,485 is fully paid.

Principal Activity

The Microfinance Bank's principal activity is to carry on business as a microfinance bank, providing financial services to micro, small and medium scale enterprises and other low income people in Nigeria in the form of working capital and loans. The Microfinance Bank is eligible to accept deposits from individuals, groups and organizations and also raise finance in accordance with the CBN regulations and guidelines on microfinance banks.

Operating results

Highlight of the Microfinance Bank operating results for the year under review was as follows:

	2015 N'000	2014 N'000
Profit before taxation	838,433	911,191
Taxation	(292,492)	288,636)
Profit after taxation	545,941	622,555
APPROPRIATION:		
Transfer to Statutory Reserve	136,485	311,278
Transfer to General Reserve	409.456	311,278
	545,941	622,555
Earnings per share – Basic (k)	45	52
Dividend Per Share (Proposed) (k)	15	10

Proposed dividend

The Board of Directors recommended a dividend of N181,659,072.75 for the year ended 31 December 2015 (31 December 2014: N120, 648, 984). Withholding tax will be deducted at the time of payment.

- at cost,
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or
- using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

ix. Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(Effective for annual periods beginning on or after 1 January 2016)

The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with earlier application permitted. In the June 2015 IASB meeting, the IASB tentatively decided to defer the mandatory effective date of these amendments.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
(Effective for annual periods beginning on or after 1 January 2016)

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

- the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
- the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted. Application of the amendments need not be disclosed.

vi. Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
(Effective for annual periods beginning on or after 1 January 2016)

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortisation is to be determined, the revenue that is to be generated might be an appropriate basis for amortising the intangible asset; or

b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

vii. Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
(Effective for annual periods beginning on or after 1 January 2016)

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted. As a transitional provision, entities need not disclose the quantitative information required by paragraph 28(f) of IAS 8 for the current period. However, quantitative information for each prior period presented is still required. Also, on the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognised in opening retained earnings at the beginning of the earliest period presented.

viii. Amendments to IAS 27 Equity Method in Separate Financial Statements
(Effective for annual periods beginning on or after 1 January 2016)

The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

Directors and their interests

The directors who served during the year were as follows:

Mr. Patrick Akinwuntan	Chairman
Mr. John Fischer	Vice Chairman
Ms. Bunmi Lawson	Managing Director/ (CEO)
Mr. David Kruijff	Non- Executive Director
Mr. Omar Hafeez	Non-Executive Director (Resigned 15th May, 2015)
Mr Akin Dawodu	Non- Executive Director (Appointed 15th May, 2015)
Dr. Olusegun Aina	Independent Director
Mrs. Habiba Balogun	Independent Director

The directors are representatives of the institutional investors who are the shareholders of the Microfinance Bank. The directors do not have any interest in their personal capacity, which is required to be disclosed under Section 275 of the Companies and Allied Matters Act.

Shareholding

The shareholders of the Microfinance Bank as at 31 December, 2015 and their respective shareholding are as follows:

Issued and fully paid.

Shareholders Issued and fully paid	Number of Shares held	%
Accion Investments in Microfinance Nigeria	443,184,162	35.77
Citibank Nigeria Limited	246,555,669	19.91
Ecobank Nigeria Limited	269,225,436	21.73
International Finance Corporation (IFC)	156,010,382	12.60
Zenith Bank Plc	90,858,036	7.33
Stanbic IBTC Trustees	5,166,800	0.42
	1,211,000,485	97.75
Issued but unpaid-Stanbic IBTC trustees	27,872,486	2.25
	1,238,872,971	100.00

The shares in the name of Stanbic IBTC Trustees are held in trust for the Senior Management Staff Share Scheme of the Bank.

Property and equipment

Information relating to changes in property and equipment is given in note 19 to the financial statements.

Employment of Disabled Persons

The Microfinance Bank operates a non-discriminatory policy in the consideration of applications for employment including those received from disabled persons. The Bank's policy is to recruit the most qualified candidate for appropriate job levels irrespective of an applicant's physical condition. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Microfinance Bank continues and that appropriate training is arranged. It is the policy of the Microfinance Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Health, Safety and Welfare at Work

The Microfinance Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.

Employee Involvement and Training

The Microfinance Bank's policy with regard to employee involvement and training is to encourage participation of employees in arriving at decisions in respect of matters affecting their well-being. Towards this end, the Microfinance Bank provides opportunities where employees deliberate on issue affecting the Microfinance Bank and employee interests, with a view to making inputs to decisions thereon. The Microfinance Bank places a high premium on the development of its manpower. Consequently, the Microfinance Bank sponsored its employees for various training courses in the year under review.

Auditors

The Auditors, Messrs Akintola Williams Deloitte have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act.

BY ORDER OF THE BOARD

March, 2016

- Whether the transaction price allocated to each performance obligation should be recognised as revenue over time or at a point in time. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognised over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognised. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognised as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfil a contract can be recognised as an asset.

iv. Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (Effective for annual periods beginning on or after 1 January 2016)

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding recognition of deferred taxes at the time of acquisition and IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Entities should apply the amendments prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. Earlier application is permitted.

v. Amendments to IAS 1 Disclosure Initiative (Effective for annual periods beginning on or after 1 January 2016)

The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in IAS 1 had in some cases been read to prevent the use of judgement. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.
- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. The Standard is available only to first-time adopters of IFRSs who recognised regulatory deferral account balances under their previous GAAP. IFRS 14 permits eligible first-time adopters of IFRSs to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and other comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016, with earlier application permitted.

iii. IFRS 15 Revenue from Contracts with Customers
(Effective for annual periods beginning on or after 1 January 2018)

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 Revenue;
- IAS 11 Construction Contracts;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 18 Transfers of Assets from Customers; and
- SIC 31 Revenue-Barter Transactions Involving Advertising Services.

As suggested by the title of the new revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 Financial Instruments: Recognition and Measurement (or IFRS 9 Financial Instruments, if IFRS 9 is early adopted).

As mentioned above, the new revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new revenue Standard introduces a 5-step approach to revenue recognition and measurement:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Far more prescriptive guidance has been introduced by the new revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

For the preparation and approval of the Financial Statements

The Directors of **Accion Microfinance Bank Limited** are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Bank as at 31 December 2015, and the results of its operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other financial institutions Act, CAP B3 LFN 2005 and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- making an assessment of the Bank's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Bank;
- maintaining adequate accounting records that are sufficient to show and explain the bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- preventing and detecting fraud and other irregularities.

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

The financial statements of the Bank for the year ended 31 December 2015 were approved by Board of Directors on 11 March 2016

On behalf of the Directors of the Company

Patrick Akinwuntan
Chairman
FRC/2013/ICAN/00000002861

Bunmi Lawson
Managing Director/CEO
FRC/2013/IODN/00000002574

a. Introduction

As a major market leader in the microfinance industry Accion Microfinance Bank is committed to ensuring good corporate governance.

Accion Microfinance Bank has an effective governance system that ensures proper oversight of its business by the Directors and other principal organs of the Bank. To this end, the Bank's corporate governance framework is predicated on the International Finance Corporation (IFC) principles and methodology. The bank has established and continuously monitors the effectiveness of its corporate governance structures and processes for the direction and control of the bank's activities. Adherence to corporate governance principles is articulated in a number of corporate documents. The Articles of Association of the Bank define the respective roles of the Management, the Board of Directors and the shareholders (including the protection of minority rights). Corporate governance concerns the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital.

b. The Board

The responsibility for the governance of the Bank lies with the Board of Directors, which is accountable to the shareholders.

The Board of Directors currently consists of seven (7) members as at 31st December 2014 made of one (1) Non-Executive Chairman, five (5) non-executive Directors and one (1) Executive Director which is the Managing Director/CEO. Two (2) of the Non-Executive Directors are Independent Directors, appointed in compliance with the section 5.3.6 of the Code of Corporate Governance for Banks and Other Financial Institutions.

The Board discharges its oversight functions and provides strategic direction through reviews and approval of major strategic plans and initiatives. The Board is responsible for driving the governance structure of the Bank. Besides possessing the requisite academic qualifications and experience in Board affairs, the Directors are well abreast of their responsibilities and are conversant with the Bank's business. They are therefore able to exercise sound judgment on matters relating to its business.

Mindful of their duties of care & skill as provided for under Section 279 and 282 of the Companies & Allied Matters Act, the Directors at all times during the year acted in the best interest of the Bank, shareholders, employees and other stakeholders.

The Board oversaw as well as evaluated Management's performance vis-à-vis the set of corporate goals and objectives through the use of effective Committees while holding itself responsible for all delegated functions.

By instrument of the Articles of Association of the Bank, the Board delegated the responsibility for the day-to-day operation and administration of the Bank to the Managing Director/CEO and the senior management team who have executed these powers without undue interference while being accountable to the board for the development and implementation of strategies and policies.

There was no conflict of interest in the directors' individual and collective relationships with the Bank during the period as directors exercised independence in their views and recorded commendable attendance at meetings with high levels of participations and quality of contributions.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage - a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2014. The project is under redeliberation.

Transitional provisions

IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

   An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

   IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details.

ii. IFRS 14 Regulatory Deferral Accounts

(Effective for first annual IFRS financial statements with annual periods beginning on or after 1 January 2016)

New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ended 31 December 2015

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2015:

- IFRS 9 Financial Instruments;
- IFRS 14 Regulatory Deferral Accounts;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations;
- Amendments to IAS 1 Disclosure Initiative;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants;
- Amendments to IAS 27 Equity Method in Separate Financial Statements;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception; and
- Annual Improvements to IFRSs 2012-2014 Cycle.

i. IFRS 9 Financial Instruments (as revised in 2014)
(Effective for annual periods beginning on or after 1 January 2018)
In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

Phase 1: Classification and measurement of financial assets and financial liabilities
With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortised cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.

- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

- all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognised in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognised in profit or loss.

The Board meets quarterly and additional meetings are convened as the need arises. In furtherance of the above roles, the Board met five (5) times during the year under review on the following dates: 13th March 2015, 15th May 2015, 21st August 2015, 9th October 2015 and 20th November 2015 as shown in the table below:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mr. Patrick Akinwuntan	Chairman	5	5
2.	Mr. John Fischer	Vice-Chairman	5	4
3.	Mr. David Kruijff	Member	5	5
4.	Mr. Olusegun Aina	Member	5	5
5.	Mrs. Habiba Balogun	Member	5	5
6.	Mr Akin Dawodu	Member	5	3
7.	Ms Bunmi Lawson	Member	5	5

c. The Board Committees

The effectiveness of the Board is fortified and strengthened by its three (3) committee namely:
- Risk & Investment Committee
- Audit & Compliance Committee
- Ethics and Governance Committee.

The membership, meetings, duties, responsibilities and operations of these Committees are subject to the provisions of the Committee Charters as approved by the Board.

Risk and Investment Committee: The overall purpose of this Committee is to protect the interest of the Bank's shareholders and other stakeholders. This Committee is charged with exercising the full powers of the Board with respect to the investment of the Bank's assets and set the tolerance level for risk.

This covers oversight of operations, financial performance and reporting as well as regulatory compliance and risk management issues such as:

i. Ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors.

ii. Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;

iii. Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk.

iv. Provide oversight for operations, financial performance, management reporting as well as regulatory compliance and risk management issues.

v. Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;

vi. Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:
(a) magnitude of all material business risks;
(b) the processes, procedures and controls in place to manage material risks;
(c) the overall effectiveness of the risk management process.

vii. Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.

viii. To establish and periodically review the bank's risk portfolio in order to align organizational strategies, goals, and performance.

ix. To evaluate on a periodic basis the components of risk as well as market competitive data and other factors as deemed appropriate, and to determine the risk level based upon this evaluation.

x. Review the Bank's conflict of interest policy annually, review all updated conflict disclosure statements from Directors, officers, committee members, and key staff, determine if a conflict exists, and present any conflicts to the full Board for review and decision.

xi. Assume responsibility for the formulation and implementation of a bank wide risk policy and set the tolerance for risk.

The Committee is required to meet at least once a quarter. The Committee met four (4) times during the year under review and membership of the Committee and attendance at its meetings are as follows:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mr. Olusegun Aina	Chairman	4	3
2.	Mr. John Fischer	Member	4	3
3.	Mr. David Kruijff	Member	4	4
4.	Mr Akin Dawodu	Member	4	2
5.	Ms Bunmi Lawson	Member	4	4

Audit and Compliance Committee: The overall purpose of this Committee is to, on behalf of the Board; drive the Board functions in the areas of oversight for the integrity financial reporting, oversight of the performance of internal and external audits as well as ensuring compliance to all legal and regulatory requirements and the appointment of the external auditors.

To fulfil its responsibilities and carry out its duties, this Committee carries out the following functions:

1. Documents/Reports Review
   i. Review and update this Charter periodically, at least annually, as conditions dictate.
   ii. Review the Bank's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the external auditors.
   iii. Review the regular internal reports to management prepared by the Internal Audit Department and management's response.

2. Independent Accountants – External Auditors
   i. Recommend to the Board of Directors the selection of the external auditors, considering independence and effectiveness and approve the fees and other compensation to be paid to the external auditors. On an annual basis, the Committee should review and discuss with the external auditors all significant relationships the external auditors have with the Bank to determine the external auditors' independence.
   ii. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.

	Acquisition of asset(s)	Business combination
How to account for the transaction costs?	Follow the applicable IFRSs (e.g. IAS 40, IAS 16 and IAS 2). For example, IAS 2, IAS 16 and IAS 40 require properties to be initially measured at cost which generally include directly attributable transaction costs.	IFRS 3 generally requires transaction costs to be expensed in profit or loss immediately.
Would the acquisition give rise to any goodwill/bargain purchase?	No	Any excess of the consideration over the identifiable net assets of the acquiree should be recognised as goodwill. Annual impairment assessment on goodwill is required. Any excess of the identifiable net assets of the acquiree over the consideration should be recognised in profit or loss as a gain on bargain purchase (after reassessment per IFRS 3.36).
Is there any additional deferred tax to be recognised at the date of the acquisition?	No. IAS 12.15(b) and 24(b) prohibit the recognition of a deferred tax liability (asset) for taxable temporary (deductible) difference respectively if it arises from the initial recognition of an asset in a transaction which is not a business combination and does not affect either accounting profit or taxable profit at the time of the transaction.	Yes, deferred tax assets or liabilities should be recognised at the date of business combination in relation to, for example, fair value adjustments made at the date of business combination.

The company will not be affected by these improvements as none of these account balances or transactions are carried by the company during the course of the year.

However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e. 1 July 2014) if and only if information needed to apply the amendment to earlier transactions is available to the entity

As mentioned above, the amendment requires an entity to assess whether the acquisition of an investment property is an asset acquisition or a business combination in accordance with IFRS 3. IFRS 3 defines a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants. Specifically, IFRS 3 states that a business consists of inputs and processes that have the ability to create outputs. To qualify for the definition of a business, the integrated set of activities and assets should have two essential elements – inputs and processes; outputs are not necessarily required (although businesses usually have outputs).

In considering whether the acquisition of an investment property is an asset acquisition or a business combination, significant judgement is required taking into account the specific facts and circumstances surrounding each transaction. Below is a summary of key accounting differences between an asset acquisition and a business combination.

	Acquisition of asset(s)	Business combination
What is the applicable standard?	Various IFRSs (e.g. IAS 40, IAS 16 Property, Plant and Equipment, IAS 2 Inventories) IFRS 3.2(b) scopes out acquisition of an asset or a group of assets that does not constitute a business from IFRS 3.	IFRS 3
How to account for the consideration for the acquisition?	Consideration paid and payable would be allocated among the assets acquired.	Both consideration paid and payable as well as assets acquired have to be measured at fair value at the date of business combination.
How to account for the transaction costs?	Follow the applicable IFRSs (e.g. IAS 40, IAS 16 and IAS 2). For example, IAS 2, IAS 16 and IAS 40 require properties to be initially measured at cost which generally include directly attributable transaction costs.	IFRS 3 generally requires transaction costs to be expensed in profit or loss immediately.

iii. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.

3. Financial Reporting Processes

i. In consultation with the external auditors and the internal auditors, review the integrity of the Bank's financial reporting processes, both internal and external.

ii. Consider the independent accountants' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

Consider and approve, if appropriate, major changes to the Corporation's auditing and accounting principles and practices as suggested by the independent accountants, management, or the Internal Audit Department.

iii. Review the annual audited financial statements of the Bank prior to their submission to the Board and meet with auditor to discuss the statements without the presence of management.

4. Process Improvement

i. Establish regular and separate systems of reporting to the Committee by each of management, the external auditors and the internal auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

ii. Following completion of the annual audit, review separately with each of management, the independent accountants and the Internal Audit Department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

iii. Review any significant disagreement among management and the independent accountants or the Internal Audit Department in connection with the preparation of the financial statements.

iv. Review with the external auditors, the Internal Audit Department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

5. Ethical and Legal Compliance

i. Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.
ii. Obtain reports from management, the Internal Auditor and the External Auditors regarding compliance with all applicable legal and regulatory requirements.
iii. Review management's monitoring of the Bank's compliance with the Bank's Ethical Code, and ensure that management has the proper review system in place to ensure that Bank's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
iv. Review reports and disclosures of insider and related person transactions.
v. Review with management and any internal or external counsel that the Committee considers appropriate, any legal matters (including the status of pending litigation) that may have a material impact on the financial statements or the Bank's compliance policies with the Bank's counsel.

v. Review activities, organizational structure, and qualifications of the internal audit department.

vi. Review, with the organization's counsel, legal compliance matters including corporate securities trading policies.

vii. Review, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.

iv. Perform any other duties to ensure compliance with all applicable laws, regulations and operating standards.

6. Internal Control Oversight

i. Review internal controls including financial, business controls and oversee the risk management framework and processes.
ii. Assess on an annual basis with independent opinion where required, the adequacy and effectiveness of the Bank's internal controls including but not limited to Management Information System (MIS) controls and security matters with management and External Auditors.

The Committee consists of only non-Executive Directors and is required to meet at least once a quarter. The Committee met four (4) times during the year under review and membership of the Committee and attendance at its meetings are as follows:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mr. Olumide Obayomi	Chairman	4	4
2.	Mr. Brian Kuwik	Member	4	3
3.	Mr. David Kruijff	Member	4	4

Ethics & Governance Committee: The purpose of this Committee is to assist the Board in formulating policies, making decisions and exercising its oversight functions with regards to maintaining the highest standards of corporate governance and ensuring fair and best practices in human resource management as follows:

1. Identification, approval and recommendation of individuals qualified to become members of the Board to the Board of Directors.
2. Develop, update as applicable and make recommendations to the Board on corporate governance principles and policies as applicable to the Company.
3. Monitor compliance with such principles and policies.
4. Identify and make recommendations to the Board for approval on staff welfare, conditions of service, administrative and/or ethical issues as may arise.

The Committee consists of only non-Executive Directors and is required to meet at least once a quarter. The Committee met four (4) times during the year under review and membership of the Committee and attendance at its meetings are as follows:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mrs. Habiba Balogun	Chairman	4	4
2.	Mr. Olusegun Aina OFR	Member	4	4

IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets	Revaluation method—proportionate restatement of accumulated depreciation (amortisation)	The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
IAS 24 Related Party Disclosures	Key management personnel	The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.
IFRS 3 Business Combinations	Scope exceptions for joint ventures	The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself.
IFRS 13 Fair Value Measurement	Scope of paragraph 52 (portfolio exception)	The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
IAS 40 Investment Property	Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether: (a) the property meets the definition of investment property in accordance with IAS 40; and (b) the transaction meets the definition of a business combination in accordance with IFRS 3. An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. .

IFRS 8 Operating Segments	(I) Disclosure about judgements involved in deciding whether or not to aggregate operating segments (ii) When reconciliation of the total of the reportable segments' assets to the entity's assets is required.	The amendment (i) requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics; and (ii) clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker.
IFRS 13 Far value measurement	Short - term receivables and payables	The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short- term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.

Shareholders' Participation

The Annual General Meeting of the Bank is the highest decision making body. The General Meetings of the Bank are conducted in a transparent and fair manner.

The Board places considerable importance on effective communication with its shareholders and ensures that the rights of shareholders are protected at all times. Notice of meetings and all statutory notices and information are communicated to shareholders regularly.

Shareholders are opportuned to express their opinions on the Bank's financials and other issues affecting the Bank.

Protection of Shareholders' Rights

The Bank ensures the protection of the statutory and general rights of shareholders at all times particularly voting rights at general meetings of the Bank.

All shareholders are treated equally, regardless of volume of shareholding or social status and they have the opportunity to seek and obtain effective redress for violation of their rights in accordance with applicable laws.

In compliance with the provisions of Section 359(6) of the Companies and Allied Matters Act CAP C20 LFN 2004, we have reviewed the Audit Report for the year ended 31 December 2015 and state as follows:

1. The scope and planning of the audit were adequate in our opinion.

2. The accounting and reporting policies of the Company are in accordance with statutory requirements and agreed ethical practices.

3. The internal control was being constantly and effectively monitored.

4. The external auditors' management report received satisfactory response from management.

Olumide Obayomi
Chairman, Audit and Compliance Committee
March, 2016

Members of the Committee
David Kruijff
Brian Kuwik

of years of service, the entity is permitted to either reduce service cost in the period in which the related service is rendered, or reduce service cost by attributing the contributions to the employees' periods of service in accordance with IAS 19 paragraph 70.

The amendment requires retrospective application. The Company does not have severance transactions in its books and therefore will not be affected.

Annual Improvements to IFRSs 2010 - 2012 Cycle
(Effective for annual periods beginning on or after 1 July 2014, except as detailed below)
The Annual Improvements include amendments to a number of IFRSs, which have been summarised below.

Standard	Subject of amendment	Details
IFRS 2 Share-based Payment	Definition of vesting condition	The amendment is to clarify the definition of vesting condition and market condition to ensure the consistent classification of conditions attached to a share-based payment. It also adds definitions for 'performance condition' and 'service condition' which were previously included as part of the definition of 'vesting condition'. Specifically, • For 'market condition', the amendment indicates that it is a performance condition that relates to the market price or value of the entity's equity instruments or the equity instruments of another entity in the same group. A market condition requires the counterparty to complete a specified period of service. • For 'performance condition', the amendment specifies that the period over which the performance target is achieved should not extend beyond the service period and that it is defined by reference to the entity's own operations or activities of another entity in the same group. The amendment requires prospective application, i.e. entities should apply the amendment prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 Business Combinations	Accounting for contingent consideration in a business combination	The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss. The amendment to IFRS 3 requires prospective application, i.e. entities should apply the amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.16 Dividend on ordinary shares

Dividend on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividend for the year that are approved after the reporting date are disclosed in the financial statements as a non-adjusting event.

2.3.17 Equity and reserves

The reserves recorded in equity on the Bank's statement of financial position include:

Statutory reserve: The Bank is required under the Regulatory and Supervisory Guidelines for Microfinance Banks, to maintain a reserve fund to which it transfers from its profit after tax for each year (before dividend). The appropriation is subject to the following provisions:

i) Where the amount of the reserve fund is less than 50 per cent of the paid-up capital, an appropriation which is not less than 50 per cent of the net profit for the year is made.

ii) Where the amount of the reserve fund is 50 per cent or more, but less than 100 per cent of the paid-up capital, an appropriation which is not less than 25 per cent of the net profit for the year is made or

iii) Where the amount of the reserve fund is equal to 100 per cent or more of the paid up capital, an amount equal to 12.5 per cent of the net profit for the year is made. At present, the Bank transfers an appropriation of 50 per cent of the net profit to statutory reserve.

3. Changes in accounting policy and disclosures

New and revised IFRSs for 2015 annual financial statements
Amendments to IFRSs that are mandatorily effective for the year ended 31 December 2015

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle
- Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 July 2014)

The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they affect the remeasurement of the net defined benefit liability (asset).

- If contributions are linked to services, they reduce service costs. If the amount of contribution is dependent on the number of years of service, the entity should reduce service cost by attributing it to the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 (for the gross benefits). If the amount of contribution is independent of the number

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REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ACCION MICROFINANCE BANK LIMITED

Report on the Financial Statements
We have audited the accompanying financial statements of **Accion Microfinance Bank Limited** which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, Companies and Allied Matters Act CAP C20 LFN 2004, the Financial Reporting Council of Nigeria Act, 2011, Regulatory and Supervisory Framework for Microfinance Banks and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of ACCION Microfinance Bank Limited as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act CAP C20 LFN 2004, the Banks and other Financial Institutions Act CAP B3 LFN 2004, the Financial Reporting Council of Nigeria Act, 2011 and Regulatory and Supervisory Framework for Microfinance Banks.

Other reporting responsibilities

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Bank has kept proper books of account, so far as appears from our examination of those books.
iii) The Bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The bank has complied with the requirements of the relevant circulars issues by the Central Bank of Nigeria. In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria. No information on insider-related credits was brought to our attention during the audit of the financial statements.

No contravention of the Banks and Other Financial Institutions Act, CAP B3 LFN 2004 by the Bank came to our knowledge during the year ended 31 December 2015.

Achugamonu David, FRC/2013/ICAN/00000000840
For: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria
29 March 2016

	Note	2015 N'000	2014 N'000
Interest and similar income	5	3,198,213	2,571,015
Interest and similar expenses	6	(157,999)	(117,317)
Net interest income		**3,040,214**	**2,453,698**
Fees and commission income	7	90,199	75,037
Other operating income	8	70,096	71,866
Total Operating Income		3,200,509	2,600,601
Credit loss expense	9	(346,106)	(213,896)
Net operating income		2,854,403	2,386,705
Personnel expenses	10	(1,064,487)	(763,215)
Depreciation of property and equipment	19	(100,811)	(86,806)
Amortisation of intangible assets	20	(24,882)	(17,148)
Other operating expenses	11	(825,790)	(608,345)
Total operating expenses		(2,015,970)	(1,475,514)
Profit before tax		**838,433**	**911,191**
Income tax expense	12	(292,492)	(288,636)
Profit for the year		**545,941**	**622,555**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		**545,941**	**622,555**
Earnings per share (Kobo)			
Basic	13	45	52

The notes to the financial statements form an integral part of these financial statements.

the scheme are funded through payroll deductions while the bank's contribution is recorded as personnel expenses in the profit or loss. Unpaid contributions are recorded as a liability.

2.3.13 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision, net of any reimbursement is presented in the profit or loss net of any reimbursement.

2.3.14 Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except;

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiary where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future
  Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiary, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realise or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the profit or loss.

2.3.10 Intangible assets

The Bank's other intangible assets include the value of computer software

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the Profit or loss.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software 3 years

2.3.11 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in Profit or loss.

2.3.12 Pension benefits

Defined contribution pension plan

The Bank operates a defined contribution plan in line with the provisions of the Pension Reform Act 2014. This plan is in proportion to the services rendered to the Bank by the employees with no further obligation on the part of the Bank. The Bank and its employees each contribute 10% and 8% of employees' current salaries and designated allowances to the scheme. Staff contributions to

	Note	2015 N'000	2014 N'000
Assets			
Cash and cash equivalents	15	756,568	536,990
Loans and advances	16	5,294,462	3,975,266
Financial investments - held to maturity	17	177,391	119,516
Other assets	18	241,925	196,576
Deferred tax asset	12b	-	1,297
Property and equipment	19	293,912	212,438
Intangible assets	20	24,756	44,152
Total assets		6,789,014	5,086,236
Liabilities			
Deposits from customers	21	2,120,599	1,421,819
Current tax liabilities	12	299,185	314,131
Debt issued and other borrowed funds	22	1,087,259	554,614
Other liabilities	23	259,864	228,183
Deferred tax liabilities	12	21,748	-
Total liabilities		3,788,655	2,518,747
EqithEquity attributable to owners of the Bank			
Share capital	25	1,211,000	1,206,490
Share premium	26	3,513	446
Statutory reserve	27	932,345	795,860
General reserve		853,502	538,161
Regulatory risk reserve	28	-	26,532
Total equity		3,000,360	2,567,489
Total liabilities and equity		6,789,014	5,086,236

The Financial Statements were approved by the Board of Directors on 11 March, 2016 and signed on its behalf by:

Patrick Akinwuntan	Bunmi Lawson	Promise Nwankwo
Chairman	Managing Director/CEO	Chief Finance Officer
FRC/2013/ICAN/00000002861	RC/2013/ICAN/00000002574	FRC/2013/ICAN/00000002563

The notes to the financial statements form an integral part of these financial statements

	Issued Share Capital N'000	Share premium N'000	Retained Earnings N'000	Regulatory Risk Reserve N'000	Statutory Reserve N'000	Total Equity N'000
At 1 January 2015	1,206,490	446	538,163	26,532	795,860	2,567,490
Profit for the year	-	-	545,941	-	-	545,941
Transfer	-	-	(136,485)	-	136,485	-
Transfer to Regulatory Reserve	-	-	26,532	(26,532)	-	-
Dividend	-	-	(120,649)	-	-	(120,649)
Additional shares	4,510	3,067	-	-	-	7,578
At 31 December, 2015	**1,211,000**	**3,513**	**853,502**	**-**	**932,345**	**3,000,360**
At 1 January 2014	1,205,834	-	10,565	21,231	484,582	2,022,212
Profit for the year	-	-	622,555	-	-	622,555
Transfer	-	-	(311,278)	-	311,278	-
Dividend	-	-	(78,380)	-	-	(78,380)
Transfer to Regulatory Reserve	-	-	(5,301)	5,301	-	-
Additional shares	656	446	-	-	-	1,102
At 31 December, 2014	**1,206,490**	**446**	**538,161**	**26,532**	**795,860**	**2,567,489**

The notes to the financial statements form an integral part of these financial statements.

where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and Interest and similar expense for financial liabilities. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fees and commission income
The Bank earns fees and commission income from insuring its loans and advances given to customers and Commission on Turnover (COT).

2.3.8 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.3.9 Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methods as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives.

The estimated useful lives are as follows:

- Leasehold improvement - Over the shorter of lease term or estimated useful life
- Furniture and fittings - 5 years
- Machinery and equipment - 5 years
- Motor vehicles - 4 years
- Computers and accessories - 3 years

Property and equipment are derecognised on disposal or when no future economic benefits are expected from its use. 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 recognized in other operating income in the profit or loss in the year the asset is derecognized.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

With respect to loans and advances, the provisioning determined under IFRS as stated above is compared with the prudential provision requirement of the Central Bank of Nigeria's Regulatory and Supervisory Framework for Microfinance Banks Guideline.

Where the:

- Prudential Provision is greater than IFRS Provisions; the difference is transferred from the Retained earnings to a non – distributable reserve.
- Prudential Provision is less than IFRS Provisions, the excess charge resulting is transferred from the Regulatory risk reserve to Retained earnings to the extent of the non-distributable reserve previously recognised

2.3.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.3.6 Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

To date, all leases entered into by the Bank are operating leases.

2.3.7 Recognition of income and expenses

Revenue

Revenue s recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Interest and similar income and expense

For financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period,

	Note	2015 N'000	2014 N'000
Operating activities			
Profit before tax		838,434	911,191
Adjustment for:			
Depreciation of property and equipment	19	100,811	86,806
Amortization of intangible assets	20	24,882	17,148
Gain on sale of property and equipment		(1,051)	162
Impairment loss on loans		346,106	213,896
		1,309,182	**1,229,202**
Changes in assets and liabilities			
(Increase) in loans and advances		(1,454,774)	(1,186,868)
(Increase) in other assets		(45,348)	(5,861)
Increase in deposits from customers		698,780	363,583
Increase in other liabilities		30,953	65,328
Increase share capital		7,578	1,102
		546,371	**466,487**
Income tax paid	12c	(292,777)	(180,782)
Net cash flows (used in)/from operating activities		**253,594**	**285,705**
Investing activities			
Proceeds from sale of financial			
Investments- held to maturity		(57,875)	(20,494)
Purchase of property and equipment	19	(182,938)	(83,935)
Purchase of intangible assets	20	(5,485)	(27,114)
Proceeds from sale of property and equipment		1,097	344
Net cash flows used in investing activities		**(245,202)**	**(131,199)**
Financing activities			
Dividend paid		(120,649)	(78,379)
Repayment of debt issued and other borrowed fund		2,695	(366)
Other Borrowed fund		529,950	50,000
Net cash flows from financing activities		**411,996**	**(28,745)**
Net increase in cash and cash equivalents		219,578	125,761
Cash and cash equivalents at 1 January 2015		536,990	411,229
Cash and cash equivalents at 31 December 2015	**15**	**756,568**	**536,990**

	2015 N'000	2014 N'000
Impairment – IFRS		
Loans:		
- Collective	343,362	226,777
- Specific	35,993	17,000
	379,355	**243,777**
Impairment - prudential guidelines		
Loans:		
- General	103,269	191,345
- Specific	198,326	78,964
	301,595	**270,309**
Movement in excess of prudential guidelines over IFRS		
At 1 January	26,532	21,231
Addition during the year	-	5,301
Excess of Prudential Impairment over IFRS impairment in 2014 transferred to General Reserve when compared to 2015	**(26,532)**	**26,532**

(i) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

2.3.4 Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in payment status or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and advances to customers and staff as well as held-to- maturity investment), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest and similar income.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'Credit loss expense'. The present value of the estimated future cash flows is discounted at the financial asset's original Effective Interest Rate (EIR).

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of past-due status, which takes into consideration the credit risk characteristics.

The Bank's held to maturity financial assets in the company are investments in treasury bills having tenor of more than Ninety days issued by Federal Government of Nigeria.

(i) Loans and advances

Loans and advances include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available-for-sale;
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts due from Loans and advances are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in Interest and similar income in the Profit or loss. The losses arising from impairment are recognized in the Profit or loss in Credit loss expense.

(i) Debt issued and other borrowed funds

Financial instruments issued by the Bank that are not designated at fair value through profit or loss are classified as liabilities under Debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.
After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR).

2.3.3. De-recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is de-recognised when:

- The rights to receive cash flows from the asset have expired or;
- The Bank retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Bank has transferred substantially all the risks and rewards of the asset
  or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

1. Accounting policies

2.1 Basis of preparation

The financial statements of Accion Microfinance Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). For all periods up to and including the year ended 31 December 2015 the Bank prepared its financial statements in accordance with local generally accepted accounting practice (Local GAAP).
The financial statements have been prepared on a historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Naira (N), and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

(a) Statement of compliance
The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the interpretation of this standard by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied.

(b) Presentation of financial statements
The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

(c) Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

(d) Basis of measurement
The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments as set out in the accounting policies. Historical cost is generally based on the fair value of the considerations given in exchange for the assets.

(e) Functional and presentation currency
These financial statements are presented in Nigerian Naira, which is the functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Bank's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments
In the process of applying the Bank's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements: The Bank is required to state judgment relating to lease commitments if applicable.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Microfinance Bank based I ts assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future period, if the revision affects both current and future periods.

Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Impairment losses on loans and advances

The Bank divides its loan portfolio into significant and insignificant loans based on management approved materiality threshold. The bank also group its risk asset into buckets with similar risk characteristics (past due status) for the purpose of collective impairment of insignificant loans and unimpaired significant loans. The Probability of Default (PD) and the Loss Given Default (LGD) are then computed using historical data from the loan buckets. The PD is adjusted by a Loss Identification Period (LIP) factor.

The Bank reviews its individually significant loans and advances at each statement of financial-position date to assess whether an impairment loss should be recorded in the profit or loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a umber of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment of impaired insignificant loans is done with a PD of 100% and the historical LGD adjusted with the LIP factor while the collective assessment of unimpaired insignificant loans and insignificant loans is done with the historical PD and LGD adjusted with the LIP factor.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

2.3 Summary of significant accounting policies

The following are the significant accounting policies applied by the Bank in preparing its financial statements:

2.3.1 Foreign currency translation

The financial statements are presented in Nigeria naira (N). Nigeria naira (N) is both the functional and reporting currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslate at the spot rate of exchange at the reporting date. All differences arising on non–trading activities are taken to other operating income in the profit or loss, with the exception of differences on foreign currency borrowing that provide an effective hedge against a net investment in a foreign entity. These differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in the profit or loss.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

2.3.2 Financial Instruments – Initial Recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Held–to-maturity investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in Interest and similar income in the profit or loss. The losses arising from impairment of such investments are recognized in the profit or loss account line Credit loss expense.

If the Bank were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial assets as held to maturity during the following two years.