4th Floor, Elizade Plaza,
322A, Ikorodu Road,
Anthony, Lagos.

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accionmfb.com

www.accionmfb.com

ANNUAL REPORT 2017

My Future is Bright

ACCION
Microfinance Bank

ANNUAL REPORT 2017

MAKING LIVES BRIGHTER

My Future is Bright

Touching Lives

Accion Microfinance Bank Annual Report/ Financial Statement 2017

Our Customer's Story

Dugbe, Oyo State

Adeshina Folashade Omowunmi

Customer, Dugbe Branch, Oyo State

Deals in drinks and beverages

Mrs. Adeshina Folashade, before partnering with Accion MfB, she operated her business from one shop. Today, Mrs. Adeshina with the support of Accion MfB loan products now runs 2 shops and a store.

She is very proud of Accion MfB for meeting her financial needs. She is on her 4th loan cycle.

Mission, Vision, Values

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 standard.

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 a 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.

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Our Customer's Story

Idi-oro, Lagos.

Raji Ramota Abake
Customer
Idi-oro Branch, Lagos.

Runs a restaurant.

It's been 10 years since I started this journey with Accion Microfinance Bank. I have been able to grow my restaurant business with their loans and give good education to all my children up to the tertiary level. I am a proud mother of graduates.

Corporate Information

BOARD OF DIRECTORS

Mr. Patrick Akinwuntan	Chairman representing Ecobank Nigeria Limited
Mr. John Fischer	Vice Chairman representing Accion Investments in Microfinance Nigeria.
Ms. Bunmi Lawson	Outgoing Managing Director/CEO (Retired 31/12/2017)
Mr. Taiwo Joda	Incoming Managing Director/CEO (Appointed 1/8/2017)
Mr. David Kruijff	Non - Executive Director representing International Finance Corporation (Resigned 30/11/2017)
Mr. Akinsowon Dawodu	Non - Executive Director representing Citibank Nigeria Ltd
Mr. Prateek Shrivastava	Non - Executive Director representing Accion Investments in Microfinance Nigeria
Mr. Christian Ruehmer	Non - Executive Director representing Accion Investments in Microfinance Nigeria
Mrs. Adenike Laoye	Non - Executive Director representing Ecobank Nigeria Limited
Dr. Olusegun Aina	Independent Director
Mrs. Habiba Balogun	Independent Director
Mr. Olumide Obayomi	Independent Director

MANAGEMENT

Mrs. Bunmi Lawson	Outgoing Managing Director/CEO(Retired 31/12/2017)
Mr Taiwo Joda	Incoming Managing Director/CEO (Appointed 1/8/2017)
Mrs. Nwanna Joel-Ezeugo	Chief Commercial Officer
Mr. Promise Nwankwo	Chief Finance Officer (Retired 1/7/2017)
Mr. Adetunji Fasina	Deputy Chief Finance Officer
Mr. Waheed Fagbenro	Head Internal Audit
Mr. Babatunde Omolere	Head Risk Control and Compliance
Mr. Gift Mahubo	Chief Information Officer
Mr. Stephen Olalere	Chief Operations Officer
Mr. Oladapo Famuyide	Resident Advisor Electronic Channels
Mr. Robert Magala	Resident Advisor Regional Expansion
Mr. Emeka Uzowulu	Head Business & Product Development
Mrs. Christy Adeyemo	Head Human Resources

SECRETARY

Aluko & Oyebode
1, Murtala Mohammed Drive Ikoyi , Lagos

AUDITORS

Deloitte & Touche Chartered Accountants
Plot GA 1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos

BANKERS

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

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

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

Citibank Nigeria Limited.
27, Kofo Abayomi Street, Victoria Island, Lagos.

Access Bank Plc
Head Office
999C Danmole Street, Off Idejo Street,
Victoria Island, Lagos

First Bank of Nigeria Limited.
338, Ikorodu Road, Anthony Lagos.

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

Our Customer's Story

Onitsha, Anambra State

Peace Ada Okekeze
Customer, Onitsha Branch, Anambra State

Dealer in clothing materials

Mrs.Okekeze started business with Accion Microfinance Bank on 26th August 2016. Her first loan from Accion MfB was N150,000 and now she is on her 4th cycle with loan facility of N300,000. In the beginning she used to trade with stock worth, N300,000, but this has now increased to N 600,000.

She is grateful to God and Accion MfB for the positive turnaround of her business.

Our Customer's Story

Mile 1, Rivers state

Uchenna Chigozie
Customer, Mile 1 branch, Rivers state.

Dealer in cosmetics

Mr.Chigozie has been a customer of Accion Microfinance Bank for 2 years and has borrowed 6 times. Currently he has a loan facility of 2.4 Million. He is a major distributor of cosmetics in Port-harcourt.

Previously, he purchased goods and paid on installment. He attested to the fact that the boom and expansion of his business can be credited to the financial assistance he got from Accion MfB.

FINANCIAL HIGHLIGHTS 2017

	2017 N"000%	2016 N"000	% change
Statement of Profit or Loss			
Gross earnings	4,692,108	4,013,661	17
Interest and similar income	4,418,390	3,823,494	16
Interest expense	(266,296)	(296,611)	-10
Provision for Fx losses	0	(295,693)	-100
Fees and other income	273,718	190,167	44
Total income	4,425,812	3,421,357	29
Provison for risk and other assets	(516,411)	(466,762)	11
Operating expenses	(2,530,815)	(2,254,476)	12
Profit before taxation	1,378,586	700,120	97
Taxation	(568,825)	(161,900)	251
Profit after taxation	809,761	538,220	50
Transfer to statutory reserve	202,440	134,555	50
Transfer to general reserve	607,321	403,665	50
Statement of Financial Positiion - Highlights			
			-
Cash and cash equivalents	738,329	797,851	7
Loans and advances	6,959,938	5,826,119	19
Financial investments Held to Maturity	207,860	188,539	10
Property and Equipments	349,158	286,141	22
Intangible Assets	183,657	49,372	272
Deposits from customers	2,392,578	2,013,617	19
Issued Share capital	1,219,904	1,212,617	1
Statutory reserve	1,269,340	1,066,900	19
General reserve	1,409,923	1,075,515	31
Total Assets and Liabilities	8,746,431	7,538,090	16
Key Indicators			
Per share data (Kobo)			
Basic Earnings per share-k	66	44	50
Net Asset per share-(N)	3.2	2.77	16
Dividend per share -k	24.89	22.50	11

Notice of Annual General Meeting

Aluko & Oyebode

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Ikoyi, Lagos, Nigeria
t. +234 (1) 462 8360
P.O. Box 2293, Marina, Lagos
ao@aluko-oyebode.com
www.aluko-oyebode.com

ACCION MICROFINANCE BANK LIMITED

NOTICE OF 12TH ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of **Accion Microfinance Bank Limited** will be held on Friday, the 25th day of May 2018 at Protea Hotel, 42/44 Isaac John Street, GRA, Ikeja, Lagos at 4.00 p.m. for the transaction of the following business:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31st December, 2017 together with the Reports of the Directors and the Auditors thereon.
2. To declare a dividend
3. To re-elect Messrs Patrick Akinwuntan, Akinsowon Dawodu and Christian Ruehmer as Directors of the Company.
4. To ratify the appointment of Taiwo Joda as a Director of the Company.
5. To authorize the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS

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

   "That the Directors' remuneration for the 2018 financial year be and is hereby approved"

By Order of the Board
Aluko & Oyebode
ALUKO & OYEBODE
COMPANY SECRETARIES

ALUKO & OYEBODE
Company Secretary
Lagos
Nigeria.
3rd May, 2018

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.

Our Customer's Story

Ariaria, Abia State.

Rufina Chinyere Nwaokorie

Customer, Ariaria Branch, Abia State.

Deals in leather Shoe Fiber

Before i came into contact with Accion Microfinance Bank, my shop was very scanty. Customers would make request for goods and I would not be able to supply due to lack of finance. A staff of Accion MfB came to discuss with me and within some days, I got the loan facility stress-free.

Since then, my business has really improved positively as I'm able to clear my goods, stock different kinds of shoes (remove fiber) and meet the demand of my customers.

I am thinking of expanding presently. Thanks to Accion Microfinance bank.

Accolade to Bunmi Lawson

"Women who want to make an impact should have a clear focus on the nature and segment they want to change. Sometimes in a bid to improve the world we live in, we try to do too many things. Focus ensures we achieve significant impact and drive the positive change we want to see," says Bunmi Lawson.

Bunmi has spent her career promoting opportunity and equality in Nigeria. Before retiring from the role in December 2017, she spent a decade as Managing Director and CEO of Accion Microfinance Bank. Under her direction, the bank has evolved from a one-room office space to one of the premier Microfinance banks with over 60 service outlets spread over 8 States of Nigeria. She mobilized and built a strong multi-disciplined team of leaders at Accion Microfinance Bank, upon which she anchored her vision to grow the bank that later won several awards from various prestigious institutions. In her own words she always said "Whatever you do, be sure to surround yourself with the right people." Its due to her stewardship that she helped close the gap in access to financial services for many Nigerians.

Mrs Bunmi Lawson possesses a Master's degree in Business Administration from the IESE Business School, University of Neverra, an alumnus of the Lagos Business School and she is a Fellow of the Institute of Chartered Accountants of Nigeria.

Achievements

Bunmi Lawson

SUMMARY OF ACHIEVEMENTS OF BUNMI LAWSON IN ACCION MICROFINANCE BANK LIMITED FROM 2007 - 2017

Projection of Accion MfB in both international and local fora. This includes Accion International Retreats and events, Accion Gala, speaking engagements-Harvard Event, European Microfinance week etc.

Founding member of the National Association of Microfinance Banks in Nigeria and the pioneer Treasurer of the body.

Valuable member of the Committee of Microfinance Banks in Nigeria (COMBIN) of the CBN.

Facilitator/Founding member of the Nigerian Microfinance Platform.

Adequate co-operation from Regulators & Competitors.

Relocation of the Bank's head office closer to the target market from Victoria Island to Lagos Mainland.

Product design to meet clients' needs /Partnerships.

- *Loan products*
- *Savings products*
- *Micro Insurance*
- *PLWD (People Living With Disability)*
- *Micro housing*
- *Solar power*
- *Asset, etc.*

Awards for the Bank

- *Banker of the Decade by Lagos Enterprise Award (LEAD Award) 2017*
- *Best Microfinance Bank of the Year by the Ikeja City Award 2017*
- *Interswitch Award for best transacting MfB in Nigeria, 2017.*
- *Accion MfB as one of 343 companies to inspire the Africa continent, by the London Stock Exchange Group's Companies to Inspire Africa 2017 Report.*
- *One of the 100 best companies to work in Nigeria in 2016 from the survey conducted by Jobberman, 2016.*
- *Best Microfinance Bank of the year for four consecutive years (2011-2014) by the Lagos State Enterprise Award(LEAD).*
- *Best MfB that has deepened financial inclusion in Nigeria in the Microfinance banking category by the Enhancing Financial Innovation and Access (EFInA), 2014.*
- *"Most consistent Microfinance Bank of the Year 2015" by the Ikeja City Award.*
- *Best ICT MfB by the Nigeria Banking & Technology Award., 2014*
- *Most Patronized Microfinance Bank of the Year by the Ikeja City Award, 2016.*

Operationally, grew the Bank from a Unit to State to National Microfinance Bank with over 60 outlets in six states of Nigeria (Lagos, Rivers, Ogun, Oyo, Anambra and Abia). Close to N7.2bn in loan portfolio and over N81bn disbursed since inception. N9bn in total assets, N4bn in Shareholder funds and over 280,000 customer accounts and over 39,000 active borrowers as at December 2017.

Successful rebranding of the Bank from AMFB to Accion MfB in 2015.

Achievements

Bunmi Lawson

Technological strides.

- *First within the industry to have a core banking system comparable to any core Banking software system used within the commercial Banking sector.*
- *ATMs & Debit cards.*
- *Central Processing Centre & EDMS.*
- *Tablet application that allows all our field staff who we call account officer to enroll customers at their shops and perform all the evaluation in the field.*
- *Agency Banking*
- *USSD shortcode - *322*143#*
- *SaveBrighta Loan that allows all customers to use a shortcode *565*9*501# to open account remotely, save and get a loan.*
- *NIP & Mcash.*

Profitable MfB crossed the N1bn in profitability (PBT) at exit.

Managed a Bank with sound Corporate Governance with competent Board of Directors and Management Team.

Financial Performance (N) (First & Last 2 years)

Key Indicators	Dec-07	Dec-08	Dec-16	*Dec-17
Gross Earnings	232,050,000.00	404,460,000.00	4,013,661,000	4,589,073,797
Profit Before Tax	(51,800,000)	(67,480,000)	700,120,000	1,413,341,697
Total Assets	574,860,000	1,349,510,000	7,538,090,000	8,746,431,000
Deposit	526,390,000	789,200,000	3,359,645,000	4,060,045,872
Shareholders' Funds	23,330,000	143,530,000	2,013,517,082	2,443,117,769
Gross Loans	89,830,000	761,940,000	6,124,568,537	7,265,165,040
PAR (%) > 30 Days	2.0%	14.4%	7.87%	7.02%
Number of Borrowers	1,086	8,712	39,036	39,749
Number of Accounts	2,531	20,306	245,094	282,057
Number of Savers			144,284	166,795
Number of Staff	76	180	884	889
Volume of Yearly Disbursements	217,070,000	1,696,970,000	15,576,063,784	19,134,658,638
Volume of Disbursements to date	217,070,000	1,914,040,000	62,140,736,040	81,275,394,678
Number of Yearly Disbursements	1,807	12,585	54,096	57,980
Number of Disbursements to date	1,807	14,392	278,784	336,764
Number of Branches/Outlets	1		48	62

Milestone

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

MAY 2007
Banking operations commence at the 1stAccion MfB branch at Oke-Arin (embedded in Ecobank).

JULY 2008
Accion MfB commences using the T24 R05 banking application.

SEPTEMBER 2009
The first stand-alone branch is opened at Oke-Arin.

NOVEMBER 2010
Accion MFB Head Office relocates to Elizade Plaza, Ikorodu Road, Lagos.

SEPTEMBER 2012
E-services commence with the disbursement of ATM Cards and POS machines.

MARCH 2014
The 21st Branch is opened in Ajah, Lagos.

MAY 2015
Accion MfB holds 9th Annual General Meeting and announces its rebranding - unveiling the bank's new logo.

SEPTEMBER 2015
Accion MfB launches a new loan product for persons living with impaired disability - PLWD - and disburses loans to them.

OCTOBER 2015
Accion MfB Officially Opens its first branch outside Lagos in Port Harcourt

MAY 2016
Accion MfB commences operations in Ogun State with two branches Sango & Akute & Mile 3 in Rivers State.

AUGUST 2016
Accion MfB launched Shortcode *322*143#

AUGUST 2016
Accion MfB begins operation in Oyo State at Dugbe & Molete branches.

SEPTEMBER 2016
Accion MfB begins operations in Main Market & Bridgehead branches, Onitsha in Anambra State & Rumuokoro in Rivers State.

OCTOBER 2016
Accion MfB commences operations at Ojuore Cash Centre.

NOVEMBER 2016
Accion MfB begins operations in Iwo Road, Apata and Bodija branches.

NOVEMBER 2017
Accion MfB Officially Opens Ariaria branch in Aba, Abia State.

Patrick Akinwuntan

Chairman, Accion Microfinance Bank Ltd

Chairman's Address

Dear Shareholders,

Throughout our first decade of operations, ACCION Microfinance Bank has delivered positive transformation through financial and economic inclusion for the poor, in Nigeria. We have created sustainable impact and solutions for low income micro-entrepreneurs and their families, boosting prosperity for communities. Looking back with humility and measured pride, it's my pleasure to present to you, on behalf of the board of directors, Accion Microfinance Bank's annual report for the year ended 31st December 2017.

Economic environment

The Bank continued to demonstrate resilience and was able to withstand key economic headwinds and challenges across multiple fronts to post impressive results in 2017. Ensuring that the strategy of the Bank stays relevant not only to the landscape today but that it also prepares us for the opportunities and risks ahead continues to be a key area of focus for both the board and management. We are reminded by the 2016 EFINA financial access survey, that many Nigerians remain unbanked. The survey showed that 40.1 million adults representing 41.6% per cent of the adult population were financially excluded. It's at the heart of our strategy to continually be at the leading edge of progressive changes in the sector, in a manner that shall enable more Nigerians have access to affordable, customer-focused and accessible financial services.

2017 Financial Performance

Our Bank delivered an impressive financial performance in 2017. We impacted the lives of our customers in a positive manner as our active borrowers grew by 2%, from 39,036 in 2016 to 39,749 in December 2017. Compared to December 2016, our total loan portfolio grew by 24.4% from N6.12bn in December 2016 to N7.27bn in December 2017. Total loans disbursed grew by 23% from N15.58bn in 2016 to N19.13bn in 2017. Our accounts base increased by 15% from 245,094 in 2016 to 282,057 accounts in December 2017, while number of savers grew by 15.6% from 144,284 in 2016 to 166,795 in December 2017.

On an overall basis, we grew profits after tax by 50% to close at a strong N809 million. The return on equity was a commendable 20% and demonstrates effective use of the capital availed by our Shareholders. Our shareholders' funds grew to N3.91bn in 2017 from N3.36bn in 2016 representing a growth of 16%. Our capital position also continues to grow from strength to strength, with a total capital adequacy ratio of 45%, compared to the regulatory requirement of 10%.

Leveraging technology to extend our reach

Globally, customer preferences are rapidly changing and this demands that we continue to invest fully in leveraging technology to reach every Nigerian with our services in an efficient manner. We are upgrading our core banking system to more robust and versatile versions to enable product cross-selling and delivery through multiple digital channels available to our customers. Thanks to all our partners, Accion Microfinance bank shall be able to reach more unbanked communities through easy-to-use, secure and low-cost technology solutions. Meanwhile we have continued to extend our physical reach by opening 44 Branches, 7 Cash Centres and 11 Virtual teams in 2017. This brings our number of outlets (branches, locations & Virtual teams) to 62.

Regulatory Environment

The regulatory framework governing banks and other financial institutions both globally and locally continues to evolve. In order to ensure compliance with all key external legislation we have scaled up the capacity and capability in our risk and compliance function that provides oversight and guidance on all compliance matters. However, more importantly, we have focused on building a culture of compliance across the Bank. At the core of this culture is that all staff must commit to living the five core values of the Bank and having this message of individual accountability well understood across the Bank. We continue to ensure that our standing with the regulators remains strong.

Chairman's Address Cont'd

Corporate Governance

The Board remains committed to high standards of corporate governance designed to protect the interests of stakeholders, ensure effective functioning of the Bank, while promoting the highest standards of integrity, transparency and accountability. As we have stated in the past, we continue to improve gender diversity on our board, augment the skills and experience within the board and plan for succession to key roles. To this end, we made four (4) key additions to the board in 2017. These are:

1. Mrs. Adenike Laoye who is currently the Company Secretary & Chief Legal Counsel to Ecobank Nigeria Limited.
2. Mr. Olumide Obayomi who is a Private Consultant and was formerly a Consultant Fund Manager for Small, Medium Enterprises Fund with African Alliance Company (CAN Fund Manager Limited).
3. Mr. Christian Ruehmer who is an expert in the area of Risk Management with international experience in the implementation and improvement of risk management frameworks for over 70 financial institutions and international organizations.
4. Mr. Prateek Shrivastava who is currently the Vice President, Digital Solutions, within the Global Advisory Solutions group at Accion International.

I believe that the diversity of knowledge and wealth of experience that our new directors bring to the board, will serve our customers, staff and shareholders positively in the short, medium and long term.
I also use this opportunity to thank our pioneer Managing Director – Bunmi Lawson who retired from the bank at the end of 2017 after 10 years of meritorious and inspiring service to our bank. I also congratulate Bunmi for her contributions to the industry which is well known across the nation. Bunmi's invaluable contribution to the Bank and the board will be missed. We do wish Bunmi the best in her future endeavors.

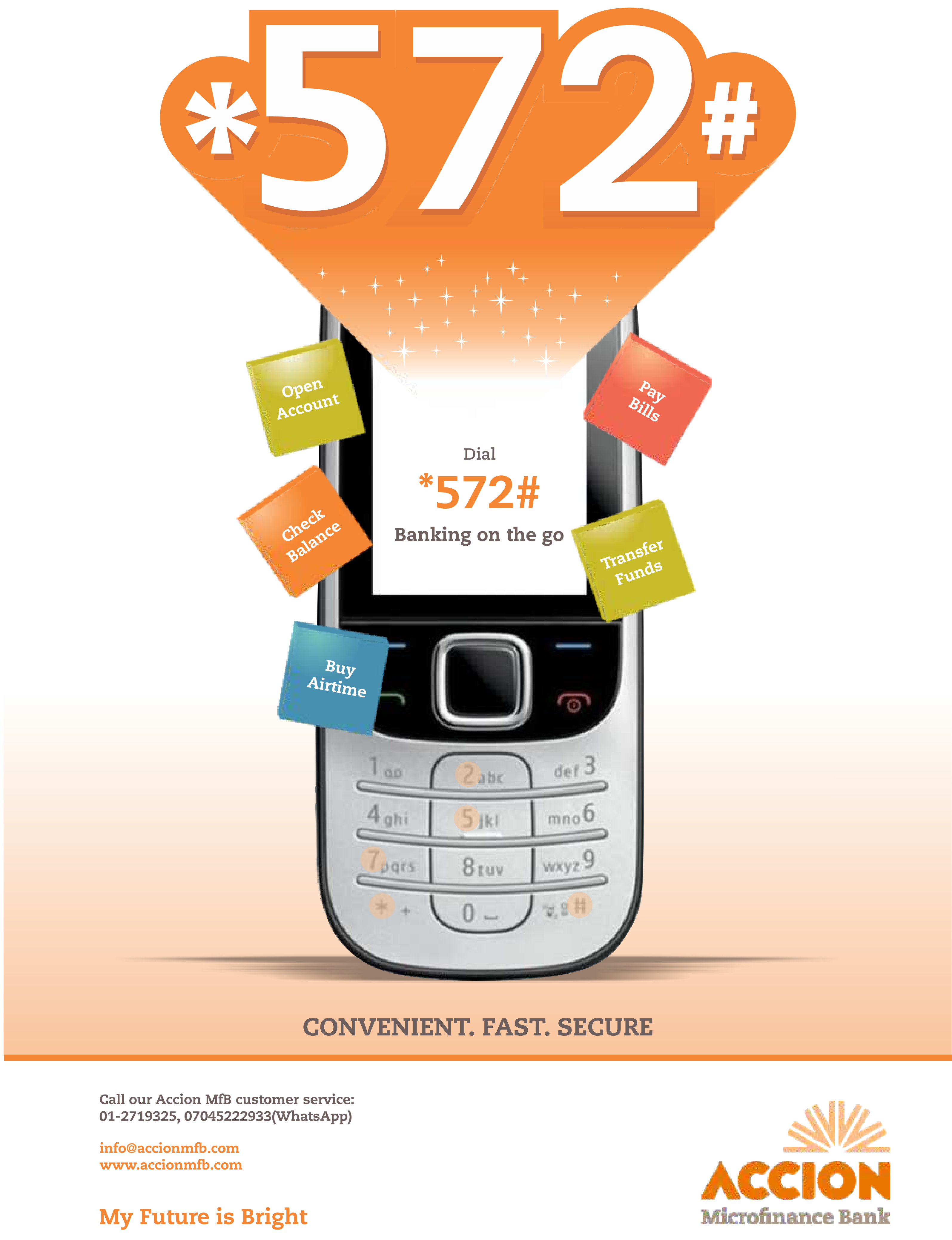
Let me thereto, welcome Mr. Taiwo Joda, the new Managing Director of Accion Microfinance Bank, Nigeria who has resumed after a good transition period with the former Managing Director.

Appreciation

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. We also thank our regulators for their constant guidance and support.

Together we will deliver even more in 2018 and continue to create a brighter and better future.

Patrick Akinwuntan
Chairman
Accion Microfinance Bank Limited



Board of Directors

Our directors give the bank a dual advantage: they are seasoned professionals.

Patrick Akinwuntan
Chairman

John Fischer
Vice Chairman

Bunmi Lawson
Outgoing MD/CEO

Taiwo Joda
Incoming MD/CEO

Olusegun Aina OFR
Non-Executive Director

Olumide Obayomi
Non-Executive Director

Habiba Balogun
Non-Executive Director

David Kruijff
Non-Executive Director

Akinsowon Dawodu
Non-Executive Director

Prateek Shrivastava
Non-Executive Director

Adenike Laoye
Non-Executive Director

Christian Ruehmer
Non-Executive Director

Ethics & Governance Committee

Habiba Balogun
Chairperson

Olusegun Aina, OFR
Member

Prateek Shrivastava
Member

Adenike Laoye
Member

Audit & Compliance Committee

Olumide Obayomi
Chairperson

John Fischer
Member

David Kruijff
Member

Adenike Laoye
Member

Risk & Investment Committee

John Fischer
Chairperson

Christian Ruehmer
Member

Akinsowon Dawodu
Member

Bunmi Lawson
Member

Channels & Technology Committee

Olusegun Aina, OFR
Chairperson

Prateek Shrivastava
Member

Habiba Balogun
Member

Christian Ruehmer
Member

David Kruijff
Member

Managing Director's Report

Sustaining Market Leadership and Driving Digital Transformation in the Next Phase of Accion MfB

The 2017 Financial Year remains a unique one in the annals of Accion Microfinance Bank Limited in Nigeria. The Year marked the 10th consecutive year of operation of the Bank in Nigeria and the transition of the Management of the Bank from the pioneer Management to a new one in compliance with the CBN tenure limit for Managing Director/Chief Executive officers of Banks and other financial institutions in Nigeria. This therefore leaves the new Management with a mandate to sustain the Bank's market leadership and drive digital transformation for the next phase of the Bank's operation. It is a mandate to build on the solid foundation and great achievements made by the pioneer leadership in the past 10 years in profitability, expansion, customer acquisition, staff productivity and efficiency etc.

A review of developments in the environment we operate in during the year 2017 under review showed a mixed performance in key areas with some improvements in the economy when compared to 2016. The economic recovery gained steam in the final quarter of 2017, with growth rising to a two-year high on the back of a solid performance in the non-oil sector. "The real facts about the performance of the economy have been shrouded by the euphoria surrounding the Q4 GDP growth of 1.92%. The truth is that the GDP growth is anaemic and way below the annual population increase of 2.6%. More disturbing is that the positive growth trend is submerged by the consistent rise in unemployment and underemployment rate, now 40%". Higher crop production boosted the agricultural sector, which offset lackluster activity across other divisions of the economy. Moreover, oil production fell in the fourth quarter, dampening the energy sector's momentum. Meanwhile, political wrangling on the 2018 budget continues, delaying its approval and the expected boost to public infrastructure spending.

Security wise, the lingering insurgence in the Northeast, ethnic agitations from the different ethnic groups in Nigeria, series of herdsmen attack and unwanted killings in different parts of the country are still of major concerns. Aside these are the challenge of infrastructure deficit, specifically in road transportation and power supply. Analysts predict increased political risk in 2018 as election draws near with increased political activities.

The Banking industry, a subset of the general economy also had its share of the mix of developments as it also witnessed some significant positive developments such as increased earnings and performance when compared to previous year. The results of the key players in the commercial banking sector so far and that of other institutions in the industry indicate a better outing for the industry when compared to 2016. In the Microfinance banking sector, Accion Microfinance Bank maintained its lead in market leadership in line with its vision and mission with impressive performance year on year inspite of the challenging economic environment in Nigeria. The Bank once again made significant improvements in key performance indicators when compared to previous year.

As a National Microfinance Bank, Accion Microfinance Bank increased its operational branch network from 48 in 2016 to 62 outlets comprising of 44 Branches, 7 Cash Centres and 11 Virtual teams in six states of Lagos, Rivers and Ogun, Oyo and Anambra states.

Managing Director's Report Cont'd

During the period, the bank disbursed a total of N19.13bn in loans bringing the accumulated loan disbursement from inception to date to N81.28bn. This indicates a growth of 23% when compared to N62.14bn in 2016. In the same vein, cumulative number of loan disbursed closed at 336,764 from 278,784 in 2016 indicating an increase of 21%. Active clients at closed at 39,749 indicating a growth of 2% compared to 39,036 in 2016 as a result of write-offs during the year. The Total active portfolio during the period under review closed at N7.27bn compared to N6.12bn in 2016.

The bank crossed the N1bn mark in profitability a feat that was defeated in 2016 due to the Bank's FX exposure in debt funding. The bank made a profit before tax of N1.38bn for the year ended December 31, 2017 indicating an increase of 97% from N700m in 2016. Total Assets totaled N8.75bn as against N7.54bn in the previous year indicating a growth of 16%. Deposits also grew by 21% from N2bn in 2016 to N2.44bn. Total staff strength including support staff closed at 1089 with Core staff at 889 from 884 in 2016. The Portfolio at risk (PAR) improved for both PAR>1 and PAR>30 from 12.26% and 7.87 in 2016 to 9.92% and 7.02% respectively. We have put a lot of initiatives in place this year to improve on our loan quality that will guarantee a significant improvement in this area in 2018.

In line with our national expansion strategy, Accion Microfinance Bank apart from opening new outlets in existing states, it also expanded to new states with the opening of Ariaria branch in Abia state, Asaba branch in Delta States early in the year. We are opening in six additional new states of Edo, Ondo, Akwa-Ibom, Kano, Bauchi & FCT, Abuja in the current year. We plan to have a presence in all the states of the federation in the next five years in line with our expansion strategy and extending the brighter future to our target market. This is expected to impact positively on the bank's clientele base.

The bank also won a lot of awards in recognition of the banks contribution to the business community and the lives of our customers. In 2017 the Bank won the Interswitch Award for Best Transacting MfB in Nigeria in 2017. Accion MfB was also awarded a Company to Inspire the Africa Continent in the inaugural edition of London Stock Exchange Group's Companies to Inspire Africa 2017 report. Also, in recognition of the Bank's valuable work as an employee focused organization with high regard for Staff Welfare, Accion Microfinance Bank emerged as one of the Best 100 Companies to work for in Nigeria from the Survey conducted by Jobberman, a West Africa's most popular job search engine and aggregator based in Lagos. Interestingly, the Bank also won the award of the Best Microfinance Bank of the Year by the Ikeja City Award in 2017. Also, in recognition of the bank's contribution to the development of FinTech in Nigeria, the FinTech Association of Nigeria also presented the bank with an Award during its FinTech Recognition and Rewards Night held early in the year. These continue to serve as a pointer to keep us on our toes on quality service delivery and providing a brighter life for our Customers and Staff.

As part of measures towards providing easy access to our customers, the bank made significant progress in our e-channels (ATMs & POS) and Agency banking business. Cumulatively, the number of ATM cards issued to our customers was 82,459 as at December 2017 while the number of the bank's active agents closed at 70. To also drive efficiency, the Bank's deployment of the DFA (Digital Field Application) & EDMS (Electronic digital management system) has continued to pay off with significant savings in resources and time.

2017 Annual Report

Managing Director's Report Cont'd

The usage of paper has reduced drastically due to the appreciation of the initiative in the bank. As part of the Bank's digital transformation drive and the need to deepen our penetration to our target market, the Bank went into partnership with reputable Fintech companies in Nigeria during the year for the provision of digital loans to our target market. We also embarked on other partnership in our value cluster business with the financing of motor bikes for our customers in the south west of Nigeria. The impact of this is already evident in the current clientele base of the bank.

Furthermore, in line with our commitment to supporting capacity building and to further engender professionalism in the Microfinance banking sector, the bank sustained the financial award/prize to the Best students in the Microfinance Certification programme of the Chartered Institute of Bankers of Nigeria during the year under review.

I am very optimistic of a better outing in the 2018 financial year. The Bank is deploying various initiatives to serve our customers better and deepen financial inclusion in the year towards achieving our corporate goals (increased productivity and efficiency, national expansion) in line with our vision and mission. We are increasing our partnerships in digital banking, value cluster, assets financing etc. The Bank got the CBN's approval early in the year to serve as a sub-agent to Ecobank on Western Union Money Transfer business. The Bank after a successful pilot deployed the NIP (NIBSS Instant Payment) platform termed "Accion Pay" at the beginning of Q2 in 2018. The platform enables our customers to receive payments, repay loans and save instantly using other bank's mobile application, USSD and Internet Banking to transfer to their accounts in Accion Microfinance Bank. They can also carry out instant transfer to other banks. The bank also deployed its mobile application to enable banking on the phone by our clients. We are also upgrading our banking software application and deployment of middleware applications for quick service delivery to our customers. The bank is also upgrading its USSD code to a shorter code *572# and introducing a collection module on our DFA for easy cash collection for our Customers convenience.

To drive and deepen financial inclusion and boost our national expansion drive in the Northern part of Nigeria especially for Women without necessarily excluding the Men, the Enhancing Financial Innovation & Access (EFInA) has awarded a $1m Grant to the Bank in March this year. The project will involve the use of the USSD platform for target customers to open savings account using their phones without necessarily coming to our branch. It will also involve the use of Agency banking initiative and Solar Power and Health Insurance for homes/families in that part of the country.

Before I close, I want to dedicate all our achievements and initiatives to our critical assets, our staff and Management team who have continued to give their best for the achievements of the Bank's goals. The feat achieved in 2017 wouldn't have been possible if not for their unalloyed commitment and dedication. They kept their eyes on the ball during the period under review as usual. As a result, Management will not relent in its effort at recognizing, rewarding and paying back. We have outlined a lot of rewards for this. We have also approved series of trainings and capacity development programmes for improved productivity and performance. It is expected that all these will result in surpassing the bank's 2018 goals as usual.

Managing Director's Report Cont'd

In closing, I also want to appreciate the Board of Directors of Accion Microfinance Bank for the support, guidance and mentoring which brought out the best in us. My heartfelt gratitude goes to all of them. I am confident that with their increased support, the performance of 2018 will far outweigh that of 2017 and take the Bank to an enviable position in the industry and the economy at large.

Our next phase is getting even brighta.

Taiwo Joda
Managing Director/CEO

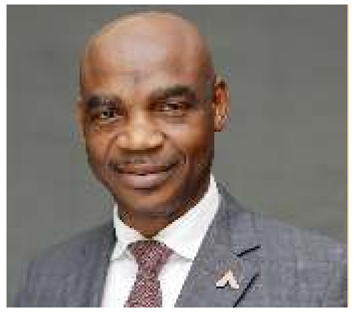
Management Team

Ms. Bunmi Lawson
Outgoing Managing Director/CEO
(31/12/2017)

Mr. Taiwo Joda
Incoming *Managing Director/CEO*
(1/8/2017)

Mrs. Nwanna Joel-Ezeugo
Chief Commercial Officer

Mr. Promise Nwankwo
Chief Finance Officer
(Retired 1/7/2017)



Mr. Adetunji Fashina
Deputy Chief Finance Officer

Introducing The Team

Management Team

Mr. Stephen Olalere
Chief Operations Officer

Mr. Gift Mahubo
Outgoing Chief Information Officer (31/12/2017)

Mr. Benedict Anyalenkeya
Incoming Chief Information Officer (Appointed on 1/8/2017)

Mr. Waheed Fagbenro
Head, Internal Audit

Mr. Babatunde Omolere
Head, Risk Control and Compliance

Introducing The Team

Management Team

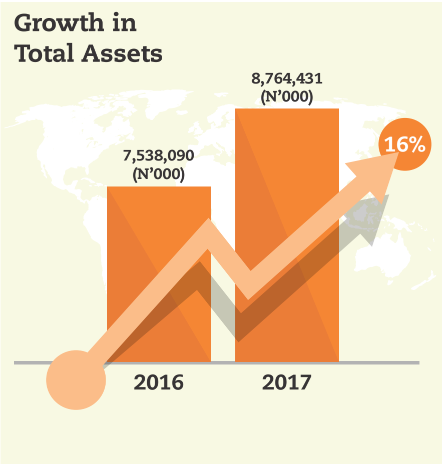
Mr. Emeka Uzowulu
Head, Business & Product Development

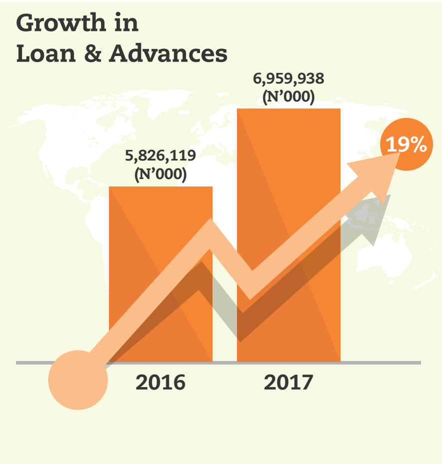
Mrs. Christy Adeyemo
Head, Human Resources

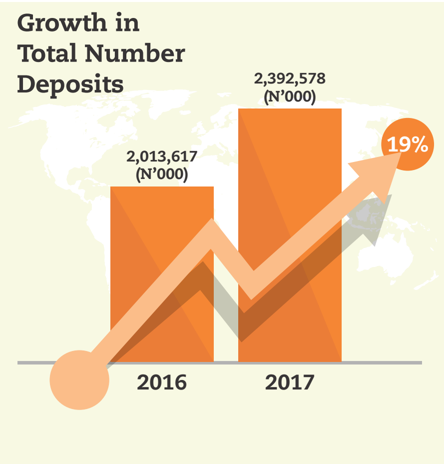
Mr. Oladapo Famuyide
Resident Advisor, Electronic Channels

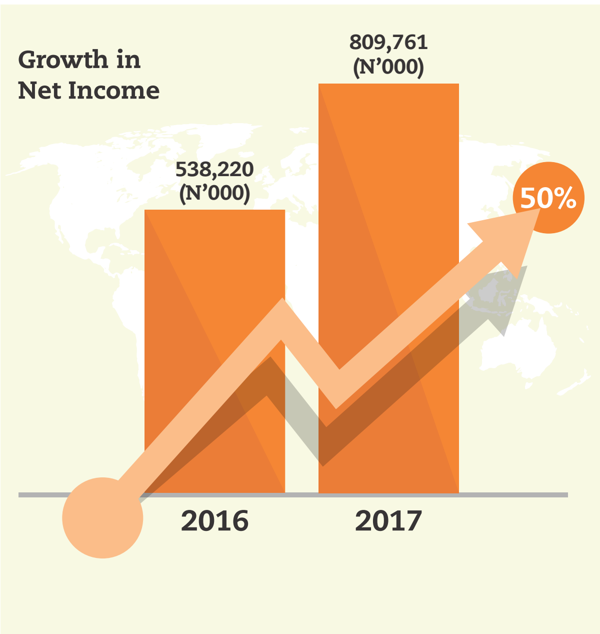
Mr. Robert Magala
Resident Advisor, Regional Expansion

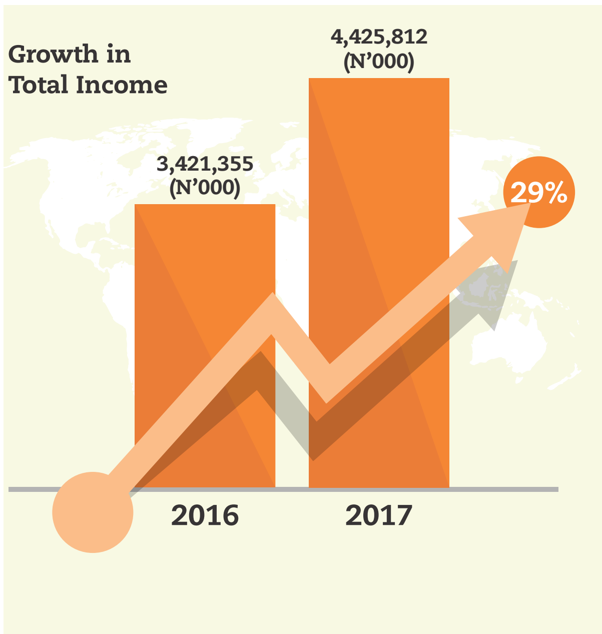
GROWTH HIGHLIGHTS











Report of The Directors

The Directors have pleasure in presenting their report on the affairs of Accion Microfinance Bank Limited ("the Microfinance Bank") together with the Bank's audited financial statements and auditor's report for the year ended 31 December, 2017.

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 Bank was also granted a license to operate as a National Microfinance Bank in December 2014.

The authorized share capital has since been increased to N1,240,000,000 with issued share capital of N1,238,872,971 of which N1,219,904,200 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:

	2017 N'000	2016 N'000
Profit before taxationTaxation	1,378,586	700,120
Profit after taxation	(568,825)	(161,900)
	809,761	**538,220**
APPROPRIATION:		
Transfer to Statutory ReserveT	202,440	134,555
ransfer to General Reserve	607,321	403,665
	809,761	**538,220**
Earnings per share – Basic (kobo)	66	44
Dividend Per Share - Proposed (kobo)	24.89	22.50

Proposed dividend

The Board of Directors recommended a dividend of N303,634,155 for the year ended 31 December 2017 (31 December 2016: N272, 838,934.13). Withholding tax will be deducted at the time of payment.

Report of Directors

Directors and their interests

The directors who served during the year were as follows:

Mr. Patrick Akinwuntan	Chairman representing Ecobank Nigeria Limited
Mr. John Fischer	Vice Chairman representing Accion Investments in Microfinance Nigeria
Ms. Bunmi Lawson	Outgoing Managing Director/CEO (Retired 31/12/2017)
Mr Taiwo Joda	Incoming Managing Director/CEO (Appointed 1/8/2017)
Mr. David Kruijff	Non - Executive Director representing International Finance Corporation
Mr. Akinsowon Dawodu	Non - Executive Director representing Citibank Nigeria Limited
Mr. Prateek Shrivastava	Non - Executive Director representing Accion Investments in Microfinance Nigeria
Mr. Christian Ruehmer	Non - Executive Director representing Accion Investments in Microfinance Nigeria
Mrs. Adenike Laoye	Non - Executive Director representing Ecobank Nigeria Limited
Dr. Olusegun Aina	Independent Director
Mrs. Habiba Balogun	Independent Director
Mr. Olumide Obayomi	Independent Director

The directors are representatives of the institutional investors who are the shareholders of the Microfinance Bank apart from the Independent Directors on the Board. 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, 2017 and their respective shareholding are as follows:

Shareholders	**Number of shares held**	**%**
Accion Investments in Microfinance Nigeria	443,184,162	35.77
Citibank Nigeria Limited	246,555,669	19.90
Ecobank Nigeria Limited	269,225,436	21.73
International Finance Corporation (IFC)	156,010,382	12.59
Zenith Bank Plc	90,858,036	7.33
Shares held by management under share option arrangement	14,070,515	1.14
	1,219,904,200	98.47
Issued but unpaid - Stanbic IBTC trustees	18,968,771	1.53
	1,238,872,971	**100**

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 20 to the financial statements.

Report of Directors

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. Deloitte & Touche 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

Aluko & Oyebode

ALUKO & OYEBODE
COMPANY SECRETARIES

March, 2018

Statement of Director's Responsibilities

For the preparation and approval of the financial statement

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 2017, and the results of its operations, statement of cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS"), Regulatory and Supervisory framework for Microfinance Banks and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other financial institutions Act, CAP B3 LFN 2004 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 ensurethat 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 2017 were approved by Board of Directors on 16th of March, 2018

On behalf of the Directors of the Company

Patrick Akinwuntan
Chairman
FRC/2013/ICAN/00000002861

Taiwo Joda
Managing Director/CEO
FRC/2018/NIM/00000018093

Board Evaluation Report

LEADERSHIP & INTEGRITY

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

5B, Lawani Oduloye Street, Oniru, Victoria Island, Lagos.
Phone: +234 8158390739, 8158390740
Website: www.corpgovnigeria.org

BOARD EVALUATION REPORT FOR THE BOARD OF ACCION MICRO FINANCE BANK LIMITED

EXECUTIVE SUMMARY

The Society for Corporate Governance Nigeria was invited to conduct an independent evaluation/assessment of the Board of Accion Microfinance Bank Limited for 2017, on Friday, November 17, 2017. This was done in compliance with Section 15 of the Securities & Exchange Commission (SEC) Code of Corporate Governance and Section 2.8 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria.

Below is a summary of our findings:

Accion Microfinance Bank Limited has maintained an excellent track record and steady growth across the different spheres of its operations from its inception. The bank is committed to an attitude and culture of positively influencing its environment as it adheres to the highest ethical standards; employing fairness, probity and mutual respect in its affairs.

The Bank is not only known for its commitment to optimal standards for achieving results through best practices, but it also boasts high standard of professional judgment and objectivity in all its dealings with customers, through its team of qualified professionals who are poised to bringing a genuinely fresh proposition to risk management; using expertise, knowledge and successful track records.

The key responsibility of the Board of Accion Microfinance Bank Limited is to oversee the Bank's business strategy and business plan and to ensure that the management of the Bank is consistent with the shareholders' resolution and in compliance with the law, which task the Board has continued to carry out with firm commitment.

The Board is composed of Directors who are competent and possess knowledge of business issues and are experienced in the financial services sector.

The Chairman of the Board has fostered an environment that encourages and supports the active participation and contribution of Board members at meetings.

Peer assessment results showed that the Directors' main areas of strength are Finance, Risk Management and Communication, both on the Board and in the Committees. The Directors knowledge and understanding span across their diversity, experience and resounding knowledge.

The company has a comprehensive **Governance policy, Board Guidelines, Code of Business Ethics and Whistle Blowing Policy.** All the policies were sighted and assessed for content and relevance and were found to be way above average.

Board of Directors: Mr. Pascal Dozie CON (President & Chairman of the Board)

Board Evaluation Report

In view of this, we rate the board **'Excellent'** in regulatory compliance and transparency.

In our opinion, The Board of Directors of Accion Microfinance Bank has taken its oversight responsibility very seriously. This is demonstrated by the attendance at Board and Committee meetings of the Directors and the depth of discussions and resolutions arrived at during these meetings.

A comparison of the Board structure in 2016 and 2017 shows a significant improvement, in different areas. In the area of gender diversity, a new female director was appointed on the Board, towards an improved gender representation on the Board in the year under review. Also, the Board composition was increased in 2017 with the addition of 3 experts in Law, Risk management and Digital finance on the Board. In the period under review, the Board met Four (4) times.

Though there is still room for improvement and continuous Director development, we are happy to state that the Board of Accion Microfinance Bank Limited conducted its affairs in an acceptable and satisfactory manner in 2017.

For: **SOCIETY FOR CORPORATE GOVERNANCE NIGERIA**

Hilda Nkor (Mrs.)
FRC/2016/NIM/00000015618
Chief Executive Officer

Corporate Governance Report

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 eleven (11) members as at 31st December 2017 made of one (1) Non-Executive Chairman, five (9) Non-Executive Directors and one (1) Executive Director which is the Managing Director/CEO.

Three (3) 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 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.

The Board meets quarterly and additional meetings are convened as the need arises. In furtherance of the above roles, the Board met six (6) times during the year under review on the following dates: 17th March 2017, 30th March 2017; 26th May 2017, 28th of September 2017 (Board Strategy Session), 29th September 2017 and 15th December 2017 as shown in the table below:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mr. Patrick Akinwuntan	Chairman	6	6
2.	Mr. John Fischer	Vice-Chairman	6	6
3.	Mr. David Kruijff	Non- Executive Director	6	5
4.	Mr. Olusegun Aina	Independent Director	6	5
5.	Mrs. Habiba Balogun	Independent Director	6	6
6.	Mr. Akinsowon Dawodu	Non- Executive Director	6	5
7.	Ms. Bunmi Lawson	MD/CEO	6	6
8.	Mr. Olumide Obayomi	Independent Director	6	6
9.	Mr. Adenike Laoye	Non- Executive Director	6	5
10.	Mr. Christian Ruehmer	Non- Executive Director	6	6
11.	Mr. Prateek Shrivastava	Non- Executive Director	6	6

a. The Board Committees

The effectiveness of the Board is fortified and strengthened by its four (4) committees namely:

- Risk & Investment Committee
- Audit & Compliance Committee
- Ethics & Governance Committee
- Channels & Technology 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;

Corporate Governance Report

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, 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 met four (4) times during the year under review and membership of the Committee & attendance at its meetings are as follows:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Olusegun Aina	Chairman (up till 26th May 2017)	4	2
2.	John Fischer	Chairman (From 27th September 2017)	4	4
3.	David Kruijff	Member	4	3
4.	Akinsowon Dawodu	Member	4	3
5.	Bunmi Lawson	Member	4	4
6.	Christian Ruehmer (Joined Committee on 27th September 2017)	Member	4	2

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 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.

ii. Review the regular internal reports to management prepared by the Internal Audit Department and management's response.

2. Independent Accountants – External Auditors

I. Review on an annual basis 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 Bank's independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.

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 and further 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.

Corporate Governance Report

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.

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

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

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

ix. 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 met four (4) times during the year under review and membership of the Committee & attendance at its meetings are as follows:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Olumide Obayomi	Chairman	4	4
2.	Brian Kuwik (Member of Committee up till 25th May 2017)	Member	4	2
3.	John Fischer (Joined Committee on 27th September 2017)	Member	4	2
4.	David Kruijff	Member	4	3
5.	Adenike Laoye (Joined Committee on 27th September 2017)	Member	4	2

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 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.	Habiba Balogun	Chairman	4	4
2.	Olusegun Aina	Member	4	4
3.	Mrs Nneka Enwereji (Member up till 22nd May 2017)	Member	4	2
4.	Mrs Adenike Laoye (Joined Committee on 27th September 2017)	Member	4	2
5.	Mrs Prateek Shrivastava (Joined Committee on 27th September 2017)	Member	4	2

Channels and Technology Committee: The purpose of this Committee is to provide assistance to the Board among other matters, in its oversight of the Bank's channels and technology strategy and significant investments in support of such strategy and channels and technology risk.

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

1. Oversight of Strategic Management: The Committee shall continue to review the implementation of the Bank's channels and technology strategy.

2. Oversight of Risk Optimization: The Committee is expected to ensure that a technology risk management framework exists to identify, analyze, mitigate, manage, monitor, and communicate technology related business risk, and that the framework for technology risk management is in alignment with the enterprise risk management (ERM) framework.

3. Oversight of Technology Benefits Realization: Ensure that technology-enabled investments are managed to deliver optimized business benefits and that benefit realization outcome and performance measures are established, evaluated and progress is reported. To facilitate its oversight.

The Committee was constituted in May 2017 and met two (2) times during the year under review and membership of the Committee & attendance at its meetings are as follows:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Olusegun Aina	Chairman	2	2
2.	Habiba Balogun	Member	2	2
3.	Prateek Shrivastava	Member	2	2
4.	Christian Ruehmer	Member	2	1
5.	David Kruijff	Member	2	1

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.

Audit and Compliance Committee Statement

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 2017 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, 2018

Members of the Committee
John Fischer
Adenike Laoye
David Kruijff

Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Accion Microfinance Bank Limited

Report on the Audit of the financial statements

Opinion
We have audited the accompanying financial statements of **Accion Microfinance Bank Limited** which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **Accion Microfinance Bank Limited** as at 31 December, 2017 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Banks and other financial institutions Act CAP B3 LFN 2004, the regulatory and supervisory framework for Microfinance Banks, the Companies and Allied Matters Act Cap C20 LFN 2004, and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the requirements of the Institute of Chartered Accountants of Nigeria (ICAN) Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of Accion Microfinance Bank Limited financial statements.

Key Audit Matter	How the matter was addressed in the audit
Loan loss impairment	
Loans and advances make up a significant portion of the total assets of Accion Microfinance Bank Limited with the total risk assets portfolio of N6.96 billion representing about 78.6% of the Bank's total assets. The total amount of impairment on loans and advances charged in the Statement of Profit or Loss for the year is N516.01 million as stated in note 9.	Our audit procedures to assess the loan loss impairment included the following: 1. Updated our understanding of the controls put in place by the management to identify impaired loans and provisions against those assets and determined whether these controls have been appropriately designed and implemented.

List of partners and partner equivalents available on the website

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Accion Microfinance Bank's impairment model addresses the two categories of impairments being specific and collective impairments (with a sub-part addressing IBNR allowance). The Bank determines collective impairment charges on loans and advances that are not specifically impaired in accordance with the requirement of IAS 39–Financial Instruments: Recognition and Measurement. The impairment model uses assumptions in determining the Probability of Default (PD), Loss Given Default (LGD), Emergence period (EP), Exposure at Default (EAD). Certain loans are further assessed for specific impairment. Specific impairment is calculated on significant loans that have been assessed and determined to be individually impaired and these loans are not collectively assessed for impairment. Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.	impairment events had occurred and to assess whether impairments had been identified in a timely manner. **3.** For the collective impairment model used by the Bank, we subjected the data used in the models to test as well as assessing the model's methodology for appropriateness in line with the requirement of the standard. **4.** For individually assessed loans, we selected samples of loans for review of their performance status. Where we deemed them to be impaired, we calculated the impairment charge by comparing the exposure at default with cash collateral to determine impairment charge. Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan loss impairment determined was appropriate in the circumstances.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's Statement, CEO's Report, Directors' Report, Corporate Governance Report, Sustainability Report and Audit Committee's Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Banks and other financial institutions Act CAP B3 LFN 2004, the regulatory and supervisory framework for Microfinance Banks, Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of the 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 Company has kept proper books of account, so far as appears from our examination of those books.

iii) The Company's statement of financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
21 April, 2018

Engagement Partner: David Achugamonu FCA
FRC/2013/ICAN/00000000840

	Note	2017 N 000	2016 N 000
Interest and similar income	5	4,418,390	3,823,494
Interest and similar expenses	6a	(266,296)	(296,611)
Provision for FX losses	6b	-	(295,693)
Net interest income		**4,152,094**	**3,231,190**
Fees and commission income	7	157,123	119,187
Other operating income	8	116,595	70,980
Total Operating Income		**4,425,812**	**3,421,357**
Credit loss expense	9	(516,011)	(466,762)
Impairment losses on financial assets	18	(400)	-
Net operating income		**3,909,401**	**2,954,595**
Personnel expenses	10	(1,292,778)	(1,188,946)
Depreciation of property and equipment	20	(129,123)	(111,320)
Amortisation of intangible assets	21	(39,905)	(16,543)
Other operating expenses	11	(1,069,009)	(937,666)
Total operating expenses		**(2,530,815)**	**(2,254,475)**
Profit before income Tax		**1,378,586**	**700,120**
Income tax expense	12	(568,825)	(161,901)
Profit after Tax		**809,761**	**538,220**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent years		-	-
Items that may be reclassified to profit or loss in subsequent years		-	-
Total comprehensive income for the year		**809,761**	**538,220**
Earnings per share	13	**Naira**	**Naira**
Basic		0.66	0.44

Statement of Financial Postition

	Note	2017 N 000	2016 N 000
Assets			
Cash and cash equivalents	15	738,329	797,851
Loans and advances	16	6,959,938	5,826,119
Financial investments - held to maturity	17	207,860	188,539
Other assets	18	307,489	284,382
Deferred Tax asset	19	-	105,685
Property and equipmen	20	349,158	286,142
tIntangible assets	21	183,657	49,372
Total assets		**8,746,431**	**7,538,090**
Liabilities			
Deposits from customers	22	2,392,578	2,013,517
Current tax liabilities	12	574,137	347,914
Debt issued and other borrowed funds	23	1,474,453	1,177,734
Other liabilities	24	366,342	639,280
Deferred Tax Liabilities	12	33,281	-
Total liabilities		**4,840,791**	**4,178,445**
Equity attributable to owners of the Bank			
Share capital	26	1,219,904	1,212,617
Share Premium		6,473	4,613
Retained earnings		-	-
Statutory reserve	28	1,269,340	1,066,900
General reserve	28	1,409,923	1,075,515
Regulatory Risk reserve		-	-
Total equity		**3,905,640**	**3,359,645**
Total liabilities and equity		**8,746,431**	**7,538,090**

The Financial Statements were approved by the Board of Directors on the 16th March, 2018 and signed on its behalf by:

Patrick Akinwuntan
Chairman
FRC/2013/ICAN/00000002861

Taiwo Joda
Managing Director/CEO
FRC/2018/NIM/00000018093

Adetunji Fasina
Deputy Chief Finance Officer
FRC/.2013/ICAN/00000002892

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

Statement of Changes in Equity

	Issued Share Capital N 000	Share premium	General Reserve N 100	Statutory Reserve N 000	Regulatory Risk Reserve N 000	Total Equity N 000
As at 1 January 2017	**1,212,617**	**4,613**	**1,075,515**	-	**1,066,900**	**3,359,645**
Profit for the year			809,761			809,761
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year			809,761	-	-	809,761
Transfer to statutory reserve			(202,440)		202,440	-
Transactions between equity owners						
Staff Share Option exercised	10,126	6,885	-			17,011
Share buy-back	(2,839)	(5,025)				(7,864)(
Dividend			(272,913)			272,913)
At 31 December 2017	**1,219,904**	**6,473**	**1,409,923**	-	**1,269,340**	**3,905,640**

For the year ended 31 December 2016	Issued share capital N 000	Share premium	General Reserve N 000	Regulatory Risk Reserve N 000	Statutory reserve N 000	Total equity N 000
As at 1 January 2016	1,211,000	3,513	853,502		932,345	3,000,360
Profit for the year			538,220			538,220
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year			538,220	-	-	538,220
Transfer to statutory reserve			(134,555)		134,555	-
Transactions between equity owners						
Staff Share Option exercised	1,617	1,100	-	-	-	2,717
Dividend			(181,652)	-	-	(181,652)
At 31 December 2016	**1,212,617**	**4,613**	**1,075,515**		**1,066,900**	**3,359,645**

Statement of Cash Flows

	Note	2017 N 000	2016 N 000
Operating activities			
Profit before tax		1,378,583	700,120
Adjustment for:			
Depreciation of property and equipment	20	129,123	111,320
Amortisation of intangible assets	21	39,905	16,543
Gain on sale of property and equipment		(2,535)	(487)
Impairment loss on loans		516,011	466,762
NITDA Levy		13,826	7,000
FX provision on loan		-	295,000
		2,074,914	**1,596,259**
(Increase) in loans and advances	16b	(1,649,829)	(1,009,976)
(Increase) in other assets		(23,107)	(42,456)
Increase/ (Decrease) in deposits from customers		379,061	(107,082)
Decrease/ (Increase) in other liabilities		(418,538)	95,975
		362,500	**532,720**
Income tax paid	12	(217,462)	(247,606)
Net cash flows from operating activities		**145,039**	**285,114**
Investing activities			
Financial investments- held to maturity		(19,321)	(11,148)
Purchase of property and equipment	20	(193,150)	(104,295)
Purchase of intangible assets		(28,590)	(40,676)
Proceeds from sale of property and equipment		3,547	747
Net cash flows from/(used in) investing activities		**(237,514)**	**(155,372)**
Financing activities			
Dividend paid	28	(272,913)	(181,651)
Employee Share options exercised		17,011	2,717
Repayment of debt issued and other borrowed fund		(4,680)	20,475
Treasury Shares		(7,865)	-
Other borrowed funds		301,400	70,000
Net cash flows from/(used in) financing activities		**32,952**	**(88,459)**
Net (Decrease)/(Increase) in cash and cash equivalents		(59,523)	41,283
Cash and cash equivalents at 1 January 2017		797,851	756,568
Cash and cash equivalents at 31 Dec, 2017	15	**738,329**	**797,851**

Notes to The Financial Statement

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 2012 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. Additional disclosures were included in the notes to the financial statements for certain account balances to enhance understandability by users of the financial statement.

(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 its 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 groups 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 number 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

Notes to The Financial Statement

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 retranslated 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 borrowings 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.

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.

(iv) 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.

(v) 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.
- 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.

(ii) 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 reorganization 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.

Notes to The Financial Statement

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.

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 is 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, 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.

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
T24 core banking software	-	Amortized over the term of the license agreement

Notes to The Financial Statement

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 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.

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

Notes to The Financial Statement

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.

Treasury shares

Where the company purchases its equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

3. New standards and amendments that will be effective for reporting period that begin 1 January 2017

A number of standards, interpretations and amendments thereto, had been issued by the IASB which are effective but do not impact on these financial statements as summarized in the table below:

IFRS	Effective Date	Subject of standard/amendment
Amendments to IAS 7 Disclosure Initiative;	1 January 2017	The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The amendments apply prospectively. Entities are not required to present comparative information for earlier periods when they first apply the amendments.

IFRS	Effective Date	Subject of standard/amendment
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	Effective for annual periods beginning on or after 1 January 2017	The amendments clarify the following: 1. Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows; 2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; 3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and 4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.
Amendments to IFRS 12 included in the 2014-2016 Annual Improvements Cycle	(Effective for annual periods beginning on or after 1 January 2017) 16 and IAS 38)	The 2014-2016 Annual Improvements Cycle includes amendments to a number of IFRSs, one of which is effective for annual periods beginning on or after 1 January 2017. See details below for a summary of the other amendments included in this package that are not yet effective.

Standard	Subject of Amendment	Details
IFRS 12		
Disclosure of Interests in Other Entities	'Clarification of the scope of the Standard	IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The amendments

New and revised IFRSs that are not mandatorily effective (but allow early application) for the year ending 31 December 2017

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 2017:

i IFRS 9 Financial Instruments;
ii. IFRS 15 Revenue from Contracts with Customers;
iii. IFRS 16 Leases
iv. Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
v Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
vi. Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
vii. Amendments to IAS 40 Transfers of Investment Property;
viii. Annual Improvements to IFRS Standards 2014-2016 Cycle; and
ix. IFRIC 22 Foreign Currency Transactions and Advance Consideration.
x. The IASB has also issued Amendments to IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts', which is effective for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments

(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.

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.

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

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.

The bank is in the process of quantifying the impact of this change, it is however expected to lead to an increased impairment charge than recognised under IAS39.

Phase 3: Hedge accounting
The Company does not have hedge instruments and as such this aspect of the IFRS 9 does not apply.

Transitional provisions
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

The Company will take advantage of the exemption allowing it not restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of the initial application.

- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI

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.

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- 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.

- 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.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

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.

IFRS 16 Leases

IFRS 16 Leases was issued, it specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Effective date of this standard is 1 January 2019

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions *(Effective for annual periods beginning on or after 1 January 2018)*

The amendments clarify the following:

1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

Notes to The Financial Statement

(i) the original liability is derecognised;

(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

IFRS 2 was amended to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share based payment transactions from cash-settled to equity-settled.

Effective date is 1 January 2018

Annual Improvements to IFRSs 2014 – 2016 Cycle

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after 1 January 2017 (see details below).

Standard	Subject of Amendment	Details
IFRS 1		
International Financial Reporting Standards	Deletion of short-term exemptions for first-time adopters	The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.
IAS 28		
Investments in Associates and Joint Ventures	Measuring an associate or joint venture at fair value	The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

Notes to The Financial Statement

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-17		31-Dec-16	
	Carrying amount N 000	Fair value N 000	Carrying amount N 000	Fair value N 000
Financial assets				
Cash and cash equivalents	738,329	738,329	797,851	797,851
Loans and advances	6,959,938	6,959,938	5,826,119	5,826,119
Financial investments- held to maturity	207,860	207,860	188,539	188,539
	7,906,126		6,812,509	6,812,509
Financial liabilities				
Deposits from customers	2,392,578	2,392,578	2,013,517	2,013,517
Debt issued and other borrowed funds	1,474,453	1,474,453	1,177,734	1,177,734
	3,867,031	3,867,031	3,191,251	3,191,251

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.

		2017 N 000	2016 N 000
5.	**Interest and similar income**		
	Cash and cash equivalents	85,425	88,074
	Loans and advances	4,295,025	3,716,854
	Financial investments- held to maturity	37,940	18,566
		4,418,390	**3,823,494**
6a	**Interest and similar expenses**		
	Deposits from customers	131,183	94,243
	Debt issued and other borrowed funds	135,113	202,368
		266,296	**296,611**
6b	**Provision for FX losses**	-	295,693
7.	**Fees and commission income**		
	Insurance-Fees	130,610	105,181
	Commission on Turnover	26,512	14,006
		157,123	**119,187**
8.	**Other operating income**		
	Other fees	114,060	70,494
	Profit on sale of property and equipment	2,535	486
		116,595	**70,980**
9	**Credit loss expense**		
	Loans and advances to customers	496,859	478,319
	Write-off during the year	31,829	-
	Bad debt recovered	(12,677)	(11,557)
		516,011	**466,762**
10.	**Personnel expenses**		
	Salaries and allowances	1,208,499	1,107,683
	Pension costs- defined contribution plan	84,279	81,263
		1,292,778	**1,188,946**

Notes to The Financial Statement

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

	2017 Numbers	2016 Numbers
100,000 - 500,000	176	175
500,001 - 1,000,000	426	422
1,000,001 - 2,000,000	199	197
2,001,001 - 3,000,000	48	50
3,000,001 - 4,000,000	10	10
4,000,001 - 5,000,000	11	11
Over 5,000,001	19	19
	889	884

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

Managerial	32	29
Other Staff	857	855
	889	**884**

Chairman and Directors emoluments	2017 N 000	2016N 000
Fees	2,365	1,080
Other Emoluments	3,433	1,401
Other Director emoluments	5,799	2,481
Director	28,819	28,819
	34,617	31,300
Chairman	1,500	450
Highest paid Director	28,819	28,819
	30,319	29,269
Staff cost		
Salaries and Allowances	1,208,499	1,107,683
Pension	84,279	81,263
	1,292,778	**1,188,946**

11. Other operating expenses

	Note	2017 N 000	2016 N 000
Rents charges payable under operating leases		138,649	108,654
Repairs and maintenance		103,525	89,195
Contract and support services		14,474	13,411
Professional fees and Legal	11a	33,142	28,454
Directors fees		5,798	2,481
Audit fees		9,975	9,975
Insurance expenses		74,772	67,698
Other Consulting Training Expenses		24,146	62,335
Communication expenses		24,555	17,366
Trainee and recruitment exp.		61,970	76,556
System support expenses		82,259	61,867
NITDA levy	11b	13,826	7,001
Medical expenses		109,635	101,173
Others Utilities		42,512	33,396
Training and Travels		78,577	69,105
Other Stationery expense		23,043	23,856
Advertisement		55,059	27,381
Security		41,077	31,774
Telephone office		28,587	25,864
Bank charges		22,482	22,444
Branded promotional items		12,342	7,957
Recovery expenses		28,349	1,013
Office provisions		11	2,765
Other Expenses		35,760	25,268
Exchange Loss realised		4,484	20,676
		1,069,009	**937,666**

11a Professional fees includes fees payable to the Consultants in relation Legal fees, Tax and other consultancy services.

11b The levy is not within the scope of IAS 12 Income taxes. The Bank considers the levy to be operational in nature and has accrued the cost within other operating expenses.

Notes to The Financial Statement

12. Income tax

	2017 N 000	2016 N 000
The components of income tax expense for the year ended 31 December 2017		
a Current income tax:		
Company income tax	399,647	267,096
Education tax	30,212	22,237
NITDA levy	-	-
Deferred income tax	138,966	(127,433)
Income tax expense reported in the profit or loss account	**568,825**	**161,900**
b Reconciliation of the total tax charge		
Accounting profit before tax	**1,378,586**	**700,120**
At Nigeria's statutory income tax rate of 30% (2017:)	399,647	267,096
Income not subject to tax	-	-
Non-deductible expenses for tax purpose	138,966	(127,433)
Tax impact of balancing charge		
Education tax	30,212	22,237
Tax effect of the difference in profit used	-	-
Income tax expense reported in the profit or loss account	**568,825**	**161,900**

The effective income tax for 2017 is 31.18%

	2017 N 000	2016 N 000
b Deferred tax-Liability		
Balance as of 1 January	-	21,748
Transfer to/from other assets	(105,685)	105,685
Tax income/(expense) during the period	138,966	(127,433)
Balance as at 31 December	**33,281**	**-**
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		
Opening Balance at 1 January 17	347,914	299,185
NITDA	13,826	7,001
Tax charge in the statement of profit or loss	429,859	289,333
	791,599	595,520
Payment during the year	(217,462)	(247,606)
Closing balance at 31 December 17	**574,137**	**347,914**

13. Earnings per share

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

	2017 N 000	2016 N 000
Net profit attributable to owners of the Bank	**809,761**	**538,220**
	Thousands	**Thousands**
Weighted average number of shares in issue	1,219,904	1,212,617
Basic earnings per share (Kobo)	**66.38**	**44.38**

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

	2017 N 000	2016 N 000
Dividends on ordinary shares:	303,634	272,839
Proposed dividend for 2017: 24.89 kobo per share (2016: 22.50 kobo per share)	**303,634**	**272,839**

15. Cash and cash equivalents

	2017 N 000	2017 N 000
Cash on hand	96,329	80,856
Cash at banks	265,900	256,180
Placements with banks and discount houses	367,962	459,000
Interest receivable on placements with banks	8,138	1,815
	738,329	**797,851**

Interest were earned 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.

16a. Loans and advances

	2017 N 000	2016 N 000
Loans and advances to customers	7,538,003	6,386,487
Loans and advances – Pending Insurance claims	1,072	10,472
Loans and advances to staff	82,312	72,252
	7,621,387	**6,469,211**
Allowance for impairment losses	(661,449)	(643,092)
	6,959,938	**5,826,119**

Notes to The Financial Statement

b Maturity analysis of loans and advances by past-due status

Performing	6,732,490	5,516,960
1 - 30 days	225,988	277,175
31- 60 days	134,994	111,529
61-90 days	68,767	49,752
91 and above	459,148	513,795
	7,621,387	6,469,211
Individual Impairment	(84,166)	(85,180)
Collective impairment	(577,283)	(557,912)
	6,959,938	**5,826,119**

c Impairment allowance for loans and advances

At 1 January	643,092	379,355
Charge for the year	496,859	478,319
Recoveries	(12,677)	(11,557)
Amounts written off	(465,825)	(203,025)
At 31 December	**661,449**	**643,092**
Individual impairment	84,166	85,180
Collective impairment	577,283	557,912
	661,449	**643,092**

Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance

17. Financial investments- held to maturity

	2017 N 000	2016 N 000
Treasury bills		
Maturing within 91 days	207,860	188,539
Maturing after 91 days	-	-
	207,860	**188,539**

Treasury bills are debt securities issued by the Federal Government of Nigeria at average effective rate of 18.4% (2016: 15.8%)

18. Other assets

	2017 N 000	2016 N 000
Prepayments	235,874	216,745
Consumables	39,905	30,862
Other receivables	34,110	38,775
	309,889	286,382
Allowance for impairment losses on other assets	(2,400)	(2,000)
	307,489	**284,382**

18b Impairment allowance for other assets

	2017	2016
At 1 January 2017	2,000	3,553
Charge for the year	400	-
Recoveries	-	(1,553)
Amounts written off	-	-
At 31 December 2017	**2,400**	**2,000**

19 Deferred Tax asset

	2017	2016
At 1 January 2017	105,685	-
Charge during the Year	(105,685)	105,685
At 31 December 2017	**-**	**105,685**

20. Property and equipment

	Leasehold improvements N 000	Machinery and equipment N 000	Computer and accessories N 000	Furniture and Fittings N 000	Motor vehicles N 000	Total N 000
Cost						
At 1 January 2017	164,008	148,468	262,038	109,441	89,325	773,280
Additions	9,735	46,813	68,930	7,771	59,901	193,150
Disposals	-	-	(1,879)	-	(22,285)	(24,164)
At 31 December 2017	**173,743**	**195,281**	**329,089**	**117,212**	**126,941**	**942,266**
Depreciation						
At 1 January 2017	99,727	83,741	181,691	68,334	53,645	487,137
Depreciation charge for the year	23,368	25,914	42,790	16,427	20,624	129,123
Disposals			(1,270)		(21,882)	(23,152)
At 31 December 2017	**123,095**	**109,655**	**223,211**	**84,761**	**52,386**	**593,109**
Net book value						
At 31 December 2017	50,648	85,626	105,878	32,451	74,555	349,158
At 1 January 2017	**64,281**	**64,727**	**80,346**	**41,107**	**35,681**	**286,142**

No property and equipment has been pledged as security for liabilities (2016: None).

21. Intangible assets

	Computer software N 000
Cost	179,899
At 1 January 2017	174,190
Additions	**354,089**
At 31 December 2017	
Amortisation	
At 1 January 2017	130,527
Amortisation charge for the year	39,905
At 31 December 2017	**170,432**
Net book value	
At 31 December 2017	**183,657**
At 1 January 2017	49,372

The addition to computer software relates to renewal of license for the core application used by the bank. This amount was not yet paid as at the reporting date.

22. Deposits from customers

	2017 N 000	2016 N 000
Saving accounts	1,820,078	1,562,682
Current accounts	77,417	61,818
Term and call deposits	468,114	379,211
	2,365,609	**2,003,711**
Interest payable on saving accounts	35	80
Interest payable on term deposits	26,934	9,726
	2,392,578	**2,013,517**

23. Debt issued and other borrowed funds

	2017	2016
Floating rate debt issued	1,430,900	1,129,500
Interest payable on undated floating rate debt issued	43,553	48,234
	1,474,453	**1,177,734**

23.1 Analysis of debt issued and other Borrowed Funds

		2017 N 000	2016 N 000
MSME Direct Funding CBN	23.2	730,900	429,000
Interest on MSME Direct Funding	23.2	15,264	9,847
Borrowing from IFC	23.3	200,000	300,000
(Charge)/Interest on IFC borrowing	23.3	(361)	5,858
Symbiotic borrowing	23.4	-	400,500
Interest on Symbiotic borrowing	23.4	-	32,529
Borrowing from Citibank	23.5	500,000	-
Interest on Citibank	23.5	28,650	-
		1,474,453	**1,177,734**

23.2 MSME Direct Funding CBN

This relates to MSME development Fund from Central Bank of Nigeria with a 1-year tenor at the rate of 2% per annum. Additional sum of N510 million was received from the Central Bank of Nigeria. The maturity date ranges between May 2018 to October 2018. The maximum lending rate is 9% per annum.

23.3 IFC Borrowing

This is a 5-year Term Loan Facility taken in 2015 from IFC (International Finance Corporation) at the rate of 17.6% and 18.5% per annum. The Loan is repayable half yearly with a terminal date of 2019.

Notes to The Financial Statement

23.4 Symbiotic Borrowing

This is a 3-year Term Loan taken from REGMIFA (Regional Funds for Sub-Saharan Africa) at the rate of 16.70%-17.6%. This was fully paid down during the year.

23.5 Borrowing from Citibank

This is a 3 years' loan obtained from Citibank in 2017 at the rate of 24.5%. The principal repayable on maturity of the loan in 2020.

24. Other liabilities

Accrued expenses	71,348	71,791
Accounts payable and sundry creditors	289,089	549,052
Due to Accion International	5,904	18,437
	366,342	639,280

25. 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 N85 million in 2017 (2016: N81.263 million) represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

26. Issued capital and reserves

	2017 N 000	2016 N 000
Authorised		
Ordinary shares of N1 each	**1,240,000**	**1,240,000**
Ordinary shares		
Issued and fully paid		
At 1 January 2017	1,212,617	1,211,000
Share Option 2017 subscribed	10,126	1,617
Share buy back	(2,839)	
Issued and fully paid Dec 2017	**1,219,904**	**1,212,617**

The total number of treasury shares in issue as at 31 December 2017 18.9million is (2016: 26.2million).

27. Employee investment scheme

The Bank has share option scheme under which option to subscribe for its shares has been granted to certain qualifying members of staff with IBTC Trustees as the custodian. As at 31 December 2017, a total of 14,070,515 shares (2016: 6,783,800) have been subscribed by some qualifying staff members of staff under the option

28. Nature and purpose of reserves

a Statutory Reserve

	2017 N 000	2016 N 000
At 1 January 2017	1,066,900	932,345
Transfer from general reserve	202,440	134,555
At 31 December 2017	**1,269,340**	**1,066,900**

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.

b General Reserve

	2017 N 000	2016 N 000
At 1 January 2017	1,075,515	853,502
Profit for the year	809,761	538,220
Transfer to statutory reserve	(202,440)	(134,555)
Dividend paid	(272,913)	(181,652)
At 31 December 2017	**1,409,923**	**1,075,515**

29. 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.

30. Maturity analysis of assets and liabilities

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

At 31 December 2017	Within 12 months N 000	After 12 months N 000	Total N 000
Assets			
Cash and cash equivalents	738,329		738,329
Loans and advances	6,959,938		6,959,938
Financial investments - held to maturity	207,861		207,860
Other assets	307,489		307,489
Deferred Tax asset	-		-
Property and equipment		349,158	349,158
Intangible assets		183,657	183,657
Total assets	**8,213,617**	**532,814**	**8,746,431**
Liabilities			
Deposits from customers	2,392,578		2,392,578
Debt issued	945,803	528,650	1,474,453
Current tax liabilities	574,137		574,137
Other liabilities	366,342		366,342
Deferred tax liabilities	33,281		33,281
Total liabilities	**4,312,141**	**528,650**	**4,840,791**
Net	3,901,476	4,164	3,905,640
At 31 December 2016			
Assets			
Cash and cash equivalents	797,851		797,851
Loans and advances	5,826,119		5,826,119
Financial investments - held to maturity	188,539		188,539
Other assets	284,382		284,382
Deferred Tax asset	105,685		105,685
Property and equipment		286,142	286,142
Intangible assets		49,372	49,372
Total assets	**7,202,576**	**335,514**	**7,538,090**
Liabilities			
Deposits from customers	2,013,517		2,013,517
Debt issued	871,874	305,860	1,177,734
Current tax liabilities	347,914		347,914
Other liabilities	639,280		639,280
Deferred tax liabilities			
Total liabilities	**3,872,585**	**305,860**	**4,178,445**
Net	3,329,991	29,654	3,359,645

31. Contingent liabilities

The bank in the ordinary course of the business is presently involved in some litigation suits instituted against third party by and on behalf of d 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

32. Related party disclosures

	2017 N 000	2016 N 000
Compensation of key management personnel of the Bank		
Short-term benefits	178,058	140,514
Post-employment pension (defined contribution)	-	-
	178,058	140,514

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

Transaction with other related parties

	Interest from related parties N 000	Interest to related parties N 000	Amounts owed by related parties N 000	Amounts owed to related parties N 000
Entities with significant influence over the Bank:				
At 31 Dec 2017	-	-	-	5,904
At 1 January 2017	-	-	-	18,437

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest rates charged to and by related parties are at normal commercial rates. 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 2017, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2016: N Nil).

Accion Microfinance Bank maintained bank accounts with Ecobank Nigeria Ltd, Citibank Nigeria Ltd (Citigroup) and Zenith Bank Plc which are all shareholders of Accion Microfinance Bank Limited.

Accion Microfinance Bank has borrowings from related parties as detailed below:

Analysis of debt issued and other Borrowed

	2017 N 000	2016 N 000
Borrowing from IFC	200,000	300,000
(Charge)/Interest on IFC borrowing	(361)	5,858
Borrowing from Citibank	500,000	-
Interest on Citibank	28,650	-
	728,289	**305,858**

Interest Expense on related Party Transactions

	2017 N 000	2016 N 000
Interest Expense on IFC loan	49,349	72,828
Interest Expense on Citibank loan	69,310	-
	118,659	**72,828**

Notes to The Financial Statement

Owners of the Bank

Name of shareholder	Country of incorporation	Number of shares	Percentage of shares held
Accion Investments in Microfinance Nigeria	Nigeria	443,184,162	35.77%
Citibank Nigeria Limited	Nigeria	246,555,669	19.90%
Ecobank Nigeria 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	14,070,515	1.14%
		1,219,904,200	**98.47%**
Issued but unpaid		18,968,771	1.53%
		1,238,872,971	**100**

33. 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.

	2,017 N 000	2,016 N 000
Tier 1		
Share capital	1,219,904	1,212,617
Share Premium	6,473	4,613
General Reserve	1,409,923	1,075,515
Statutory reserve	1,269,340	1,066,899
Regulatory Risk reserve	-	-
Total Qualifying tier 1 Capital	3,905,640	3,359,645
Tier 2		
Debt issued and other borrowed funds	1,474,453	1,177,734
Total Qualifying tier 2 Capital	1,474,453	1,177,734

34 Events after reporting period

There were no events subsequent to the financial position date which require adjustment to, or disclosure in, these financial statements.

Risk Management Policy

Introduction

Risk is an integral part of financial services. When financial institutions issue loans, there is a risk of borrowers' 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 her 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 other four states, which include Rivers, Ogun, Oyo and Anambra States. In addition, 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, Accion MfB has set up a full-fledged risk and compliance management department that identifies various stakeholders responsible to identify and manage the risks facing the institution.

This document outlines the structure of the risk and compliance management department within Accion MfB. It also identifies the major stakeholders in the risk management process at Accion MfB and defines the roles and responsibilities of these stakeholders.

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.

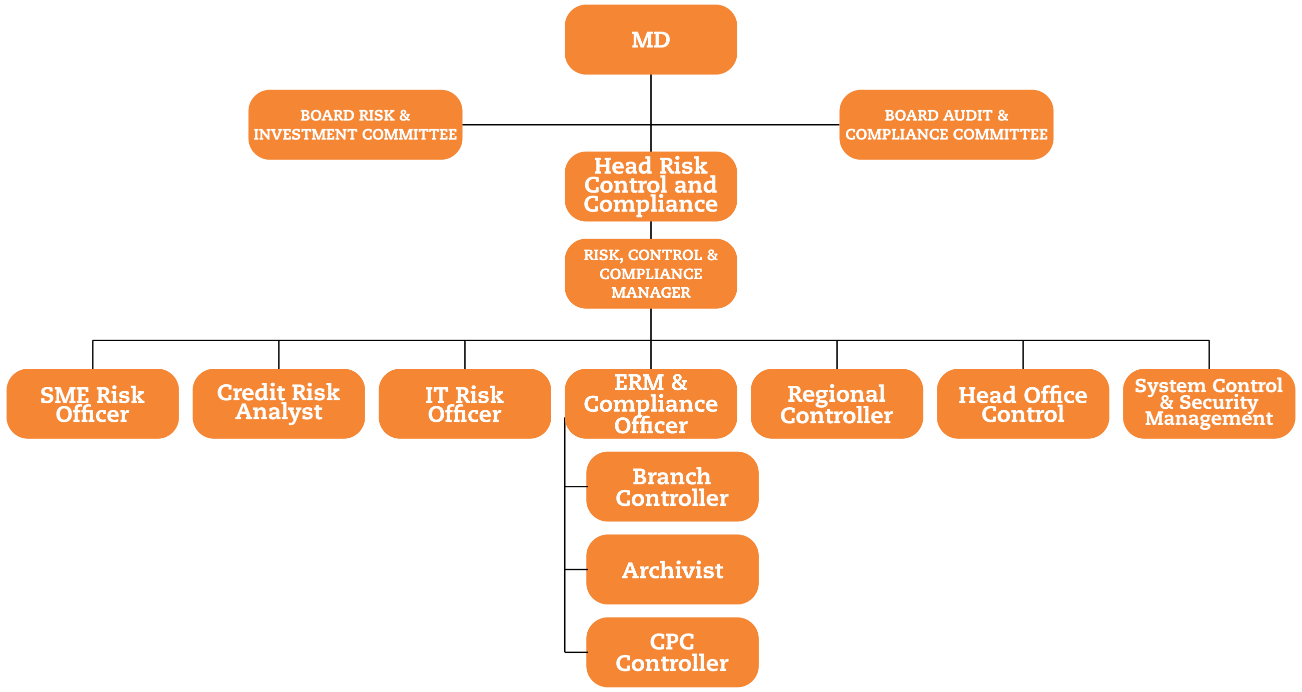
Comprehensive risk management should always be led by senior management which should be involved in the entire process of installing risk management standards and then ensuring that all decisions and policies issued by the entire management team are followed, controlled and later evaluated, based on cost/benefit criteria and the organization-wide propensity for risk-taking.

Introduction Cont'd

Given the current size and structure of the Accion MfB, the structure of the risk department at Accion MfB is as follows:

- The Risk Control & Compliance Department is currently constituted of thirty-eight staffs covering different roles: Head, Risk Control and Compliance heads the department, reporting directly to the CEO, and supported by Risk Control and Compliance Manager. The manager hand-holds the two main categorization of Risk and Internal control/compliance where each of these two broad categorization have various staff.

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 stakeholders in the risk management process at Accion MfB:

- **Board of Directors:** The ultimate responsibility for Accion MfB's risk management policy and 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 accessing the risk management activities that are being undertaken in the in institution.

- **Managing Director and CEO:** The MD/CEO is responsible for sharing the risk management policy and framework approved by the Board and the management team. The MD/CEO is also 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 Control and Compliance department at Accion MfB is to identify and monitor the different risks faced by the institution and to propose controls (policies/strategies) to manage the risks. The department is also responsible for monitoring the implementation of controls and provides 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 is also 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 is 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 is to develop tools to implement SME portfolio risk management, including portfolio performance tracking and analysis, Portfolio Growth, Account maintenance and Recovery strategies monitoring, analysis, 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 branch and Head Office supports 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 Management Policy

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are estimates of the ultimate actual losses 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 /operations and other instruments to manage exposures resulting from changes, which may include 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 authorized 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 processes 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 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.

Risk Management Policy

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 utilization, 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 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

Types of collateral or credit enhancement

		Fair value of collateral and credit				
31-Dec-2017	**Maximum N'000**	**Cash N'000**	**Property N'000**	**Other N'000**	**Net N'000**	**Net N'000**
Financial assets	738,329	-	-	-	-	738,329
Placement with banks and discount houses		-	-	-	-	-
Loans and advances to customers						
Micro Business (MCB)	6,345,110	760,480	-	-	760,480	5,584,630
Small Business (SB)	603,561	325,920	-	-	325,920	277,641
Medium Business (MDB)	590,404	162,960	-	-	162,960	427,444
Strategic Alliance	-	108,640	-	-	108,640	(108,640)
STAFF	82,312	-	-	-	-	82,312
Financial investment-held to maturity	207,860	-	-	-	-	207,860
	8,567,575	1,358,000	-	-	1,358,000	7,209,575

		Fair value of collateral and credit				
31-Dec-2016	**Maximum N'000**	**Cash N'000**	**Property N'000**	**Other N'000**	**Net N'000**	**Net N'000**
Financial assets	**797,851**	-	-	-	-	**797,851**
		-	-	-	-	-
Placements with banks and discount houses		-	-	-	-	-
					-	-
Loans and advances to customers						
Micro Business (MCB)	5,055,796	660,800	-	-	660,800	4,394,996
Small Business (SB)	531,882	283,200	-	-	283,200	248,682
Medium Business (MDB)	458,089	141,600	-	-	141,600	316,489
Strategic Alliance	6,579	94,400	-	-	94,400	(87,821)
STAFF	74,909	-	-	-	-	74,909
Financial investments - held to maturity	188,539	-	-	-	-	188,539
Total	**7,113,645**	**1,180,000**	-		**1,180,00**	**5,933,647**

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 is :
For micro Business, Small Business loan personal guarantee is 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.

	Neither past due nor impaired Performing	1-30 days	31-60 days	61-90 days	91 and above	Past due but not imp -aired	indivi -dually imapired	Total
	2017 N'000	**2017 N'000**	**2017 N'000**	**2017 N'000**	**2017 N'000**		**2017 N'000**	**2017 N'000**
Cash and cash equivalents	738,329							
Loans and advances to customers	**6,656,518**	**257,958**	**152,826**	**74,319**	**395,599**	-	**84,166**	**7,621,386**
Micro Business (MCB)	5,476,1785	230,550	136,588	66,422	353,566	-	84,166	6,347,471
Small Business (SB)	42,925	9,648	5,716	2,780	14,796	-		575,864
Medium Business (MDB)	555,103	17,760	10,522	5,11	27,237	-		615,740
Strategic Alliance	-	-	-	-	-	-		-
STAFF LOAN	82,312	-	-		-	-		82,312
Financial investments held to maturity	-	-	-	207,860	-	-		207,860
Quoted – Government debt securities	-	-	-	-	-	-		-
Quoted – Other debt securities	-	-	-	-	-	-		- -
Total	**6,656,518**	**257,958**	**152,826**	**282,179**	**395,599**		**84,166**	**7,829,246**

Notes	Neither past due nor impaired performing						Past due but not impaired	Individually impaired	Total
	1-30 days	31-60 days	61-90 days	91 and above days					
	2016 N'000	**2016 N'000**	**2016 N'000**	**2016 N'000**	**2016**	**2016**			**2016**
Cash and cash equivalent	797,851						—		
Loans and advances to customers	**5,391,072**	**222,579**	**96,926**	**40,972**		**286,194**	—	**89,511** 89,511	6,127,255
Micro Business (MCB)	4,373,821	200,670	87,569	38,168	315,506,937	266,056	—		5,055,795
Small Business (SB)	482,004	17,733	9,233	2,774	20,137,892	20,138	—	—	531,882
Medium Business (MDB)	457,925	10	124	30	—	—	—	—	458,089
Strategic Alliance	2,412	4,167			—	—	—	—	6,579
Staff Loan	74,909	—			—	—	—	—	74,909
Financial Investments held to maturity	—	—	— —	188,539	—	—	—	—	188,539
Quoted - Government debt securities	—	—		—	—	—	—	—	—
Quoted - Other debt securities	—	—		—	—	—	—	—	—
Total	**5,391,072**	**222,579**	**96,926**	**229,511**		**286,194**	—	**89,511**	**6,315,794**

Analysis of risk concentration

The bank's concentration of risks is managed by client/counter-party arrangements using guarantors. The maximum credit exposure to any client or counterparty as of 31 December 2017 was N4 million (2016: N6million), 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	**Financial services**	**Govern -ment**	**Health**	**Consumers**	**Retail & Wholesale**	**Transport & Comm**	**Services**	**Total**
31-Dec-2017	**N'000**	**N'000**	**N'00**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Financial assets								
Cash and cash equivalents	738,329	-	-	-	-	-	-	**738,329**
Loans and advances to customers								
Micro Business (MCB)	-	-	136,158	1,554,680	3,785,427	49,445	249,634	**5,775,345**
Small Business (SB)	-	-	15,234	63,089	462,899	1,751	49,736	**592,709**
Medium Business (MDB)	-	-	1,546	206	586,497	-	582,772	**1,171,021**
Strategic Alliance	-	-	-	-	-	-	-	**-**
STAFF LOAN	-	-	-	82,312	-	-	-	**82,312**
Financial investments - held to maturity	207,8609	-	-	-	-	-	-	**207,860**
	946,189	-	**152,938**	**1,700,28**	**4,834,82**	**51,196**	**882,142**	**8,567,575**

Industry Analysis 31-Dec-2016	Financial Services	Govern -ment	Health	Consumers	Retail & Wholesale	Transport	Services	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial assets								
Cash and cash equivalent	797,851							797,851
Loans and advances to customers								
Micro Business (MCB)	—	—	90,103	1,259,034	3,539,749	36,460	130,449	5,055,795
Small Business (SB)	—	—	—	—	—	57,812	474,070	531,882
Medium Business (MDB)	—	—	10,056	54,870	315,478	30,387	47,298	458,089
Strategic Alliance	—	—	—	528	4,053	846	1,152	6,579
Staff Loan	—	—	—	74,909	—	—	—	74,909
Financial Investments held to maturity	188,539	—	—	—	—	—	—	188,539
Total	**986,390**		**100,159**	**1,389,341**	**3,859,280**	**125,506**	**652,969**	**7,113,646**

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 dully 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 30% of customer savings and Term 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. 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 at 31 December 2017	On demand N'000	Less than 30 days N'000	1 to 30 days N'000	31 to 60 days N'000	61 to 90 days N'000	91 and above N'000	Total N'000
Financial assets							
Cash and cash equivalents	738,329						738,329
Loans and advances	888,897	1,622,322	1,453,094	566,555	1,157,019	1,933,500	7,621,386
Financial investments - held to maturity					207,860		207,860
Other assets	413,039						413,039
Total undiscounted financial assets*	**2,040,264**	**1,622,322**		**566,555**	**1,364,879**	**1,933,500**	**7,527,521**
Financial liabilities							
Deposits from customers	1,897,529			78,112	237,936	179,000	2,392,578
Debt issued and other borrowed funds	-				-	1,474,453	1,474,453
Other liabilities	5,904				360,437	574,137	940,478
Total undiscounted financial liabilities*	1,903,433			**78,122**	**598,374**	**2,227,590**	**4,807,509**
Net undiscounted financial assets/(liabilities) *	**136,831**	**1,622,322**		**488,443**	**766,506**	**-294,090**	**2,720,012**

As at 31 December 2016	On demand N'000	Less than 30 days N'000	1 to 30 days N'000	31 to 60 days N'000	61 to 90 days N'000	91 and above N'000	Total N'000
Financial assets							
Cash and cash equivalents	797,851						797,851
Loans and advances	736,183	1,417,905		1,272,061	1,011,232	1,689,874	6,127,256
Financial investments - held to maturity					188,539		188,539
Other assets	390,066						390,066
Total undiscounted financial assets*	**1,924,100**	**1,417,905**		**1,272,061**	**1,199,771**	**1,689,874**	**7,503,711**
Financial liabilities							
Deposits from customers	1,624,581			237,936		151,000	2,013,517
Debt issued and other borrowed funds	433,027					744,707	1,177,734
Other liabilities	18,437				620,842	347,914	987,193
Total undiscounted financial liabilities*	**2,076,045**			**237,936**	**620,842**	**1,243,621**	**4,178,444**
Net undiscounted financial assets/(liabilities) *	**(151,944)**	**1,417,905**		**1,034,125**	**578,929**	**446,253**	**3,325,267**

Risk Management Policy

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 the 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 Banks financial instruments (including assets and liabilities) except term loans (borrowings) 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 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. The Bank has fully provided for this risk on their foreign loan outstanding balance in the financial year due to fluctuation of exchange rates in 2016.

Statement of Value Added

STATEMENT OF VALUE ADDED

	2017 N 000	%	2016 N 000	%
Gross earnings	4,692,109	165%	4,013,661	
Interest expense	(266,296)	(9.4%)	(592,304)	
	4,425,813		**3,421,357**	
Bought in goods and services				
Administrative overheads-Local	(1,069,010)	(38%)0%	(937,666)	
Impairment losses on financial assets	(400)		-	
Provision on loan losses	(516,011)		(466,762)	
Value added	**2,840,392**	**100%**	**2,016,928**	
Distributed as follows				
To pay employees:				
Salaries and other allowances	1,292,778	45.5%	1,188,946	58.7%
To Government:				
Taxation	429,859	15.1%	289,333	14.3%
To provide for enhancement of assets Expansion of business and payment of dividend to shareholders				
Depreciation	169,028	6.0%	127,862	6.3%
Deferred taxation	138,966	4.9%	(127,432)	(6.3%)
Profit for the year	809,761	28.5%	538,220	26.7%
	2,840,392	**100%**	**2,016,928**	**100%**

Five Year Financial Summary

	IFRS 2017 N 000	IFRS 2016 N 000	IFRS 2015 N 000	IFRS 2014 N 000	NGAAP 2013 N 000
Assets					
Cash and cash equivalents	738,329	797,851	756,568	536,990	411,229
Loans and advances	6,959,938	5,826,119	5,294,462	3,975,266	3,002,293
Financial investments - held to maturity	207,860	188,539	177,391	119,516	99,022
Other assets	307,489	284,382	241,925	196,576	190,715
Deferred Tax asset	-	105,685		1,297	
Property and equipment	349,158	286,143	293,914	212,438	215,818
Intangible assets	183,657	49,372	24,756	44,152	34,186
Total assets	**8,746,431**	**7,538,090**	**6,789,016**	**5,086,236**	**3,953,263**
Liabilities					
Deposits from customers	2,392,578	2,013,517	2,120,599	1,421,819	1,058,236
Current tax liabilities	574,137	347,914	299,185	314,131	193,099
Debt issued and other borrowed funds	1,474,453	1,177,734	1,087,259	554,614	504,980
Other liabilities	366,342	639,280	259,864	228,183	171,965
Deferred tax liabilities	33,281	-	21,748	-	2,771
Total liabilities	**4,840,791**	**4,178,445**	**3,788,655**	**2,518,747**	**1,931,051**
Equity attributable to owners of the Bank					
Issued share capital	1,219,904	1,212,617	1,211,000	1,206,490	1,205,834
Share premium	6,473	4,613	3,513	446	
Statutory reserve	1,269,340	1,066,900	932,345	795,859	484,582
General reserve	1,409,923	1,075,515	853,502	538,162	310,565
Regulatory Risk reserve	-	-	-	26,532	21,231
Total equity	**3,905,640**	**3,359,645**	**3,000,361**	**2,567,489**	**2,022,212**
Total liabilities and equity	**8,746,431**	**7,538,090**	**6,789,016**	**5,086,236**	**3,953,263**
PROFIT AND LOSS ACCOUNT					
Gross earnings	4,692,108	4,013,661	3,358,507	2,717,919	1,851,069
Profit before taxation	1,378,583	700,120	838,434	1,015,145	554,187
Profit after taxation	809,761	538,220	545,941	726,510	389,534
Per share data (Kobo)					
Earnings/per share	**0.66**	**0.44**	**0.60**	**0.32**	**0.23**
Net assets per share (Basic)	**3.12**	**2.77**	**2.13**	**2.13**	**1.68**

BRANCH NETWORK

Accion Microfinance Bank

BRANCH NETWORK

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Tel : 01-2719325-6
Fax : 01-2719327

ANTHONY
Accion Microfinance Bank Ltd
1st Floor Elizade Plaza
322A Ikorodu Road,
Anthony, Lagos.

AGEGE
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

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

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

Branch Network

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

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 MILE 1
Accion Microfinance Bank Ltd
28, Ikwerre Road
Mile 1, Diobu
Port Harcourt, Rivers State
Tel: 084-669579, 084-669580

PORT HARCOURT MILE 3
Accion Microfinance Bank Ltd
21, Ada George Road,
Rumuokokwo Town,
Mile 3, Diobu
Port Harcourt, Rivers State

ONITSHA MAIN MARKET
Accion Microfinance Bank
28 Francis Street,
Main Market,
Onitsha, Anambra State.

NKPOR
Accion Microfinance Bank
14, Ajuluchukwu Street,
Nkpor Market,
Onitsha, Anambra State.

SANGO
Accion Microfinance Bank
46 Ijoko Road, Sango,
Ogun State.

AKUTE
Accion Microfinance Bank
89 Ojodu- Akute Road,
Alagbole, Akute,Ogun State.

IWO ROAD
Accion Microfinance Bank Ltd
1 Abayomi Street,
Adjacent Ecobank Building,
Iwo Road, Ibadan.
Oyo State.

DUGBE
Accion Microfinance Bank
Abek Vine House
22 Adekunle Fajuyi Road,
Beside MKO Abiola House,
Dugbe,Ibadan,Oyo State.

MOLETE
Accion Microfinance Bank Ltd
WIMBO Building, 61 Molete Road
Opposite Molete Baptist Church,
Idi Odo, Challenge,
Ibadan, Oyo State

BODIJA
Accion Microfinance Bank Ltd
Christy Plaza, Secretariat-UI Road,
(Beside Methodist High School,
Ibadan)-(First Floor).

FESTAC
Accion Microfinance Bank Ltd
2nd Avenue, House 22,
Ecobank Building, Festac.

RUMUOKORO
Accion Microfinance Bank Ltd
16 East/West Road,
Opposite Rumuokoro Motor Park,
Rumuodomaya, Port Harcourt,
Rivers State.

RUMUOMASI
Accion Microfinance Bank Ltd
18 Old Aba Road (St. Lucy Plaza),
Rumuogba, Rumuomasi,
Port Harcourt

ARIARIA
Accion Microfinance Bank Ltd
5 Power-Lines by Faulks Road,
Ariaria, Aba, Abia State.

NNEWI
Accion Microfinance Bank Ltd
9 Ogbufor Road, Nkwo Market,
Nnewi, Anambra State.

SAPON
Accion Microfinance Bank Ltd
Diekola House, Sokenu Road,
Oke Ijeun/Sapon, Abeokuta,
Ogun State.

OGBOGONOGO
Accion Microfinance Bank Ltd
Ogbogonogo Modern Market,
Nnebisi Road, Asaba, Delta State-
Ex_Skye Bank Property.

CASH CENTRES

OJU ORE
Accion Microfinance Bank Ltd
Fagbems Filling Station, Oju Ore,
by Oju Ore Roundabout,
Sango Ota, Ogun State.

APATA
Accion Microfinance Bank
DKL building,
Apata bus stop,
Apata, Ibadan.
Oyo State.

IJEGUN
Accion Microfinance Bank Ltd
Waleola Filling Station, Ijegun,
Lagos.

IJEDE
Accion Microfinance Bank Ltd
Fomon Filling Station,
Elepe Bus Stop, Ijede, Ikorodu.

NEW GBAGI
Accion Microfinance Bank Ltd
Bashmur & Ayimur Plaza,
Old Ife Road, New Gbagi,
Ibadan Oyo State.

KOLA
Accion Microfinance Bank Ltd
748 Lagos Abeokuta Expressway,
Alagbado (Moshalashi Bus Stop).

IYANA IPAJA
Accion Microfinance Bank Ltd
Shop 46, Block F, Iyana Ipaja market
Iyana Ipaja.

Our Customer's Story

Sango , Ogun State

Ariyo Bolaji Kenny
Customer, Sango Branch, Ogun State

School Proprietress.

"This is my 2nd Loan with Accion Microfinance Bank. The 1st loan I used to upgrade my school and with this current loan, I acquired a school bus.
Before now, the old bus was always breaking down on the road, thereby making my pupils to resume and close late." I appreciate Accion Microfinance Bank.