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Annual Report 2018

ACCION
Microfinance Bank

Leveraging Financial Technologies For A Brighter Future

Changing Lives Through Digitization

Accion Microfinance Bank Annual Report/Financial Statement 2018

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 standards.

Values

Integrity

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

Customer Service

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

Leadership

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

Innovation

Ours is a creative team determined to generate new products, services and processes that lead to 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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Corporate Information

BOARD OF DIRECTORS:	Mr. Patrick Akinwuntan	Chairman
	Mr. John Fischer	Vice Chairman
	Mr. Taiwo Joda	Managing Director/CEO
	Mr. Wolfgang Bertelsmeier	Non - Executive Director
	Mr. Akinsowon Dawodu	Non - Executive Director
	Mr. Prateek Shrivastava	Non - Executive Director
	Mr. Christian Ruehmer	Non - Executive Director
	Mrs. Adenike Laoye	Non - Executive Director
	Dr. Olusegun Aina	Independent Director
	Mrs. Habiba Balogun	Independent Director
	Mr. Olumide Obayomi	Independent Director
MANAGEMENT	Mr Taiwo Joda	Managing Director/CEO
	Mrs. Nwanna Joel-Ezeugo	Chief Commercial Officer
	Mr. Cyriacus Onyekwere	Chief Finance Officer
	Mr. Ndubuisi Onuoha	Head, Savings, Value Chain & Partnerships
	Mr. Waheed Fagbenro	Head, Risk & Internal Control
	Mr. Stephen Olalere	Chief Compliance Officer
	Mr. Emeka Uzowulu	Head Business & Product Development
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.

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

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

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

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

ALUKO & OYEBODE

www.aluko-oyebode.com

ACCION MICROFINANCE BANK LIMITED

NOTICE OF 13TH ANNUAL GENERAL MEETING

Notice is hereby given that the 13th Annual General Meeting of **Accion Microfinance Bank Limited** will be held on Thursday, the 23rd day of May 2019 at Radisson Hotel (formerly 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, 2018 together with the Reports of the Directors and the Auditors thereon.
2. To declare a dividend
3. To re-elect Mr. John Fischer, Mr. Olusegun Aina and Mrs. Habiba Balogun as Directors of the Company.
4. To ratify the appointment of Mr. Wolfgang Bertelsmeier 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 2019 financial year be and is hereby approved"

By Order of the Board

Aluko & Oyebode

ALUKO & OYEBODE
COMPANY SECRETARIES

ALUKO & OYEBODE
Company Secretary
Lagos
Nigeria.
5th April, 2019

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.

1 Murtala Muhammed Drive
Ikoyi, Lagos, Nigeria
P.O. Box 2293, Marina, Lagos

T +234 1 462 8360
E ao@aluko-oyebode.com

"At the heart of our strategy is continued investment in our physical footprints, building fit for purpose technological architecture and growing the required strategic partnerships that we believe would enable us to be competitive across the market segments we serve".

Patrick Akinwuntan

Chairman, Accion Microfinance Bank Limited

Chairman's Speech

Dear Shareholders,

The year 2018 marked another impressive performance by our bank - Accion Microfinance Bank in the transformation of lives through financial and economic inclusion for the economically active poor in Nigeria. We have done this through the provision of focused financial service offerings that address the peculiar needs of low-income earners and micro enterprises; the majority of whom are excluded from formal finance. It is against this background that I am pleased to present to you, on behalf of the Board of Directors, Accion Microfinance Bank's annual report for the year ended 31st December 2018.

Economic Environment

The year witnessed a reinforcement of the growing importance of services which bolstered growth in the economy. The sector accounts for about half of GDP, dwarfing the 10% from oil and 22% from agriculture. The real GDP growth was an estimated 1.9% in 2018, reflecting a recovery in the services and industry. This stabilized the general price level and sustained the MPR at 14% throughout the year.

On the macroeconomic front, the delay by parliament in approving the 2018 budget affected implementation and increased fiscal uncertainty by pushing the bulk of spending to the second half of the year. But due to oil revenues, a value-added tax on luxury items, and a tax amnesty, the fiscal deficit narrowed in 2018, financed mainly by public debt.

The 2018 EFInA Access to Financial Services survey findings, revealed that 36.8% of the adult population in the country, are financially excluded. This translates to a population of 36.6 million adult Nigerians who are excluded at the moment, with 44.1% male and 55.9% female respectively. Our task is to be the destination financial services company to provide relevant and bespoke financial product offerings to reduce this yawning gap and thereby transform lives and communities.

2018 Financial Performance

In 2018, our bank delivered another impressive performance in our double bottom-line goals of social impact and sustainability. We impacted the lives of our customers very positively as our active borrowing clients grew by 16%, from 39,036 in 2017 to 45,151. Similarly, our total loan portfolio grew by 16%, from N7.62 billion in 2017 to N8.85 billion in 2018. Total loan disbursement in the period also grew by 21.4%, from N19.13 billion in 2017 to N23.22 billion. Our total number of accounts also grew significantly from 282,057 in 2017 to 406,807 representing growth of 44.2%. The number of savers grew from 166,795 in 2017 to 253,523 i.e. 52% growth as of December 2018.

We grew profit after tax to N1.05 billion in the year, up from N809.76 million in 2017 representing a strong 30% growth. Return on equity closed at an impressive 23% compared to 20% in 2017; shareholders funds grew to N4.61 billion against N3.91 billion in 2017, a growth of 18%. This clearly depicts demonstrates the effective deployment of the capital provided by our shareholders. We continue to actively manage our capital base to cover risks inherent in our business, closing at a strong capital adequacy ratio of 50% as at December 2018 as against the regulatory requirement of 10%.

The above quality performance was made possible by the resilience of the Board, our people and on the strength of our diversified product offerings shaped by customer preferences. But more importantly, we have a deliberate focus on improving and transforming the lives of the low-income earners and micro-entrepreneurs, to enable them to grow their businesses, and support their families and communities.

Chairman's Speech Cont'd

In furtherance of our social impact and financial inclusion goal, we had a significant leap in our reach in the year growing to 80 locations in 11 states in 2018 compared to 62 locations in 6 states in 2017. We are optimistic that this growth would impact positively our business in the coming years, thanks to our development partners, the EFInA that supported part of this growth through their financial inclusion campaign grants in the period.

Leveraging on technology

At the heart of our strategy is continued investment in both our physical footprints and technology, and growing strategic partnerships that we believe would enable us to be efficient and competitive across the market segments we serve. The idea is to create nimble operating models and capabilities to drive cost-effective financial inclusion. 2018 witnessed significant investments in our core banking system upgrade and in strengthening our capabilities to deepen financial inclusion leveraging on digital and communication technology.

In 2018 we commenced the upgrade for our T24 core banking system from version R10 to R16. This upgrade was completed successfully in March 2019, and we are confident that with its superior functionalities and cutting-edge product offerings we would be able to greatly enhance turnaround time for deal processing, reporting and offer delightful customer experience to our customers. The implementation of our digital transformation strategy in combination with our branch and agent network in the coming years will ultimately deliver an unmatched customer service experience that will lead to sustainable growth and enhanced shareholder value. We shall continue to improve our banking solutions to make it easier for our customers to enjoy unparalleled service experience under our signature theme, "My Future is Bright".

Corporate Social Responsibility

Accion Microfinance Bank is dedicated to meeting the 3P's triple bottom line criteria of people, planet and profit, making us a socially responsible entity. Accion Microfinance Bank has undertaken several initiatives towards the preservation of our environment. Through its Solar Loan program, Accion MfB collaborated with Green Light Planet (GLP) among other Solar system service providers, to enable its customers to have access to environmentally friendly lighting products to boost their businesses and have extended lighting in their homes for their children's education. In the same year, the use of heavy-duty generators for electricity back up was significantly scaled down and hybrid Solar powered energy solutions were adopted which further reduced environmental pollution. Furthermore, through our housing loan program in collaboration with the Central Bank of Nigeria, Accion Microfinance Bank is dedicated to providing affordable, and well-constructed homes that confer dignity and pride to our customers and their families. This program gives free technical building advise to all interested clients who are either building or renovating their existing properties.

Our People

We value our employees as our people represent our most important asset. We pay full attention to their welfare while creating an environment that supports productivity. Several programs and activities were implemented within the year to enhance performance and build the team. One of the most outstanding programs we have is the recruitment and retaining persons who are physically challenged but possess invaluable unique experiences and talent that foster innovation and new ideas while contributing to a culture of warmth and true inclusion. To this effect, therefore, the Board through the Ethics and Governance committee approved rewards to some of our long serving and well performing physically challenged staff in Accion MfB. This further underscores our existence, in making life better not only for our clients, but also for staff, and with an all-inclusive spirit.

Chairman's Speech Cont'd

Regulatory Environment

During the year, the Central Bank of Nigeria required Banks to implement IFRS 9 Accounting Standard issued by the International Accounting Standards Board (IASB) effective January 1, 2018. Accion MfB Limited was among the first Microfinance Banks to implement the standard. Though IFRS 9 has had a significant impact on the capital of most financial institutions, the impact of Accion was strongly moderated by the Bank's existing strong credit management practices. For instance, the Bank was already applying 2% provision on its performing risk assets compared to the prudential rate of 1% for such assets. In the circumstances, there was already enough headroom within our risk provisioning.

The Central Bank of Nigeria recently issued a new capital requirement of N5 billion for National Microfinance Banks effective April 2021. From our track record of performance, we are confident Accion MfB Limited has the capacity to meet this requirement through organic growth in 2019 ahead of regulation.

Over the years, the Bank has built a culture of strict regulatory compliance through consistent scaling up of its risk, compliance and reporting practices. Staff are imbued in the Bank's core values of Integrity, Customer service, Leadership, Innovation and Teamwork (ICLIT). We shall continue to sustain our strong standing with the regulators.

Corporate Governance

During the year, we continued to augment the skills and experience within the board. Strong management and corporate governance continue to be key pillars of Accion MFB. The various board committees continued to play a vital role in supporting the board and management to discharge their duties. The subcommittees also continued to be guided by the regulatory framework including risk management and prudential guidelines.

Appreciation

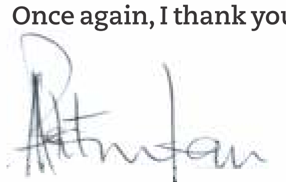
In compliance with best governance practice, this is my last AGM as Chairman of the Board. It has been a rare privilege and honor to lead such a team of dedicated colleagues on the Board from inception to date. I must express my deepest gratitude to God and to each and every stakeholder for the outstanding successes recorded by our Bank throughout the past 12 years.

During this period, we have operated in a calm, focused and cordial environment where every opinion is valued and respected. I thank every member of the Board for outstanding support and commitment over the years. I appreciate and value the dedication and professionalism of the both Managing Directors and every member of management and staff that served during my tenure. I conclude by expressing my deep appreciation to each of our customers, partners, regulators and gentlemen of the press whose collaboration and faith in Accion Microfinance Bank has propelled us to become the bank of choice that we are today in the Microfinance space.

We have an orderly succession plan which ensures continuity and smooth transitioning in line with global best practice. I am confident that we have built a strong foundation on which our bank will continue to soar to the delight of all our stakeholders and ensuring that the future remains bright for us all.

I am confident that we will deliver even more in 2019 and continue to create a brighter, better future in the long term.

Once again, I thank you.



Patrick Akinwuntan
Chairman
Accion Microfinance Bank Limited

Board of Directors

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

Patrick Akinwuntan
Chairman

John Fischer
Vice Chairman

Taiwo Joda
Managing Director/CEO

Wolfgang Bertelsmeier
Non-Executive Director

Akinsowon Dawodu
Non-Executive Director

Prateek Shrivastava
Non-Executive Director

Christian Ruehmer
Non-Executive Director

Adenike Laoye
Non-Executive Director

Olusegun Aina
Independent Director

Habiba Balogun
Independent Director

Olumide Obayomi
Independent 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

Adenike Laoye
Member

Risk & Investment Committee

John Fischer
Chairperson

Christian Ruehmer
Member

Nneka Enwereji
Member

Taiwo Joda
Managing Director/CEO

Channels & Technology Committee

Olusegun Aina, OFR
Chairperson

Prateek Shrivastava
Member

Habiba Balogun
Member

Christian Ruehmer
Member

"We increased our outlets from 62 in 2017 to 80 in 2018 with new outlets in new states - Ondo, Edo, Akwa Ibom, FCT and existing states. Our huge investment in ICT infrastructure is already having a significant impact on our Customer service delivery in the new year."

Taiwo Joda

MD/CEO, Accion Microfinance Bank Limited

Managing Director's Report

Sustaining Market Leadership & Changing lives through Digitization

I am delighted to welcome you to the 13th Annual General Meeting of Accion Microfinance Bank limited and present the Bank's scorecard for the 2018 financial year.

During the year under review, our strategic focus on growing our customer base exponentially through the use of appropriate technology and channels in the most efficient manner in line with our mission and vision paid off.

There is no gainsaying that the 2018 financial year was a challenging year for the country. Although there were a lot of issues during the period, it is pertinent to note that three major issues were of great concern. They are politics, economy, and security. The political environment witnessed increased activities resulting in series of alignments and realignments by political actors with focus on shoring up support (and undermining opponents) in preparation for the commencement of electioneering activities for a tenure change. These activities resulted in lesser attention to economic issues bordering on more prudent policy reforms and other critical aspect of the economy. However, in the face of harsh business environment resulting from the adverse effects of the above factors, we successfully weathered the storm and recorded growth across key financial indices and reaffirmed our position as a leading and well managed Microfinance Bank in Nigeria and Africa as a whole. We sustained and made a remarkable progress in our digital strategy implementation, thereby accelerating our service turnaround time to our customers and enabling us to deliver products and services to our customers in an efficient manner towards making their future bright indeed. This also enabled us impact positively in the financial inclusion drive in Nigeria. We also continued our Corporate Social Responsibility (CSR) programs in our host communities including the distribution of educational materials to various schools in the areas we operate.

Delivering on your Growth Mandate

It is interesting to note that despite the observed challenges, we made a significant progress in 2018 when compared to 2017. We contributed positively to the overall deepening of financial inclusion in 2018 in the country when compared to previous years through our digital transformation strategy. According to the Enhancing Financial Innovation & Access (EFInA) 2018 Access to Financial Services in Nigeria report, a total of 2.6 million more embraced financial services during the year. The results revealed that 39.5 million adults (39.7% of the adult population) have a deposit money bank account. This represents an increase of 2.6 million adults, from 36.9 million in 2016. During the year, the formally included segment increased from 46.9 million adults in 2016 to 48.4 million adults in 2018. The number of adults relying on informal mechanism ONLY increased significantly from 9.4 million in 2016 to 14.6 million in 2018.The findings also revealed that 36.6 million adults, representing 36.8% of the adult population, are now financially excluded as against 40.1 million Nigerian adults representing 41 per cent in 2016.

We increased our outlets from 62 in 2017 to 80 in 2018 with new outlets in new states - Ondo, Edo, Akwa Ibom, FCT and existing states. Our huge investment in ICT infrastructure is already having a significant impact on our Customer service delivery in the new year.

Managing Director's Report Cont'd

In 2018, we disbursed a total of N23.22bn in loans bringing the accumulated loan disbursement from inception to date to N104.5bn. This indicates a growth of 21.4% when compared to N81.2bn in 2017. In the same vein, cumulative number of loan disbursed closed at 440,406 from 336,764 in 2017 indicating an increase of 31%. Active clients closed at 45,151 indicating a growth of 16% compared to 39,036in 2017. In the same vein, total active portfolio grew by 16% from N7.62bn in 2017 to N8.85bn. While we sustained the feat of above N1bn mark in profitability before tax from N1.38bn in 2017 to N1.55bn during the period, we also crossed the N1bn mark in Profit after tax by 30% from N809.76m in 2017 to N1.05bn in 2018. Total Assets stood at N11bn grew 26% when compared to N8.75bn in the previous year. On the other hand, deposits also grew by 15% from N2.44bn in 2017 to N2.81bn. The number of depositors/savers and accounts grew by 49% and 44% respectively owing to our efforts at deepening financial inclusion through new and existing outlets in the Nigerian market during the year under review. Total staff strength including support staff closed at 1,367with Core staff at 903 from 889 in 2017. The Portfolio at risk (PAR) closed for both PAR>1 and PAR>30 at 10.5% and 7.1% respectively as against 9.92% and 7.02% respectively in 2017. We will continue to introduce measures to address this and drive down the portfolio at risk.

In line with our determination to continually provide easy access to our clients, we deployed various initiatives in this regards during the year. This also enabled us to onboard new clients using our E-channels (ATMs & POS) and Agency banking business. Cumulatively, the number of ATM cards issued to our customers closed at 72,768 as at December 2018 while the number of the bank's active agents closed at 204. The deployment of the Digital Field Application (DFA) & Electronic digital management system (EDMS) also impacted positively on our service delivery in 2018.

We also upgraded our core banking application to the new R16 model of T24 to serve our customers better while also deploying other ICT Customer-centric initiatives. Some of these include the upgrading of the NIBSS Instant Payment (NIP) platform for better performance.

Doing more for our Customers and Communities

As a way of giving back to the society, the Bank embarked on various initiatives and projects during the year. In recognition of the value we place on our clients, the Bank provided assistance to some of our key special clients living with disabilities. This include the provision of business enhancing tools and payment of tuitions fees for the children of one of the clients. Also, early in the new year the Bank marked the commemoration of the International Women's day celebration with the theme, "balance for better" by acknowledging the struggles of some of our good widowed clients who despite the loss of their husbands, have been able to phenomenally do business, take care of their households, and take their Children through school through the support of Accion Microfinance Bank. In doing this, the Bank provided a medical cover of N1m to 10 widows(Clients). This gesture was aimed at supporting these mothers by taking off the burden of paying medical bills and focus on further growing their businesses and improving quality of life for their families. In recognition of the above and our business strategy, the Bank won several awards to its credit. These include Outstanding, Innovative and Best Microfinance Bank of the year by Prestige International Magazine, LEAD Grand Award for Distinction in Microfinancing by LEAD Project Africa, Lagos just to mention a few.

Managing Director's Report Cont'd

Building The Bank of the Future

In line with the saying that the customer remains the King, we are committed to our digital strategy implementation in line with the changing business environment. Our aim is to delight our customers and make financial services affordable, simple and readily available to everyone via our channels. The bank is also deploying its mobile application to enable banking on the phone by our clients while also increasing support to the USSD code *572# and upgrading the DFA for easy cash collection for our customers convenience. We are also deploying direct sales agents and continue to fine-tune the agency banking strategy of the Bank to make loan collection, savings and delivering of other banking services convenient for our clients. Furthermore, the draw down of the grant from the Enhancing Financial Innovation & Access (EFInA) to drive and deepen financial inclusion and boost our national expansion drive in the Northern part of Nigeria especially for Women commenced in the year under review and is currently impacting positively on the objectives of the grant. This will enable us extend to some key states in the Northern part of the country in 2019.

I am also happy to inform you that your bank is the first bank in Nigeria that MasterCard and Accion international will adopt into its 'Merchant Accelerator Program' after a rigorous selection process. The partnership will enable us attract subject matter experts especially but not restricted to the areas of data science, digitization, technology and agent recruitment to mention a few. Talks are also on to have an exchange program with some of our staff that have excelled on the job. The arrangement is expected to enable a seamless achievement of our digital strategy and create value for our customers. As part of measures to serve our Customers better and harness the benefits of centralization and promotion of our brand, we have acquired a head office property in a choice location in the city and will be moving into it in the new financial year.

I therefore use this opportunity to appreciate and dedicate the achievements during the period under review to our clients who are the reason for our existence. I also want to appreciate our staff who have continued to live up to the clear vision and mission of the Bank and have continued to set for ourselves ambitious aspirations. Through commitment and hard work, our achievement every year has been amazing. This is why I am so proud of our people and always motivated to reciprocate all the time. While we always try to focus on what we could do better, we also try to make sure work is fulfilling by taking out time to celebrate our successes and have fun together. One of these include our Staff football tournament that brings staff and their families together to support the teams representing each area of the Bank. This, alongside several other staff bonding initiatives have helped to inspire and motivate our people to continue to give their best to the Bank.

I am also using this medium to recognise and appreciate the support of our Board of Directors for their continuous guidance and direction during the year. My hopes are high that with the continued support of both our Customers, Staff and Board of Directors, the achievement of our 2019 goals will be seamless and better.

Thank You for your continued trust.

Taiwo Joda
Managing Director/CEO
Accion Microfinance Bank Ltd.

Introducing the Team

Management Team

Taiwo Joda
MD/CEO

Nwana Joel-Ezeugo
Chief Commercial Officer

Cyriacus Onyekwere
Chief Finance Officer

Waheed Fagbenro
Head, Risk & Internal Control

Stephen Olalere
Chief Compliance Officer

Ndubuisi Onuoha
Head, Savings & Value-chain Business

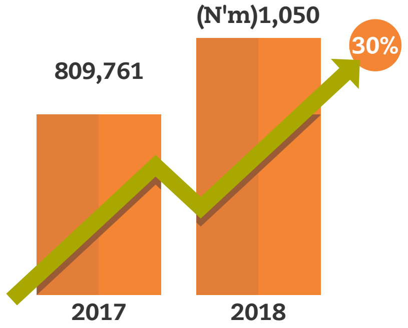
Emeka Uzowulu
Head, Business & Product Development

Financial Highlights

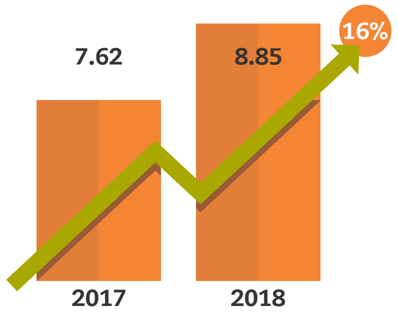
RETURN ON EQUITY

2017	2018
20%	23%

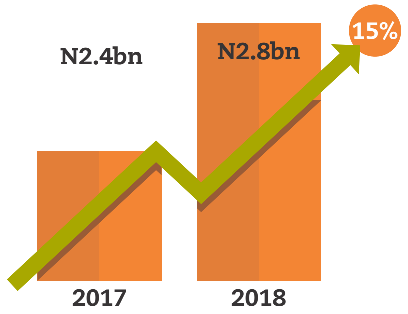
PROFIT AFTER TAX



PORTFOLIO GROWTH (N)



DEPOSITS



2018 DISBURSEMENT

	Number of Savers	Number of Loans Disbursed	Total Loan Disbursed
2018	253,523	103,642	23 billion (N)
2017	166,795	57,980	19 billion (N)
	52% GROWTH	79% GROWTH	21.4% GROWTH

Report of the Directors

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, 2018.

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 N1,209,769,700 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 other 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:

	2018 ₦'000	2017 ₦'000
Profit before taxation	1,554,973	1,378,586
Taxation	(504,836)	(568,825)
Profit after taxation	1,050,137	809,761
APPROPRIATION:		
Transfer to Statutory Reserve	131,267	202,440
Transfer to Regulatory Risk Reserve	175,668	
Transfer to General Reserve	743,575	607,321
	1,050,137	809,761
Earnings per share – Basic (kobo)	87	66
Dividend Per Share - Proposed (kobo)	25.00	24.89

Proposed dividend

The Board of Directors recommended a dividend of N302,442,425 for the year ended 31 December 2018 (31 December 2017: N303,634,155). Withholding tax will be deducted at the time of payment.

Report of the Directors

Directors and their interests

The directors who served during the year were as follows:

Mr. Patrick Akinwuntan	Chairman
Mr. John Fischer	Vice Chairman
Mr Taiwo Joda	Managing Director/CEO
Mr. Wolfgang Bertelsmeier	Non - Executive Director Appointed (25/05/2018)
Mr. Akinsowon Dawodu	Non - Executive Director
Mr. Prateek Shrivastava	Non - Executive Director
Mr. Christian Ruehmer	Non - Executive Director
Mrs. Adenike Laoye	Non - Executive Director
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, 2018 and their respective shareholding are as follows:

Owners of the Bank

Name of shareholder	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	3,936,015	0.33%
	1,209,769,700	97.65%
Issued but unpaid- Stanbic IBTC trustees	29,103,271	2.35%
	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 19 to the financial statements.

Report of the 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, 2019

Statement of Directors' Responsibilities

For the preparation and approval of the Financial Statements

The Directors of **Accion Microfinance Bank Limited** are responsible for the preparation of the financial statements that give a true and fair view of the financial position of the Bank as at 31 December 2018, 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 ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- preventing and detecting fraud and other irregularities.

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

The financial statements of the Bank for the year ended 31 December 2018 were approved by Board of Directors on March, 2019

On behalf of the Directors of the Company

Patrick Akinwuntan	Taiwo Joda
Chairman	***Managing Director/CEO***
FRC/2013/ICAN/00000002861	FRC/2018/NIM/00000018093

SOCIETY FOR CORPORATE GOVERNANCE NIGERIA

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

BOARD EVALUATION REPORT FOR THE BOARD OF ACCION MICROFINANCE BANK LIMITED

EXECUTIVE SUMMARY

The Society for Corporate Governance Nigeria was invited to conduct an independent evaluation/assessment of the Board of the Accion Microfinance Bank Limited for 2018.

Below is a summary of our findings:

Accion Microfinance Bank Limited established in 2006, Accion Microfinance Bank Limited is registered with Corporate Affairs, Nigerian and licensed by the Central Bank of Nigeria. The Board is composed of highly experienced individuals with diverse backgrounds and are conversant with their oversight functions.

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

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 Communication both in the Board and Committees. Also, Directors' knowledge and understanding span across their diversity, experience, resounding knowledge of the business, financial and economic environment. Interviews held with the Directors also revealed the level of thoroughness that goes into every decision taken and every policy generated.

The company has a comprehensive Governance Manual, Board Channels & Technology charter, Audit and Compliance committee charter, Ethics and Governance committee charter, Directors' Conflict of Interest Policy and Whistle Blowing Policy.

All the policies were sighted and assessed for content and relevance and were found to be way above average.

In view of this, we rate the board **'excellent' (98.2%)** in regulatory compliance and transparency.

In our opinion, the Board takes its oversight functions very seriously and is committed to the business of the company. 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.

In the period under review, the Board met four (04) times. The Risk and Investment Committee met three (03) times, the Ethics & Governance Committee met three (03) times, the Change and Technology Committee met two (02) times and the Audit and Compliance Committee met three (03) times each during the year.

In as much as 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 2018.

For: **SOCIETY FOR CORPORATE GOVERNANCE NIGERIA**

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

2018 Financial Inclusion Seminar - Picture Highlights

The 2018 flagship Financial Inclusion event ; ***"Digitization as a tool for deepening financial inclusion, the role for regulation"*** welcomed over 250 thought leaders and practitioners in the industry. In attendance too, were global experts in the digital finance space that shared contemporary views, use cases and insights.

Our Customer's Story

From one small loan to three shops: One entrepreneur's journey

Printing paper salesman branches into car sales, real estate thanks to loans from Accion Microfinance Bank

It all started with paper. Sitting in front of a tall stack of giant white sheets of printing paper, Nigerian entrepreneur Moses recounts his early struggles to launch his own business. He tried borrowing money from his boss, but it wasn't enough to get started. Then, in 2012, a friend told him about Accion Microfinance Bank.

"I got my first shop by collecting money from them," he says. "I started with 150,000 naira (just over US$400). Now they give me up to 1.7 million (approximately US$4700). I used to be squatting with someone, now I have three shops," he adds.

He hasn't stopped there — he's using his profits to expand into other business opportunities. "I have a car business where I buy and sell cars. I also have a house that I lease to tenants. I have property all over, thanks to Accion Microfinance Bank," he says.

With the growing businesses, he's also been able to invest in his own family. He's since married and he and his wife are raising two children — the older of whom has now started school. He's helped one of his brothers finance real estate purchases of his own in their home village, and paid for university tuition for two others.

He's grateful for the role his bank has played in everything he's done so far, and he looks forward to working with Accion Microfinance Bank for years to come. "God is really with them, and I pray he continues blessing them. I won't leave them, because of how they have impacted my life," he says.

Our Customer's Story

How An Accion Client, has been able to use his Success to support the community.

> Now I see [their bank branches] everywhere," he says, adding, "The technology has helped a lot. Before if I wanted to get a loan, I had to go to the bank and wait for a long time. Now they can just transfer the money into my account and message me to remind me to pay my loans. It makes it easier and quicker to get loans and access funds.

Through his partnership with Accion Microfinance Bank, Dr Akinpelu has grown his business and is able to help more people in need

Dr. David Akinpelu is an accomplished man. He's earned four degrees, is both a doctor and a lawyer, and as proprietor of his own private hospital in Lagos, he's also an entrepreneur. Accion Microfinance Bank (Accion MfB) has been a key part of his business's success.

He first heard of Accion MfB a decade ago, through a friend, and received his first loan, in the amount of 500,000 naira (approximately US $1,400) in 2009. Over the following years, he has built up his business and his creditworthiness, to the point that his most recent loan was ten times more than his first. When asked how he's spent that money, he smiles and gestures at the room around him. "We've bought equipment and machines, we changed our ward, we changed the look of the hospital and the reception area, we bought brand new beds from America, we installed air conditioning, we got a new X-ray machine," he says. Leading a tour of the facility, he points out clean new gurneys and mattresses, and equipment he's purchased.

A father of four, Dr. Akinpelu is committed to sharing his success with the community around him. "I'm a community man," he says. "Many people see this hospital as their own community hospital. If I see someone really can't afford something, then I also sometimes do things free of charge to help them," he adds.

"When you improve your business, it will improve every other aspect of your life. When Accion helps me improve my business, they improve my life," says Dr. Akinpelu. There's even a ripple effect that goes beyond just Dr. Akinpelu. Every vulnerable patient that he helps — even when they can't afford to pay — has their life enhanced. So, by advancing his business, he hasn't just improved his own life — he's benefited his whole community.

Our Customer's Story

The journey is so good and so sweet.

Accion Microfinance Bank helped Ayodele Magret O. to succeed.

Ayodele Magret O's entrepreneurial journey has been about learning — learning how to manage her finances as a small business owner, learning how to network and build her business' reputation in the community, and giving her three children a chance to learn as much as they can in school.

Ayodele started her bookshop in Lagos with just a few books, and she has gradually built it into a thriving bookstore. Along the way, she's taken out loans from Accion Microfinance Bank to acquire new inventory and manage income flows.

Accion Microfinance Bank is a leading provider of financial services to microentrepreneurs like Ayodele in Nigeria. Nearly 7 in 10 of the bank's customers are women. Having access to financial services empowers women to be more autonomous — better able to control their personal finances, support their families, and remain resilient.

For Ayodele, the financial support that helped her grow her business also helped her fund her children's educations. From her oldest son who's at university in Canada to her youngest daughter who's just beginning her journey at a private primary school, Ayodele's children are making their mother proud.

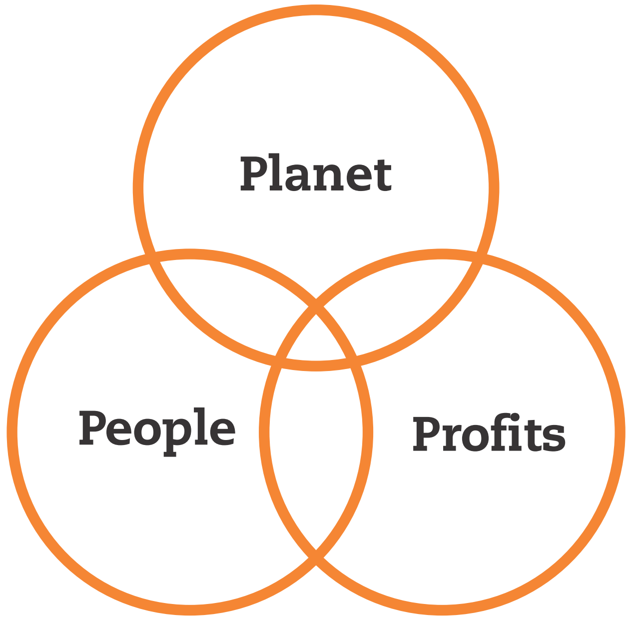
Ayodele's next plan for her family is to build a house. That way, no matter how far her kids go in life, they'll always have a place they can call home with the mother who made it all possible.

Corporate Social Impact 2018

Corporate Social Impact - 2018

Accion Microfinance Bank, enriching lives through an interconnected business philosophy of Planet, People and Profits.

As a leading National Microfinance Bank in Nigeria, at Accion Microfinance Bank our commitment to creating a brighter future for our most valued customers is demonstrated by not only our financial performance but on what we do to achieve our bottom-line, the activities we do in the communities where we work, and the people whose lives we touch. We view our business, our society and the planet as being interconnected. This is what defines our approach to Corporate Social Responsibility (CSR). It's summarized by the "Three P's"– balancing between Planet, People and Profit. This principle consists of attaching equal importance to financial profitability as well as the Bank's social and environmental impact.



Our Impact on the Planet

- **Providing Less Privileged Children with back to School Bags**

  Lagos, Nigeria's most populous city of over 20 million people, produces up to 10,000 metric tons of waste every day. Nylon and plastic waste form part of the total waste generated in Lagos state. This uncollected waste leads to clogged waterways and unsightly heaps of trash that often line up the streets. School children use nylon bags to carry their books and lunch pack.

In its resolve, towards operating in a cleaner environment, Accion Microfinance Bank distributed 3,428 number of leather school bags to school children in 10 schools, within Lagos and Oyo. Besides providing school children with bio-degradable school bags. Among the School Children that benefited from the back to school initiative, were those who were physically challenged and being taken care of within specials schools. In 2019 these initiatives have been taken to more states, where Accion has a physical presence.

Corporate Social Impact - 2018

- **Climate Friendly Branch Expansion Policy**

  Replacing High powered generators in nearly 80 Accion MFB branches, with Solar power. Two of the 17 Sustainable Development Goals adopted by the United Nations: are to ensure access to affordable, reliable and modern energy for all by 2030, and to take urgent action to combat climate change and its impact. The alarming mass generator dependency to run business operations exposes communities to harmful emissions of greenhouse gases.

  In 2018, Accion MFB implemented an energy efficient policy, by reducing the reliance on generator back-up power inall its branch outlets to Solar systems. This allowed for a continued climate efficient expansion in to 12 states with over 80 branches nationwide running on Solar as backup power.

- **Moving Towards a paperless organization**

  Accion MFB is geared towards having a paperless environment as a move to reduce the pressure on deforestation. As far back as 2016, Accion MFB established a centralized back office for all its loan approvals, leveraging on the use of Electronic Notepads by its loan officers. This drastically reduced the dependence on the use of paper files, and other client forms for loan applications as this can now be electronically done over the electronic notepads. Further it's now possible to process a loan within two days which originally could take a maximum of two weeks.

Our Impact on the People

We measure our success by how we positively impact people, society, and the planet. Accion MFB has served nearly a million clients since it commenced in 2007, but the fact remains that hundreds of millions of people around the world, especially in Nigeria, still lack access to financial services. Throughout Accion Mfb's history, we have always worked in places that others deem too hopeless or too dangerous. Our staff continue to provide inspiration, energy and vital support to the people we target and the communities we serve.

₦12.6m
Total Disbursements

68
Disbursements to PLWD's Since 2015

People Living with Disability-From Vulnerability to Resilience

Creating a Brighter Future for Persons Living with Disabilities- PWLD Loans.

Among the financially excluded, Accion MFB targets, are the physically challenged. These would perpetually remain vulnerable unless the relevant interventions are made. The World Bank reports that one billion people, or 15% of the world's population, experience some form of disability. Persons with disabilities are more vulnerable to adverse socio-economic shocks than those without. Through its Persons With Disabilities Loan, Accion Microfinance Bank has been able to disburse 68 loans to persons living with disabilities, since this program was launched in 2015.

Our PLWD Loan Clients

Mrs Faniyi Oluwatoyin, 57, is one of our PLWD customers.

In October 2009, she had a motor-accident, that affected both her legs and after spending 6months in hospital she couldn't return to her teaching job. She now moves with the support of a wheel chair. She became financially stressed, after spending all her savings on medical bills.In 2017, a friend introduced her to Yemi, an Account Relations Officer at Accion MFB and she received a tiny loan of N 80,000 from Accion MFB under the PLWD loan product, that helped her resume her business of selling biscuits, sweets and drinks. Today, in her 3rd cycle, she took a loan of N 250,000, enabling her to expand her business further and restoring hope to her life. She now plans to expand her shop to a much bigger business place, buying a bigger deep freezer, a generator to chill her drinks and saving towards having a surgery to solve her walking disability. Asked if she needs any kind of support, Mrs Oluwatoyin asks for a generator a tool for boosting her business.

Mr. Udeze Dennis, middle aged, and a visually impaired owner of a liquid soap making home based cottage business

Dennis, started experiencing sight challenges in 1994, when an impairment in the left eye, spread to the right eye, and later completely lost his sight. Dennis explored different options for a cure. He visited clinics, specialists and tried herbal methods, but all in vain. Dennis, used most of his resources at the time to seek for a cure. "One time", he tearfully narrates, "i was almost hit by a car while crossing the road at Ikeja and this became my turning point." Its after this incident that he accepted his blindness

In December, 2016 after receiving a talk from one of the Staff in Accion Mfb at "The Center for the Blind", Dennis was excited about the low interest rate and other benefits of the product and decided to try it as he had never been financially supported by any other Bank. His first loan was N50, 000 which was put into his liquid soap making business.

Now in his fourth cycle, he currently has a loan of N 100,000. His business that started small and was only selling in small bottles has grown and he sells in 25liters with customers calling him for pickup or delivery.

Dennis who used to depend on his younger brother for rent, paying for household bills, etc, now supports himself. He now conveniently pays his rent, pays his children's school fees, accesses better health care and meets other household bills. He is happy he no longer depends on his brother.
Dennis has steadily improved his business, ever since he joined Accion MFB, from using plain bottles to the use of branded bottles with the name of his company DIB which sweetly are the initials of him, his wife Bisi and their first child Isaiah. He now runs his business with his wife who also happens to be visually impaired too, thus creating an employment opportunities for her.
Asked if he needs any kind of support, Dennis looks towards seeing two sons get a standard education.

Being Ourselves and Contributing with our uniqueness is a shared value

At Accion MfB, we believe that each of our employees is uniquely talented and this diversity in knowledge and experience strengthens our creativity and supports our growth. We strive to have an all inclusive work environment where all our employees feel valued for their uniqueness, recognized for their diverse talents, and where they can be themselves.

This section presents some of our uniquely advantaged employees:

Constance Oshilim, Customer Service Officer, Ikeja
Constance is a graduate of Mass Communication.

Constance joined the Accion MfB family November 19th 2018. Prior to joining Accion, she worked as a call center representative. At the time, her movement was facilitated by a manually operated wheel chair. Today, Constance through the support of Accion MfB, she moves with the support of an automated Wheel Chair to perform her duties. She currently holds the role of customer service officer at our branch in Ikeja and has blended well with her team and thriving in her new role.

She merits this to her supportive team members and the Accion MfB Management team that ensured her resumption was smooth and equipped her with appropriate work tools to excel. Upon resumption, the Ikeja Branch was renovated to ensure her smooth accessibility and she was further empowered with an automated self-propelled wheel chair to assist her carry out her duties more efficiently.
Constance is unable to walk. She was not born with this disability. She developed it as a little child and since then has not been able to walk. She shared her story with the MD in one of his field visits.

Constance is happily married and says she's thrilled to be part of the Accion MfB Family.

Babatunde Enilolobo, Account Officer, Oke Odo Branch, Lagos

Babatunde joined the bank in 2014, as a group loan officer. He is now an Account Officer, at Oke Odo branch managing a Loan Portfolio of 35million comprising 200 active clients.
Babatunde, has leg length discrepancy. He walks with a limp. He explains that this happened as a result of an injection he received at birth. He often experiences pains in the legs due to pressure and walking long distances. In addition he gets spontaneously occurring pains in his legs, annually, which he manages by taking pain killers.

In recognition of his challenge, Babatunde works in a branch closer to his residence. He also sits on the first floor of the branch unlike the rest of the field staff that seat on the 2nd floor, to minimize his walking up the staircase.
He occasionally gets sessions with consultants seeking to correct this impairment, which is also one of his dreams. His immediate aspiration is to become a Commercial Supervisor.
His supervisor also supports Babatunde by granting him flexible leave days to enable him attend sessions with his consultants.
Babatunde may require a surgery and a special kind of support shoe to aid his walking

Tella Kemi Elizabeth, Idioro Branch, Customer Service Officer

Kemi, a person with sickle cell anaemia condition is a dedicated Customer Service Officer, CSO at Idi Oro Branch, in Mushin, Lagos. She joined the Bank in 2012 December as a teller and as a graduate, she was later redeployed to CSO.
Kemi is hardworking. On joining the Bank she served as a Teller, and later as CSO upon graduating. For some time in 2016 she also worked in Sango Ota Branch and later transferred back to Idi Oro Branch, closer to her home due to her health challenges. Besides working as a Teller and CSO, Kemi has worked at the Call Center too.

Kemi's work life has been fraught with health crises, that she has managed to overcome through her faith , resilience and conviction to work. She also appreciates the support Accion Mfb has provided during her low times.

In 2015, Accion MFB paid her medical bills to undergo a surgery from the Republic of Benin, and more recently she received cash support of N 1m towards her medical treatment. The support from Accion MFB has helped her have a fulfilling career and a glimmer of hope to living her life to the full.

Kemi dreams of the day she will recover from the pains in a leg and be able to walk without limping. She believes that with financial support, a surgical operation can help her realize this dream.

Our Products

Creating opportunities for the unbanked, through innovatve and custom centered service offerings

Nearly 36.6 million Nigerian Adults are both formally and informally excluded financially, as per the EFInA Report 2018. Powering communities and spurring economic growth always starts by equipping local entrepreneurs with the financial tools to sustain and grow their businesses. Over 50% percent of our clients are women with significant number of them being widows, who are working hard to ensure that their children are taken care of, and have access to a good education, by taking out business loans, having savings accounts, and becoming financially fluent through their daily interactions with the Accion MfB brand.

Loans to low-income entrepreneurs remain the core service provided by Accion MfB. Many of our clients have never before received credit from a safe, and legitimate lender. In 2018, we disbursed more than N100,000 loans, with an average disbursed loan size of N220,000 to hardworking low-incomeentrepreneurs in 12States of Nigeria. Of the 300,000 clients we have been able to reach since 2007, nearly 58% are women.

Microloans and Beyond

Although loans remain at the heart of Accion Microfinance Bank's services, we recognize that they are but one of an array of products that our clients require to manage their complex financial needs and livelihood. Therefore, we are always working to develop and offer additional products with the potential to improve our clients' quality of life. Some of these initiatives include the following:

- **Savings**
  Access to secure savings accounts can be life changing for our clients, so providing this transformative product to all of our clients is a priority for Accion MfB. Without a safe place to save, low-income entrepreneurs are often forced to store cash from daily sales in their homes or places of business, both of which can be unsafe and difficult to manage. Without the benefit of managing their funds remotely and electronically, low-income entrepreneurs must often travel great distances or spend disproportionate amounts of time to physically deliver relatively small payments to suppliers, utility providers, and landlords to keep their micro enterprises running. That is why Accion MfB is committed to giving our clients access to secure and convenient savings accounts. A promising indicator of our commitment to this goal is the 17 percent increase in 2018 of the amount of savings clients have in deposit with Accion MfB. To enable savings mobilization, we are undergoing digital transformations in partnership with MasterCard Foundation and EFInA to deepen financial inclusion to the excluded in Nigeria.

- **My Own Solar**
  Solar Microenergy loans allow clients to purchaseor lease clean electricity systems so they can create or expand small businesses. The systems also improve health and safety by eliminating the use of kerosene or charcoal. Through partnerships with Solar home systems service providers, Accion MFB now provides specialized financing for clients to buy solar-powered lamps, lanterns and radios.

- **My Home loan**
  Access to decent housing in low income households remains a critical challenge globally. During the year 2018, through a partnership with the CBN, Accion Microfinance Bank piloted the “My Home Loan” product, that enables its existing clients, have access to funds for home improvement. These funds can be used for constructing additional rooms, making utility connects to one's home and working on another home construction amenities. Since this partnership commenced, 250 beneficiaries have been registered with disbursements totalling over 400 million Naira.

- **People Living With Disabilities (PLWD) Loans**
  Persons living with Disabilities belong to the socially vulnerable communities the reason Accion Microfinance Bank exists. Most financial institutions may not wish to target this group of people, mainly to avoid the risk of identifying and handling that could increase the transaction costs of serving them. At the same time disabled people put themselves into 'benefit traps'; and negative confidence leads them to be non-productive. However since 2007, Accion Microfinance Bank has enabled nearly 56 physically challenged persons access almost 9.9 million Naira since 2007.

- **Credit life Insurance**
  Low income households do not have steady incomes, and this makes them vulnerable. Low-income families, including those Accion MfB serves, work hard to make a living, but many are just one serious illness or natural disaster away from sliding into severe destitution. This is where insurance becomes acutely important. Accion MfB has partnered with Insurance service providers to cover death of a borrower, destruction of the borrower's business in case of fire, burglary, and natural disasters. Loss of busines property through fires, burglary and or natural calamities besides the physical devastation, can be financially catastrophic for our clients. This is why Accion MfB provides has made arrangements for the credit life insurance.

Voices from the Field

Impact of our Products

Ezeh began his business selling car batteries, but as he explains, he's been able to start offering a wider range of products. He says, “With customers needing a lot of parts, now I sell parts as well. The loan has had a good impact by allowing me to expand to a second shop and sell two main items now.” Ezeh has also been able to hire employees to operate that second location.

Chief Moses Akintunde has been able to expand his restaurant with the loan he collected from Accion MfB. He said "When I started, all I had was a room, now I have extended it. I also have enough space for my customers. I have chairs so they can all fit inside. I have had times when we get very full and there's not enough space for everyone to sit, so they stand. So it is good." He's been so happy with his experience with Accion MfB, he recommends the services of the bank to others, he says.

Yusuf Omolara, who sells jewellery, says of Accion MfB, "They have really changed my life. When I met them, I was in my former shop, which was very small. I told them I needed money, and they gave it to me. I used the money to buy some rings. After I finished paying that loan, they increased it." Isuva has been with the bank for years now. "Once I've paid for the month, I get the next loan," she says, adding, "I'm thankful for Accion. I remember where I started. My children were in primary school then, now one of them is in university with Accion money. I love the people who work there, too. When I'm in trouble, my friends don't help me. Accion helps me every time!"

Wesley School of the Hearing Impaired, Lagos

UNA Primary School, Idi-Oro, Ekotedo Dugbe, Ibadan

Modupe Cole Memorial School, Lagos

Pacelli School of the Visually Impaired, Lagos

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 2018 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, 2019

Members of the Committee
John Fischer
Adenike Laoye

Voices from the Field

What do Clients say about our Technology

Promise, who has a business importing leather for making shoes and bags, has been an Accion MfB client for 11 years. He appreciates the new digital banking services it offers. For example, he says, the time it takes to apply for a loan has decreased dramatically. "Before, you waited for more than a week, and it would make you angry. But now I get it in three days," he says. The process has been simplified as well, he adds, saying, "I don't have a lot of paperwork anymore, because it's all done digitally."

Osholabi sells mattresses and furniture, and her time savings come from Accion MfB agents who come to her with mobile devices to help manage her loans. "Before I would sit for the whole day to try to apply for a loan, but I can get my loan on the same day now," she says, adding, "I can sign on the tablet, so I don't have to deal with paperwork anymore."

As the saying goes, "time is money." Accion MfB takes pride in providing its small business clients with both money and time. Says Osholabi, "The more money you have, the more you can do. Accion is really helpful."

Ezeh, who sells car batteries and parts, uses other digital features in running his business. "I can make payments on my phone now, and transfer to different people," he says, which has saved him a huge amount of time not having to go around to deliver and collect on invoices.

CORPORATE GOVERNANCE

Report for the Year Ended 31 December 2018

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.

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 2018 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 the day-to-day operation and administration of the Bank to the Managing Director/CEO and the senior management team who have executed these powers without undue interference while being accountable to the board for the development and implementation of strategies and policies.

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

The Board meets quarterly and additional meetings are convened as the need arises. In furtherance of the above roles, the Board met five (5) times during the year under review on the following dates: 12th January 2018, 16th March 2018, 25th May 2018, 16th August 2018 (Board Strategy Session), 17th August 2018 and 7th December 2018 as shown in the table below:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mr. Patrick Akinwuntan	Chairman	5	3
2.	Mr. John Fischer	Vice-Chairman	5	5
3.	Mr. Taiwo Joda	MD/CEO	5	5
4.	Mr. Olusegun Aina	Independent Director	5	4
5.	Mrs. Habiba Balogun	Independent Director	5	5
6.	Mr. Akinsowon Dawodu	Non- Executive Director	5	5
7.	Mr. Olumide Obayomi	Independent Director	5	5
8.	Mr. Adenike Laoye	Non- Executive Director	5	3
9.	Mr. Christian Ruehmer	Non- Executive Director	5	5
10.	Mr. Prateek Shrivastava	Non- Executive Director	5	5
11.	Mr. Wolfgang Bertelsmeier (Appointed on 25th May 2018)	Non- Executive Director	5	2

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 responsibility of the Committee also covers oversight of operations, financial performance and reporting as well as regulatory compliance and risk management issues.

Terms of Reference:

- Ensuring 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.
- 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;
- Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk;
- 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;
- Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:
  a (a) magnitude of all material business risks;
  a (b) the processes, procedures and controls in place to manage material risks;
  (c) the overall effectiveness of the risk management process;
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.
- To establish and periodically review the bank's risk portfolio in order to align organizational strategies, goals, and performance.
- To periodically evaluate 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.
- To approve all credit facilities above Management approval limit;
- To establish and periodically review the Bank's credit policy and portfolio in order to align organizational strategies, goals and performance;
- To recommend non-performing credits for write-off by the Board;
- To select and retain independent experts and consultants in the field of risk analysis subject to Board's approval, to advise with respect to market data and assist the Committee with its duties, and to approve fees and set terms of engagement for such consultants.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.
- The Committee met four (4) times during the year under review on the following dates: 15th March, 24th May, 14th August and 3rd December. The membership of the committee & attendance at its meetings are as shown in the table below:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1.	Mr. John Fischer	Chairman	4	4
2.	Mr Taiwo Joda	Member	4	4
3.	Mr Christian Ruehmer	Member	4	4
4.	Mr Akinsowon Dawodu	Member	4	2

Audit and Compliance Committee: The overall purpose of this Committee is to 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.

1. 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.
   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 on the following dates: 15th March, 24th May, 14th August and 3rd December. The membership of the committee & attendance at its meetings are as shown in the table below:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1	Mr. Olumide Obayomi	Chairman	4	4
2	Mr. John Fischer	Member	4	4
3	Mr. Adenike Laoye	Member	4	2

The Committee met six (6) times during the year under review on the following dates: 13th March, 25th April, 23rd May, 14th June and 26th November. The membership of the committee & attendance at its meetings are as shown in the table below:

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

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.

Disclosure on Directors' Remuneration

The disclosure on Directors' Remuneration is made pursuant to the provisions of the Companies and Allied Matters Act as well as Governance Code issued by the Central Bank of Nigeria. The Board's remuneration structure is designed to address the compensation of Non-Executive Directors that is competitive externally and equitable internally.

The Bank's remuneration policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. The Remuneration Policy for Non-Executive Directors of Accion Microfinance Bank focuses on ensuring sound corporate governance practices as well as sustained and long-term value creation for shareholders.

The Ethics and Governance Board Committee makes recommendations to the Board on all matters relating to Directors' remuneration which is contained in the Governance Manual.

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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 six (6) times during the year under review on the following dates: 13th March, 25th April, 23rd May, 14th June, 14th August and 26th November. The membership of the committee & attendance at its meetings are as shown in the table below:

S/N	Names of Directors	Designation	No. of Meetings	Attendance
1	Mrs. Habiba Balogun	Chairman	6	6
2	Mr. Olusegun Aina	Member	6	6
3	Mrs Adenike Laoye	Member	6	5
4	Mr Prateek Shrivastava	Member	6	6

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, analyse, 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.

Analysis of Fraud and Forgeries Returns										
	2017					2018				
Nature of Fraud	No	Fraud Amount	Recovered Amount	Actual Loss	% Loss	No	Fraud Amount	Recovered Amount	Actual Loss	%Loss
ATM/Electronic Fraud	-	-	-	-	-	-	-	-	-	-
Staff Perpetrated Fraud	13	5,164,523	3,435,476	1,729,047	33	11	4,538,457	3,295,628	1,242,829	27
Impersonation	-	-	-	-	-	-	-	-	-	-
Stolen/Forged Instrument	-	-	-	-	-	-	-	-	-	-
Internet Banking	-	-	-	-	-	-	-	-	-	-
Others	2	803,500	803,500	-	-	4	105,300	36,000	69,300	66
Total	15	5,968,023	4,238,976	1,729,047	29	15	4,643,757	3,331,628	1,312,129	38

Independent Auditor's Report

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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 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows 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, 2018 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.

Independent Auditor's Report

Key Audit Matter	How the matter was addressed in the audit
Loan loss impairment	
The Bank implemented IFRS 9 "Financial Instruments" for the first time on 1 January 2018. IFRS 9 requires the bank to recognize impairment using the Expected Credit Loss (ECL) model. The ECL model is dependent on significant judgement and estimates by management in the measurement and determination of impairment on loans and advances and other financial instruments. Our focus on this area was premised on the significant judgement and subjectivity inherent or applied by management in the estimation of the level of impairment, and the size of this portfolio. The ECL model is forward looking which incorporates industry and prevailing economic events and requires an application of historical financial data of the bank. All of these are combined to develop and apply relevant models to the portfolio of the bank. Loans and advances make up a significant portion of the total assets of Accion Microfinance Bank with the total risk assets portfolio of N8.2 billion representing about 75% 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 N274 million as stated in note 16. The basis of the provisions is summarized in the accounting policies in the financial statements. Accion Microfinance Bank Limited's impairment model addresses the three stages of credit classifications. Because of the significance of these estimates, judgments and the size of loans and advances portfolio, economic conditions experienced in Nigeria during the year which affected the performance of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.	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. 2. We reviewed the appropriateness of the bank's determination of significant increase in credit risk and ensured compliance with IFRS 9 and Central Bank of Nigeria Regulation. 3. We involved our internal credit specialists in the review of the assessment of the overall compliance of the model to the requirements of the IFRS 9. 4. We challenged the key data input and assumptions for data input into the ECL model used by the bank. 5. We reviewed the transition adjustment recognized in opening retained earnings at 1 January 2018. 6. On a sample basis, we reviewed loans for evidence of significant increase in credit risk with major focus on loans that were not reported as being impaired. 7. We subjected the data used in the models to test as well as assessing the model's methodology. 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.

Independent Auditor's Report

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.

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:

Independent Auditor's Report

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.

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

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

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.

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Independent Auditor's Report

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 Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The Bank'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
23 April, 2019

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0997551

Statement of Profit or Loss and other Comprehensive Income

	Notes	2018 N 000	2017 N 000
Interest and similar income	5	5,048,555	4,418,390
Interest and similar expenses	6a	(472,330)	(266,296)
Net interest income		4,576,225	4,152,094
Fees and commission income	7	184,422	157,123
Other operating income	8	82,456	116,595
		4,843,103	4,425,812
Total Operating Income			
Credit loss expense	9	(273,985)	(516,011)
Impairment losses on other assets		(11,364)	(400)
Net operating income		4,557,754	3,909,401
Personnel expenses	10	(1,390,427)	(1,292,778)
Depreciation of property and equipment	19	(186,529)	(129,123)
Amortisation of intangible assets	20	(44,081)	(39,905)
Other operating expenses	11	(1,381,744)	(1,069,009)
Total operating expenses		(3,002,781)	(2,530,815)
Profit before income Tax		1,554,973	1,378,586
Income tax expense	12a	(504,836)	(568,825)
Profit after Tax		1,050,137	809,761
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent years		-	-
Profit and Loss after Tax		1,050,137	809,761
Earnings per share	13	Naira	Naira
Basic		0.87	0.66

Statement of Financial Position

As at 31 December 2018

	Notes	2018 N 000	2017 N 000
Assets			
Cash and cash equivalents	15	914,052	738,329
Loans and advances	16	8,219,748	6,959,938
Financial assets - Amortised cost	17	267,738	207,860
Other assets	18	409,284	307,489
Property and equipment	19	964,400	349,158
Intangible assets	20	236,860	183,657
Total assets		11,012,082	8,746,431
Liabilities			
Deposits from customers	21	2,809,253	2,392,578
Current tax liabilities	12c	603,347	574,137
Debt issued and other borrowed funds	22	2,349,494	1,474,453
Other liabilities	23	552,647	366,342
Deferred tax liabilities	12	87,627	33,281
Total liabilities		6,402,368	4,840,791
Equity attributable to owners of the Bank			
Issued share capital	25	1,205,834	1,219,904
Senior staff share option		3,936	
Share Premium		7,067	6,473
Statutory reserve	27	1,400,607	1,269,340
General reserve		1,816,602	1,409,923
Regulatory Risk reserve	28	175,668	-
Total equity		4,609,714	3,905,640
Total liabilities and equity		11,012,082	8,746,431

Patrick Akinwuntan
Chairman
FRC/2013/ICAN/00000002861

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

Cyriacus Onyekwere
Chief Finance Officer
FRC/2014/ICAN/00000006960

Statement of Changes in Equity

	Issued Share Capital N 000	Staff Share Option	Share Premium	General Reserve N 000	Regulatory Risk Reserve N 000	Statutory Reserve N 000	Total Equity N 000
As at 1 January 2018	1,219,904	-	6,473	1,409,923	-	1,269,340	3,905,640
Adjustment on initial application of IFRS9	-	-	-	(32,889)	-	-	(32,889)
Profit for the year	-	-	-	1,050,137	-	-	1,050,137
Transfer to Statutory Reserve	-	-	-	(131,267)	-	131,267	-
Transfer (from)/to Regulatory Risk Reserve	-	-	-	(175,668)	175,668	-	-
Transfer of Stare Option	(14,070)	14,070	-	-	-	-	-
Share Buyback/ Transfer	-	(11,007)	-	-	-	-	(11,007)
Staff Share Option	-	873	594	-	-	-	1,467
Dividend Paid -2017	-	-	-	(303,634)	-	-	(303,634)
At 31 December 2018	1,205,834	3,936	7,067	1,816,602	175,668	1,400,607	4,609,714
As at 1 January 2017	1,212,617	-	4,613	1,075,515	-	1,066,899	3,359,645
Profit for the year	-	-	-	809,761	-	-	809,761
Transfer	-	-	-	(202,440)	-	202,440	-
Staff Share Option	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	3,905,639

Statement of Cash Flows

	Notes	2018 N 000	2017 N 000
Operating activities			
Profit before tax		1,554,973	1,378,583
Adjustment for:			
Depreciation of property and equipment	19	186,529	129,123
Amortisation of intangible assets	20	44,081	39,905
Gain on sale of property and equipment	8	3,970	(2,535)
Impairment loss on loans	9	273,985	516,011
NITDA		15,733	13,826
		2,079,271	2,074,914
(Increase) in loans and advances	16b-c	(1,352,832)	(1,649,829)
(Increase) in other assets	18	(101,795)	(23,107)
Increase in deposits from customers	21	416,676	379,061
Increase/ (decrease) in other liabilities	23	219,306	(418,538)
		1,260,626	362,501
Income tax paid	12c	(437,013)	(217,462)
Net cash flows from operating activities		823,613	145,039
Investing activities			
Financial investments- Amortised cost	17	(59,878)	(19,321)
Purchase of property and equipment	19	(813,379)	(193,150)
Purchase of intangible assets	20	(97,284)	(28,590)
Proceeds from sale of property and equipment		2,022	3,547
Net cash flows (used in) investing activities		(968,519)	(237,514)
Financing activities			
Dividend paid		(303,634)	(272,913)
Employee Share Option		873	17,011
Repayment of debt issued and other borrowed fund	22	(225,000)	(4,680)
Treasury shares		-	(7,865)
Other borrowed fund	22	848,392	301,400
Net cash flows from financing activities		320,631	32,952
Net increase in cash and cash equivalents		175,723	-
Cash and cash equivalents at 1 January 2018		738,329	797,851
Cash and cash equivalents at Dec 31st, 2018	15	914,052	738,329

Statement of Prudential Adjustments

	31-Dec-18 N'000	31-Dec-17 N'000
Provision per prudential adjustment	769,547	769,547
Loan impairment per IFRS	593,897	593,897
Regulatory reserve	175,668	175,668

The difference has just been adjusted under the statement of changes in equity through the Regulatory risk reserve.

Regulatory reserve
Impairment of loans recognised in the profit and loss account is determined based on the requirement of IFRS. However, comparison of the IFRS provisions was made with the prudential provisions (S.12.4 of Prudential Guidelines 2010) and the expected impact/changes in general reserve were treated as follows:

(I) Prudential Provisions is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve (Loan impairment reserve).

(ii) Prudential provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve (Loan impairment reserve) account to the general reserve to the extent of the non-distributable reserve previously recognised.

The Central Bank of Nigeria via circular BSD/DIR/GEN/LAB/11/027 on transitional arrangements treatment of IFRS 9 expected credit loss of for regulatory purposes by Banks in Nigeria introduced a temporary amendment to the above by directing Banks to use the balance in the regulatory risk reserve account to cushion the day one impact of the adoption of IFRS 9 in the computation of capital adequacy ratio.

Notes to the Financial Statement

1. General information

Accion Microfinance Bank Limited (AMFB) was established in 2006. Accion Microfinance Bank Limited is registered with Corporate Affairs and licensed by the Central Bank of Nigeria.

The principal activity of the microfinance bank is to carry on business of providing financial service to micro, small and medium scale enterprises and other low income people in Nigeria in the form of working capital 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.

2 Summary of significant 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.

Notes to the Financial Statement

2.1 Basis of preparation

(f) 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.

2.2 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements

In the current year, the Bank has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

i) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments that replaces IAS39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS9. IFRS9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through OCI and fair value through profit or loss. It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore, for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement.

Impairment

IFRS 9 also requires that credit losses expected at the balance sheet date (rather than only losses incurred in the year) on loans, debt securities and loan commitments not held at fair value through profit or loss be reflected in impairment allowances.

Hedge accounting

The Bank does not expect any impact as a result of applying IFRS 9.

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ii) IFRS 15 Revenue from Contracts with Customers:

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers.

Notes to the Financial Statement

However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

ii. **Amendments to IAS 12 - Income Taxes:** The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The amendment does not impact the bank.

iii) **Amendments to IAS 7 - Statement of Cash Flows:** The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments are intended to provide information to help investors better understand changes in an entity's debt. The amendment results in additional disclosures being made by the Bank in its financial statements.

2.3 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.

2.4 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.

Notes to the Financial Statement

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.

Business model assessment

This is applicable for 2018 financial year only

For financial assets that are held for the purpose of collecting contractual cash flows, the Bank has assessed whether the contractual terms of these assets are solely payments of principal and interest on the principal amount outstanding.

Allowances for credit losses

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment loss for loans and advances. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

A collective assessment of impairment takes into account data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), and concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

These critical assumptions have been applied consistently to all periods presented, except as follows:

The Bank applied the impairment requirements under IFRS 9 from 1 January 2018 resulting in changes to the assumptions used for the calculation for allowance for impairment using the expected credit loss model. The comparative period has not been restated for IFRS 9. The key change under the IFRS 9 expected credit loss model is the use of forecast of future economic conditions including macroeconomic factors. These have been discussed in note 3 above – Changes in accounting policies

Impairment of financial instruments

The Bank has applied some judgment in carrying out an assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporating forward-looking information in the measurement of ECL.

2.5 Changes in accounting policies

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below:

(i) IFRS 9 Financial instruments

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading at FVOCI.

Notes to the Financial Statement

If a risk free and gilt edged debt instrument had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since initial recognition.

In accordance with the transition requirements for classification and measurement and impairment, the Bank has not restated comparative periods. As a consequence:

- Any adjustments to carrying amounts of financial assets or liabilities are recognized at the beginning of the current reporting period, with the difference recognized in opening retained earnings (or another component of equity as appropriate).
- Financial assets are not reclassified in the statement of financial position for the comparative period.
- Allowance for impairment has not been restated in the comparative period.

The transition is a change in accounting policy, and disclosures required by IAS 8 are illustrated.

A comparative information in respect of the preceding period is not presented (i.e. 31 December 2017) as there is no impact of restatement for the year ended 31 December 2017.

Disclosure requirements arising from the consequential amendments to IFRS 7 upon adoption of IFRS 9 have not been presented in relation to the comparative period.

New accounting policies have been disclosed, and references to the old policies included, which are applied to the amounts presented in the comparative period.

Investments in financial assets are classified as either debt or equity investments in accordance with IAS 32 Financial Instruments: Presentation.

The Bank adopts the general expected credit loss (ECL) model for loans and advances to customers, other debt instruments measured at amortized cost, and debt instruments measured at fair value through other comprehensive income. ECL model is not applied to equity instruments.

The Bank applies the simplified approach in the recognition and measurement of impairment losses on contract assets and trade receivables that do not contain a significant financing component.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarized below.

Classifications of financial assets and financial liabilities

The Bank classifies its financial assets as subsequently measured at either amortized cost or fair value depending on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Notes to the Financial Statement

The following summarizes the key changes:

- The held-to-maturity and available-for-sale financial assets categories were removed.
- A new asset category measured at fair value through other comprehensive income (FVOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new asset category for non-traded equity investments measured at FVOCI was introduced.
- Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

Classification of financial liabilities remained largely unchanged for the Bank. Financial liabilities continue to be measured at either amortized cost or FVTPL. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in income statement, under IFRS 9 fair value changes are generally presented as follows:

- The amount of changes in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of change in the fair value is presented in income statement.

a. Impairment of financial assets

IFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss model under IAS 39. Key changes in the Bank's accounting policy for impairment of financial assets are listed below.

The Bank applies a three-stage approach to measuring expected credit losses (ECL) on debt instruments accounted for at amortized cost and FVOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognized. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

ii) Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized. Interest revenue is calculated by applying the effective interest rate to the gross carrying amount.

iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Bank's methodology for specific provisions remains unchanged. For financial assets that have become credit-

Notes to the Financial Statement

the effective interest rate to the amortized cost rather than the gross carrying amount.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, the Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

The Bank assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and all the cash flows that the Bank expects to receive. The amount of the loss is recognized using an allowance for credit loss account.

The Bank considers its historical loss experience and adjusts this for current observable data. In addition, the Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss.

Notes to the financial statements

IFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgment as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1). In addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-months ECL (Stage 1).

In the case of the new asset category for debt instruments measured at FVOCI, the measurement of ECL is based on the three-stage approach as applied to financial assets at amortized cost. The Bank recognizes the impairment charge in income statement, with the corresponding amount recognized in other comprehensive income, with no reduction in the carrying amount in the statement of financial position.

Notes to the Financial Statement

Overall, impairment under IFRS 9 results in earlier recognition of credit losses than under IAS 39. For explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 4 in the financial statements.

2.6 Classification and measurement of financial instruments

	IAS 39		IFRS 9	
	Measurement category	Carrying amount	Measurement Category	Carrying amount
Financial Assets		N'000		N'000
Cash and cash equivalents	Amortised cost (Loans and receivables)	738,329	Amortised cost	738,329
Loans and advances	Amortised cost (Loans and receivables)	6,959,938	Amortised cost	6,927,049
Financial assets - Amortised cost	Amortised cost (Loans and receivables)	207,860	Amortised cost	207,860
Other assets	Amortised cost (Loans and receivables)	307,489	Amortised cost	307,489

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in own credit risk for financial liabilities measured at fair value through profit or loss.

Accion Microfinance Bank does not have any financial liabilities measured at fair value through profit or loss.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

Accion Microfinance Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:"

Notes to the Financial Statement

	IAS 39 carrying amount	Reclassifications	Remeasurements	IFRS 9 carrying amount
Amortised cost	N'000	N'000	N'000	N'000
Cash and cash equivalents				
Opening balance under IAS 39	362,230	-	-	362,230
Placements with other banks				
Opening balance under IAS 39	376,099	-	-	
ECL Allowance	-	-	-	
Closing balance under IFRS 9	-	-		376,099
Loans and advances to Customers				
Opening balance under IAS 39	6,959,938	-	-	
ECL Allowance		-	(32,889)	
Closing balance under IFRS 9			-	6,927,048.73
Investment securities - amortised cost				
Opening balance under IAS 39	207,860			-
Closing balance under IFRS 9	-			207,860
Other assets				
Opening balance under IAS 39	307,489			-
ECL Allowance				
Closing balance				307,489
Total financial assets measured at amortized cost	**8,213,615.48**	-	**(32,889)**	**7,873,237**

The total remeasurement loss of N32.9 million was recognised in opening reserves at 1 January 2018.

2.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank applied the classification and measurement requirements for financial instruments under IFRS 9 '*Financial Instruments*' for the year ended 31 December 2018. The 2017 comparative period was not restated, and the requirements under IAS 39 '*Financial Instruments: Recognition and Measurement*' were applied. The key changes are in the classification and impairment requirements.

2.6.1 Recognition and initial measurement

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. The Bank uses trade date accounting for regular way contracts when recording financial assets transactions.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss, direct and incremental transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in income statement at initial recognition.

Notes to the Financial Statement

2.6.2 Classification of financial instruments

Policy applicable from 1 January 2018

The Bank classifies its financial assets under IFRS 9, into the following measurement categories:

- those to be measured at fair value either through other comprehensive income, or through profit or loss; and
- those to be measured at amortized cost.

The classification depends on the Bank's business model (i.e. business model test) for managing financial assets and the contractual terms of the financial assets cash flows (i.e. solely payments of principal and interest – SPPI test).

The Bank also classifies its financial liabilities as liabilities at fair value through profit or loss and liabilities at amortized cost. Management determines the classification of the financial instruments at initial recognition.

Policy applicable prior to 1 January 2018

The Bank classifies its financial assets in the following categories: loans and receivables and held to maturity financial assets. Management determines the classification of financial assets and liabilities at the time of initial recognition and the classification is dependent on the nature and purpose of the financial assets.

2.6.3 Subsequent measurements

a. Financial assets - policy applicable from 1 January

(I) Debt instruments

The subsequent measurement of financial assets depends on its initial classification:

Amortized cost: A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in income statement when the asset is derecognized or impaired. Interest income from these financial assets is determined using the effective interest method and reported in income statement as 'Interest income'.

The amortized cost of a financial instrument is defined as the amount at which it was measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the 'effective interest method' of any difference between that initial amount and the maturity amount, and minus any loss allowance. The effective interest method is a method of calculating the amortized cost of a financial instrument (or group of instruments) and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument or, when appropriate, a shorter period, to the instrument's net carrying amount.

Notes to the Financial Statement

Fair value through other comprehensive income (FVOCI): Investment in debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- *the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and*
- *the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

The debt instrument is subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in profit and loss. Upon disposal or derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to income statement and recognized in net gains on investment securities while the cumulative impairment loss recognized in the OCI and accumulated in equity will be reclassified and credited to income statement. Interest income from these financial assets is determined using the effective interest method and recognized in income statement as 'Interest income'.

The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortized cost. The expected credit loss model is described further below.

Fair value through profit or loss (FVTPL): Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. The gain or loss arising from changes in fair value of a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is included directly in the income statement and reported as 'Net gains/(losses) from financial instruments held for trading in the period in which it arises. Interest income from these financial assets is recognized in income statement as 'Interest income'.

(ii) **Equity instruments**

The Bank subsequently measures all equity investments at fair value. For equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Where the Bank's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to income statement. Dividends from such investments continue to be recognized in income statement as dividend income when the company's right to receive payments is established unless the dividend clearly represents a recovery of part of the cost of the investment. Changes in the fair value of financial assets at fair value through profit or loss are recognized in Net gains/ (losses) from financial instruments held for trading.

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

Notes to the Financial Statement

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal amount outstanding

As a second step of its classification process the Bank assesses the contractual terms of a financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

Notes to the Financial Statement

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate at future dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates are part of the contractually agreed terms on inception of the loan agreement, therefore the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

b. Financial assets - policy applicable prior to 1 January 2018

Financial Instruments - Initial Recognition and subsequent measurement

- **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.

- **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.

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- **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 amortized cost using the EIR less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization 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.

- **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 amortized cost using the EIR, less allowance for impairment. Amortized 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 amortization 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.

- **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 amortized cost using the Effective Interest Rate (EIR) method. Amortized 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).

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2.6.4 Relassifications

(i) Policy applicable after 1 January 2018

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and must be significant to the Bank's operations.

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognized are not restated when reclassification occurs.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets that are debt instruments. A change in the objective of the Bank's business occurs only when the Bank either begins or ceases to perform an activity that is significant to its operations (e.g., via acquisition or disposal of a business line).
The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets
- A transfer of financial assets between parts of the entity with different business models

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognized are not restated when reclassification occurs.

Financial liabilities are not reclassified after initial classification.

Financial assets under the amortized cost classification (i.e. business model whose objective is to collect the contractual cash flows) can still be held as such even when there are sales within the portfolio as long as the sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

However, if more than an infrequent number of such sales are made out of a portfolio and those sales are more than insignificant in value (either individually or in aggregate), the Bank will assess whether and how such sales are consistent with an objective of collecting contractual cash flows.

The Bank has defined the following factors which will be considered in concluding on the significance and frequency of sale:

- **Definition of Insignificance:** For financial assets within the hold to collect (HTC) portfolio, Accion's management considers the sale of assets within this portfolio as insignificant if the total sales constitute a value that is less than or equal to 20% of the current amortized cost portfolio in a year.

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- **Definition of Infrequent:** The Bank's definition of infrequent sale as it relates to financial instruments within the HTC portfolio will be based on the number of sales within a year. Accion's management has decided that any sales not more than five times a year would be considered as an infrequent sale.

- **Definition of Closeness to maturity:** Accion's management defines close to maturity as instruments with less than three months to maturity.

2.6.5 Modifications of financial assets and financial liabilities

(i) Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on de-recognition is recorded as a separate line item in income statements as 'gains and losses arising from the de-recognition of financial assets measured at amortized cost'.
If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The amount arising from adjusting the gross carrying amount is recognized as a modification gain or loss in income statement as part of impairment charge for the year.

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria.

Qualitative criteria
Scenarios where modifications could lead to de-recognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- Extension of financial asset's tenor
- Reduction in repayment of principals and interest
- Capitalization of overdue repayments into a new principal amount
  Change in frequency of repayments i.e. change of monthly repayments to quarterly or yearly repayments
- Reduction of financial asset's tenor

On occurrence of any of the above factors, the Bank will perform a 10% test (see below) to determine whether or not the modification is substantial.

Scenarios where modification will not lead to de-recognition of existing financial assets are:

- Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria
- Bulk repayment of financial asset

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Quantitative criteria
A modification would lead to de-recognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if:

- The discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

A modification would not lead to de-recognition of existing financial asset if:

- the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is less than 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see below) and ECL are measured as follows:

- If the expected restructuring will not result in de-recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
- If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Modification gain or loss shall be included as part of impairment charge for each financial year.

(ii) Financial liabilities
The Bank de-recognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. This occurs when the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in income statement. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment (i.e. the modified liability is not substantially different), any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

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2.6.6 Impairment of financial assets

(I) Policy applicable from 1 January 2018

a. Overview of the ECL principles
The Bank recognizes allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) as outlined. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 4 in the pro-forma financial statements.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 4 in the financial statements.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECL. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- **Stage 1:** When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired. The Bank records an allowance for the LTECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, depending on the stage of the lifetime 2 or stage 3 of the ECL bucket, the Bank would continue to monitor such financial assets for a probationary period of 90 days to confirm if the risk of default has decreased sufficiently before upgrading such exposure from Lifetime ECL (Stage 2) to 12-months ECL (Stage 1).

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in addition to the 90 days probationary period above, the Bank also observes a further probationary period of 90 days to upgrade from Stage 3 to 2. This means a probationary period of 180 days will be observed before upgrading financial assets from Lifetime ECL (Stage 3) to 12-months ECL (Stage 1).

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b. **The calculation of ECLs**

The Bank calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside and downside). Each of these is associated with different PDs, EADs and LGDs, as set out in Note 4 in the financial statements. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarized below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

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- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

c. **Debt instruments measured at fair value through OCI**

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

d. **Purchased or originated credit impaired financial assets (POCI)**

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.
For POCI financial assets, the Bank only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Loans that are more than 30 days past due are considered impaired.

e. **Collateral valuation**

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, landed properties and vehicles. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

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However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on periodic basis as deemed necessary.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

f. Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its loan portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

g. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

De-recognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off. This is explained in Note 2.1.5 above.

From 1 January 2018, when the loan has been renegotiated or modified but not de-recognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period required from the date the forborne contract was considered performing has passed (see above);

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- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period;
- The customer does not have any contract that is more than 180 days past due.

If modifications are substantial, the loan is derecognized. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

h. Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

I. Write-off

After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure is recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- amount obtained from realization of credit collateral security leaves a balance of the debt; or
- it is reasonably determined that no further recovery on the facility is possible.

All credit facility write-offs require endorsement by the Board Credit and Risk Committee, as defined by the Bank. Credit write-off approval is documented in writing and properly initialled by the Board Credit and Risk Committee.

A write-off constitutes a derecognition event. The write-off amount is used to reduce the carrying amount of the financial asset. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognized as income on a cash basis only.

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j. Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Interest rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 4 in the financial statements.

Impairment - Policy applicable prior to 1 January 2018

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 amortized cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized 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.

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Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized 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 recognized, the previously recognized 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 recognized.

2.6.7 Collateral and Netting - policy applicable for current and comparative periods

The Bank obtains collateral where appropriate, from customers to manage its credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets in the event that the customer defaults.

Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to its relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately recognized as non-current assets held for sale at the lower of carrying amount and fair value less costs to sell at the date of repossession.

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The loan agreement provides that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.
Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize an asset and settle the liability simultaneously. In many cases, even though netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

2.6.8 Valuation of financial Instruments: policy applicable for current and comparative periods

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

The main assumptions and estimates which management consider when applying a model with valuation techniques are:

- The likelihood and expected timing of future cash flows on the instrument. These cash flows are usually governed by the terms of the instrument, although judgment may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. Future cash flows may be sensitive to changes in market rates;
- Selecting an appropriate discount rate for the instrument. The determination of this is based on the assessment of what a market participant would regard as the appropriate spread of the rate for the instrument over the appropriate rate; and
- Judgment to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective, for example, when valuing complex derivative products.

When applying a model with unobservable inputs, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. However, in most cases there is some market data available on which to base a determination of fair value, for example historical data, and the fair values of most financial instruments are based on some market observable inputs even when unobservable inputs are significant.

Given the uncertainty and subjective nature of valuing financial instruments at fair value, it is possible that the outcomes in the next financial year could differ from the assumptions used, and this could result in a material adjustment to the carrying amount of financial instruments measured at fair value.

Notes to the Financial Statement

2.6.9 Fair value measurement

The Bank measures financial instruments, such as, quoted equities, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2.6.10 De-recognition of financial assets - policy applicable for current and comparative periods

The Bank de-recognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position as 'Assets pledged as collateral'. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

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.

Financial assets that are transferred to a third party but do not qualify for de-recognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them. They are included as part of FVOCI or amortized cost investment securities. Initial recognition is at fair value while subsequent measurement is at amortized cost or fair value depending on their classification.

2.6.11 De-recognition of financial liabilities - policy applicable for current and comparative periods

The Bank de-recognizes financial liabilities when, and only when its obligations are discharged, cancelled or expired.

Notes to the Financial Statement

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, and the difference in the respective carrying amounts is recognized in profit or loss.

2.6.12 Write off - policy applicable for current and comparative periods

The Bank writes off a financial asset (and any related allowances for impairment losses) when Bank Credit determines that the assets are uncollectible. Financial assets are written off either partially or in their entirety. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions are generally based on a product specific past due status. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due.

2.6.13 Foreign currency translation

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

- **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.

2.6.14 Offsetting financial instrument

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.

Notes to the Financial Statement

2.6.15 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.

2.7 Income and expenses (Revenue recognition)

2.7.1 Interest income and expense

(i) Policy applicable from 1 January 2018

Interest income and expenses are recognized in income statement using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

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

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

a. Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

Notes to the Financial Statement

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

b. Calculation of interest income and expenses

The Bank calculates interest income and expense by applying the effective interest rate to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial asset that have become credit-impaired subsequent to initial recognition and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, then the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted effective interest rate and applying that rate to the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2.7.2 Interest income and expense

c. Presentation

Interest income and expense presented in the income statement includes:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in "net gains/(losses) on financial instruments classified as held for trading". Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in interest income or interest expense.

(ii) Policy applicable prior to 1 January 2018

Recognition of income and expenses

Revenue

Revenue is recognized 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 recognized:

- **Interest and similar income and expense**
  For financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate (EIR).

Notes to the Financial Statement

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 recognized 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.7.3 Fee and commission income: policy applicable for current and comparative periods

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

2.7.4 Dividend income: policy applicable for current and comparative periods

Dividend income is recognized in profit or loss when the Bank's right to receive the dividend is established.

2.8 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.

2.9 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.

Notes to the Financial Statement

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.

2.10 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

2.11 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.

Notes to the Financial Statement

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.

2.12 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.

2.13 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.

2.14 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

Notes to the Financial Statement

- 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.

2.14.1 Taxes

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.

2.15 Dividend on ordinary shares

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

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

2.16 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:

- 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.

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- 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

- Where the amount of the reserve fund is equal to 100 per cent or more of the paid up capital, an amount equal to 12.50 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 Bank 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 interpretations yet to be adopted

The standards and interpretations that are issued, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.
The IASB has deferred the effective date of the amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Bank will apply these amendments when they become effective.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

iii) IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Notes to the Financial Statement

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

iv) **IAS 7 – Statement of Cash Flows**

Effective 1 January 2017. Amends IAS 7 to include disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment specifies that the following changes arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

v) **IAS 40 – Investment Property**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate diversity in practice.

The impact of this standard is currently being assessed

vi) **IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration.

Notes to the Financial Statement

If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. The impact of this standard is currently being assessed.

vii) **Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

The amendments clarify that an entity applies IFRS9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are effective for periods beginning on or after 1 January 2019. Earlier application is permitted. This will enable entities to apply the amendments together with IFRS 9 if they wish so but leaves other entities the additional implementation time they had asked for. The amendments are to be applied retrospectively but they provide transition requirements similar to those in IFRS 9 for entities that apply the amendments after they first apply IFRS 9. They also include relief from restating prior periods for entities electing, in accordance with IFRS 4 Insurance Contracts, to apply the temporary exemption from IFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

vii) **IFRIC 23 Uncertainty over Income Tax Treatment**

The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12 Income Taxes. The Interpretation requires an entity to: determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the entity should reflect the effect of uncertainty in determining its accounting tax position. Effective date: annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation either on a fully retrospective or modified retrospective approach (where comparatives are not permitted or required to be restated).

viii) **IFRS 17 Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cashflows. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021. The standard does not have any impact on this 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.

Notes to the Financial Statement

	31 - Dec- 18		31 - Dec- 17	
	Carrying amount N'000	Fair value N'000	Carrying amount N'000	Fair value N'000
Financial assets				
Cash and cash equivalents	914,052	914,052	738,329	738,329
Loans and advances	8,219,748	8,219,748	6,927,049	6,959,938
Financial assets - Amortised cost	267,738	267,738	207,860	207,860
	9,401,538	9,401,538	7,906,126	7,906,126
Financial liabilities				
Deposits from customers	2,809,253	2,809,253	2,392,578	2,392,578
Debt issued and other borrowed funds	2,349,494	2,349,494	1,474,453	1,474,453
	5,158,748	5,158,748	3,867,031	3,867,031

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.

	2018 N'000	2017 N'000
5. Interest and similar income		
Cash and cash equivalents	84,558	85,425
Loans and advances	4,928,341	4,295,025
Financial assets - Amortised cost	35,656	37,940
	5,048,555	4,418,390
6. Interest and similar expense		
Deposits from customers	171,033	131,183
Debt issued and other borrowed funds	301,297	135,113
	472,330	266,296

Notes to the Financial Statement

	2018 N'000	2017 N'000
7. Fees and commission income		
Insurance-Fees	155,194	130,610
Commission on turnover	29,228	26,512
	184,422	157,123
8. Other operating income		
Other fees	86,426	114,060
(Loss)/profit on sale of property and equipment	(3,970)	2,535
	82,456	116,595
9. Credit loss expense		
Loans and advances to customers	259,616	496,859
Write off during the year	25,167	31,829
Bad debt recovered	(10,798)	(12,677)
	273,985	516,011
Impairment losses on other assets.	11,364	400
10. Personnel expenses		
Salaries and allowances	1,298,199	1,208,499
Pension costs- defined contribution plan	92,228	84,279
	1,390,427	1,292,778

Notes to the Financial Statement

		Notes	2018 N'000	2017 N'000
11.	**Other operating expenses**			
	Rents charges payable under operating leases		112,507	138,649
	Repairs and maintenance		99,004	103,525
	Contract and support services		15,221	14,474
	Professional fees and Legal	11a	55,329	33,071
	Directors fees		17,464	5,798
	Audit fees		12,362	10,047
	Insurance expenses		79,291	74,772
	Other consulting training expenses		26,421	24,146
	Communication expenses		48,316	24,555
	Trainee and recruitment exp.		109,040	61,970
	System support expenses		60,267	82,259
	NITDA levy	11b	15,733	13,826
	Medical expenses		204,745	109,635
	Others utilities		54,824	42,512
	Training and travels		93,864	78,577
	Other stationery expense		23,140	23,043
	Advertisement		38,155	55,059
	Security		46,943	41,077
	Telephone office		112,700	28,587
	Bank charges		15,328	22,482
	Branded promotional items		7,710	12,342
	Recovery expenses		52,203	28,349
	Office provisions		22	11
	Other expenses		56,943	35,760
	Exchange loss realised		(4.6)	4,484
	Share option buy back		24,217	-
			1,381,744	1,069,009

11a Professional fees includes fees payable to the auditor in relation to the statutory audit of 2018, 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

		2018 N'000	2017 N'000
12.	**Income tax**		
	The components of income tax expense for the years ended 31 December 2018		
a.	**Current income tax:**		
	Company income tax	414,581	399,647
	Education tax	35,909	30,212
	NITDA levy	-	-
	Deferred income tax	54,346	138,966
	Income tax expense reported in the profit or loss account	504,836	568,825
b.	**Reconciliation of the total tax charge**		
	Accounting profit before tax	1,554,973	1,378,586
	At Nigeria's statutory income tax rate of 30% (2018:)	414,581	399,647
	Income not subject to tax	-	-
	Non-deductible expenses for tax purpose	-	138,966
	Tax impact of balancing charge	-	-
	Education tax	35,909	30,212
	Tax effect of the difference in profit used	-	-
	Income tax expense reported in the profit or loss account	450,490	568,824

The effective income tax for 2018 is 30%

		2018 N 000	2017 N 000
c	**Deferred tax-Liability**		
	At 1 January	33,281	-
	Transfer to other assets	-	(105,685)
	Tax income/(expense) during the period	54,346	138,966
	At 31 December	87,627	33,281
	Reconciliation of current tax liabilities		
	At 1 January	574,137	347,914
	NITDA	15,733	13,826
	Tax charge in the statement of profit or loss	450,490	429,859
		1,040,360	791,598
	Payment during the year	(437,013)	(217,46)
	At 31 December	603,347	574,137

Notes to the Financial Statement

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.

	2018 N 000	2017 N 000
Net profit attributable to owners of the Bank	1,050,137	809,761
	Thousands	Thousands
Weighted average number of shares in issue	1,209,770	1,219,904
Basic earnings per share	86.80%	66.38%

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

	2018 N 000	2017 N 000
Dividends on ordinary shares:	303,634	272,913
Final dividend for 2017: 0.20 kobo per share	303,634	272,913

15. Cash and cash equivalents

Cash on hand	106,517	96,329
Cash at banks	544,442	265,900
Placements with banks and discount houses	260,966	367,962
Interest receivable on placements with banks	2,127	8,138
	914,052	738,329

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

Notes to the Financial Statement

16. Loans and advances

	2018 N'000	2017 N'000
Loans and advances to customers	8,688,808	7,531,757
Loans and advances to customers 2	-	7,318
Loans and advances to staff	157,708	82,312
		7,621,387
Gross Loans and advances	**8,846,516**	(661,449)
Allowance for impairment losses	(626,768)	
		6,959,938
	8,219,748	

16b. Maturity analysis of loans and advances by past-due status

	2018 N'000	2017 N 000
Performing	7,762,416	6,732,490
1 - 30 days	285,743	225,988
31- 60 days	98,411	134,994
61-90 days	82,774	68,767
91 and above	617,172	459,148
	8,846,516	7,621,387
Stage 3	(253,443)	(84,166)
Stage 1 &2	(373,326)	(577,283)
	8,219,748	**6,959,938**

16c. Impairment allowance for loans and advances

	661,449	643,092
At 1 January 2018	32,889	-
Impact of IFRS 9 Adjustment	273,985	496,859
Charge for the year	(10,798)	(12,677)
Recoveries for the year	(330,756)	(465,825)
Amounts written off for the year		
At 31 December 2018	**626,769**	**661,449**
Individual impairment	253,443	**84,166**
Collective impairment	373,326	**577,283**
	626,769	**661,449**

17. Financial assets - Amortised cost

Treasury bills		
Maturing within 91 days	267,738	207,860
Maturing after 91 days	-	-
	267,738	**207,860**

Notes to the Financial Statement

Treasury bills are debt securities issued by the Federal Government of Nigeria at effective rate of 11% (2017: 18.5%)

	2018 N 000	2017 N 000
18. Other assets		
Prepayments	326,714	235,874
Consumables	39,004	39,905
Other receivables	54,930	34,110
	420,648	309,889
Allowance for impairment losses on other assets	(11,364)	(2,400)
	409,284	307,489

	2018 N 000	2017 N 000
18B. Impairment allowance for other assets		
At 1 January	2,400	2,000
Charge for the year	11,364	400
Recoveries	(2,400)	-
At 31 December	11,364	2,400

19. Property and equipment

	Freehold Building N 000	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 2018	-	173,743	195,281	329,089	117,212	126,941	942,266
Additions	430,300	33,903	119,337	147,121	26,228	56,490	813,379
Disposals -Transfer		(205)	(328)	(5,774)	(790)	(19,450)	(26,547)
At 31 December 2018	430,300	207,441	314,290	470,436	142,650	163,981	1,729,098
Depreciation							
At 1 January 2018		123,095	109,655	223,211	84,761	52,386	593,109
Depreciation charge for the year		22,600	38,371	77,758	15,235	32,565	186,529
Depreciation on disposals		-	(98)	(536)	-	(14,304)	(14,938)
At 31 December 2018	-	145,695	147,927	300,433	99,997	70,647	764,700
Net book value							
At 31 December 2018	430,300	61,746	166,363	170,004	42,653	93,334	964,400
At 1 January 2018	-	50,648	85,626	105,878	32,451	74,555	349,157

No property and equipment has been pledged as security for liabilities (2018: None).

Notes to the Financial Statement

20. Intangible assets

	Computer software N 000
Cost	
At 1 January 2018	354,089
Additions	266,221
Disposals /Transfer	(168,937)
At 31 December 2018	**451,373**
Amortisation	
At 1 January 2018	170,432
Amortisation charge for the year	44,081
At 31 December 2018	214,513
Net book value	
At 31 December 2018	236,860
At 1 January 2018 NBV	183,657

	Notes	2018 N 000	2017 N 000
21. Deposits from customers			
Saving accounts		1,435,690	1,820,078
Current accounts		522,985	77,417
Term and call deposits		819,793	468,114
		2,778,468	2,365,609
Interest payable on saving accounts		-	34
Interest payable on term deposits		30,785	26,934
		2,809,253	2,392,578
22.1. Debt issued and other borrowed funds			
Undated floating rate debt issued		2,279,292	1,430,900
Interest payable on undated floating rate debt issued		70,202	43,553
		2,349,494	1,474,453

Notes to the Financial Statement

		Notes	2018 N 000	2017 N 000
22.2	Analysis of Borrowed Funds			
	MSME Direct Funding CBN		804,292	730,900
	Interest on MSME Direct Funding		11,823	15,264
			816,115	746,164
	Borrowing from IFC		975,000	200,000
	Interest on Borrowing		472	(361)
			975,472	199,638
	Borrowing from Citibank		500,000	500,000
	Interest on Borrowing		57,907	28,650
			557,907	528,650

22.3 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. The first tranche of N220 million was obtained in 2015 and an additional N510.9 million was received in 2016. They are renewed annually with maturities up to June and October 2019 respectively. The bank also benefited from the Central Bank of Nigeria Housing on-lending 5-year facility of N73.39 million at 16% in 2018 for low cost housing loans to low income earners. The maximum lending rate is 9% per annum.

22.4 IFC Borrowing

This is a 5-year Term Loan Facility of N400 million taken in 2015 from IFC (International Finance Corporation) in two tranches of N200 million each at 18.5% and 17.66% respectively. An additional 5-year N1 billion loan was also obtained from IFC (International Finance Corporation) at 90days NIBOR plus 600 bps spread at interest payment date. The Loan is repayable half yearly.

22.5 Borrowing from Citibank

This is a 3 years' loan obtained from Citibank in 2017 at 90days NIBOR plus 400bps. The principal is repayable at maturity in 2020.

		Notes	2018 N 000	2017 N 000
23.	Other liabilities			
	Accrued expenses		75,039	71,348
	Accounts payable and sundry creditors		477,314	289,089
	Due to Accion International		294	5,904
			556,647	366,341

Notes to the Financial Statement

23b. The information technology development levy represents 1% of profit for the year in accordance with section 12(2a) of National Information Technology Development Act (NITDA) 2007.

24. Retirement benefit 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 in 2018 is N92.237 million. (2017: N85 million) represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

		Notes	2018 N 000	2017 N 000
25.	Issued capital and reserves			
	Authorised			
	Ordinary shares of N1 each		1,240,000	1,240,000
	Ordinary shares			
	Issued and fully paid		N 000	N 000
	At 1 January 2018		1,219,904	1,212,617
	Staff share Option		3,063	
	Share Option 2018 subscribed		873	10,126
	Share buy back		(14,070)	(2,839)
	Issued and fully paid Dec 2018		1,209,770	1,219,904

26. Employee Investment Scheme

The Bank has share option scheme under which option to subscribe for its shares has been granted to certain qualiying members of staff. As at December 31st 2018, 4 employees have subscribed to this option.

		Notes	2018 N 000	2017 N 000
27.	Nature and purpose of reserves			
	Statutory Reserve			
	At 1 January		1,269,340	1,066,900
	Transfer from general reserve		131,267	202,440
	At 31 December		1,400,607	1,269,340

Notes to the Financial Statement

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.

	2018	2017
At 1 January	1,409,922	1,075,515
Impact of day 1 adjustment	(32,889)	-
Profit for the year	1,050,137	809,761
Transfer to Statutory reserves	(131,267)	(202,440)
Transfer to regulatory risk reserve	(175,668)	-
Dividend paid	(303,634)	(272,913)
	1,816,602	1,409,922

28. Regulatory Risk Reserve

	Notes	2018 N 000	2017 N 000
At 1 January		-	-
Transfer from retained earnings		175,668	-
At 31 December		175,668	-

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.

Notes to the Financial Statement

29. 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.

	Within 12 months	After 12 months	Total
At 31 December 2018			
Assets			
Cash and cash equivalents	914,052		914,052
Loans and advances	8,219,748		8,219,748
Financial investments – Amortised cost	267,738		267,738
Other assets	409,284		409,708
Deferred Tax asset	-		-
Property and equipment		964,400	964,400
Intangible assets		236,860	236,860
Total assets	9,810,822	1,201,259	11,012,506
Liabilities			
Deposits from customers	2,809,253		2,809,252
Debt issued	1,791,587	557,907	2,346,727
Current tax liabilities	603,347		603,347
Other liabilities	552,647		556,645
Deferred tax liabilities	87,627		33,281
Total liabilities	5,844,461	557,907	6,402,369
Net	3,966,361	643,352	4,609,713
At 31 December 2017			
Assets			
Cash and cash equivalents	738,329		738,329
Loans and advances	6,959,938		6,959,938
Financial investments - held to maturity	207,860		207,860
Other assets	307,488		307,488
Deferred Tax asset	-		-
Property and equipment		349,157	349,157
Intangible assets		183,657	183,657
Total assets	8,213,615	532,814	8,746,429
Liabilities			
Deposits from customers	2,392,578		2,392,578
Debt issued	945,803	528,650	1,474,453
Current tax liabilities	800,359		800,359
Other liabilities	366,342		366,342
Deferred tax liabilities	277,931		277,931
Total liabilities	4,783,014	528,650	5,311,664
Net	3,430,601	4,164	3,434,765

Notes to the Financial Statement

30. 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.

31. Related party disclosures

Compensation of key management personnel of the Bank	2018 N 000	2017 N 000
Short-term benefits	210,265	185,631
Post-employment pension (defined contribution)	-	-
	210,265	185,631

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 2018	-	-	-	294
At 1 January 2018	-		-	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 2018, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2017: N Nil).

Owners of the Bank	Country of incorporation	Number of shares	Percentage of shares held
Name of shareholder			
Accion Investments in Microfinance Nig	Nigeria	443,184,162	35.77%
Citibank Nigeria Ltd	Nigeria	246,555,669	19.90%
Ecobank Nigeria Ltd	Nigeria	269,225,436	21.73%
International Finance Corporation (IFC)	Nigeria	156,010,382	12.59%
Zenith bank Plc	Nigeria	90,858,036	7.33%
Senior Staff Share Option	Nigeria	3,936,015	0.32%
		1,209,769,700	97.65%
Issued but unpaid		29,102,271	2.35%
		1,238,871,971	1.00

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Notes to the Financial Statement

32 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.

	2018 N 000	2017 N 000
Tier 1		
Issued share capital	1,209,770	1,219,904
Share Premium	7,067	6,473
Retained earnings	-	-
General Reserve	1,816,602	1,409,923
Statutory reserve	1,400,607	1,269,340
Regulatory Risk reserve	175,668	-
Total Qualifying tier 1 Capital	4,609,714	3,905,640
Tier 2		
Debt issued and other borrowed funds	2,349,494	1,474,453
Total Qualifying tier 2 Capital	2,349,494	1,474,453

33 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

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 ten states, which include Rivers, Ogun, Ondo, Oyo, Anambra, Abia, Delta, Edo, Akwa Ibom States and the FCT. 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 internal control department that identifies various stakeholders responsible to identify and manage the risks facing the institution.

This document outlines the structure of the risk and internal control 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 and Internal Control Department at Accion MfB

The main objectives of the Risk and Internal Control 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 and Internal Control 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 control 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.

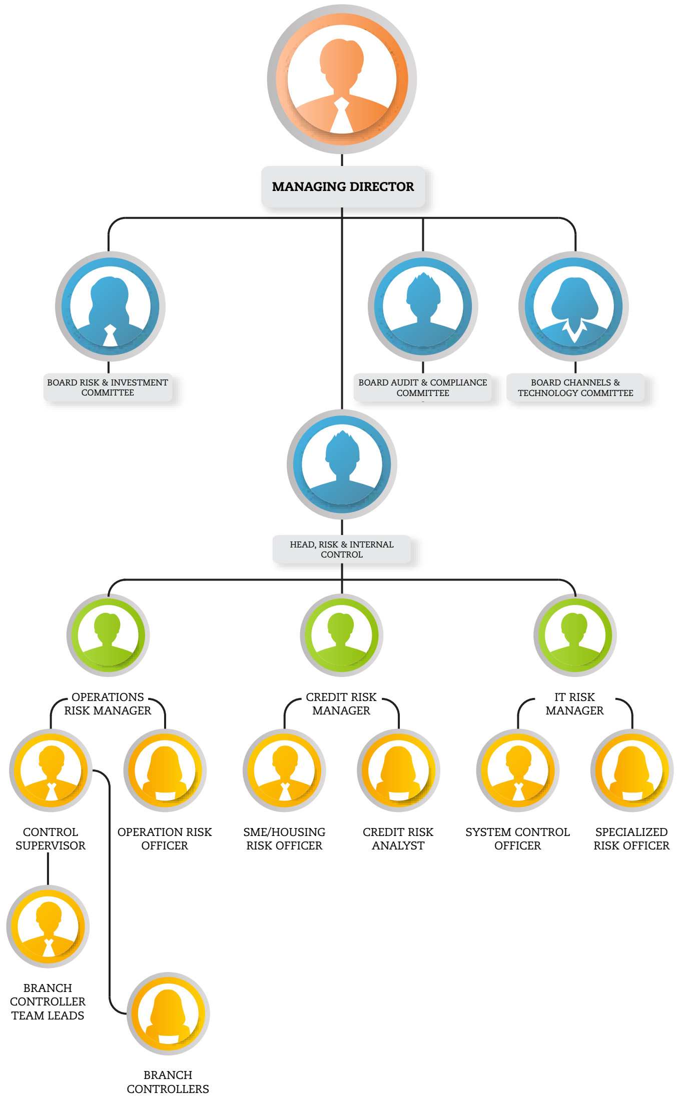
Risk Management Policy

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 and Internal Control Department is currently constituted of forty five staffs covering different roles: Head, Risk and Internal Control heads the department, reporting directly to the CEO, and supported by Credit Risk Manager and IT Risk Manager. The two managers hand-holds the two main categorization of Risk and Internal control 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.

Risk Management Policy

- **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 and Internal Control Department:** The overall responsibility of the Risk and Internal Control 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 and Internal Control:** To manage the overall working of the risk and internal Control department. In addition to identifying and monitoring risks faced by the institution, the Head of Risk and Internal Control is also responsible for ensuring that the institution is compliant with regulatory and internal compliance.

- **Credit Risk Manager:** The main responsibility of the credit risk manager is to define methodologies to ensure that the risks originated in the Accion MfB operations and expenses associated with the credit cycle (credit initiation, account maintenance and collections) can be predicted and are acceptable to the business and also 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.

- **IT Risk Manager:** Responsible for enterprise-wide IT Risk Assessment planning, execution and coordination of Accion MFB by ensuring confidentiality, integrity and adequate support to Accion MFB Business processes. Also to assist the Head of Risk and Internal Control in providing a view on significant I.T risks within the Bank and to provide assurance on adequacy, effectiveness & efficiency of the system controls by conducting a planned IT risk assessment.

- **Control Supervisor:** The main responsibility is to coordinate the activities of Team Lead, Branch Controllers across the branches. With the expanded network of branches, he/she liaises with head office in reporting and responsibilities.

- **SME Risk Officer:** The main responsibility of SME risk officer is to carry out credit procedures, maintain a tight control over all aspects of the facility administration, with the primary objective to contain credit risk within acceptable risk parameters and ensure compliance to all terms and conditions of all SME loans.

- **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.

Risk Management Policy

- **Team Lead, Branch Control:** The main responsibility is to ensure effective coordination of the branch activities through the Branches Controllers within their Clusters. The Team Leads are responsible for branch staff compliance with laid down rules and procedures in the performance of their assigned roles. In essence, his duties shall focus on ensuring the assets of the branch are safeguarded and ensuring the integrity of the branch records.

- **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.

- **System Control Officer:** Responsible for creation of new users, assigning of rights and administration on the Bank Software Applications (T24, EDMS, Pay direct, National Collateral Registry, Unix, Kimono)

- **Specialized Risk Officer:** The main responsibility is to review Head office department activities such as E-business, Finance, HR and Admin activities and transactions to ascertain control lapses with a view to strengthening the required controls.

- **Asset and Liability Committee (ALCO):** The ALCO Committee is responsible for ensuring that there are adequate policies, procedures and benchmarks on risk arising out of asset liability management from both a long-term and day-to-day perspective. At Accion MfB in addition to this, the committee would also be responsible for taking decisions related to asset and resource allocation.

Risk measurement and reporting systems

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

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.

Risk measurement and reporting systems

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.

Excessive risk concentration

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.

AMFB to come up with information on how it mitigates excessive risk concentration.

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.

Risk Management Policy

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.

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 ot relates), and the net exposure to the credit risk.

Maximum exposure to credit risk
Type of collateral or credit enhancement

		Fair value of collateral and credit enhancements held				
31-Dec-2018	**Maximum exposure to credit risk N'000**	**Cash N'000**	**Property N'000**	**Other N'000**	**Net collateral N'000**	**Net exposure N'000**
Financial assets	914,052	-	-	-	-	914,052
Placements with banks and discount houses		-	-	-	-	-
Loans and advances to customers						
Mirco Business (MCB)	7,361,954	1,051,056	-	-	1,051,056.34	6,310,897
Small Business (SB)	606,690	26,190	-	-	26,190.35	580,500
Medium Business (MDB)	717,237	122,085	-	-	122,084.89	595,152
Strategic Alliance	-	-		-	-	-
STAFF	160,634	-	-	-	-	160,634
Financial investments – Amortised Cost	267,738	-	-	-	-	267,738
	10,028,306	**1,199,331.57**	-	-	**1,199,331.57**	**8,828,974**

		Fair value of collateral and credit enhancements held				
31-Dec-2017	**Maximum exposure to credit risk N'000**	**Cash N'000**	**Property N'000**	**Other N'000**	**Net collateral N'000**	**Net exposure N'000**
Financial assets	738,329	-	-	-	-	738,329
Placements with banks and discount houses		-	-	-	-	-
Loans and advances to customers						
Mirco Business (MCB)	6,345,110	760,480	-	-	760,480.00	5,584,630
Small Business (SB)	603,561	325,920	-	-	325,920.00	277,641
Medium Business (MDB)	590,404	162,960	-	-	162,960.00	427,444
Strategic Alliance	-	108,640		-	108,640.00	-108,640
STAFF	82,312	-	-	-	-	82,312
Financial investments – held to maturity	207,860	-	-	-	-	207,860
	8,567,576	**1,358,000.00**	-	-	**1,199,331.57**	**7,209,576**

Risk Management Policy

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

The type of collateral obtained are is:
For micro Business, 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.

If the AMFB uses master netting agreements, this should be explained here

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 impaired**	Total
	2018 N'000	**2018 N'000**	**2018 N'000**	**2018 N'000**	**2018 N'000**		**2018 N'000**	**2018 N'000**
Cash and cash equivalents	914,052							
Loans and advances to customers	**7,762,416**	**285,743**	**99,382**	**82,229**	**616,745**	-	-	**8,846,515**
Mirco Business (MCB)	6,397,023	241,530	87,783	76,877	558,742	-	-	7,361,954
Small Business (SB)	537,002	21,851	5,268	2,411	40,158	-	-	606,690
Medium Business (MDB)	667,756	22,363	6,330	2,942	17,846	-	-	717,237
Strategic Alliance	-	-	-	-	-	-	-	-
STAFF LOAN	160,634	-	-	-	-	-	-	160,634
Financial investments - Amortised cost	-	-	-	267,738	-	-	-	267,738
Quoted – Government debt securities	-	-	-	-	-	-	-	-
Quoted – Other debt securities	-	-	-	-	-	-	-	-
						-	-	
Total	**7,762,416**	**285,743**	**99,382**	**349,967**	**616,745**	-	-	**9,114,253**

Risk Management Policy

	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 impaired	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							738,329
Loans and advances to customers	6,654,183	257,958	152,826	74,319	395,599	-	84,166	7,619,051
Micro Business (MCB)	5,486,227	230,550	136,588	66,422	353,566	-	84,166	6,357,520
Small Business (SB)	542,925	9,648	5,716	2,780	14,796	-	-	575,864
Medium Business (MDB)	555,103	17,760	10,522	5,117	27,237	-	-	615,740
Strategic Alliance	-	-	-	-	-	-	-	-
STAFF LOAN	82,312	-	-	-	-	-	-	82,312
Financial investments - Amortised cost	-	-	-	207,860	-	-	-	207,860
Quoted – Government debt securities	-	-	-	-	-	-	-	-
Quoted – Other debt securities	-	-	-	-	-	-	-	-
Total	6,666,567	257,958	152,826	282,179	395,599	-	84,166	7,839,295

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 2018 was N… million (2017: N4million), before taking account of collateral or other credit enhancements.

The following table shows the risk concentration by industry for the components of the statement of financial position.

Industry analysis 31-Dec-2018	Financial Services	Govern -ment	Health	Consu -mers	Retail & Wholesale	Transport & Comm	Services	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial assets								
Cash and cash equivalents	914,052							914,052
Loans and advances to customers	-							
Mirco Business (MCB)	-	-	171,503	2,525,357	4,359,254	49,862	255,978	7,361,954
Small Business (SB)	-	-	22,223	163,018	390,162	272	31,015	606,690
Medium Business (MDB)	-	-	-	1,119	713,414	-	2,704	717,237
Strategic Alliance	-	-	-	-	-	-	-	-
STAFF LOAN	-	-	-	160,634	-	-	-	160,634
Financial investments – Amortised cost	267,738	-	-	-	-	-	-	267,738
Total	1,181,790	-	193,725	2,850,128	5,462,830	50,134	289,698	10,028,305

Risk Management Policy

Industry analysis 31-Dec-2017	Financial Services	Govern -ment	Health	Consu -mers	Retail & Wholesale	Transport & Comm	Services	Total
	N'000	N'000	N'000	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	-							
Mirco Business (MCB)	-	-	136,158	1,554,680	3,795,476	49,445	249,634	5,785,393
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	207,860	-	-	-	-	-	-	207,860
Total	946,189	-	152,938	1,700,286	4,844,872	51,196	882,142	8,577,623

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 summarises 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.

Risk Management Policy

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 2018	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	914,052						914,052
Loans and advances	1,031,786	1,883,108	1,686,677	657,628	1,343,009	2,244,309	8,846,516
Financial investments – Amortised Cost					267,738		267,738
Other assets	409,285						409,285
Total undiscounted financial assets*	**2,355,124**	**1,883,108**		**657,628**	**1,610,747**	**2,244,309**	**8,750,915**
Financial liabilities							
Deposits from customers	2,227,990			91,716	279,373	210,173	2,809,252
Debt issued and other borrowed funds	-					2,346,727	2,346,727
Other liabilities	7,491				457,321	778,807	1,243,619
Total undiscounted financial liabilities*	2,235,481	-		91,716	736,694	3,338,475	6,402,366
Net undiscounted financial assets/(liabilities)*	**119,643**	**1,883,108**		**565,912**	**874,053**	**(1,094,166)**	**2,348,550**

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 – Amortised Cost					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**			**78,112**	**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**

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

The Banks financial instruments (including assets and liabilities) except term loans (borrowings) are done on a relatively short term basis including financial assets held at amortised. Therefore, the risk arising from such transactions have very minimal impact on the Bank's performance.

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. All borrowings including long term are denominated in local currency to avoid foreign risks.

Risk Management Policy

STATEMENT OF VALUE ADDED

	2018 N 000	%	2017 N 000	%
Gross earnings	5,315,433		4,692,108	
Interest expense	(472,330)		(266,296)	
	4,843,103		**4,425,812**	
Bought in goods and services				
Administrative overheads-Local	(1,381,744)		(1,069,010)	
Provision on loan losses	(285,349)		(516,411)	
Value added	**3,176,010**		**2,840,391**	
Distributed as follows				
To pay employees:				
Salaries and other allowances	1,390,427	43.8%	1,292,778	45.5%
To Government:				
Taxation	450,490	14.2%	429,859	15.1%
To provide for enhancement of assets expansion of business and payment of dividend to shareholders				
Depreciation	230,610	7.3%	169,028	6.0%
Deferred taxation	54,346	1.7%	138,966	4.9%
Profit for the year	1,050,137	33.1%	809,761	28.5%
	3,176,010	**100**	**2,840,392**	**100%**

Risk Management Policy

FINANCIAL SUMMARY

	IFRS 2018 N 000	IFRS 2017 N 000	IFRS 2016 N 000	IFRS 2015 N 000	NGAAP 2014 N 000
Assets					
Cash and cash equivalents	914,052	738,329	797,851	756,568	536,990
Loans and advances	8,219,748	6,959,938	5,826,119	5,294,462	3,975,266
Financial assets - Amortised cost	267,738	207,860	188,539	177,391	119,516
Other assets	409,284	307,489	284,382	241,925	196,576
Deferred Tax asset	-	-	105,685	-	1,297
Property and equipment	964,400	349,158	286,143	293,912	212,438
Intangible assets	236,860	183,657	49,372	24,756	44,152
Total assets	**11,012,082**	**8,746,431**	**7,538,090**	**6,789,014**	**5,086,236**
Liabilities					
Deposits from customers	2,809,253	2,392,578	2,013,517	2,120,599	1,421,819
Current tax liabilities	603,347	574,137	347,914	299,185	314,131
Debt issued and other borrowed funds	2,349,494	1,474,453	1,177,734	1,087,259	554,614
Other liabilities	552,647	366,342	639,280	259,864	228,183
Deferred tax liabilities	87,627	33,281	-	21,748	-
Total liabilities	**6,402,368**	**4,840,791**	**4,178,445**	**3,788,655**	**2,518,747**
Equity attributable to owners of the Bank					
Issued share capital	1,209,770	1,219,904	1,212,617	1,211,000	1,206,490
Senior staff share option	-	-	-	-	-
Share premium	7,067	6,473	4,613	3,513	446
Statutory reserve	1,400,607	1,269,340	1,066,899	932,345	795,859
General reserve	1,816,602	1,409,923	1,075,515	853,502	538,162
Regulatory Risk reserve	175,668	-	-	-	26,532
Total equity	**4,609,714**	**3,905,640**	**3,359,645**	**3,000,361**	**2,567,489**
Total liabilities and equity	**11,012,082**	**8,746,431**	**7,538,090**	**6,789,016**	**5,086,236**
PROFIT AND LOSS ACCOUNT					
Gross earnings	5,315,433	4,692,108	4,013,661	3,358,507	2,717,919
Profit before taxation	1,554,973	1,378,583	700,120	838,434	1,015,145
Profit after taxation	1,050,137	809,751	538,220	545,941	726,510
Per share data (Kobo)					
Earnings per share	**0.87**	**0.66**	**0.44**	**0.45**	**0.60**
Net assets per share (Basic)	**3.81**	**3.20**	**2.77**	**2.48**	**2.13**

BRANCH NETWORK

BRANCHES

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

ABEOKUTA, SAPON
Diekola House, Sokenu Road,
Oke Ijeun/sapon, Abeokuta,
Ogun State.

AGUDA SURULERE
16 Kushimo Street,
aguda Surulere,
1st floor (opposite MOBIL),
Surulere, Lagos.

AGEGE
223 Old Abeokuta Rd,
Agege, Lagos.

AJAH
XYZ Plaza Ground floor,
No 1 kassim Oyofo Street,
Thomas Estate, Ajah Lagos.

AKURE
19 Ilemo Street,
Off Arakale Road,
Oja Oba Market area,
Akure, Ondo State.

ALABA
227/28 Igbede Road, Lagos.

ALAGBOLE
89 Ojodu-Akute Road,
Alagbole, Ogun State

ANTHONY
322 Ikorodu Road,
Anthony, Lagos.

APONGBON
16 Apongbon Street,
Lagos

ARIARIA
5 Power-Lines
by Faulks Road,
Ariaria, Aba, Abia State

AKOWONJO
13 Shasha Road,
Akowonjo, Lagos.

BARUWA
154 Ipaja Road,
Baruwa, Ipaja, Lagos.

BOUNDARY
62 Bale Street,
Boundary, Ajegunle,
Lagos.

BENIN
24 Sakponba Road,
Benin, Edo State.

BBA Trade Fair
Emanolink Plaza, Hall 3,
Beside Kano Plaza, Lagos.

BODIJA
Christy Plaza,
Secretariat-UI Road,
(beside Methodist
High School, Ibadan),
Oyo State

BARIGA
3 Tijani Ashogbon Sreet,
Bariga, Lagos.

DUGBE
22 Adekunle Fajuyi Road,
Dugbe (opposite MKO
Abiola House), Ibadan,
Oyo State.

EJIGBO
91, Ikotun Ejigbo Road,
1st Floor
(above sweet sensation),
Lagos State.

FESTAC
22nd Avenue, House 22,
Ecobank Building,
Festac, Lagos State.

IDI ORO
ECOBANK,
118 Agege Motor Road,
Idi-oro, Mushin, Lagos.

IDUMAGBO
19 Idumagbo Avenue,
1st floor, Lagos.

IKORODU
962 Owolowo Street,
1st floor, Ikorodu, Lagos.

IKEJA
3 Oba Akran, Ikeja, Lagos.

IKORODU AGRIC
50 Isawo Road,
NNPC station,
Ikorodu, Lagos.

ISOLO
32, Ire Akari Estate Road,
Isolo, Lagos.

IKOTUN
2No.83, Ikotun-Idimu Road,
Paradise Bus-Stop,
Ikotun, Lagos.

IWO ROAD, IBADAN
1 Abayomi Street,
adjacent Ecobank Building,
Ibadan, Oyo State.

KETU
572, Ikorodu Road, Ketu,
Lagos.

LADIPO
93 Ladipo Street,
Mushin, Lagos.

MILE 1, PORT HARCOURT
28 Ikwerre Road,
(1st floor left wing)
Mile 1, Diobu,
Port Harcourt, Rivers State

MILE 3
21 Ada George Road,
Rumuokokwu Town,
Mile 3, Diobu,
Port Harcourt, Rivers

MOLETE, IBADAN
WIMBO Building,
61 Molete Road,
Opposite Molete Baptist Church,
Idi Odo, Challenge, Ibadan,
Oyo State.

NKPOR
14 Ajuluchukwu Street,
Nkpor Onitsha,
Anambra State.

NNEWI
9 Ogbufor Road,
Nkwo Market, Nnewi,
Anambra State.

NYANYA
Hall 03, Taska Global Choice Plaza,
Forte Oil Service Station, Nyanya II,
Along Nyanya Keffi Expressway,
Abuja-FCT .

NYANYA
Hall 03, Taska Global Choice Plaza,
Forte Oil Service Station, Nyanya II,
Along Nyanya Keffi Expressway,
Abuja-FCT.

OYINGBO
E152 Herbert Macaulay Road,
Oyingbo, Lagos.

OBALENDE
26B Lewis Street,
Obalende, Lagos State.

ORILE 2
21 Coker Street,
(1st and 2nd floor),Orile,
Lagos State.

OKE ODO
437 Lagos Abeokuta Expressway,
Oke Odo, Lagos

OKE ARIN
20 Ijaye Street,
Oke Arin, Lagos.

OGBOGONOGO
Ogbogonogo Modern Market,
Ex-skye Bank Property,
Nnebisi Road, Asaba,
Delta State.

OJODU
Ise Oluwa House,
Plot 898a Isheri Road,
Ojodu, Lagos.

ONITSHA
28 Francis Street,
Main Market, Onitsha,
Anambra State.

OSHODI
20, Oshodi Road,
Oshodi, Lagos.

RUMUOMASI
18 Old Aba Road
(St. Lucy Plaza),
Rumuogba,
Rumuomasi,
Port Harcourt,
Rivers State.

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

SANGO OTA
46 Ijoko Road,
Lagos.

SURULERE
77 Ojuelegba Road,
Surulere, Lagos.

UYO
22 Ikot Ekpene Road,
Uyo, Akwa Ibom State.

CASH CENTERS

AGBEDE
2 Agbede Road,
Oppo Agbede Main Market,
Agbede Ikorodu, Lagos.

ALESHINLOYE
Bee Deen Oil and Gas
Investment Shopping Complex,
beside Aleshinloye Market,
Jericho, Ibadan, Oyo State.

APATA
DKL Building, Apata,
Ibadan, Oyo State.

BAKASSI
FA/2A/B/3/82
Upumuchilegbu Industrial Market,
Aba (bakassi Market) Abia State.

BADAGRY
Adedeji Shopping Plaza,
Joseph Dosu Road, Badagry,
Lagos State.

BOGIJE
Elemoro Royal Shopping Complex,
Bogije, Ajah, Lagos.

COMMAND
Beta Silver Petrol Station,
Command, Ipaja, Lagos State.

CEMETARY
20 Cemetery Road,
Aba, Abia State.

DUTSE
D1-001 –D3-003,
Eflaye Plaza,
Dutse Alhaji Market, Dutse,
FCT, Abuja.

EPE
Otitoyemi Shopping Complex,
Lagos Road, Epe, Lagos State.

HEAD BRIDGE
JC Udeh plaza, Electronics market,
Along Onitsha -Asaba expressway,
Onitsha, Anambra State.

IGBOGBO
Remdamson Filling Station,
Baiyeku Road,igbogbo, Ikorodu,
Lagos State.

IMOTA
Imota Motor Park,
Beside Imota Market,
Imota Ikorodu, Lagos State.

IJEGUN
Waleola Filling Station,
Ijegun, Lagos State.

IJEDE
Fomon Filling Station,
Elepe Bus Stop, Ijede,
Ikorodu, Lagos State.

IYANA IPAJA
Shop 45 and 46,
Block F, Iyana Ipaja market,
Lagos State.

IJU ISHAGA
Akinwande Fabiyi
Shopping Complex,
5 Agbado Road, Iju Ishaga,
Lagos State.

IGANDO
Suite 25 and 26
Igando Main Market,
Igando, Lagos.

KOLA
748 Lagos Abeokuta Expressway,
Agbado (Moshalashi Bus Stop),
Lagos State.

MOWE
65 Ofada Road,
Ire Akari, MFM Bus Stop,
Mowe, Ogun State.

NEW GBAGI
Bashmur & Ayimur Plaza,
Old Ife Road, New Gbagi,
Oyo State.

OCHANJA
67, Ameobi Street,
Ochanja Market, Anambra State.

OBOSI
Eme Bus Plaza,
Ultra modern electrical International,
Ochanja, Anambra State.

OJU ORE
Fatgbems Filling Station,
Oju Ore, by Oju Ore Roundabout,
Sango Ota, Ogun State.

OYIGBO
285 Old Aba Road,
Oyigbo, Rivers State.

OGIJO
120 Shagamu Road,
off Arogunre Street,
Ile Oba, Ogijo, Ogun State.

ONDO TOWN
Bolufeb Plaza,
3 Oke-osun Street,
Off Barracks Road,
Ondo Town, Ondo State.

USELU
135 Uselu - Lagos Road,
Uselu, Benin, Edo State.