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2020 Annual Report

Accion Microfinance Bank

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

01-2719326, 07000 222 466 info@accionnmfb.com @accionmfb

2020 ANNUAL REPORT

ACCION Microfinance Bank

Building Resilience: Impacting Lives

My Future is Bright

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MISSION

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

VISION

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

CORE VALUES

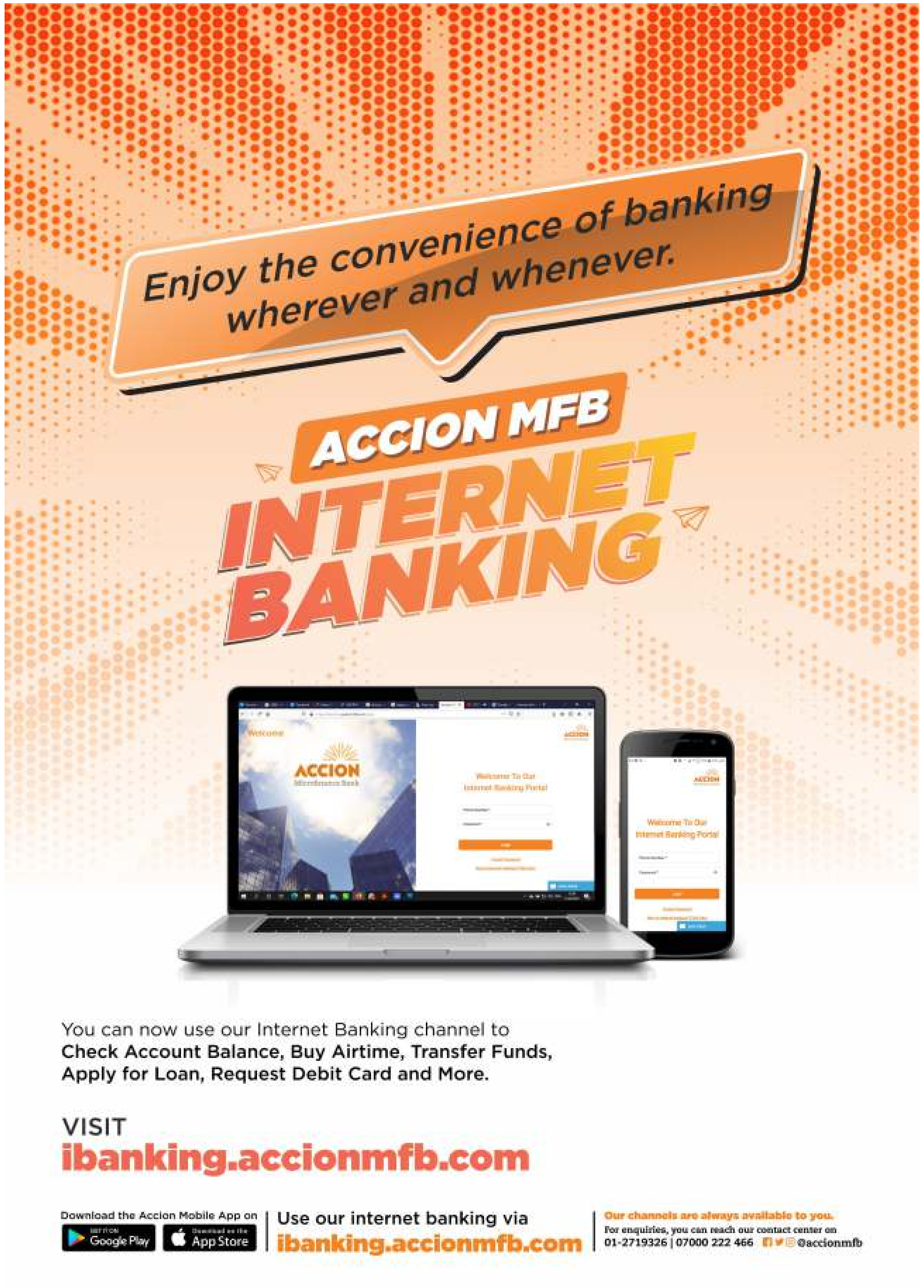
Integrity
We adhere to the highest ethical standard; employing fairness, probity and mutual respect in all we do.

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

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

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

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



BOARD OF DIRECTORS

Mr. John H. Fischer	Chairman
Dr. Olusegun Aina OFR	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
Mr. Olumide Obayomi	Independent Director
Mr. Brian Kuwik	Alternate Director to Messrs. John Fischer, Prateek Shrivastava and Christian Ruehmer
Mrs. Nneka Enwereji	Alternate Director to Mr. Akinsowon Dawodu
Mrs. Ibukunoluwa Oyedeji	Non-Executive Director (Appointed 04/08/2020)
Professor Olayinka David-West	Independent Director (Appointed 10/12/2020)

MANAGEMENT

Mr. Taiwo Joda	Managing Director/CEO
Dr. Olufemi Oyenuga	Chief Digital Officer
Mr. Ndubuisi Onuoha	Chief Commercial Officer
Mr. Adeola Adebisi	Chief Finance Officer
Mr. Waheed Fagbenro	Group Head, Operations
Mr. Onajero Ohwo	Head, Internal Audit
Mr. Stephen Olalere	Head, Risk, Control & Compliance
Mr. Emeka Uzowulu	Head, Business Banking Upcountry (SS & SE)
Mrs. Agatha Mbanefo	Consultant, Human Capital Development
Mrs. Ugochi Okafor	Head, Human Resources
Mr. Daniel Ofoleta	Head, IT
Mrs. Adetokunbo Elliot	Head, Value Chain Partnerships & Product Development

COMPANY SECRETARY

Aluko & Oyebode
1, Murtala Mohammed
Drive Ikoyi, Lagos

EXTERNAL 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 PLC
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.

Wema Bank PLC
Admiralty Way Branch
26, Obafemi Anibaba Street, Lekki Phase 1,
Lekki-Lagos.

Fidelity Bank PLC
Isaac John Branch
49, Isaac John Street, Ikeja G.R.A Lagos.

ALUKO & OYEBODE

www.aluko-oyebode.com

ACCION MICROFINANCE BANK LIMITED

NOTICE OF 15TH ANNUAL GENERAL MEETING

Notice is hereby given that the 15th Annual General Meeting of **Accion Microfinance Bank Limited** will be held virtually (via Zoom) on Thursday, the 10th day of June 2021 in the Company's Board Room, **at Elizade Plaza, 322A Ikorodu Road Anthony, Lagos** at 4.00p.m. for the transaction of the following business:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the year ended 31st December 2020 together with the Reports of the Directors and the Auditors thereon.

2. To consider a dividend.

3. To re-elect Messrs. Akinsowon Dawodu, Christian Ruehmer and Taiwo Joda as Directors of the Company.

4. To ratify the appointments of Mrs. Ibukunoluwa Sarah Oyedeji and Professor Olayinka David West as Directors of the Company.

5. To appoint KPMG Professional Services as External Auditors of the Company.

6. To authorize the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS:

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

   "That the sum of N28,860,000.00 being the Directors' remuneration for the 2021 financial year be and is hereby approved"

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

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

ALUKO & OYEBODE

TELECONFERENCE:

Zoom Link: https://zoom.us/j/8794842857

Meeting ID: 879 484 2857

Password: accion3245

By Order of the Board

Aluko & Oyebode
ALUKO & OYEBODE
COMPANY SECRETARIES

ALUKO & OYEBODE
Company Secretary
Lagos
Nigeria.

19th May 2021

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.

Chairman's Report

Annual Report 2020

Mr. John H. Fischer
Chairman

Resilience in Crisis

Dear Distinguished shareholders, Members of the Board of Directors, ladies and gentlemen, on behalf of the board of Directors of Accion Microfinance Bank, I welcome you to our Annual General Meeting.

The year 2020 was an unprecedented year, as the world faced the significant health, operational, and economic impacts of COVID-19. COVID-19.

In February 2020, Nigeria was among the first countries in Sub-Saharan Africa to record a case of COVID-19. Unfortunately, the virus quickly spread through cities and towns. The arrival of the pandemic in Nigeria triggered policies intended to curb the spread of the virus and reduce its impact. These measures included travel limitations, restrictions on physical interactions and lockdowns. Micro and small businesses were particularly affected as these measures also limited their ability to do business, disrupted their supply chains, and all too often their own health, the health of their families and that of their customers and suppliers.

I would like to commend the leadership and commitment of the management of the Bank with the support of the Board in expeditiously implementing measures to cushion the effect of this pandemic on staff, clients and other stakeholders. I have also been inspired by the resilience of our Bank and our esteemed clients during this crisis. Our staff adapted quickly to new processes designed to safeguard health and safety and look for new ways to support our clients. Our clients have rapidly moved to rebuild businesses and in some cases were able to find new opportunities amidst the pandemic.

2020 Financial Performance

The pandemic had an unprecedented effect on the financial performance of our Bank. As with micro entrepreneurs around the world, our clients faced sharply lower business activity, supply chain disruptions, and restrictions on movement, as well as direct health impacts.

In 2020, our Bank focused on helping our loan clients to navigate through the financial impact of the pandemic on their businesses. In recognition of the effects of the pandemic on our clients, the bank extended a grace period to 23,307 of our loan clients for a minimum of 90 days, while those in the educational sector got a grace period of at least 150 days. Additionally, the Bank waived interest for five months for our loan clients in the educational sector given the segment was particularly hard hit due to restrictions on this segment.

The number of our active borrowers decreased by 16.1%, from 53,374 in 2019 to 45,973 in 2020 and our total loan portfolio dropped by 9.75% from N10.208 billion in 2019 to N9.213 billion in 2020, as the Bank took a more cautious approach to disbursements and clients took a more cautious approach to borrowing, given the downturn in their own business activity. Total disbursements were N18.299 billion a sharp decrease of 31.85% when compared to total disbursement of N26.85 billion in 2019. Our total number of savers decreased by 10.6% to 235,407 in 2020 from 263,281 in 2019. However, customers' deposits grew to N4.309 billion in 2020 from N4.013 billion in 2019, thereby translating to a growth of 7.38%.

Our profit after tax dropped by 85.57% from N915m in 2019 to N132m in 2020, due to the relief given to our clients in 2020 through grace periods and interest reductions, as well as the lower volume of business during the year. Total equity grew from N5.246 billion in 2019 to N5.366 billion in 2020 which translates to 2.29% growth. Our Bank remains capitalized well above the N5 billion capital base required for a national microfinance bank well ahead of the April 2022 regulatory deadline.

New Business Model

Our service outlets remained at 93 in twelve 12 states in 2020 as we had in 2019. The Bank de-emphasized our geographical spread using brick and mortar outlets and focused investments on using digital channels to drive customer acquisition and financial service delivery. Our digital migration drives the Bank's new business model, which focuses on achieving more with fewer resources. As the Bank achieves a larger digital footprint, our major touch points will include digital channels, virtual branches, and agency partnerships. We are optimistic that our strategic initiative will lead to improved efficiency in the future with positive effect on the bottom line and a better overall client experience.

Economic Environment

The pandemic and the measures taken to halt its spread led to a sharp global economic deceleration in 2020 with a GDP contraction of 3.3%; the Nigerian economy was no exception and contracted by 1.92% in 2020. The economy was heavily impacted by the decline in oil prices in 2020 and this limited the policy measures that could be taken to cushion the adverse impacts of COVID; however, as economies return to full capacity during 2021, we expect to see improvements.

In addition to impacts of slower economic growth, Nigeria faced a continuing rise in inflation rates with inflation closing at 15.75% in 2020. Particularly worrying for our market segment was that food inflation reached 19.56% in the year. Low economic growth and high inflation will affect our clients deeply, increasing the need to provide our clients with the financial tools they need.

The #EndSARS protest, which started in October and lasted for three weeks led to large-scale civil unrest across the country. Some of our loan clients were directly affected and lost their stocks and business investments to the violence. In addition, curfews introduced by some states to curb the violence resulted in loss of business opportunities. It also affected normal business operations for our Bank resulting in lower than expected loan disbursement and collections. The foresight of the board and management in the provision of insurance cover helped to ameliorate the impact of these events.

Regulatory Environment

During the year, the Central Bank of Nigeria cut the Monetary Policy Rate from 13.5% to 11.5% and increased the Cash Reserve Ratio by 500 basis points to 27.5% from 22.5%.

The CBN introduced new regulations on bank service charges; in particular, ATM withdrawal fees were reduced from N65 to N35 and a graduated fee for electronic transfers replaced a flat fee of N50, among other things.

As an economy that is highly dependent on oil revenue for foreign exchange earnings, fluctuations in oil prices significantly affects Nigeria's foreign reserves and FX supply in the economy. With oil prices down in 2020, pressure on Nigeria's exchange rate grew, leading to speculations of a devaluation to reflect the true value of the naira. In order to improve liquidity in the foreign exchange market, the CBN introduced a number of foreign exchange related policy decisions, one of which is a new rule that allows the remittance recipients to receive funds in dollars.

To improve the credit repayment culture and reduce non-performing loans the CBN introduced the Global Standing Instruction (GSI), which allows lenders to recover the amount they are owed on a loan from any deposit accounts owned by a borrower. The GSI application started with commercial banks in Nigeria and will be subsequently extended to microfinance banks.

The CBN also introduced a new licensing framework for Payment Service Providers and a Draft Framework for Regulatory Sandbox Operations in Nigeria.

The Nigerian government officially gazetted the new Banks and Other Financial Institutions Act (BOFIA) 2020. This Act repeals the Bank and Other Financial Institutions Act 1991, and will regulate the businesses of banks and other financial institutions in Nigeria going forward.

During the year, the Federal Inland Revenue Service (FIRS) published regulations on Common Reporting Standard (CRS), which sets out the information required for automatic exchange of financial account information on a global level between the tax authorities of different jurisdictions that have agreed to be a party of such exchanges.

The Finance Act 2020 also brought some modifications on different tax laws in Nigeria.

Supporting our Clients to Thrive

With new challenges such as COVID-19 come new opportunities. The restrictions on physical interactions occasioned by the lockdown limited our ability to physically engage with our clients. However, to maintain the close relationship our Bank maintains with our customers, we launched the Accion MfB Konnect Series--an interactive virtual platform hosted by professionals, thought leaders and subject matter experts to discuss topical issues with our clients and stakeholders on business management, diversification and other resources needed to thrive. Our senior management staff and board members also connected with clients on this platform.

We also built the capacity of our clients by offering free business trainings to over 100 business owners.

I am inspired by our clients' resilience and adaptability in usage of technology and our digital channels. With our various customer engagement sessions, we witnessed tremendous increase in uptake and usage of our digital channels.

Our health and safety campaigns were launched to provide our clients with information on how to stay safe and keep their families healthy following government approved safety measures.

We feel fulfilled that we were able to support and empower our clients to remain safe, provide resources for them to get back on their feet and driving digital capabilities to impact the lives, businesses and communities we serve.

Leveraging Technology to improve Businesses and Livelihoods

The disruption caused by the pandemic and the ripple effect reinforced the importance of embracing technology and innovation in building capacity and supporting clients. We began our digital journey a few years back and with our investment in technology and strategic partnerships, we were able to support our clients in the uptake and usage of our digital products and channels.

With our technology investments, we were able to quickly adapt and implement initiatives to curb the spread of the virus and support customers' businesses. The sudden lockdown did not prevent our clients from transacting with us as our e-channels and platforms were available 24/7.

Our *572# USSD code, mobile app and internet banking and channels provided our clients with access to transact without limitation. Entrepreneurs could access business funds quickly with the BrightaLoan. Our partnership with a reputable e-commerce platform offered our clients an avenue to serve their customers without physical interaction, thus scaling their businesses.

Our committed management and staff worked tirelessly to optimize new and existing self-service solutions to improve customer experience and service.

Corporate Social Responsibility

Our quick response to the pandemic in supporting our communities has helped lessen the impact of the virus on businesses and livelihoods.

In order to curb the spread of the deadly virus, our bank distributed masks, gloves and ensured sanitizers as well as other personal protective equipment were available in all our outlets to keep our clients and staff safe.

We supported and empowered the next generation by providing over 500 back to school kit(s) to vulnerable children.

In promoting wellness for the vulnerable to ensure their safety and alleviate poverty, we renovated blocks of convenience for pupils and also provided hope and financial freedom to cancer survivors through financial empowerment activities.

We have empowered People Living with Determination through financial empowerment workshops and partnered with foundations and government agencies to drive financial inclusion.

The vulnerable who were hit the hardest by the pandemic have been enriched and supported by initiatives that provided them with food items and other critical resources.

Our environmental focused activities have also been able to improve the planet and improve wellness. More details on our social impact projects in the year are contained in the social impact segment in this annual report.

Our People

In building our resilience at Accion MfB, our commitment towards a better normal begins with our people. Innovating ways to serve clients despite the disruptions while supporting and keeping people productively engaged and mentally healthy throughout the year is always utmost priority.

Our staff adopted technologies to embrace smart remote work.

We invested in our workforce by building capacity and driving a culture of innovation across the bank. We also provided them with necessary tools to enable them work remotely.

The welfare of our staff is equally important to us. We made a decision to continue to pay staff full compensation and remuneration despite economic realities. I am happy to report we did not lose any staff to the pandemic.

Future Outlook

Some countries are experiencing a second or third wave of the pandemic leading to renewed lockdowns in the affected countries. However, we do not anticipate that the situation will deteriorate to the level of the global lockdowns we experienced in 2020. As the distribution of vaccines reaches more countries and vaccines become more readily available, we are hopeful that the mortality rate of the pandemic will drop significantly. This would open up more economic and commercial activities among countries. With the recovery of economies globally, we expect that new opportunities will emerge for our clients to regrow their businesses, which will allow our Bank to resume its growth and improve its portfolio quality.

Our commitment is to continue to provide support to our resilient clients. Indeed, the future outlook is bright.

Appreciation

I would like to express deep appreciation to all our stakeholders for their trust in Accion Microfinance Bank and immense thanks to my colleagues in the board, management and staff of Accion MfB, for their dedication, and to our customers for their loyalty and support. Thank you as well to all of the partners who believe in our vision to be the market leader in the provision of microfinance and related financial services at world-class standard.

I am optimistic of the future and confident in the focused leadership of the management team, talented staff, with the support of the board to optimize the opportunities to better position your bank.

Together, we will continue to create a Bright Future.

John Fischer
Board Chairman
Accion Microfinance Bank Limited

Board of Directors

Mr. John H. Fischer
Chairman

Dr.Olusegun Aina OFR
Vice Chairman

Mr. Taiwo Joda
Managing Director/CEO

Adenike Laoye
Non-Executive Director

Akinsowon Dawodu
Non-Executive Director

Prateek Shrivastava
Non-Executive Director

Ibukunoluwa Oyedeji
Non-Executive Director

Christian Ruehmer
Non-Executive Director

Olumide Obayomi
Independent Director

Wolfgang Bertelsmeier
Non-Executive Director

Brian Kuwik
Alternate Director

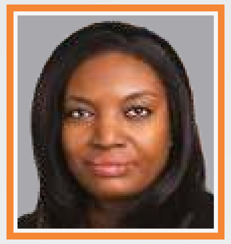
Nneka Enwereji
Alternate Director

Prof. Olayinka David-West
Non-Executive Director

Risk, Credit & Investment Committee

Mr. Christian Ruehmer
Chairman

Mr. Olumide Obayomi
Member



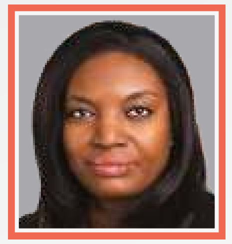
Mrs. Nneka Enwereji
Member

Mr. Taiwo Joda
Member

Audit & Compliance Committee

Mr. Olumide Obayomi
Chairman

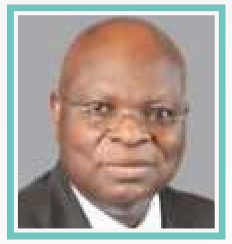
Mrs. Adenike Laoye
Member



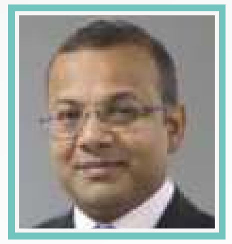
Mrs. Nneka Enwereji
Member

Ethics & Governance Committee

Mrs. Adenike Laoye
Chairman

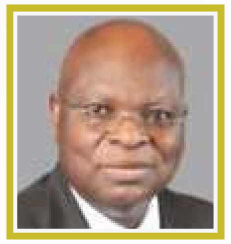


Dr. Olusegun Aina OFR
Member

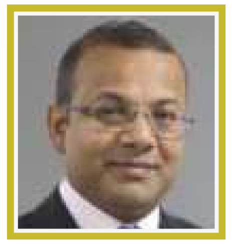


Mr. Prateek Shrivastava
Member

Channels & Technology Committee



Dr. Olusegun Aina OFR
Chairman



Mr. Prateek Shrivastava
Member

Mr. Christian Ruehmer
Member

Mrs. Ibukunoluwa Oyedeji
Member

Managing Director's Report

Sustaining Market Leadership during the Pandemic

On behalf of the Staff and Management of Accion Microfinance Bank Limited, I welcome you to the 15th Annual General Meeting of Accion Microfinance Bank Limited. It is another time to review developments in the sector and in your Bank in Year 2020. A year largely referred to as a COVID year.

The year 2020 remained a unique one both globally and locally with the outbreak of the COVID-19 pandemic that has resulted in significant loss of lives and massive decline in global economic and social indicators.

Taiwo Joda
Managing Director/CEO

We have carefully reviewed the impact of the pandemic on our business during the year under review and have put in place initiatives to regain lost grounds in 2021.

The impact of the pandemic was very hard on the Microfinance banking sector considering that we serve a highly vulnerable community that operates at the bottom of the economic ladder. The policy of the government early in the year which included the shutdown of markets and schools in major states of Lagos, Rivers, Imo, Oyo, Abuja etc. dealt a major blow on our Customers' ability to do business and consequently on our business as a bank. However, inspite of the constant need to understand and manage the uncertainties that came with the pandemic, the bank proactively developed effective and timely business continuity strategies to ensure minimal disruption in the delivery of our services to our stakeholders. We had to rely heavily on our robust technology (digital platforms) to deliver uninterrupted services to our customers. We also deployed strategies that ensured we had sufficient liquidity to meet the day-to-day running of the business, sustainability and staff safety. The three-pronged approach of customer education, forbearance and constant availability endeared us to our teeming customers. Though a very challenging year, we stood close to ourselves, our customers and the community we serve.

Global & Domestic Economy Review

According to the International Monetary Fund's (IMF) latest global economic forecast, the world economy contracted by 3.5 per cent in 2020; this was due mainly to the COVID-19 pandemic which caused major disruptions in the global economy. Economic activity was hit by reduced personal interaction, owing both to official restrictions and private decisions; uncertainty about the post-pandemic economic landscape and policies which discouraged investment; disruptions to education also slowed human capital accumulation; and concerns about the viability of global value chains and the course of the pandemic weighed on international trade and tourism. As with previous economic crises, the pandemic is expected to leave long-lasting adverse effects on global economic activity and per capita incomes. It is however projected that the world economy will grow by 5.5 per cent in 2021. The growth is forecasted on the strength of expected strong economic rebound in China, as well as policy support in large economies such as the United States and Japan. In addition, the roll-out of coronavirus vaccines is expected to boost economic activity in the second half of the year as vaccine distribution allows for lifting of restrictions on economic activity in the United States, Europe, and other nations. Continued fiscal and monetary policy support in many economies will provide additional tailwinds. Demand for in-person services, which so far has been hit hardest by the pandemic restrictions, will lead the recovery. Industrial output growth, which has remained relatively strong, is expected to retain its momentum as business investment rises in anticipation of a faster recovery in consumption.

Sub-Saharan Africa was also hard hit by the COVID-19 pandemic, with activity in the region shrinking by an estimated 3.7 percent in 2020 as persistent outbreaks in several countries continue to inhibit the recovery. COVID-19 is likely to weigh on growth in Sub-Saharan Africa for a long period, also, the rollout of vaccines in the region is expected to lag behind that of advanced economies, further dampening growth. As a result, living standards are likely to be set back a decade and tens of millions of people in the region could be pushed into extreme poverty cumulatively in 2020-21. Recovery is forecast to resume at a moderate average growth pace of 3 percent in 2021-22—essentially zero in per capita terms and well below previous projections.

The Nigerian economy just like most global economies was also vulnerable to the global economic disruption caused by Covid-19. The economy entered a recession, reversing three years of recovery, due to a fall in crude oil prices on account of falling global demand and containment measures to fight the spread of COVID–19 and risk aversion in global capital markets.

The containment measures mainly affected aviation, tourism, hospitality, restaurants, manufacturing, education, and trade. Contraction in these sectors offset demand-driven expansion in finance, information and communications technology sectors. According to African Development Bank, Nigeria's overall real GDP is estimated to have shrunk by 3% in 2020, although mitigating measures in the Economic Sustainability Programme (ESP) prevented the decline from being much worse. Inflation rose to 13.25% in 2020 from 11.4% in 2019, fueled by higher food prices due to constraints on domestic supplies and the pass-through effects of an exchange rate premium that widened to about 24%. The removal of fuel subsidies and an increase in electricity tariffs added further to inflationary pressures. The Central Bank of Nigeria cut the policy rate by 100 basis points to 11.5% to shore up a flagging economy. The fiscal deficit, financed mostly by domestic and foreign borrowing, widened to 5.2% in 2020 from 4.3% in 2019, reflecting pandemic-related spending pressures and revenue shortfalls.

Total public debt stood at N32. 9 trillion or $86.3 billion (25% of GDP) on December 31, 2020, 2.4% higher than a year earlier. Domestic debt represented 63% of total debt, and external debt, 37%. High debt service payments, estimated at more than half of federally collected revenues, pose a major fiscal risk to Nigeria. The current account position was expected to remain in deficit at 3.7% of GDP, weighed down by the fall in oil receipts and weak external financial flows. The aftermath of these was weakening Naira, accelerated inflation sectoral GDP contraction and investment decline, culminating into real GDP growth decline. As a result of the above, the Microfinance banking industry, including Accion Microfinance Bank faced several potential and imminent challenges including asset quality, profitability erosion etc.

According to the African Development Bank's projections, the economy is expected to grow by 1.5% in 2021 and 2.9% in 2022. The growth projection is based on an expected recovery in crude oil prices and production. Stimulus measures outlined in the Economic Sustainability Programme (ESP) and the Finance Act of 2020 could boost non-oil revenues. Improved revenues can narrow the fiscal deficit to 4.6% and the current account deficit to 2.3% of GDP in 2021 as global economic conditions improve. Reopening borders is expected to increase access to inputs, easing pressure on domestic prices and inflation, projected at 11.4% in 2021.

Our Performance – Delivering on our Mandate

As a Bank, some of the key achievements I cherished most were our Business survival and intimate relationship we cultivated with our customers during the pandemic. It was indeed a time the customers needed us most and we were there for them. In doing this we organised several Webinars that provided updates and tips on survival strategies amidst the pandemic. Another major stride was granting of forbearance measures which included interest waivers, interest reduction, moratorium on principal and interest amount and restructuring of existing loans. We also made significant progress in the maturation of our digital journey and harnessing the advantage of our robust investment in technology to deliver on our mandate during the year and making our customers to transact their businesses seamlessly.

The Bank recorded Gross earnings of N4.86billion a decrease of 20.6% when compared to N6.1billion in 2019. The decline in gross earning was as a result of low loan uptake by our customers who were badly affected by the disruption in supply and demand chain. Another major reason was the over N300million granted as interest waivers to over 1,400 school owners who took loans from us. Profit after tax declined by 85.6% from N0.915billion in 2019 to N0.132billion in 2020. Total Assets stood at N12.88billion indicating a growth of 5.45% from N12.216billion. Deposits grew by 7.4% from N4.013billion in 2019 to N4.310billion. Number of Savers and accounts however declined by 10.6% and 1.35% respectively compared to a growth of 5.7% and 15.6% in the previous year.

Our active loan customers declined by 13.87% from 53,374 in 2019 to 45,973. Also loan disbursement dropped from N26.8billion in 2019 by 31.8% to N18.3billion in 2020. This brings the accumulated loan disbursement from inception to date to N149.674billion from N131.3billion in 2019. In the same vein, cumulative number of loan disbursed closed at 570,416 from 522,303 in 2019 indicating an increase of 9.21%. Total active portfolio however declined by 9.75% from N10.208billion in 2019 t0 N9.213billion in 2020.

We continued to widen our digital footprints and acceptance among our customers in 2020.While we issued a total of 16,394 cards in the year, a total of 7,048 were activated on our various channels. Cumulatively, the number of ATM cards issued to our customers from inception closed at 193,558 as at December 2020. In order to create multiple touch points to serve our customers and emphasized on our strategy of 'tech and touch' we commenced acquisition of direct agents. We closed with 895 and hope to grow this to 3,000 in 2021.

In our digital banking space, we deployed the Big 5 Digital products during the period under review. These are Brighta Loan (Digital loan on the go), Accion MfB Mobile banking application for banking on the phone, SaveBrighta 2.0 Account & wallet, Internet Banking and the New USSD 572# all in a bid to improve our customer experience in line with our digital strategy.

We also leveraged on our current improvement in the increased use of automated processes to drive efficiency in our business through partnerships with various institutions. This helped us to achieve best results at a lower cost without compromising standard. Some of these initiatives were the deployment of the upgraded Digital Field Application (DFA) for loan processing; a one stop application for our loans processing. We also deployed our Agency banking platform to enable us serve our Customers seamlessly outside the brick and mortar arrangement. Also deployed was the Disaster Recovery initiative to ensure that our data is stored, secured and readily available at any given point in time. We also deployed Audit 360 application, a digitization solution for improved audit and internal control process in the Bank.

Our CSR – Giving back to the Society

Our Bank kept to its promise of giving back to the society by way of showing appreciation to the communities we operate in for their patronage and loyalty over the years and the industry at large. As part of our contributions to the Microfinance Banking industry, we sponsored a workshop held at CIBN for all MFBs in Nigeria bringing facilitators from IFC and Philip Consulting to discuss subjects bordering on Risk Management and Corporate Governance. The impact of this on the sector remains indelible especially in Lagos state based on my capacity as the Chairman of the Lagos state chapter of the National Association of Microfinance Banks.

As a way of drawing closer to our Customers (Customer Engagement), we initiated the Accion Konnect Series, the Bank's first virtual interactive platform where professionals, subject matter experts provide customers, staff and other stakeholders relevant resources needed to thrive in the pre and post COVID era. During the COVID era, we organised series of webinar episodes involving our Board members for our segmented customers - school owners, Pharmacists, Traders etc. We also embarked on Grassroots customer engagement which involved the Creation of wealth and financial freedom through grassroots engagement session with trade association members- Association of food sellers, Tradesmen and artisans, Lagos State Council of Tradesmen and Artisans.

(LACOSTA), Aje Day Celebration. We have also commenced the artisan loan initiative to provide micro loans as a way of empowering them economically. The Bank also provided training for over 200 SME customers with external facilitators to help and hand hold them to survive the pandemic.

Other Social Impact activities involved carrying out COVID-19 social impact research for customers, Provision of Post COVID-19 relief support initiative such as granting of moratorium to our clients, interest rate discount, interest free loan moratorium for school owners, etc. The activities include;

- Provision of technical and practical resources in managing business post-pandemic as we engaged the services of a seasoned subject expert to offer free SME training to 100 customers in the service, trade and commerce industry. This training was focused on how businesses should re-position for recovery and growth in an event of future pandemic/business disruptions.
- Worked with National Association of MFBs in Lagos to provide palliatives including bags of rice and protective gears to Lagos State Government for onward distribution to the vulnerable public.
- Empowering People Living with Determination- Workshops with foundations and chapters to provide financial support and empowerment to people living with disability-Life Beyond Challenge Foundation –Agege & Mushin LGA
- Despair me not Foundation in conjunction with Lagos state office of Disability Affairs (LASODA) Ojokoro chapter
- Lagos state office of disability affairs – national disability week
- Support for survivors- Partnership with Judah foundation for Cancer Survivors.
- Brighta Mind Campaign- renovation of blocks of restroom for staff and pupils of school in Epe Local government area.
- Empowerment for women through strategic partnership with International Trade Center –financial workshop for business women.
- Provision of resources to our women by partnering with the Thrive Women and Women and Half groups respectively.

Recognition and Awards

Our Bank featured in several top-notch international interviews including FORBES Africa Magazine to celebrate Nigeria's 60th Independence and BBC Africa. We were also featured on several Nigerian Newspapers and TV Shows to address topical issues bothering on the sector and the nation at large. Accion MfB MD/CEO was also one of the speakers at the 2020 Annual Banking and Finance Forum, the biggest Annual Banking and Finance Forum in Africa organised by the Chartered Institute of Bankers of Nigeria. The recognition afforded a good pivot for the bank to entrench its leadership position in the industry.

Our People

One of the key lessons from the pandemic was the confirmation that our people are critical for our business success. To this end, we ensured they were adequately equipped for the challenges through regular communications and meetings using the available technology to emphasize the need to adhere to the pandemic's protocols. We also used the medium to provide the strategic direction of the Bank in the face of the pandemic. All these assisted our staff to stay calm and focused on our clients during the crisis.

Management remains committed to ensuring we reciprocate this gesture always as the opportunity comes. In doing this, we recognized the outstanding performance of some of our staff especially our field employees who were offered promotion for a job well done despite the challenges in the year. We believe this will further boost our staff productivity for a better outing in 2021. We were also able to reduce staff attrition rate considerably to 5.9% in the year from 12% in 2019. This is within industry average of 5% just as we embarked on strategic recruitment to fill key positions in the Bank. We promise to provide the necessary support and improve our system to make our staff perform optimally.

Outlook for 2021 Post COVID 19 Pandemic

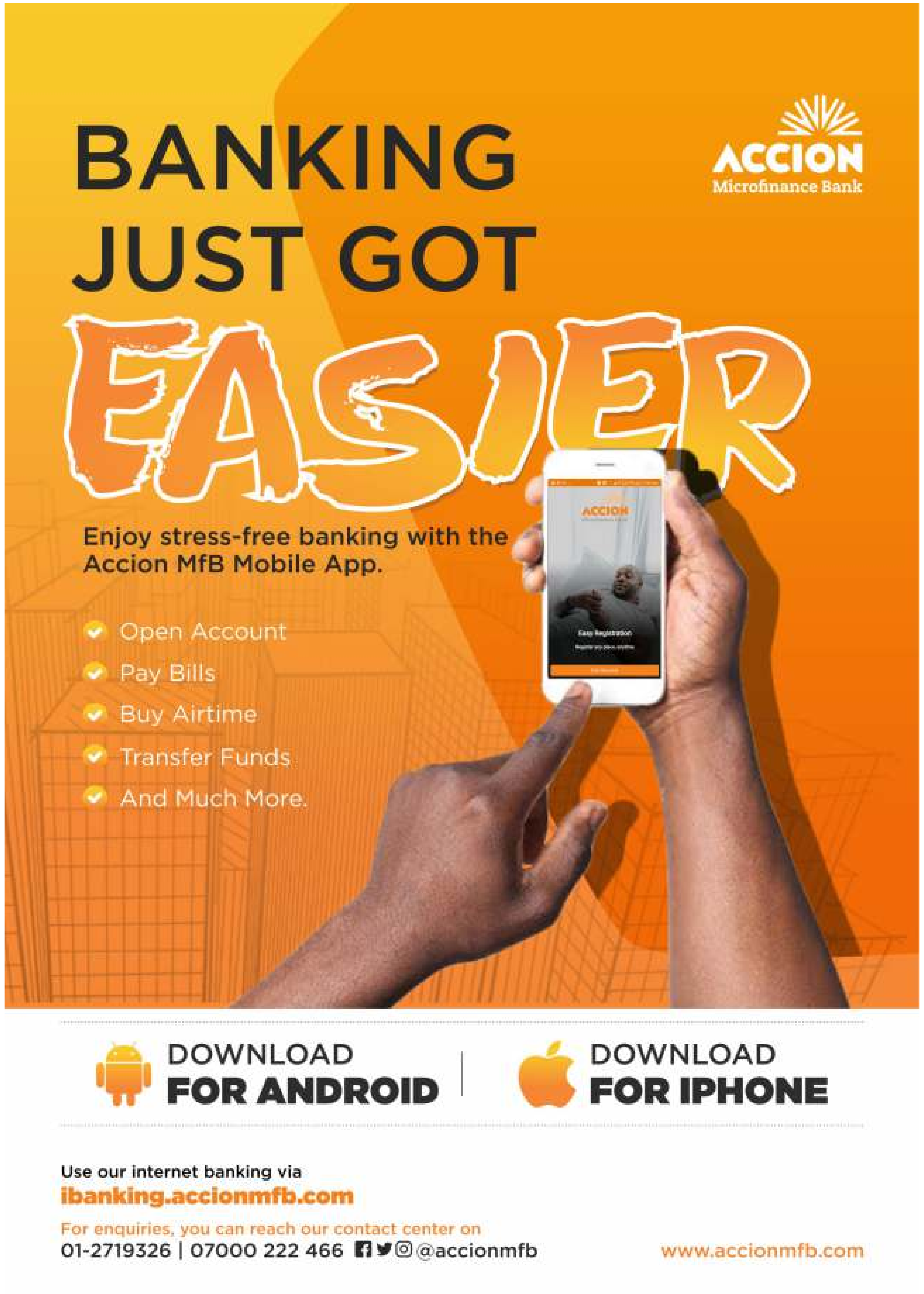
The World Bank has projected global economic output in 2021 to expand 4 percent and moderate to 3.8 percent in 2022 weighed down by the pandemic's lasting damage to potential growth even though the recovery has been dampened in the near term by a resurgence of COVID-19 cases in some major economies. Overall, the recovery is expected to strengthen over the forecast horizon as confidence, consumption and trade gradually improve, supported by ongoing vaccination.

For us as a Bank, we are working hard to stay ahead of the recovery curve. We have carefully reviewed the impact of the pandemic on our business during the year under review and have put in place initiatives to regain lost grounds in 2021. We are committed to delivering on our targets for the year and continue to project Accion Microfinance Bank as one-stop shop in the industry meeting the needs of our target market in line with our strategy.

As I conclude, I want to appreciate the support of our Board members during the COVID year. They worked tirelessly to ensure we remain strong as a bank. Their regular & ad hoc meetings with us assisted us a great deal in our response to the crisis. I also appreciate the Management Team for their cooperation and execution of the agreed initiatives during the period. I am optimistic that 2021 will be a better year as we implement our plans for the new financial year.

Thank You.

Taiwo Joda
Managing Director/CEO
Accion Microfinance Bank Ltd.



Management Team

Our Management Team is made up of highly experienced business leaders with diverse skill sets. They are committed to serving all of our stakeholders groups and support the Chief Executive in the day-to-day management of the Bank and the implementation of our strategy.

Mr. Taiwo Joda
Managing Director/CEO

Dr. Olufemi Oyenuga
Chief Digital Officer

Mr. Ndubuisi Onuoha
Chief Commercial Officer

Mr. Adeola Adebisi
Chief Finance Officer

Mr. Stephen Olalere
Head, Risk, Control & Compliance

Mr. Waheed Fagbenro
Group Head, Operations

Mr. Daniel Ofoleta
Head, IT

Mr. Emeka Uzowulu
Head, Business Banking, Upcountry (SS & SE)

Mrs. Adetokunbo Elliot
Head, Value Chain Partnerships & Product Development

Mr. Onajero Ohwo
Head, Internal Audit

Mrs. Ugochi Okafor
Head, Human Resources

Financial Highlights

2020

Return on Equity
2.46%

Return on Assets
1.05%

Total Assets
N12.88b

Profit After Tax
N132m

Portfolio
N9.21b

Deposit
N4.309b

Number of Savers
235,407

Number of Loan Disbursed
48,113

Total Loan Disbursed
N18.3b

Liquidity Ratio
73.99%

Capital Adequacy
58.25%

We are committed to delivering on our targets for the year and continue to project Accion Microfinance Bank as one stop shop in the industry meeting the needs of our target market in line with our strategy.

Leveraging Technology to Impact Businesses and Livelihood

The journey to drive digital transformation, use of digital to scale and excite our clients began in 2018. Since then, there has been gradual refinements year-on-year.

The global pandemic in 2020 affected every sector and the banking industry was not left out. Our drive to support our clients to use digital channels and products was amplified by the uncertainty of the year.

The use of digital channels stepped up as USSD, mobile app, internet banking sustained growth quarter-on-quarter throughout the government imposed travel restrictions and thereafter.

During this period, the Bank rolled out more products, channels and initiatives than any other time in its history, to meet up with changes.

Uptake and usage of digital products and channels is not a nice-to have but an enabler to survive and build resilience to thrive post pandemic.

The following were implemented:

(I) We changed our USSD aggregator and built the USSD engine in-house.

(ii) Re-launched SaveBrighta 2.0 on the Digital channels for easy access to clients and with more benefits and rewards such as the hospital cash back, referral rewards, etc.

(iii) Rolled out the Brighta Loan pilot - our Digital working capital loan.

(iv) Launced our Digital wallet.

(v) Our first ever Digital loan product, Brighta Loan was launched.

(vi) A digital loan product dedicated to Artisans was rolled out.

(vii) Developed a new and improved Mobile app with exciting features.

(viii) A new internet banking application.

(ix) Our Digital Field Application was rolled out to enable the market-facing commercial team to open accounts and run loan applications digitally.

(x) Revamped our Agency Banking, rebranded it as "AccionPay" and adopted the Direct Agent hierarchy structure.

(xi) Rolled out VB-Agency, a hub-and-spoke model of agency banking that enables the Bank's existing and potential customers to apply for loan at the Agent locations

(xii) We migrated the My-Agent loan process from a third party platform to Gravity. Gravity is a direct agency banking platform deployed by the digital business.

Our Digital Offerings

Our digital products and channels provided our clients with convenient and secure transactions at their convenience with just a few clicks!

a. SaveBrighta – the digital savings product with life insurance and hospital cashback benefits. It has most recently been upgraded with a wallet feature for customers, special features for agents, as well as personal wealth management tools, such as target savings and investments.

b. Brighta loan – Working capital loans for micro entrepreneurs available up to N150,000 with no physical documentation required.

c. Artisan Loan – Specialized loans for artisans up to N100,000

d. Debit cards – Available for use at any PoS terminal, ATM or online payment.

e. USSD - *572#

f. Mobile App – Accion MfB app

g. Web app – ibanking.accionmfb.com

h. SaveBrighta Agent – the digital account with special features tailored towards the unique nature of agency banking demand.

i. Gravity Agency Banking POS terminals - A smart POS terminal that comes with instant settlement and enables our Agents to process all transaction types directly on the Bank's CBA and agency banking interface.

Since the introduction of our digital products and channels:

a. We have witnessed thousands of downloads of the mobile app.

b. Increased usage of the *572# to perform seamless transactions.

c. Our clients can interact with the Bank without physical presence at our branches.

d. Digital Banking transactions remained unhindered during the travel restrictions and lockdowns.

e. The SaveBrighta product was more accepted due to improved benefit such as health and life cover safety nets at no extra costs.

f. By reviewing our pricing model, agents now flock to our platform to partner with us.

g. Agents' accessing of the MyAgent Loan product has become seamless.

Our 2021 focus

As we navigate the new normal, we are working smart, putting in place structure, handholding our customers on use of digital channels and implementing initiatives to improve lives and businesses of our esteemed clients.

Our emphasis would be on:

a Complete build of digital products & channels and introduce IVR (Voice Banking)

b Rollout an eCommerce partnership adapted to our target market e.g. Jumia

c Meeting objectives of the MasterCard acceleration program

d Increase awareness on digital products

e Increase awareness on Bills payment and other features

f Increase awareness on digital channels; Agency Banking, Debit Cards

g Leveraging technology to grow our footprint nationwide

h Improving internal and external awareness of digital products /channels

I Exploring further use of digital partnerships

The loan disbursement was instant and I would rate that excellent!

Testimonials from Brighta Loan recipients

The Brighta Loan is a digital loan with end-to-end automation of loan application, management, and disbursement.

This loan can be accessed on any mobile device and from the comfort of your home, shop, or on the go! The loan product was created to help provide a quick boost for new and existing customers. Customers can apply at their convenience and the loan will be disbursed swiftly following satisfactory credit evaluation.

The loan provides business owners with quick loans from N50,000 and above with affordable and convenient repayment options.

The loan can be accessed via the bank's mobile app, internet banking service, and the USSD channels. The product went live and has been successful in providing business owners (new and existing) with easy access to business funds

Mrs. Magdeline Achorma

She is a current Accion MfB customer who has been with the bank since 2017. She has been in the Fashion designing business for the past 12years.
Mrs. Acorhma needed to expand her business to start selling ready-made outfits for her to be able to make more income to enable her to support her family but she didn't have enough funds to cover her needs.
She confirms that she heard about the brighta loan via SMS communication that had previously been sent to her, so she decided to apply.

With the right guidance, she was able to get the loan disbursed into her account immediately after she applied. She states "I am happy that I was able to complete the loan application process on my phone and have the money disbursed into my account. The loan helped me a lot and that arm of my business is now doing very well. The repayment process was very easy and I have fully paid it back. I will apply for more money and I will ensure to tell others about the loan".

Mrs. Rita Nwanya
Mrs. Nwanya is a new customer of the bank who owns a boutique where she sells female items of clothing and has been in business officially for about 4 years. She needed funds urgently to clear her items that had just arrived at the customs office.

She remembered that a friend had earlier told her about the Accion MfB brighta loan so she quickly picked up her phone and commenced the application process.

"The application process was very easy and smooth and I was very happy that the money was disbursed to my account immediately. The loan was very timely and it supported me very well".
She hopes to invest with Accion MfB in the future.

Mrs. Oluwaseyi Akinleye

Hair accessories and make-up products trader, Mrs. Akinleye, an existing customer of Accion MfB, needed funds to buy more products to increase sales and make more profit.

She had heard about the Accion MfB brighta loan and she decided to apply since she had been informed that it was a quick loan. She decided to go through the Mobile App route and she applied for a loan of 80,000 naira. This was disbursed into her account immediately after the application was complete.

In her words "The application process was very simple and I didn't believe I would get the loan, but I was very happy I eventually did and I was able to use the loan for what I needed it for"
She confirmed the loan helped her achieve her business needs at right time. She looks forward to applying for loans with Accion MfB in the future.

Mrs. Lillian Olisaemeka.

Mrs. Lillian, a new customer of Accion MfB in the general merchandise business. She owns the business and has been operating it for the past 3 years officially. She had previously learned about the loan from an Accion MfB customer so when she needed to upgrade her business, the banks' internet banking platform was her first point of call.
She applied for the sum of 150,000 and the funds were disbursed instantly.
"The disbursement of the funds was instant and I would rate that excellent. I was very happy about this", she stated.
According to her, the funds helped her achieve what she needed it for and her business is doing well now. Due to the swiftness of disbursement, she has introduced three of her friends to also apply and she promises to still tell others about the loan.
In her words "I am giving your customer service thumbs up, they are doing a good job".

The application process was very simple and I was able to use the loan for what I needed it for.

Investing in Innovative Technologies to Build Resilience and Impact Businesses

We developed digital loan and savings products to exponentially grow by reaching and serving customers virtually to achieve the Bank's strategic goal and optimize business operations

With our products, clients can open a fully operational SaveBrighta account without limits or restrictions. This account also provides clients with access to quick digital working capital loans to optimize their business. Clients can access this loan without leaving business locations or visiting any of our branches.

Revamping and Optimization of E-Channel Platforms

Internet Banking, New Mobile App, Improved USSD

Our customer-centric mindset in developing and optimizing our e-channel platforms remains our driver in offering products that adds value to our clients' lives and businesses.
Continuous iteration of the USSD menu at no cost as a result of the application being developed in-house. With the recent upgrade and optimization of these channels, the Bank has witnessed increased digital presence and footprint. Clients now have unlimited access to:

- Instantly open an account
- Mobile Wallet
- Transfer Funds
- Purchase Airtime & Data top-up
- Pay electricity, Cable and other bills.
- Access to loans and savings from the comfort of their space
- Other exciting lifestyle features

Digital Field Application (DFA) 2.0

The upgraded DFA 2.0 offers a bouquet of features to improve customer experience and loan management process.

Document Management System (DMS)

The document management system was developed in-house to drive and cut down manual processes on OPEX (operating expenses). This application eliminated vouchers and approvals usually involved in tedious time consuming paper work. With the deployment of the application, we have been able to:

- reduce PAR by driving collection through the use of cash-in with evidence of print-out to customers
- improve turn-around-time for end-to-end loan processing
- increase efficiency and reduce cost, time and error
- optimize the core banking application performance

Agency Banking

In addition to increase in our agency network, we deployed an agent management solution and mobile application for agent recruitment, customer acquisition, transactions and bills payment.

Our banking services are now closer to the customers through the Bank's partner agents, giving them easy access to perform various transactions.

Corporate Social Impact

Building Resilience:
Impacting Lives

Optimization of channels and technology to improve customer experience

Globally, the novel COVID-19 did not only impact businesses and people in different ways but also impacted the local and international economy. From loss of income, to travel restrictions, supply chain distributions and loss of loved ones.

At Accion Microfinance Banks, we swiftly undertook actions to build resilience and impact lives and livelihoods.

23, 307 Loan Customers	**N4.18 billion** Moratorium Value	**16,136** Loan Customers	**N7,3billion** Interest Reduction Value	**9** Loan Customers	**N5.6million** Insurance Support

The Future is Digital:
The Future is Now

We leveraged technology and partnered with reputable organizations to provide our clients with resources to adapt to changing situations and scale. Our clients have the option of opening an account online through the 572# USSD channel, on the Accion Mobile App, or the Internet Banking. We also strengthened our agent networks to support clients with some transactions rather than come to our physical location. Our partnership with a reputable e-commerce platform to onboard our clients on their platform to scale and sell to their respective customers further gave our clients a platform to sell to their customers without any restrictions

Our digital channels and products provided clients with convenience, security and easy access to perform transactions online. With the USSD code *572#, clients can buy airtime, transfer funds to business partners and perform other transactions seamlessly without data. We also designed the BrightaLoan; a digital loan that can be accessed on any mobile device at the comfort of a client's home, business location or on the go with just a few clicks. The Accion Mobile App and Internet Banking is another e-platform to bank with us without clients leaving their business locations or homes.

Delivering Resources to Thrive

The "New Normal" ushered in different challenges and changes which not only impacted on SMEs globally, but also on health and lives of business owners. Surviving a pandemic requires information and insights on how to position businesses to be resilient in the face of uncertainty and thriving in the next normal. The Accion Konnect Series- a virtual interactive platform hosted experienced and reputable thought, industry leaders, business leaders and professionals across various sectors to discuss topical issues and offer FREE resources, insights, trainings, to our clients. Feedback from clients revealed the platform had successfully provided them with important resources needed to navigate the crisis and emerge stronger.

When Our Clients Succeed, We Succeed

At Accion MfB, we understand the impact of the pandemic on our clients' businesses and we reached out to get first hand feedback from them and provide them with palliatives to cushion the effect. We offered our clients moratorium on their existing loans, interest rate reduction, **free** training of 100 business owners, and provision of over 3000 face masks.

Connect, Listen and Respond

We continually connected with our clients, listened to them and responded with initiatives to build capacity and resilience. We also monitored the effectiveness of our initiatives, measured success and reviewed when necessary.

Building Capacity and Resilience in Business Owners

Free Business Training to 100 business owners

In 2020, due to the Covid-19 pandemic, there was a lot of uncertainty, reduced income, loss of customers and businesses. This threw a lot of business owners into confusion, with many not knowing the next step to take. Your Bank put certain initiatives in place to support customers during this period and one of these was an exclusive **free** training session for 100 business owners.

We carried out a social impact survey to ascertain the level of effect the pandemic had on our clients and from the results of this survey, we selected 100 customers who had been affected the most by the pandemic for this exclusive session.

We engaged the services of a seasoned SME Consultant/Training outlets to offer **free** SME trainings to 100 selected clients who were adversely affected by the pandemic. These 100 SME clients were selected across sectors. This training was focused on how businesses should re-positioned for recovery and growth in an event of future pandemic/business disruptions.

This training aimed to teach customers how to diversify and explore new options to help their business thrive in this COVID-19 era.

Participants were issued certificates and top performers were gifted a business book with insights on Corporate Governance.

Accion MfB
My Growth Partner

Adenike Temenu

Mrs. Adenike is the proprietress of Saviour Nursery & Primary School, Bariga and one of the participants of SME training.

The training session was an insightful and eye-opening session for her as she was able to learn so many ways of handling her school business, staff, parent, and financial management.
She was able to get over 60% of parents to pay their children school fees using some of the strategies shared at the training session.

The worksheet shared as an assignment during the training is what she currently uses for her financials.

She is currently on an Education loan and housing loan of 1 million Naira on each loan respectively with over 165 pupils".
She plans to complete her proposed permanent site in Ikorodu to accommodate more pupils.

Mrs. Lilian has been into full event service (catering, event planning, and decoration) for about 15 years and started banking with Accion MfB in 2012. Her first loan was N300, 000 and has grown her business, such that she is currently able to access up to N1, 500, 000.

In her words, "The SME training made me realize the untapped opportunities and different ways of getting things done in the post-COVID-19 era. During the training session of the facilitators talked about event planners hosting events online and delivering food to the attendees.
The training opened my mind to organizing virtual party and event for my customers and it has paid off for me and business.

I wish the bank can support us with more training".

Lilian Akunne

Mrs. Esther

Mrs. Esther joined the training with the hope of learning new ways of getting things done in the new normal and her expectations were met, as the facilitators shared real-life solutions and answers to her questions.

Mrs. Esther confirmed that she has begun to put into practice what she learned at the training she is happy that her business has taken a new and sharp turn.

She now has a business page online where she sells her products and services and the turnover has been encouraging.
"MD's session with customers in the pharmaceutical sector also reshaped my product request process. Accion MfB's loan and support have helped my business grow, I can now order more goods from my suppliers and meet my customer's demand" she shares.

Pre-Covid

Our Impact on People

Supporting and Empowering the Next Generation

Education and literacy remain critical factors in empowering the next generation and breaking the cycle of poverty. In celebration of International Education Day, we supported the pupils of St. Michael Primary School Ikare, Ondo State with over 240 back-to-school kits.

Building a Bright Future for the Next Generation Through Sustainability

One of our client is a proprietor of Morit International School, a private school located in Ajegunle Lagos. Accion MfB has been able to support the school in providing education for vulnerable children by accepting plastic bottles as an alternative for school fees through an educational solution called **Recycle Pay Education**

In line with the Bank's CSR focus on support for literacy and education, we provided this next generation with Back 2 school kits for over 200 students who before then had never had a school bag.

With support from staff, the bank organized a plastic bottle recycle drive initiative to collect and donate bottles for pupils in addition of distribution of Back2school kit.

The bank was able to donate over 20large sacks for this cause and also drive recycling initiative to save the planet.

Delivering Resources to Thrive-

Accion MfB Konnect Series

In order to stop the spread of the virus, there were certain measures put in place such as lockdown and limited physical interaction. As an institution committed to empowering our clients, we designed a virtual interactive platform- Accion Konnect Series.

The Accion Konnect series is a virtual interactive platform where the bank host professionals, subject matter experts to discuss topical issues and provide stakeholders with resources needed to thrive amidst a pandemic.

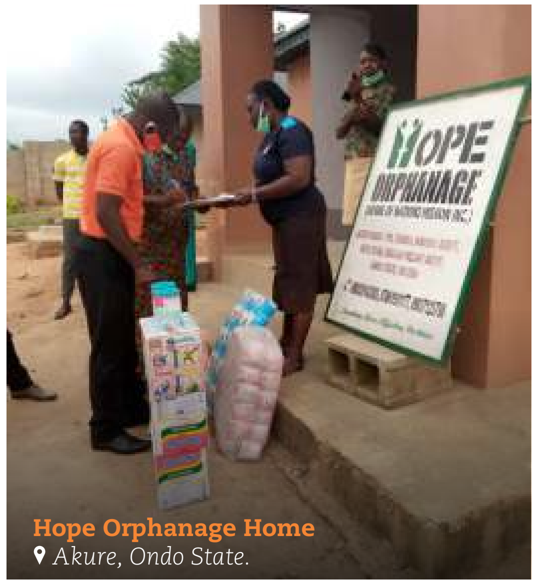
Discussion on physical and mental health, business diversifications, supply chain advocacy, and more were deliberated upon with real life case studies and solution to help our esteemed clients get back on their feet. This platform also provided the Bank with an opportunity to directly engage with clients and other stakeholders.

Over 25 episodes were aired

Enriching the Vulnerable

All over the world, people, lives and families have been affected by the pandemic and the vulnerable have been hit the hardest.

We visited ten (10) orphanage homes and provided children with food items, toiletries and lots of love.



Hope Orphanage Home
Akure, Ondo State.

Jesus orphans & widows home
Kailo Estate, Port-Harcort.

Onitsha South Motherless
Odoakpu, Anambra State.

Oyiza Orphanage & Foster Foundation
NTC Road, Ibadan, Oyo State.

Red Cross Motherless
Onitsha, Anambra State.

Sacred Hearth Orphanage Home
Abeokuta, Ogun State.

Seventh-Day Adventist Hospital & Motherless Babies' Home
Aba, Abia State.

Stella Obasanjo Children's Home
Ibara Housing Estate, Abeokuta, Ogun State.


WEBINAR
ACCION
Microfinance Bank
Virtual Engagement Session
with all school owners.
Friday December 11th 2020
10:00 a.m - 12:00noon
Register via www.accionmfb.com/webinar
Our channels are always available to you.
For enquiries, you can reach our contact center on
01-2719326 | 07000 222 466 @accionmfb


The Effect on MSME
Lessons Learnt
Business Post COVID-19
COVID-19 & ENTREPRENEURS
ACCION
Microfinance Bank
Guest
Vivian
Chigozie-Nmonwu
Lead Partner
VI-M Professional Solutions
LIVE ON
zoom
Tue. 26th May 2020
11:00 A.M (W.A.T)
West Africa Time
To register, visit our website
www.accionmfb.com
Our channels are always available to you.
For enquiries, you can reach our contact center on
01-2719326 | 07000 222 466 @accionmfb
My Future is Bright


My Future is Bright
ACCION
Microfinance Bank
MD
WEBINAR
WITH
SME
CUSTOMERS
Taiwo Joda
MD/CEO, Accion MfB
Dr. Segun Aina
Board Member, Accion MfB
10:00A.M
Thursday June 18th, 2020
REGISTER HERE bit.ly/AccionMfB


SPEAKER
Dr. Oge Ilegbune
HOST
Adefisayo Akinsanya
SPEAKER
Busola Olamuyiwa
Thriving in a Crisis:
Addressing Mental Health, Psychological and Psychosocial Needs
11:00A.M
Tuesday July 28th, 2020
ACCION
Microfinance Bank


My Future is Bright
ACCION
Microfinance Bank
Join
Mr. Ndubuisi Onuoha
Chief Commercial Officer, Accion MfB
ON A
Live Chat
COVID-19:
How Accion Microfinance Bank supports customers to thrive.
LIVE ON
zoom
Tue. 28th April 2020
12 P.M - 2 P.M
West Africa Time
To register, visit www.accionmfb.com
Our channels are always available to you.
For enquiries, you can reach our contact center on
01-2719326 | 07000 222 466 @accionmfb
www.accionmfb.com


ACCION
Microfinance Bank
Speakers
Oghogho Makinde
JOIN OUR LIVE DISCUSSION
Force Majeure and Stamp Duties - Issues for Consideration
Ngo-Martins Okonmah
Nike James
Host
Taiwo Joda
11:00A.M
Thursday July 30th, 2020
ACCION MFB KONNECT SERIES


ACCION
Microfinance Bank
Get
Quick
& Easy
Loan
With our BrightaLoan, you can get quick access to funds between 50,000 - 150,000 to pay back within 1-3 months with interest rates as low as 8% to grow your business.
Available across our digital channels.
USSD • Mobile App • Internet Banking
Download the Accion Mobile App on
Google Play
App Store
Use our internet banking via
ibanking.accionmfb.com
Our channels are always available to you.
For enquiries, you can reach our contact center on
01-2719326 | 07000 222 466 @accionmfb

Uplifting Livelihood and Driving Financial Freedom to People Living with Determination.

In line with the Bank's commitment to drive financial inclusion for all, we partnered with Life Beyond Challenges Foundation to organize and facilitate financial empowerment workshops to provide support and empower people living with disability.

Ability in Disability: People Living with Disability (PLWD) Loan Support

"I can now support my family better with easy repayment"

We are passionate about empowering and supporting all, irrespective of their abilities or differences. Our PLWD loan is a loan product that is geared at supporting people living with disabilities, to help them grow their businesses and be able to support their families.
The loan is easy to access, with low interest rate and convenient repayment options.

Ojo Taibat

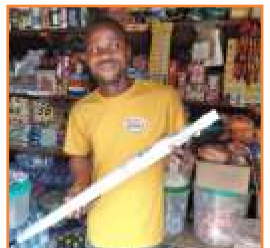
Like every other child, Mrs. Taibat's parents took her for immunization at a tender age but unfortunately, the immunization had an adverse effect on her and this resulted in her inability to use her left hand.
Her family paid for her soap-making training and raised funds for her to start a small business. She has been trying to access loans from other financial institutions to expand her business but the requirements and interests were not encouraging.
After attending the Mushin local empowerment program powered by Accion MfB, she indicated an interest in the PLWD loan.
She is grateful for Accion's MfB's support in expanding her business, she can now afford to buy the soap ingredients in large quantity from suppliers. She can meet her customers' needs which have resulted in more sales and increased profit.
"My monthly repayment is easy and affordable. I can support my family and I am planning on expanding my business by venturing into bar bathing soaps".

Anosike Joseph

Mr. Joseph has been in the sales of computer accessories and repairs for over twelve (12) years but has never accessed any support from banks because of the high-interest rate.
However, upon hearing about Accion MfB's People Living with Disability (PLWD) loan and its features, he applied for the loan and has since been able to buy more spare parts to meet his customers' needs.
He hopes to grow and expand to a major computer coupling factory with the support of Accion Microfinance Bank.

Babatunde Mohammed

Mr. Babatunde has been in the charcoal business for over Twenty (20) years but has never accessed any loan facility due to the high-interest rate and tedious documentation processes.
Upon hearing about Accion MfB's People Living with Disability (PLWD) loan and its attractive benefits he decided to try it out.
Before accessing the loan he could only afford 7 bags of charcoal from retailers and this made it difficult to meet his customer's demands.
Since he accessed the loan, he now buys up to 40 bags directly from distributors in Kwara state.
He can now support his family better and make his repayment seamlessly. He also plans on expanding his business very soon.



Agbabiaka Yusuf Temitope

At the tender age of 5, Mr. Yusuf woke up one morning and couldn't make use of his right leg, since then his family has been responsible for his upkeep and they set up a business for him.
He started selling provisions about 11 years ago and in his quest to upscale his business he tried to access a loan from a financial institution but the interest rate almost ran down his business.
His words, "When my account officer told me about the People Living with Disability (PLWD) Loan and the interest rate it was too good to be true until I applied for the loan and found out that the interest rate was way better compared to others".
Since he accessed the loan, his business has improved, he has been able to reinvest part of his profit into his business, and grow.

Pre-Covid

Promoting Hygiene Through Improved Sanitation

An-Sarudeen Nursery & Primary, School, Epe.

Health is wealth and only healthy individuals can break the barriers to poverty. In line with our Brighta Mind Initiative, we renovated 4 blocks of restrooms for An- Sarudeen Primary School Epe.

Driving Inclusion and Financial Opportunities for All

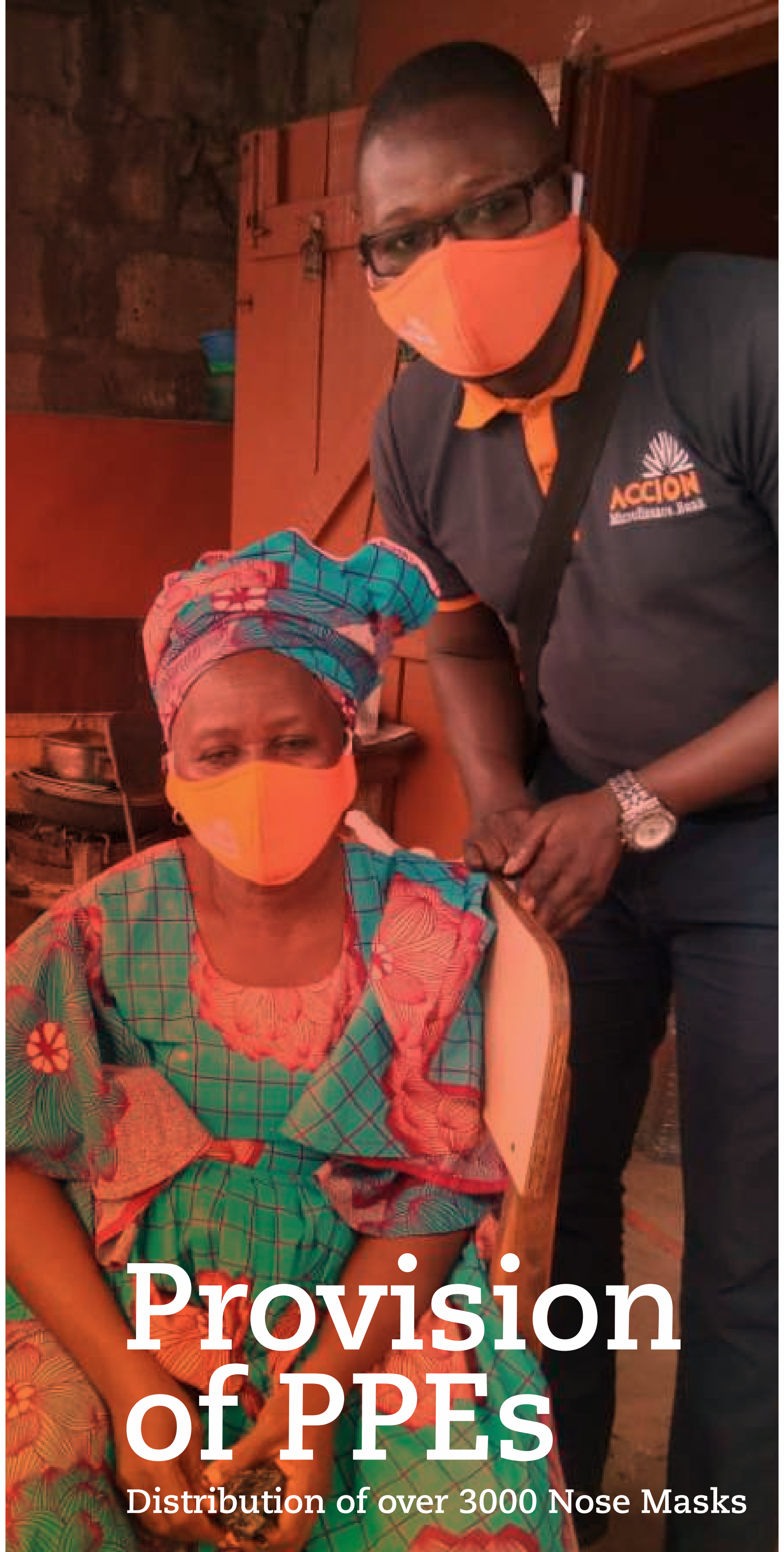
We partnered with Lagos State Ministry of Wealth Creation and Employment through the Lagos State Council of Traders and Artisans to offer financial support and empower artisans.

We also developed a digital loan for these busy artisans which allows them to access loans from the comfort of their shops, homes or on the go.

Pre-Covid

Hope and Financial Freedom to Cancer Survivors

For many, the word cancer is a dreaded word with difficult memories and challenges. At Accion MfB, we partnered with Judah Foundation to lend our voice to this cause, by creating and empowering survivors. We believe all individuals should be able to live a fulfilling and financially stable life irrespective of life's curveballs.



Provision of PPEs

Distribution of over 3000 Nose Masks

This further reiterates our commitment to the wellness and safety of our stakeholders, your Bank distributed over 3000 nose masks to our resilient staff and customers during the pandemic outbreak.

Building Resilience in a Disruptive and Instructive Year

The global pandemic brought about a lot of uncertainties in the workplace with many people experiencing feelings of loss of control, anxiety around well-being, and speculations around financial insecurity and job loss.

In building our resilience at Accion MfB, we took swift steps to ensure that the health and safety of our people remained our top priority.

We implemented the following change management strategies to keep our people productive and engaged, while making sure that the business continued to thrive and not just survive.

Remote Working

Remote working has emerged as a fundamental way of work at AccionMfB. Our digital transformation and business models adopt technologies that enable more flexible ways of working, seamless collaboration and job sharing to meet fast changing business needs accurately and timely.

Capacity Building

While the pandemic has amplified the need to actively invest in the workforce, AccionMfB has maintained its commitment to enhance the capabilities of its people while building a culture of innovation throughout the Bank.
Despite the temporary closure of the physical onsite Learning Academy, the Bank has continued to provide its employees with learning opportunities, delivering customized learning content via the virtual Knowledge Exchange Sessions (KES) to over 900 staff weekly, as well as other external online learning programs.

Remuneration Stability

We strive to ensure the continued welfare and well-being of all staff. For this reason, AccionMfB made the decision not to withhold or reduce the compensation of staff despite the economic realities. This has enhanced our employee engagement

Pandemic (Covid-19) Management

Real-time Covid-19 incidence reporting and sensitization of staff have been top priority.

Staff Engagements

Several staff engagement initiatives were introduced and implemented including the HR Clinic, where staff complaints and enquiries are efficiently managed/ resolved, positively impacting the performance of the Bank.

30%
of our workforce are supported by our remote working policy.

900+
colleagues supported via KES and Webinars on Covid-19 awareness and

N3.3M+
spent to support colleagues towards Covid-19 prevention, tests and treatments.

100%
of workforce consistently received full pay through to December 2020.


Pre-Covid
ACCION
Microfinance Bank

Driving Advocacy

and Capacity Building in the Ecosystem.

We collaborated with the National Association of Microfinance Banks - Lagos State Chapter (NAMB-Lag) to organize a Capacity Building seminar for MDs/CEO'S and deputies of Microfinance Banks in Lagos state.

Key players and subject matter experts in the industry were invited to share insights on **Effective Risk Management and Succession Planning for Microfinance Banks**.

Empowering Women

SheTrades

for Good event.

Women and Half

Our Impact on the Planet

Promoting Awareness for a Healthy and Safe Planet

In celebration of world environment day, we engaged in cleaning major markets across regions we operate nationwide.

This is in line with our focus on encouraging awareness and action for the protection of the environment. This also improved the health and well-being of the people in the communities.

Head Office & Anthony Branch

Bakassi Cash Center

Oke-Arin & Apongbon Branch

Iwo Road Branch & New Gbagi cash center

Oke Odo Branch

Enhancing profit in an environmentally sustainable way

Solar Loan

As the costs of running a business keeps sky rocketing, we designed initiatives targeted at adding value to clients and educe these cost. We collaborated with solar energy company to provide solar products to aid effective business operations for our clients. Solar power provides power to their shops thereby reducing the cost of business expenses as they do not need to buy generator fuel daily nor make monthly payments to power companies.

This was done under the Solar Product scheme, which allows clients to enjoy uninterrupted power supply at an affordable monthly repayment plan.

This product has impacted many clients' businesses by reducing operating cost and also environmental pollution.

Satisfied with affordable, cost-effective and durable solar product.

Mrs. Asuku is one of the bank's numerous clients benefitting from Accion MfB's solar product. Before buying the solar product, she had spent a lot of her income and savings on power prepaid meter, generator servicing, and fuel to light up her shop at night which is about the time she tends to have more customers patronizing her.

The solar powers a 24-inch television set, a standing fan, and 6 bulbs, and with this, she is now able to stay in the shop till late hours to be able to meet her customer's need and make more profit.

She is most satisfied with the solar product because it is affordable, cost-effective, and durable.

Asuku, Modupeola Lucy

Mrs. Ayoola subscribed to the Accion MfB solar product out of the frustration she faced in repairing her old generator, getting somebody to help the generator, the heat in her shop on a sunny day.

She had lost so much money buying non durable rechargeable lamps and solar products.

She purchased the solar product, installed it and since then, the bulbs and fan have been walking perfectly. She is thrilled about her decision to purchase the product.
She plans to get another solar product for her apartment.

Ayoola, Modinat Titilope

Lending a hand in disaster's wake

I'm back in business; it's up and running.

Civil unrests and disasters are unexpected and extremely difficult situations as it impacts on businesses, livelihoods and sometimes lives of individuals.

At Accion Microfinance Bank, we continue to educate our stakeholders on how to remain safe and healthy but when these unexpected sad occurrences do happen, we have structures in place to provide succor.

We partnered with reputable insurance companies to insure our products and provide relief in the event of this sad occurrence.

The civil unrest began in October 2020 and unfortunately escalated to violent situations in some parts of the country. This situations resulted in destroyed properties, loss of businesses, properties and regrettably some lives.

Some of Accion MfB's customers were affected by this with their shops and business places looted and burnt.

As a bank that is committed to supporting and empowering our customer's businesses, we came to the aid of these customers through insurance companies by providing funds to clear their existing loans and provided them with some funds to commence rebuilding their businesses.

The bank was able to support individuals affected by the incidence with claims of N5,055,899.59.

Beneficiaries

Mrs. Animashaun was on her 14th loan cycle with the bank before the unfortunate incident that occurred during the crisis where her shop was burnt down in ashes.
She was distressed and confused looking at her business being burnt to ashes and the loan balance to be paid back to respective banks.
Accion Mfb was the only bank that cleared her outstanding balance of over N 519,000 and also gave her about N190, 000 to start her business again.
"Accion, my Account Officer and Branch Manager have been supportive. Thank You, Accion" she says.

Mariam Animashaun

Mr. Osundina is an existing customer of Accion MfB whose shop was looted and burnt down during the crisis. He is currently on his second loan cycle of N1, 500,000 with Accion MfB.

His shop was looted and burnt down to ashes, just after he took delivery of stocks (Tyres) worth over N2,500,000 from his suppliers which he stored in the shop.

He was devastated seeing his life's investment go down the drain within the twinkle of an eye.

Accion MfB in collaboration with an insurance company came to his rescue and helped pay off the outstanding balance on Mr. Osundina's loan which was about N1, 200,000.

He was also given some funds to get back in business and Accion MfB also approved another loan to commence his business.

"I'm back in business and it's up and running. Thank you Accion MfB". He stated happily.

Osundina Ademuyiwa

Mrs. Adediran is the proprietor of Rulers Crown Montessori and has been an Accion MfB customer for over 12years.

She started with a loan of N150, 000 and her last loan before the unfortunate incident experienced, was N1, 000,000.

During the crisis, a fight broke out in the area and her school was burnt to ashes. This unfortunate incident occurred weeks before her first loan repayment installment.

She lost all her properties, 14 members of staff moved on to other jobs and well over 200 students left to attend another school.

Accion MfB in collaboration with insurance company paid off her outstanding loans of N1, 495, 920 through an insurance claim and provided a token to help start her school afresh.

She has since been able to secure a new place, about 30 students have enrolled with a staff strength of 6 with the support of Accion MfB.

Adediran Elizabeth Olubunmi

Report of the Directors

The Directors have the pleasure in presenting their report on the affairs of Accion Microfinance Bank Limited ("the Microfinance Bank" or "the Bank") together with the Bank's audited financial statements and auditor's report for the year ended 31 December 2020.

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 further granted 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 N1,207,407,700 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 also eligible to accept deposits from individuals, groups and organizations and raise finance in accordance with the CBN regulations and guidelines on microfinance banks.

Operating results

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

	2020 N'000	2019 N'000
Profit before taxation	6,766	1,340,043
Taxation	125,241	(424,701)
Profit after taxation	132,007	915,342
APPROPRIATION:		
Transfer to Statutory Reserve	16,501	114,418
Transfer to General Reserve	115,506	800,924
	132,007	915,342
Earnings per share – Basic (kobo)	0.11	76.00
Dividend Per Share - Proposed (kobo)	-	25.00

Proposed dividend

The Board of Directors did not recommend dividend for the year ended 31 December 2020 (31 December 2019: Nil).

Directors and their interests

The directors who served during the year were as follows:

Mr. John H. Fischer	Chairman
Dr. Olusegun Aina OFR	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
Mr. Olumide Obayomi	Independent Director
Mr. Brian Kuwik	Alternate Director to Messrs. John Fischer, Prateek Shrivastava and Christian Ruehmer
Mrs. Nneka Enwereji	Alternate Director to Mr. Akinsowon Dawodu
Mrs. Ibukunoluwa Oyedeji	Non - Executive Director (appointed 4th August 2020)
Professor Olayinka David-West	Independent Director (Appointed 10th of December 2020)

The Non-Executive Directors apart from the Independent Directors are representatives of the institutional investors who are the shareholders of the Microfinance Bank.

Shareholding

The shareholders of the Microfinance Bank as at 31 December 2020 and their respective shareholding are as follows:

Name of shareholder	Number of shares held	%
Accion Africa-Asia Investment Company	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	1,574,015	0.13
	1,207,407,700	97.46
Issued but unpaid- Stanbic IBTC Trustees Limited	31,465,271	2.54
	1,238,872,971	100

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

Property and Equipment

Information relating to changes in Property and Equipment is given in note 20 to the financial statements

Employment of Physically Challenged Persons

The Microfinance Bank operates a non-discriminatory policy in the consideration of applications for employment including those received from physically challenged 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 physically challenged, 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 physically challenged 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, healthy environment and conditions for 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.To this end, the Bank provides opportunities where employees deliberate on issues affecting the Bank and employee interests, with a view to making inputs to decisions taken thereon. The Microfinance Bank places a high premium on the development of its manpower. Consequently, the Bank sponsor its employees for various training courses.

Auditors

The Auditors, Messrs. Deloitte & Touché have now audited the Bank as independent external auditors for 10 years and in line with the regulatory requirements, they have served the maximum tenure. The Bank will be appointing new external auditors effective 2021.

COVID-19 and its impact on the Bank's business

The outbreak of Covid-19 pandemic had a devastating effect on Nigerian economy and most especially those at the bottom of the pyramid who are very vulnerable to shocks because of lack of savings and the nature of their employment and businesses. Such individuals constitute the bulk of our loan clients and majority of them were not able to meet their loan obligations as and when due. In order to help our loan clients to manage the negative impact of the pandemic on their cash flow, the bank granted moratorium to its customers on principal alone apart from educational loans that received moratorium on principal and interest up to September 2020. The Bank therefore forfeited interest income on its loan portfolio in educational sector up to September 2020.

However, at the maturity of the moratorium, a good number of our loan clients were still unable to meet their repayment obligations as and when due.

The second wave of the pandemic almost rolled back all the recovery efforts of the Bank with resultant impact of high loan loss provision.

We are confident that with the rollout of Covid-19 vaccine, the global economy would open up leading to increase in commercial activities. We remain optimistic that more businesses will recover in 2021.

EndSars Protest

The largely termed #EndSARS protest which started in October and lasted for 3 weeks led to large scale civil unrest across the country. The protest which started off peacefully escalated into violence leading to wanton destruction of properties, large scale looting and vandalism. The riot also affected some of our loan clients who lost their stocks and business investments. Some even have their business locations torched and razed to the ground. The curfews introduced by some states to curb the violence resulted in loss of business opportunities as some of our clients could not access their business locations to ply their trade. It also affected normal business operations for the bank resulting in poor loan disbursement and repayment.

BY ORDER OF THE BOARD

Aluko & Oyebode
ALUKO & OYEBODE
COMPANY SECRETARIES

25 March 2020

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 2020, 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 (CAMA) 2020, Banks and Other Financial Institutions Act 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.

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.

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the

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

i. Audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the company as of and for, the periods covered by the audited financial statements;

We state that management and directors:

- Are responsible for establishing and maintaining internal controls and has designed such internal control to ensure that material information relating to the Bank is made known to the officer by other officers of the company, particularly during the period which the audited financial statement report is being prepared.
- Have evaluated the effectiveness of the company's internal control within 90 days prior to the date of its audited financial statements, and
- Certifies that the company's internal controls are effective as of that date;

We have disclosed:

i. all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarize and report financial data, and has identified for the company's auditors any material weaknesses in internal controls, and

ii. whether or not, there is any fraud that involves management or other employees who have a significant role in the bank's internal control; and

iii. As indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regards to significant deficiencies and material weaknesses

The financial statements of the Bank for the year ended 31 December 2020 were approved by Board of Directors on 25 March 2021.

On behalf of the Directors of the Company

John Fischer	**Adeola Adebisi**	**Taiwo Joda**
Chairman	*Chief Finance Officer*	*Managing Director/CEO*
FRC/2020/003/00000020827	FRC/2014/ICAN/0000000713	FRC/2018/NIM/00000018093

Audit and Compliance Committee

In compliance with the provisions of Section 404(4) and (7) of the Companies and Allied Matters Act (CAMA) 2020, we have reviewed the Audit Report for the year ended 31 December 2020 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

25 March, 2021

Members of the Committee
Adenike Laoye
Nneka Enwereji

Deloitte.

P.O. Box 965
Marina
Lagos
Nigeria

Deloitte & Touche
Civic Towers
Plot GA 1, Ozumba
Mbadiwe Avenue
Victoria Island
Lagos
Nigeria

Independence 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 2020, 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, 2020 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 2020, 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.

Deloitte.

Key Audit Matters	How the matter was addressed in the audit
Loan loss impairment	
The Bank is compliant with IFRS 9 "Financial Instruments" which 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 which we reviewed. Loans and advances make up a significant portion of the total assets of Accion Microfinance Bank with the total risk assets portfolio of N8.3 billion representing about 65% 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 N589 million as stated in note 9. 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's 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. 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. 6. 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.

Deloitte.

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 2020, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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.

Report on Other Legal and Regulatory Requirements

In accordance with the Sixth Schedule of the Companies and Allied Matters 2020 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
30 March 2021

Engagement Partner: Michael Osinloye, FCA
FRC/2013/ICAN/00000000819

Corporate Governance Report

a. Introduction

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

Accion Microfinance Bank has an effective governance system that ensures proper oversight of its business by the Directors and other principal organs of the Bank. To this end, the Bank's corporate governance framework is predicated on the International Finance Corporation (IFC) principles and methodology and is in line with the Central Bank of Nigeria's Code of Corporate Governance. The Board has established and continuously monitors the effectiveness of its corporate governance structures and processes to ensure appropriate 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). Good corporate governance is imperative for smooth and effective relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders. It further contributes to sustainable economic development by enhancing the performance of companies and increasing their access to outside capital.

b The Board

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

The Board of Directors currently consists of eleven (11) members as at 31st December 2020 made of one (1) Non-Executive Chairman, nine (9) Non-Executive Directors and one (1) Executive Director who 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 Central Bank of Nigeria 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 305 and 308 of the Companies & Allied Matters Act 2020, the Directors at all times during the year continue to act 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.

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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 known 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, the Board met eleven (11) times (4 board meetings and 7 ad-hoc board meetings) during the year under review on the following dates: 18th February, 25th March, 2nd April, 15th May, 4th June, 26th June, 17th July, 4th August, 26th August, 25th September and 10th December as shown in the table below:

Names of Directors	Designation	No. of Meetings	Attendance
Mr. John H. Fischer	Chairman	11	11
Dr. Olusegun Aina OFR	Vice-Chairman	11	11
Mr. Taiwo Joda	Managing Director/CEO	11	11
Mrs. Nneka Enwereji	Alternate Non- Executive Director to Mr. Akinsowon Dawodu	11	6
Mr. Olumide Obayomi	Independent Director	11	11
Mr. Adenike Laoye	Non- Executive Director	11	10
Mr. Christian Ruehmer	Non- Executive Director	11	11
Mr. Prateek Shrivastava	Non- Executive Director	11	11
Mr. Wolfgang Bertelsmeier	Non- Executive Director	11	11
Mrs. Ibukunoluwa Oyedeji	Non- Executive Director (Appointed on 04/08/2020 subject to CBN approval)	4	4

*Mrs. Ibukunoluwa Oyedeji was in attendance as an observer during the meetings.

c. **The Board Committees**

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

- Risk, Credit & 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 respective Charters of the Committees as approved by the Board.

Risk, Credit 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 as contained in its Charter namely:

i. 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.

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

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

iv. 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;

v. Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:

  a. magnitude of all material business risks;
  b. the processes, procedures and controls in place to manage material risks;
  c. the overall effectiveness of the risk management process;

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

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

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

ix. To serve as the Board Credit Committee for the Bank and approve all credit facilities above Management approval limit together with such other functions that is required by a Board Credit Committee from time to time;

x. To establish and periodically review the Bank's credit policy and portfolio in order to align organizational strategies, goals and performance;

xi. To recommend non-performing credits for write-off by the Board;

xii. 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.

xiii. To report to the entire Board at such times as the Committee and Board shall determine, but not less than four times in a year.

Corporate Gorvernance Report

xiv. To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

The Committee met five (5) times during the year under review on the following dates: 24th March, 3rd June, 23rd June, 22nd September and 8th December. The membership of the committee & attendance at its meetings are as shown in the table below:

Names of Directors	Designation	No. of Meetings	Attendance
Mr. Christian Ruehmer	Chairman	5	5
Mr. Taiwo Joda	Member	5	5
Mr. Olumide Obayomi	Member	5	5
Mrs. Nneka Enwereji	Member	5	4
Mrs. Ibukunoluwa Oyedeji (Joined in September 2020)	Member designate* (in attendance as observer pending CBN approval)	2	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.

2. Independent Auditors – 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: 24th March, 23rd June, 22nd September and 8th December. The membership of the committee & attendance at its meetings are as shown in the table below:

Names of Directors	Designation	No. of Meetings	Attendance
Mr. Olumide Obayomi	Chairman	4	4
Mrs. Adenike Laoye	Member	4	4
Mrs. Nneka Enwereji	Member	4	2

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

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. Address such governance issues as the Committee or Board may deem appropriate.
3. Provide guidance for key Human Resources policies as required by the Bank and 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.
5. Review the Bank's organizational structure and make recommendation to the Board for approval.
6. Regular monitoring of compliance with Bank's code of ethics and business conduct for Directors. Ensure annual appraisal of the Board's performance conducted by an independent consultant. This review/appraisal shall cover all aspects of the Board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders.
   Ensuring that a corporate governance audit is carried out annually by an independent consultant and recommendations presented to the Board for implementation. Continuous development, review and assessment of the system of Corporate Governance in the Bank as well as appropriate recommendations to the Board in this regard.
7. Annually review and make recommendations to the Board regarding the remuneration of staff and the Board.
8. Review and continuous assessment of the size and composition of the Board and Board Committees, and recommend the appropriate Board structure, size, age, skills, competencies, composition, knowledge, experience and background in line with needs of the Group and diversity required to fully discharge the Board's duties.
9. Responsible for the oversight of strategic people issues, including employee retention, equality and diversity as well as other significant employee relations matters; review and make recommendations on succession planning, confirmation of top management staff.

The Committee met ten (10) times during the year under review on the following dates: 23rd March, 14th April, 29th April, 13th May, 2nd June, 22nd June, 19th September, 10th November, 13th November and 7th December. The membership of the committee & attendance at its meetings are as shown in the table below:

Names of Directors	Designation	No. of Meetings	Attendance
Mrs. Adenike Laoye	Chairman	10	9
Dr. Olusegun Aina OFR	Member	10	10
Mr. Prateek Shrivastava	Member	10	9

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

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

1. Oversight of Strategic Management: The Committee shall continue to review the implementation of the Bank's channels and technology strategy.
2. Oversight of Risk Optimization: The Committee is expected to ensure that a technology risk management framework exists to identify, analyze, mitigate, manage, monitor, and communicate technology related business risk, and that the framework for technology risk management is in alignment with the enterprise risk management (ERM) framework.
3. Oversight of Technology Benefits Realization: Ensure that technology-enabled investments are managed to deliver optimized business benefits and that benefit realization outcome and performance measures are established, evaluated and progress is reported. To facilitate its oversight functions, the Committee will receive reports to ensure that:

i. Technology-enabled investments are managed as a portfolio of investments.
ii. Technology-enabled investments are managed through their economic life cycle to achieve business benefit.
iii. Business ownership and accountability for technology-enabled investments are established.
iv. Technology investment management practices align with enterprise investment management practices.
iv. Technology-enabled investment portfolios, technology processes and technology services are evaluated and benchmarked to achieve business benefit.
vi. Outcome and performance measures are established and evaluated to assess progress towards the achievement of enterprise and technology objectives.
vii. Improvement initiatives are identified, prioritized, initiated and managed based on outcome and performance measures.

The Committee met nine (9) times during the year under review on the following dates: 23rd March, 14th April, 24th April, 29th April, 13th May, 22nd June, 10th September, 21st September and 7th December. The membership of the committee & attendance at its meetings are as shown in the table below:

Names of Directors	Designation	No. of Meetings	Attendance
Dr. Olusegun Aina OFR	Chairman	9	9
Mr. Prateek Shrivastava	Member	9	9
Mr. Christian Ruehmer	Member	9	8
Mrs. Ibukunoluwa Oyedeji	Member Designate* (in attendance as observer pending CBN approval)	3	3

Shareholders' Participation
The Annual General Meeting of the Bank is its 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 opportune 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.

Directors' Remuneration
The disclosure on Directors' Remuneration is made pursuant to the provisions of the Companies and Allied Matters Act as well as Code of Corporate Governance issued by its regulators. The Board's remuneration structure is designed to address the compensation of Non-Executive Directors, ensure it's competitive while assuring equity and independence of the directors.

Director fees	Paid annually to Non-Executive Directors only
Sitting Allowances	Allowances paid to Non-Executive Directors only for attending Board and Board Committee Meetings

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 remuneration package is within the average paid within the industry and the remuneration package is reviewed every 2 years to align with best market practices, with those of peer financial institutions.

Corporate Gorvernance Report

The policy aims to achieve the following amongst others:

i. Motivate the Directors to promote the right balance between short and long term growth objectives of the Bank while maximising shareholders' return;
ii. Enable the Bank to attract and retain Directors with integrity, ability, experience and skills to deliver the Bank's strategy;
iii. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability.
iv. Align individual rewards with the Bank's performance, the interests of shareholders, and a prudent approach to risk management.
v. Ensure that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

The remuneration of Non-Executive Directors is structured:

I. To conform to prevailing regulations and is set at a level that is at par with market developments, reflects their qualifications, the contributions required and the extent of their responsibilities and liabilities.
ii. To encourage attendance and participation at designated committees assigned to them.

The Ethics and Governance Board Committee makes recommendations to the Board on all matters relating to Directors' remuneration as provided in the Bank's Governance Manual.

Whistle Blowing procedures
In line with the Bank's commitment to instill the best corporate governance practices, the Bank has established a whistle blowing procedure that ensures anonymity for whistle-blowers. The Bank has engaged the services of KPMG to manage the Bank's various whistleblowing channels:

Telephone: Calls are on-net toll-free
MTN: 07030000026|07030000027
Airtel: 08088228888|07080601222
9Mobile: 08099936366
Globacom: 07058890140
Email: kpmgethicsline@ng.kpmg.com

Analysis of Fraud and Forgeries Returns

	2020					2019				
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	28,231,163	4,023,100	24,208,063	86	13	849,090	176,288	672,752	79
Impersonation	-	-	-	-	-	-	-	-	-	-
Stolen/Forged Instrument	-	-	-	-	-	-	-	-	-	-
Internet Banking	-	-	-	-	-	-	-	-	-	-
Others	1.00	278,800	70,000	208,800	75	-	-	-	-	-
Total	**14**	**28,509,963**	**4,093,100**	**24,416,863**	**86**	**13**	**849,090**	**176,288**	**672,752**	**79**

Board Evaluation Report

For the Board of Accion Microfinance Bank Limited

EY
Building a better working world

Ernst & Young
UBA House, 10th Floor
57 Marina, Lagos

Tel: (234 -1) 4630479, 4630480
Fax: (234 -1) 4630481
E-mail: services@ng.ey.com

Report of External Consultants on the Board Performance Evaluation of Accion Microfinance Bank Limited

We have performed the evaluation of the Board of Accion Microfinance Bank Limited (Accion MFB) for the year ended 31st December, 2020 in accordance with the guidelines of Section 2.8 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Microfinance Banks in Nigeria (CCG MFB) 2019.

The CCG 2019 mandates an annual evaluation of the Board and individual directors of Microfinance Banks with specific focus on the Board structure and composition, responsibilities, processes, relationships, individual director's responsibilities, competences and respective roles in the performance of the Board. Subsection 2.8.2 of the code requires that such evaluation should be conducted by an independent consultant while subsection 5.1.2 directs that disclosures in the annual report should include information on the governance structure of a Microfinance Bank.

Our approach included the review of Accion MFB's Corporate Governance framework, and all relevant policies and procedures. We obtained written representation through online questionnaires administered to the Board members and conducted one-on-one interviews with Directors and in-scope process owners.

The evaluation is limited in nature, and as such may not necessarily disclose all significant matters about the company or reveal irregularities, in the underlying information.

On the basis of our work, the Board of Accion MFB has complied with the requirements of Section 2.8 of the CCG MFB 2019 during the year ended 31st December, 2020. Specific recommendations for the further improvement of Accion's MFB corporate governance practices have been articulated and included in our detailed report to the Board.

For: Ernst & Young

Benson Uwheru
Partner, Banking and Capital Markets Sector Leader, West Africa

Statement of Profit or loss and other comprehensive income

	Notes	2020 N 000	2019 N 000
Interest and similar income	5	4,721,209	5,845,495
Interest and similar expenses	6a	(768,700)	(539,329)
Net interest income		**3,952,509**	**5,306,166**
Fees and commission income	7	101,638	199,223
Other operating income	8	40,615	83,921
Total Operating Income		**4,094,762**	**5,589,311**
Credit loss expense	9	(589,699)	(583,042)
Impairment losses on other assets		7,736	(23,351)
Net operating income		**3,512,799**	**4,982,918**
Personnel expenses	10	(1,389,686)	(1,552,902)
Depreciation of property and equipment	20	(217,913)	(230,540)
Amortization of right-of-use assets	19	(102,348)	(91,451)
Amortization of intangible assets	21	(136,390)	(101,846)
Other operating expenses	11	(1,659,696)	(1,666,136)
Total operating expenses		**(3,506,033)**	**(3,642,874)**
Profit before income tax		**6,766**	**1,340,043**
Income tax	12a	125,241	(424,701)
Profit after tax		**132,007**	**915,342**
Other comprehensive income net of income tax			
Total comprehensive income for the year		**132,007**	**915,342**
Earnings per share	13	0.11	0.76
Basic (Naira)			

Statement of financial position

	Notes	2020 N 000	2019 N 000
Assets			
Cash and cash equivalents	15	2,919,319	1,041,386
Loans and advances	16	8,337,995	9,394,157
Financial assets - Amortized cost	17	269,556	239,794
Other assets	18	291,462	202,182
Deferred tax asset	12b	94,979	-
Right-of-use asset	19	105,433	154,318
Property and equipment	20	736,797	918,060
Intangible assets	21	126,064	266,261
Total assets		12,881,605	12,216,158
Liabilities			
Deposits from customers	22	4,309,677	4,013,511
Current tax liabilities	12c	140,357	587,985
Debt issued and other borrowed funds	23	2,538,050	1,975,445
Other liabilities	24	527,994	349,287
Deferred tax liabilities	12	-	44,343
Total liabilities		7,516,078	6,970,571
Equity attributable to owners of the Bank			
Issued share capital	26	1,205,834	1,205,834
Senior staff share option		1,575	3,390
Share Premium		8,138	7,067
Statutory reserve	28a	1,531,526	1,515,025
General reserve	28b	2,465,986	2,481,355
Regulatory Risk reserve	28c	152,468	32,916
Total equity		5,365,527	5,245,587
Total liabilities and equity		12,881,605	12,216,158

John Fischer
Chairman
FRC/2020/003/00000020827

Adeola Adebisi
Chief Finance Officer
FRC/2014/ICAN/0000000713

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

Statement of Cash Flows

	Notes	2020 N 000	2019 N 000
Operating activities			
Profit before tax		6,766	1,340,043
Adjustment for:			
Depreciation of property and equipment	20	217,913	230,540
Amortization of Right of Use Assets		102,348	-
Amortization of intangible assets	21	136,390	101,848
Tax savings			25,055
Gain on sale of property and equipment	8	(1,518)	(13,423)
Other PPE write-off	20	3,406	-
Loss on disposal of intangible assets	21	7,197	-
Impairment loss on loans	16a	61,138	187,110
Impairment losses on other assets		(7,736)	23,351
Recoveries on other assets		-	(500)
Accrued interest expense		367,076	327,222
NITDA	12c	324	12,707
		893,304	**2,233,954**
Decrease/(Increase) in loans and advances	16b-c	995,024	(1,361,518)
(Increase)/ decrease in other assets	18	(81,543)	29,935
Increase in deposits from customers	22	296,166	1,204,258
Increase/ (decrease) in other liabilities	24	178,705	(203,360)
		2,281,656	**1,903,269**
Income tax paid	12c	(462,033)	(496,054)
Net cash flows from operating activities		**1,819,623**	**1,407,215**
Investing activities			
Financial investments	17	(29,762)	27,944
Purchase of property and equipment	20	(42,402)	(189,047)
Capital expenditure on Right of Use Assets		(53,463)	-
Purchase of intangible assets	21	(3,389)	(131,250)
Proceeds from sale of property and equipment		3,864	18,268
Net cash flows used in investing activities		**(121,152)**	**(274,085)**
Financing activities			
Dividend paid		-	(302,442)
Employee Share Option		(1,815)	(546)
Share buy back		(11,323)	(1,536)
Premium on employee share option		1.071	-
Repayment of debt issued and other borrowed fund	23	(2,679,371)	(1,594,172)
Other borrowed fund	23	2,874,900	892,900
Net cash flows from/(used in) financing activities		**183,462**	**(1,005,796)**
Net increase in cash and cash equivalents		1,877,933	127,334
Cash and cash equivalents at 1 Jan. 2020		1,041,386	914,052
Cash and cash equivalents at 31 Dec. 2020	15	**2,919,319**	**1,041,386**

Statement of Changes in Equity

	Issued Share Capital N 000	Staff Share Option N 000	Share Premium N 000	General Reserve N 000	Regulatory Risk Reserve N 000	Statutory Risk Reserve N 000	Total Equity N 000
As at 1 January 2020	**1,205,834**	**3,390**	**7,067**	**2,481,355**	**32,916**	**1,515,025**	**5,245,587**
Profit for the year	-	-	-	132,007	-	-	132,007
Transfer to Statutory Reserve	-	-	-	(16,501)	-	16,501	-
Transfer to Regulatory Risk Reserve	-	-	-	(119,552)	119,552	-	-
Share Buyback/Transfer	-	(3,390)	-	(11,323)		-	(14,713)
Staff Share Option	-	1,575	1,071	-	-	-	2,646
Dividend Paid -2019					-	-	-
At 31 December 2020	**1,205,834**	**1,575**	**8,138**	**2,465,989**	**152,468**	**1,531,526**	**5,365,527**
As at 1 January 2019	1,205,834	3,936	7,067	1,816,602	175,668	1,400,607	4,609,717
Profit for the year	-	-	-	915,342	-	-	915,342
Transfer to statutory reserve	-	-	-	(114,418)	-	114,418	-
Transfer from Regulatory reserve	-	-	-	152,242	(152,242)	-	-
Transfer to Regulatory reserve	-	-	-	(9,490)	9,490	-	-
Share Buyback/Transfer	-	(546)	-	(1,536)	-	-	(2,082)
Recognition of tax savings	-	-	-	25,055	-	-	25,055
Dividend Paid -2018	-	-	-	(302,442)	-	-	(302,442)
As at 31 December 2019	**1,205,834**	**3,390**	**7,067**	**2,481,355**	**32,916**	**1,515,025**	**5,245,587**

Statement of prudential adjustment

The regulatory body Central Bank of Nigeria stipulates that impairment charges recognized in the profit or loss account shall be determined based on the requirements of IFRS. The IFRS impairment should be compared with impairment determined under the prudential guidelines and the expected impact/changes in general reserve should be treated as follows:

(i) Prudential provision is greater than IFRS provisions; transfer the difference from the general reserve to a non-distributable regulatory reserve.

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

	31-Dec-20 N 000	31-Dec-19 N 000
Total Prudential provision	1,027,484	846,795
IFRS provision	875,016	813,879
Difference in impairment provision balances	152,468	32,916
Transfer to/(from) Regulatory Risk Reserve	119,552	(152,242)

Notes to 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 services to micro, small and medium scale enterprises and other low-income people in Nigeria in the form of working capital and loans. The Microfinance bank is eligible to accept deposits from individuals, groups and organizations and also raise finance in accordance with the CBN regulations and guidelines on micro finance banks.

2. Summary of significant accounting policies

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

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 (₦), and all values are rounded to the nearest thousand (₦'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 recognized amounts and there is an intention to settle on a net basis, or to realize 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.

(6.) **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.

(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 Significant accounting judgments, estimates and assumptions

The preparation of the Bank's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

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

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

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*

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.

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. 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.
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.

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.

Notes to the Financial Statement

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.

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.

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.

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.

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.

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.

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.

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.

Impairment of financial assets

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).

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.

2.3 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.

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.

Classification of financial instruments

The Bank classifies its financial assets under IFRS9, 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.

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.

Subsequent measurements

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.

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.

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:
1. 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;

From 1 January 2018, when the loan has been renegotiated or modified but not de-recognized, 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);
- 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.

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.

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 initialed 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.

Forward looking informationIn 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 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.

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. How the performance of the portfolio is evaluated and reported to management;

3. 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;

4. 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

5. 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.

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.

Reclassifications

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.

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.

Modifications of financial assets and financial liabilities

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.

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.

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.

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.

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.

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.

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.

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.

2.13 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.

2.14 Equity and reserves

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

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

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

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

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

2.15 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. Changes in accounting policy and new standards

3.1 New and amended standards and interpretations

The Bank applied for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have financial instruments that reference IBORs at 31 December 2020 or apply hedge accounting to any of its benchmark interest rate exposures.

Definition of a Business – Amendments to IFRS3

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments remove the assessment of whether market participants can replace any missing inputs or processes and continuing to produce outputs.The amendment clarifies the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments do not have a material effect on the Company's financial statements because it has not acquired any subsidiaries during the year.

Notes to the Financial Statement

Amendments to IAS 1 and IAS 8 Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Bank has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Company.

The Conceptual Framework for Financial Reporting

The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The Bank has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements regarding references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. These amendments had no impact on the financial statements of the Bank.

3.2 Standards issued but not yet effective

The following standards and interpretations had been issued but were not mandatory for the reporting year ended 31 December 2020 and up to the date of issuance of the Company's financial statements.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New or amended standards	Summary of the requirements
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement to IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: - discounted probability-weighted cash flows- an explicit risk adjustment, and- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

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

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.

2.7 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.

2.8 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 amortization period or methods as appropriate and treated as changes in accounting estimates.

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

The estimated useful lives are as follows:

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

Property and equipment are derecognized 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.

2.9 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 amortization 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 amortized over the useful economic life. The amortization period and the amortization 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 amortization period or method, as appropriate, and they are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is presented as a separate line item in the Profit or loss.

Amortization 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.

2.10 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating Unit (CGU)'s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

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

2.11 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.

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.

2.12 Taxes

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

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

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

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 utilized. 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 realized 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.

New or amended standards	Summary of the requirements
IFRS 17 Insurance Contracts - continued	There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.At its March 2020 meeting, the IASB tentatively decided to defer the effective date of IFRS 17 by two years, such that entities would apply the amended Standard for annual periods beginning on or after January 1, 2023. The IASB also tentatively decided on a consequential amendment to IFRS 4 Insurance Contracts to defer the fixed expiry date for the temporary exemption from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	• In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period. • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. • That classification is unaffected by the likelihood that an entity will exercise its deferral right. • That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and • The meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

Notes to the Financial Statement

New or amended standards	Summary of the requirements
	The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counter party under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.
IAS 41 Agriculture – Taxation in fair value measurements	As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

New or amended standards	Summary of the requirements
	The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.
Amendments to IFRS 3: Covid-19 Related Rent Concessions	On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures 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 a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgmental and entities need to consider the definition carefully in such transactions.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS	The amendments must be applied prospectively. Early application is permitted and must be disclosed. In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9 Financial Instruments (IFRS 9), IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 4 Insurance Contracts (IFRS 4) and IFRS 16 Leases (IFRS 16). With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

New or amended standards	Summary of the requirements
	Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.
	Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss.The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.
	The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognize hedge ineffectiveness.
	Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss. For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends. For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends. The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
	As items within the hedged group transition at different times from IBORs to RFRs, they will be transferred to sub-groups of instruments that reference RFRs as the hedged risk. As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform. The phase two reliefs cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform.

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.

2.4 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.

2.5 Leasing

All leased asset should be capitalized in line with IFRS 16 and presented separately under the right-of-use-asset (property, plant and equipment asset). Also, a corresponding lease liability is presented on a separate line on the liability side of statement of financial position.

The amount recognized as the right-of-use-asset should be amortized over the period of the lease or the life of the asset (whichever is lower).

The interest expense paid on the lease liability should be reported in the finance cost section of the income statement.

2.6 Income and expenses (Revenue recognition)

Interest income and expense
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; orThe 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.

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).

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

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.

Notes to the Financial Statement

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.

Interest income and expense

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.

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). 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.

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.

New or amended standards	Summary of the requirements
	The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.
	Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods. IFRS 7 Financial Instruments: Disclosures includes the following: - How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform. - Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs. - If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

4. Fair Value of the financial assets and liabilities

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

	31-Dec-20		31-Dec-19	
	Carrying Amount N 000	Fair value N 000	Carrying Amount N 000	Fair value N 000
Financial assets				
Cash and cash equivalents	2,919,319	2,919,319	1,041,386	1,041,386
Loans and advances	8,337,996	8,337,996	9,547,711	9,547,711
Financial assets - Amortized cost	269,556	269,556	239,794	239,794
	11,526,872	11,526,872	10,828,891	10,828,891
Financial liabilities				
Deposits from customers	4,309,677	4,309,677	4,013,511	4,013,511
Debt issued and other borrowed funds	2,538,050	2,538,050	1,975,025	1,975,025
	6,847,727	6,847,727	5,988,536	5,988,536

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 amortized cost are estimated by comparing market interest rates when they were first recognized 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.

5. Interest and similar income

	2020	2019
	N 000	N 000
Cash and cash equivalents	98,222	38,393
Loans and advances	4,608,770	5,776,239
Financial investments	14,217	30,863
	4,721,209	**5,845,495**

	2020	2019
	N 000	N 000
6a. Interest and similar expenses		N 000
Deposits from customers	252,190	211,627
Debt issued and other borrowed funds	516,510	327,282
	768,700	**538,909**
7. Fees and commission income		
Insurance-Fees	84,353	170,080
Commission on turnover	17,285	29,144
	101,638	**199,223**
8. Other operating income		
Insurance-Fees	39,097	70,498
Commission on turnover	1,518	13,423
	40,615	**83,921**
9. Credit loss expense		
Loans and advances to customers	77,844	175,990
Write off during the year	545,671	456,917
Bad debt recovered	(33,816)	(49,865)
	589,699	**583,042**
10. Personnel expense		
Salaries and allowances	1,283,335	1,445,619
Pension costs- defined contribution plan	106,351	107,283
	1,389,686	**1,552,902**

11. Other operating expenses

	Notes	2020 N 000	2019 N 000
Rents charges payable under operating lease		31,659	42,388
Repairs and maintenance		62,172	87,831
Contract and support services		18,098	13,740
Professional fees and Legal	11a	59,864	65,071
Directors fees		34,900	21,862
Audit fees		18,689	16,581
Insurance expenses		104,270	103,444
Other consulting training expenses		70,086	38,031
Communication expenses		39,044	55,925
Trainee and recruitment exp.		137,993	131,746
System support expenses		113,410	90,114
NITDA levy	11b	324	12,707
Medical expenses		327,870	323,160
Other utilities		60,983	60,815
Training and travels		54,822	98,983
Other stationery expense		15,123	19,651
Advertisement		74,974	64,532
Security		54,971	53,842
Telephone office		224,504	215,535
Bank charges		6,706	10,275
Branded promotional items		7,144	8,719
Recovery expenses		49,305	34,633
Office provisions		6,026	427
Other expenses		60,808	83,379
SMS Expense - Customer Transaction		9,953	5,907
MPR Meeting Expenses		-	6,838
ITF Expenses		16,000	-
		1,659,696	1,666,136

11a . Professional fees include Legal fees, Tax and IT consultancy and other consultancy services.

11b . The NITDA 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.

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

The components of income tax expense for the year ended 31 December 2020.

12 . Income tax

	2020 N 000	2019 N 000
a. Current income tax:		
Company income tax	12,178	434,569
Education tax	1,902	33,376
NPTF Levy	-	41
Deferred income tax	(139,321)	(43,284)
Income tax expense reported in the profit or loss account	**(125,241)**	**424,701**
Reconciliation of the total tax charge		
Accounting profit before tax	**6,766**	**1,340,043**
At Nigeria's statutory income tax rate of 30% (2020:)	12,178	434,569
Income not subject to tax	-	-
Non-deductible expenses for tax purpose	(139,321)	(43,285)
Tax impact of balancing charge		
Education tax	1,902	33,376
NPTF Levy		41
Tax effect of the difference in profit used	-	-
Income tax expense reported in the profit or loss account	**(125,241)**	**424,701**

The effective income tax for 2020 is 30 %

	2020 N 000	2019 N 000
b . Deferred tax- (Asset)/Liability		
At 1 January	44,343	87,627
Tax (expense) during the period	(139,321)	(43,284)
At 31 December	**(94,979)**	**44,343**
12c . Reconciliation of current tax liabilities		
At 1 January	587,985	603,347
NITDA	324	12,707
Tax charge in the statement of profit or loss	14,080	467,986
	602,389	1,084,039
Payment during the year	(462,033)	(496,054)
At 31 December	**140,357**	**587,985**

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.

	2020	2019
Net profit attributable to owners of the Bank (N'000)	132,007	915,342
Weighted average number of shares in issue (N'000)	1,207,409	1,209,224
Basic earnings per share (Naira)	**0.11**	**0.76**

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

	2020 N 000	2019 N 000
Dividends on ordinary shares:	-	(302,442)
Final dividend for 2020: no dividend was paid in 2020	-	**(302,442)**

15 . Cash and cash equivalents

	2020	2019
Cash on hand	44,968	95,588
Cash at banks	273,866	745,782
Placements with banks and discount houses	2,594,709	200,000
Interest receivable on placements with banks	5,776	16
	2,919,319	**1,041,386**

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

16. Loans and advances

	2020 N 000	2019 N 000
Loans and advances to customers	9,030,087	9,958,239
Loans and advances to staff	182,925	249,797
Gross Loans and advances	**9,213,012**	**10,208,035**
Allowance for impairment losses	(875,016)	(813,878)
	8,337,996	**9,394,157**

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

Performing	7,741,601	9,126,946
1 - 30 days	252,062	205,976
31- 60 days	287,215	108,432
61-90 days	104,290	86,068
91 and above	791,889	661,901
Overdraft - 91 and above	35,955	18,712
	9,213,012	10,208,035
Stage 3	(754,529)	(515,631)
Stage 1 &2	(120,487)	(298,247)
	8,337,996	**9,394,157**

16c. Impairment allowance for loans and advances

At 1 January 2020	813,878	626,768
Charge for the year	589,699	583,042
Recoveries for the year	(33,816)	(49,865)
Amounts written off for the year	(494,746)	(346,067)
At 31 December 2020	**875,016**	**813,878**
Stage 1&2	120,487	515,631
Stage 3	754,529	298,247
	875,016	**813,878**

17. Financial assets - Amortized cost

Treasury bills		
Maturing within 91 days	269,556	239,794
Maturing after 91 days	-	-
	269,556	**239,794**

18. Other assets

	2020 N 000	2019 N 000
Prepayments	131,597	160,586
Consumables	30,837	28,128
Other receivables	155,507	47,683
	-	-
	317,941	236,397
18b. Impairment on other assets	(26,479)	(34,215)
	291,462	**202,182**

18c. Impairment allowance for other assets

At 1 January	34,215	11,364
Charge for the year	(7,736)	23,351
Recoveries	-	(500)
At 31 December	**26,479**	**34,215**

19. Right-of-Use Assets

Cost		
Opening balance	154,318	-
Addition during the year	144,914	245,769
	299,232	245,769
Amortization		
Opening balance	91,451	-
Charge for the year	102,348	91,451
	193,799	91,451
Net Value	**105,433**	**154,318**

20. Property and equipment

	Land	Freehold Building N 000	Leasehold improvements N 000	Machinery & equipment N 000	Computer & accessories N 000	Furniture & fittings N 000	Motor vehicles N 000	Total N 000
Cost								
At 1 January 2020	**102,100**	**357,450**	**223,762**	**301,170**	**534,475**	**156,228**	**176,481**	**1,851,666**
Additions	-	-	7,377	18,301	11,887	4,828)	-	42,402
Disposals	-	-	-	(7,093)	(10,609)	-	(5,750)	(23,452)
Write-off/Other adjustments	-	(3,406)	-	-	-	-	-	3,406
Transfer	-	-	-	81	(81)	-	-	-
At 31 December 2020	**102,100**	**354,044**	**231,139**	**312,468**	**535,672**	**161,056**	**170,731**	**1,867,210**
Depreciation								
At 1 January 2020	-	**7,006**	**177,7512**	**147,678**	**391,446**	**115,833**	**93,892**	**933,606**
Depreciation charge for the year	-	8,316	2,435	48,448	87,484	14,269	36,961	217,913
Depreciation on disposals	-	(12)	-	(4,835)	(10,509)	-	(5,750)	(21,106)
At 31 December 2019	-	**15,310**	**200,186**	**191,291**	**468,421**	**130,102**	**125,103**	**1,130,413**
Net book value								
At 31 December 2020	**102,100**	**338,735**	**30,953**	**121,177**	**67,251**	**30,954**	**45,628**	**736,797**
At 1 January 2020	**102,100**	**350,444**	**46,011**	**153,492**	**143,029**	**40,395**	**82,589**	**918,060**

No property or equipment has been pledged as security for liabilities (2019: None).

21. Intangible assets

	Computer software N 000
Cost	
At 1 January 2020	582,623
Additions	3,389
Disposals /Transfer	(10,138)
At 31 December 2020	**575,874**
Amortization	
At 1 January 2020	316,361
Amortization on disposals	(2,941)
Amortization charge for the year	136,390
At 31 December 2020	**449,810**
Net book value	
At 31 December 2020	**126,064**
At 1 January 2020	**266,261**

22. Deposits from customers

	2020 N 000	2019 N 000
Saving accounts	1,540,563	1,694,877
Current accounts	725,433	622,283
Term and call deposits	1,995,121	1,654,869
	4,261,117	**3,972,029**
Interest payable on saving accounts	-	7
Interest payable on term deposits	48,560	41,474
	4,309,677	**4,013,511**

23. Debt issued and other borrowed funds

	2020	2019
Undated floating rate debt issued	2,475,398	1,918,758
Interest payable on undated floating rate debt issued	62,652	56,267
	2,538,050	**1,975,445**

23.1 Analysis of Borrowed Funds

	2020	2019
CBN - Housing loan	40,773	57,083
Interest on CBN- Housing loan	2,875	4,312
	43,649	**61,395**
Borrowing from IFC	-	625,000
Interest on Borrowing	-	5,247
	-	630,247
Borrowing from Citibank	500,000	500,000
Interest on Borrowing	31,098	43,580
	531,098	**543,580**
Borrowing from DBN	934,625	736,675
Interest on Borrowing	20,186	3,128
	954,811	**739,803**
Borrowing from FBNQ MB	1,000,000	-
Interest on Borrowing	8,493	-
	1,008,493	-

23.2 CBN- Housing Loan

The bank got Housing loan of N73.39 million at 16% in 2018 from CBN for low cost housing loans to low income earners.

23.3 Borrowing from Citibank

This is a refinanced loan from Citibank for 1-year tenor but renewable for another 1 year at maturity in 2021 at 90days NIBOR plus 400bps.

23.4 Borrowing from Development Bank of Nigeria (DBN)

This is a loan obtained from Development Bank of Nigeria (DBN) in four tranches of N624,900,000, N268,000,000, N922,000,000 and N452,900,000 at a rate of 13.79% for on-lending to prequalified MSMEs and small corporates. However, N500,000,000 was prepaid to DBN in December 2020.

23.5 Borrowing from FBNQ MB

This is a working capital loan obtained from FBNQ MB in 2020 at 90days NIBOR plus 350bps. The loan is repayable in November 2021.

24. Other liabilities

	2020 N 000	2019 N 000
Accrued expenses	132,199	134,354
Accounts payable and sundry creditors	374,049	204,427
Due to Accion International	21,746	10,506
	527,994	**349,287**

25. Retirement benefit plan

Defined contribution plan A defined contribution plan is a pension plan under which the Bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Bank in a fund under the control of trustees. The total expense charged to income is N106.350 million in 2020 (2019: N107.282 million) represents contributions payable to these plans by the Bank at rates specified in the rules of the plan.

26. Issued capital and reserves

	2020	2019
Authorized		
Ordinary shares of N1 each	**1,240,000**	**1,240,000**
Ordinary shares		
Issued and fully paid	**1,205,834**	**1,205,834**

27. Employee investment scheme

The Bank has share option scheme under which option to subscribe for its shares has been granted to certain qualifying members of staff. As at December 31, 2020, 1 employee has subscribed to this option.

28. Nature and purpose of reserves

a. Statutory Reserve

	2020 N 000	2019 N 000
At 1 January	1,515,025	1,400,607
Transfer from general reserve	16,501	114,418
At 31 December	**1,531,526**	**1,515,025**

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

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

b. General Reserve

	2020 N 000	2019 N 000
At 1 January	2,481,355	1,816,602
Profit for the year	132,007	915,342
Transfer to Statutory reserves	(16,501)	(114,418)
Transfer to regulatory risk reserve	(119,552)	142,752
Share buyback (repurchase)	(11,323)	(1,536)
Tax savings	-	25,055
Dividend paid	-	(302,442)
	2,465,986	**2,481,355**

c. **Regulatory Risk Reserve**

	2020 N 000	2019 N 000
At 1 January	32,916	175,668
Transfer by CBN directive	119,552	(142,752)
At 31 December	**152,468**	**32,916**

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.

29. Maturity analysis of assets and liabilities

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

At 31 December 2020	Within 12 months N 000	After 12 months N 000	Total N 000
Assets			
Cash and cash equivalents	2,919,319	-	2,919,319
Loans and advances	8,337,996	-	8,337,996
Financial investments - held to maturity	269,556	-	269,556
Other assets	291,461	-	291,461
Deferred Tax asset	94,979	-	94,979
Right-of-use asset	-	105,433	105,433
Property and equipment	-	736,797	736,797
Intangible assets	-	126,064	126,064
Total assets	**11,913,311**	**968,294**	**12,881,605**
Liabilities			
Deposits from customers	4,309,677	-	4,309,677
Debt issued	2,193,971	344,079	2,538,050
Current tax liabilities	140,357	-	140,357
Other liabilities	527,992	-	527,992
Total liabilities	**7,171,997**	**344,079**	**7,516,076**
Net	**4,741,314**	**624,215**	**5,365,529**

At 31 December 2020	Within 12 months N 000	After 12 months N 000	Total N 000
Assets			
Cash and cash equivalents	1,041,386	-	1,041,386
Loans and advances	9,394,157	-	9,394,157
Financial investments - held to maturity	239,794	-	239,794
Other assets	202,182	-	202,182
Right-of-use asset		154,318	154,318
Property and equipment		918,060	918,060
Intangible assets		266,261	266,261
Total assets	**10,877,519**	**1,338,639**	**12,216,158**
Liabilities			
Deposits from customers	4,013,511	-	4,013,511
Debt issued	1,431,865	543,580	1,975,445
Current tax liabilities	587,985	-	587,985
Other liabilities	349,287	-	349,287
Deferred tax liabilities	44,343	-	44,343
Total liabilities	**6,426,991**	**543,580**	**6,970,571**
Net	**4,450,528**	**795,059**	**5,245,587**

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 the bank. The directors are of the opinion that the aforementioned cases are not likely to have a material adverse effect on the microfinance bank and are not aware of any other pending or threatened claims and litigations or any other contingent liability.

31. Related party disclosures

	2020 N 000	2019 N 000
Compensation of key management personnel of the Bank		
Short-term benefits	213,752	178,629
Post-employment pension (defined contribution)	-	-
	213,752	178,629

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 2020	-	-	-	601,183.67
At 1 January 2020	-	-	-	1,184,752.77

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 2020, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2019: N Nil).

Owners of the Bank

Name of shareholder	Country of incorporation	Number of shares	Percentage of shares held
Accion Africa-Asia Investment Company	Mauritius	443,184,162.00	35.77%
Citibank Nigeria Ltd	Nigeria	246,555,669.00	19.90%
Ecobank Nigeria Ltd	Nigeria	269,225,436.00	21.73%
International Finance Corporation (IFC)		156,010,382.00	12.59%
Zenith bank Plc	Nigeria	90,858,036.00	7.33%
Senior Staff Share Option	Nigeria	1,574,015.00	0.13%
		1,207,407,700.00	97.46%
Issued but unpaid		31,465,271.00	2.54%
		1,238,872,971	**100**

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 maximize 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.

Tier 1	**2020** **N 000**	**2019** **N 000**
Issued share capital	1,207,408	1,209,224
Share Premium	8,138	7,067
Retained earnings	-	-
General Reserve	2,465,989	2,481,355
Statutory reserve	1,531,526	1,515,025
Regulatory Risk reserve	152,468	32,916
Total Qualifying tier 1 Capital	**5,365,529**	**5,245,587**
Tier 2		
Debt issued and other borrowed funds	2,538,050	1,975,445
Total Qualifying tier 2 Capital	**2,538,050**	**1,975,445**

33. Events after reporting period

The second wave of COVID-19 hit Nigerian economy in January 2021. However, the business impact was not as damaging as what we experienced in 2020. To control the spread of the virus, the Bank deployed it business continuity plan by having some staff members work remotely in order to decongest its business outlets and also comply with government directives.

Risk Management Policy

Introduction

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk, market risk and operating risk.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank's strategic planning process.

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

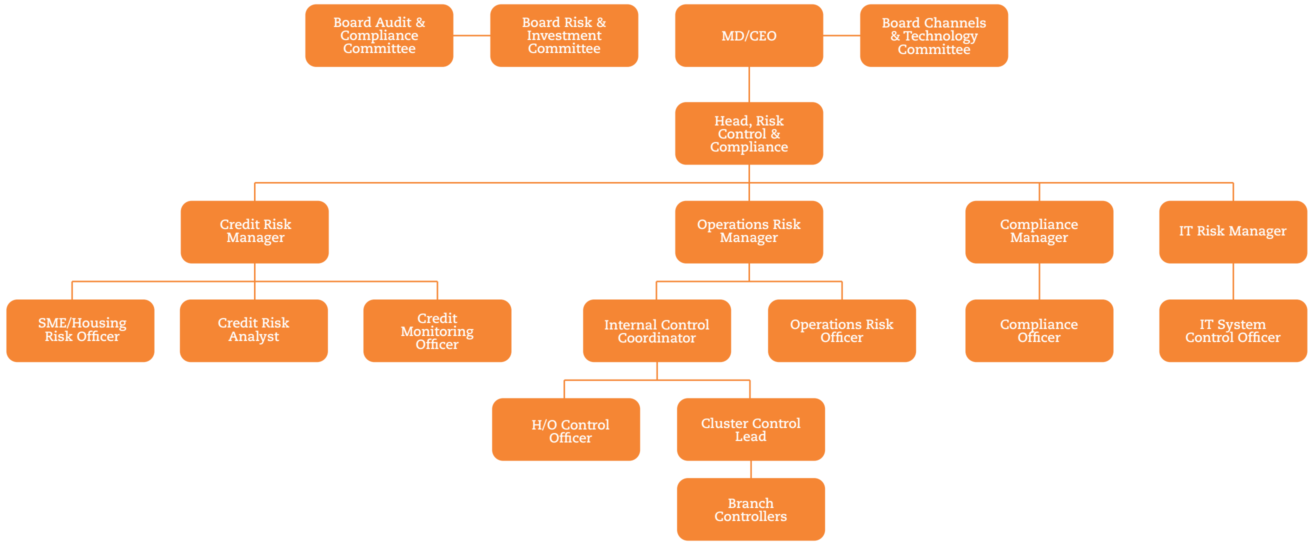
The Board has appointed the Risk and Investment Committee which has the responsibility to monitor the overall risk process within the Bank. The Risk Control and Compliance Department has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Control and Compliance Department is responsible for managing risk decisions and monitoring risk levels and reports on a weekly basis to the Risk and Investment Committee.
The Risk unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with the Risk and Investment Committee to ensure that procedures are compliant with the overall framework.

The Control and Compliance Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each branch has its own branch controller who is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions.

This unit also ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported on a daily basis, where necessary, to the Risk Control and Compliance Department, and the relevant actions are taken to address exceptions and any areas of weakness.

The Asset Liability Committee is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. This committee reports to the Risk and Investment Committee.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.



Key Stake Holders in Risk Management Process at Accion MfB

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

Board of Directors: The ultimate responsibility for Accion MfB's risk management policy and framework resides with the Board of Directors. The Board will be responsible for approving all significant policies relating to the management of risks throughout the institution and accessing the risk management activities that are being undertaken in the in institution.

Managing Director and CEO: The MD/CEO is responsible for sharing the risk management policy and framework approved by the Board and the management team. The MD/CEO is also responsible for approving and monitoring the policies and processes that are put in place and that they are in line with Accion MfB's strategy and target market.

Risk, Compliance 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.

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

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

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

Risk mitigation

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

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

Concentration Risk

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

Risk measurement and reporting systems

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.

The Bank is not exposed to any concentration risk, as the major activity of MFB is to enhance working capital of micro entrepreneurs. B196

Credit risk

Credit risk is the risk that the bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

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

Impairment assessment

For accounting purposes, the bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed.

Triggering events include the following:

Significant financial difficulty of the customer

- A breach of contract such as a default of payment.
- Where the bank grants the customer a concession due to the customer experiencing financial difficulty.
- It becomes probable that the customer will enter bankruptcy or another financial reorganisation.
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.
- This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II

Individually assessed allowances

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

Collectively assessed allowances

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

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

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

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

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

Maximum exposure to credit risk
Type of collateral or credit enhancement

31-Dec-2020	Maximum exposure to credit risk N'000	Fair value of collateral and credit enhancements held: Cash N'000	Property N'000	Other N'000	Net Collateral N'000	Net Exposure N'000
Financial assets	2,919,319		-	-	-	2,919,319
Placements with banks and discount houses	-	-	-	-	-	-
Loans and advances to customers						
Micro Business (MCB)	3,557,658	401,786	-	-	401,786	3,155,873
Small Business (SB)	4,027,663	449,393	-	-	449,393	3,578,270
Medium Business (MDB)	1,439,960	110,824	–	-	110,824	1,329,136
Strategic Alliance	-	-	-	-	-	-
STAFF	187,730	-	-	-	-	187,730
Financial investments	269,556	-	-	-	-	269,556
	12,401,887	962,003	-	-	962,003	11,439,884

31-Dec-2019	Maximum exposure to credit risk N'000	Fair value of collateral and credit enhancements held: Cash N'000	Property N'000	Other N'000	Net Collateral N'000	Net Exposure N'000
Financial assets	1,041,386		-	-	-	1,041,386
Placements with banks and discount houses	-	-	-	-	-	-
Loans and advances to customers						
Micro Business (MCB)	8,225,216	1,200,855	-	-	1,200,855	7,024,361
Small Business (SB)	861,225	143,123	-	-	143,123	718,102
Medium Business (MDB)	871,797	467,434	–	-	467,434	404,363
Strategic Alliance	-	-	-	-	-	-
STAFF	249,797	-	-	-	-	249,797
Financial investments	239,794	-	-	-	-	239,794
	11,489,215	1,811,412	-	-	1,811,412	9,677,803

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.

The bank invokes the setoff clause in the loan Offer Letters executed by the borrowers in event of default. By virtue of this clause, funds in clients' other accounts are applied towards the settlement of the borrowers' obligation to Accion MfB.

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.

Notes	Neither past due nor impaired: Performing	1- 30 days	31- 60 days	61-90 days	91 and above	Past due but not impaired	Individually impaired	Total
	2020 N'000	2020 N'000	2020 N'000	2020 N'000	2020 N'000	2020 N'000	2020 N'000	2020 N'000
Cash and cash equivalents	2,919,319	-	-	-	-	-	-	**2,919,319**
Loans and advances to customers	**7,744,893**	**251,237**	**287,215**	**104,290**	**825,377**	-	-	**9,213,012**
Micro Business (MCB)	2,750,315	121,611	141,278	48,310	496,144	-	-	3,557,658
Small Business (SB)	3,511,557	94,562	86,234	44,661	290,650	-	-	4,027,663
Medium Business (MDB)	1,295,290	35,064	59,704	11,318	38,583	-	-	1,439,960
STAFF LOAN	187,730	-	-	-	-	-	-	187,730
Financial investments	-	-	-	269,556	-	-	-	269,556
Total	**7,744,893**	**251,237**	**287,215**	**373,846**	**825,377**	-	-	**12,401,887**

Notes	Performing (Neither past due nor impaired)	1- 30 days	31- 60 days	61-90 days	91 and above	Past due but not impaired	Individually impaired	Total
	2019	2019	2019	2019	2019	2019	2019	2019
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cash and cash equivalents	1,041,386	-	-	-	-	-	-	**1,041,386**
Loans and advances to customers	**9,127,270**	**205,827**	**108,518**	**86,414**	**680,006**	-	-	**10,208,035**
Micro Business (MCB)	7,257,368	171,085	93,130	72,487	631,146	-	-	8,225,216
Small Business (SB)	816,330	12,490	8,123	5,927	18,355	-	-	861,225
Medium Business (MDB)	803,775	22,252	7,265	8,000	30,505	-	-	871,797
STAFF LOAN	249,797	-	-	-	-	-	-	249,797
Financial investments	-	-	-	239,794	-	-	-	239,794
Total	**9,127,270**	**205,827**	**108,518**	**326,208**	**680,006**	-	-	**11,489,215**

Analysis of risk concentration

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

Industry analysis

31-Dec-2020	Financial Services N'000	Government N'000	Health N'000	Consumers N'000	Retail and Wholesale N'000	Services N'000	Total N'000
Financial assets			-	-	-	-	
Cash and cash equivalents	2,919,319	-	-	-	-	-	2,919,319
Loans & advances to customers	-	-		-			
Micro Business (MCB)	-	-	76,971	-	3,214,646	266,041	3,557,658
Small Business (SB)	-	-	111,542	-	3,410,700	505,420	4,027,663
Medium Business (MDB)	-	-	54,044	-	934,826	451,089	1,439,960
Strategic Alliance	-	-	-	-	-	-	-
STAFF LOAN	-	-	-	187,730	-	-	187,730
Financial investments	269,556	-	-	-	-	-	269,556
	3,188,875	-	**242,558**	**187,730**	**7,560,172**	**1,222,551**	**12,401,887**

Industry analysis

31-Dec-2019	Financial Services N'000	Government N'000	Health N'000	Consumers N'000	Retail and Wholesale N'000	Services N'000	Total N'000
Financial assets			-	-	-	-	
Cash and cash equivalents	1,041,386	-	-	-	-	-	1,041,386
Loans & advances to customers	-	-		-			
Micro Business (MCB)	-	-	213,850	-	8,595,322	273,016	9,082,188
Small Business (SB)	-	-	26,976	-	537,954	38,663	603,593
Medium Business (MDB)	-	-	-	-	256,579	15,878	272,457
Strategic Alliance	-	-	-	-	-	-	-
STAFF LOAN	-	-	-	249,797	-	-	249,797
Financial investments	239,794	-	-	-	-	-	239,794
	1,281,180	-	**240,826**	**249,797**	**9,389,855**	**327,557**	**11,489,215**

Commitments and guarantees

The bank does not have any commitments and guarantees as at 31 December 2020 as well as in the subsequent period to the year end.

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.

The bank manages its liquidity risk through the following procedures:

- Constitution of Asset and Liabilities Committee (ALCO) which meets bi-monthly to review all liabilities and assets positions of the bank and make decisions bordering on fund management and planning, deposit profiling, capex expenditure management, and loan portfolio review and management.
- Maintenance of the mandatory investment in Treasury Bills which is put at a minimum of 5% and not exceeding 10% of deposit liabilities.
- Operating a board approved SMAC standard that are higher than the limits set by the regulators.

- Quarterly board oversights over funding plans and projections.
- Creation of multiple pipelines of emergency funding in forms of Overdraft, term loans or bonds from either local or foreign lenders.

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Analysis of financial assets and liabilities by remaining contractual maturities

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

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

Contractual maturities of undiscounted cash flows of financial assets and liabilities

As at 31 December 2020	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	2,919,319		-		-	-	2,919,319
Loans and advances	1,041,277	-	851,783	443,733	683,339	6,192,879	9,213,012
Financial investments	-	-	-	-	269,556	-	269,556
Other assets	291,461	-	-	-	-	-	291,461
Total undiscounted financial assets	**4,252,058**	-	**851,783**	**443,733**	**952,895**	**6,192,879**	**12,693,348**
Financial liabilities							
Deposits from customers	2,351,915	-	849,859	651,000	85,145	371,758	4,309,677
Debt issued and other borrowed funds	-	-	-	-	-	2,538,050	2,538,050
Other liabilities	9,557	-	131,623	-	-	386,814	527,994
Total undiscounted financial liabilities	**2,361,472**	-	**981,481**	**651,000**	**85,145**	**3,351,855**	**7,430,953**
Net undiscounted financial assets(liabilities)	**1,890,586**	-	**(129,698)**	**207,267**	**867,751**	**2,841,024**	**5,262,395**

As at 31 December 2019	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	1,041,386		-		-	-	1,041,386
Loans and advances	742,913	-	393,442	567,485	1,108,312	7,395,883	10,208,035
Financial investments	-	-	-	-	-	239,794	239,794
Other assets	202,180	-	-	-	-	-	202,180
Total undiscounted financial assets	**1,986,480**	- -	**393,442**	**567,485**	**1,108,312**	**7,635,677**	**11,691,396**
		-					-
Financial liabilities		-					
Deposits from customers	2,317,167	-	174,959	124,930	910,969	485,486	4,013,511
Debt issued and other borrowed funds	-	-	-	-	-	1,975,445	1,975,445
Other liabilities	10,506	-	-	-	338,781		349,287
Total undiscounted financial liabilities	**2,327,673**		174,959	124,930	**1,249,750**	2,460,931	**6,023,243**
Net undiscounted financial assets(liabilities)	**-341,193**	-	**218,483**	**442,555**	**(141,438)**	**5,174746**	**4,720,825**

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

The bank does not trade in stock and neither are its shares listed on the stock exchange. Therefore, it is not exposed to equity price risk. The bank manages interest rates and foreign exchange risk using the mitigations described below.

Interest Rate Risk: the bank contracts loans based on floating rates (NIBOR plus a premium) while ensuring increase in deposit proportion in the funding mix.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

In managing its foreign exchange risk, the bank only contracts loans and other business obligations predominantly in local currencies.

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STATEMENT OF VALUE ADDED	2020 N'000	% N'000	2019 N'000	% N'000
Gross earnings	4,863,461	262%	6,128,640	185%
Interest expense	(768,699)	(41%)	(539,329)	(16%)
	4,094,762		**5,589,311**	
Bought in goods and services				
Administrative overheads- Local	(1,659,696)	(90%)	(1,666,136)	(50%)
Provision on loan losses	(581,963)	(31%)	(606,393)	(18%)
Value added	**1,853,103**	100%	**3,316,782**	100%
Distributed as follows				
To pay employees:				
Salaries and other allowances	1,389,686	75.0%	1,552,902	46.8%
To Government:				
Taxation	14,080	0.8%	467,985	14.1%
To provide for enhancement of assets expansion of business and payment of dividend to shareholders				
Depreciation	456,651	24.6%	423,837	12.8%
Deferred taxation	(139,321)	(7.5%)	(43,284)	(1%)
Deferred taxation	132,007	7.1%	915,342	27.6%
	1,853,103	**100%**	**3,316,782**	**100%**

Statement of Financial Position

For the Year Ended 31 December

	2020 N'000	2019 N'000	2018 N'000	2017 N'000	2016 N'000
Assets					
Cash and cash equivalents	2,919,319	1,041,386	914,052	738,329	797,851
Loans and advances	8,337,996	9,394,157	8,219,748	6,959,938	5,826,119
Financial assets - Amortized cost	269,556	239,794	267,738	207,860	188,539
Other assets	291,461	202,182	409,284	307,489	284,382
Right-of-use assets	105,433	154,318	-	-	-
Deferred Tax asset	94,979	-	-	-	105,685
Property and equipment	736,797	918,060	964,400	349,158	286,143
Intangible assets	126,064	266,261	236,860	183,657	49,372
Total assets	12,881,605	12,216,158	11,012,082	8,746,431	7,538,090
Liabilities					
Deposits from customers	4,309,677	4,013,511	2,809,253	2,392,578	2,013,517
Current tax liabilities	140,357	587,985	603,347	574,137	347,914
Debt issued and other borrowed funds	2,538,050	1,975,445	2,349,494	1,474,453	1,177,734
Other liabilities	527,994	349,287	552,647	366,342	639,280
Deferred tax liabilities	-	44,343	87,627	33,281	-
Total liabilities	7,516,078	6,970,571	6,402,368	4,840,791	4,178,445
Equity attributable to owners of the Bank					
Issued share capital	1,207,409	1,209,224	1,209,770	1,219,904	1,212,617
Share premium	8,138	7,067	7,067	6,473	4,613
Statutory reserve	1,531,526	1,515,025	1,400,607	1,269,340	1,066,899
General reserve	2,465,986	2,481,355	1,816,602	1,409,923	1,075,515
Regulatory Risk reserve	152,468	32,916	175,668	-	-
Total equity	5,365,527	5,245,587	4,609,714	3,905,640	3,359,645
Total liabilities and equity	12,881,605	12,216,158	11,012,082	8,746,431	7,538,090
PROFIT AND LOSS ACCOUNT					
Gross earnings	4,863,461	6,128,640	5,315,433	4,692,108	4,013,661
Profit before taxation	6,766	1,340,043	1,554,973	1,378,586	700,120
Profit after taxation	132,007	915,342	1,050,137	809,761	538,220
Per share data (Kobo)					
Earnings/per share	0.11	0.76	0.87	0.66	0.44
Net assets per share (Basic)	4.44	4.34	3.81	3.20	2.77

Branch Network

Anthony
322 Ikorodu Road,
Anthony, Lagos.

Apongbon
16 Apongbon Street,
Lagos

Agege
223 Old Abeokuta Rd,
Agege, Lagos.

Alaba
27/28 Igbede Road,
Alaba, Lagos.

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

Aguda Surulere
16 Kushimo Street,
Aguda Surulere,
1st floor (opposite MOBIL)

Akute, Alagbole
89 Ojodu- Akute Road,
Alagbole, Ogun State

Akure
19 Ilemo Street (ground floor),
Off Arakale Road,
Oja Oba Market area,
Akure, Ondo State.

Asaba
Ogbogonogo Modern Market,
Nnebisi Road, Asaba,
Delta State- Ex_skye Bank
Building , Delta State.

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

Akowonjo
13 Shasha Road,
Akowonjo

Baruwa
154 Ipaja Road,
Baruwa, Ipaja, Lagos)

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

Boundary
62 Bale Street, Boundary,
Ajegunle

Bariga
2 Jagunmolu Road, Bariga
Lagos State.

Bodija
Christy Plaza,
Secretariat-ui Road,
(Beside Methodist High School,
Ibadan)-(first Floor),
Oyo, State.

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

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

Festac
House 30, 2nd Avenue,
Festac town, Lagos.

Idi oro
Ecobank Building
118 Agege Motor Road,
Mushin, Lagos.

Ikeja
3 Oba Akran Way,
Ikeja, Lagos.

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

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

Idumagbo
19 Idumagbo Avenue,
1st floor , Idumota,
Lagos Island, Lagos.

Ikorodu Agric
92c Isawo Road, NNPC station,
Ikorodu, Lagos.

Ikorodu
62, Owolowo streeet,
1st Floor Ikorodu, Lagos.

Iwo Road, Ibadan
1 Abayomi Street,
adjacent Ecobank Building,
Iwo Road, Ibadan.

Ketu
572, Ikorodu Road,
Ketu, Lagos.

Kano
32 France Road,
Sabon Gari,
Kano.

Ladipo
93 Ladipo Street,
Ladipo, Mushin, Lagos.

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

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

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

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

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

Nkpor
14 Ajuluchukwu Street,
Nkpor Onitsha, Anambra State.

Orile 2
21 Coker Street, (1st and 2nd floor)
400k X2 flats, Orile, Lagos.

Obalende
31 Moloney Street,
Obalende, Lagos.

Oke Arin
20 Ijaye Street,
Oke Arin, Lagos

Oyingbo
209, Borno way,
off Ladipo street,
Ebute-metta, Lagos.

Oke odo
354B, Lagos Abeokuta
Express way, Super Bus Stop,
Oke-Odo, Lagos.

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

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

Oshodi
20, Oshodi Road,
Oshodi, Lagos.

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

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

Sapon, Abeokuta
Diekola House, Sokenu Road,
Oke Ijeun/sapon,
Abeokuta

Surulere
77 Ojuelegba Road,
Ojuelegba, Lagos.

Sango Ota
46 Ijoko Road, Sango-Ota,
Ogun State

Sakponba
24 Sakponba Road,
Benin, Edo State.

Uyo
22 Ikot Ekpene Road,
Plaza, Uyo, Akwa Ibom.

HEAD OFFICE

Corporate Head Office
4th Floor, Elizade Plaza,
322 Ikorodu Road,
Anthony, Lagos.

Head Office (Annex) HR
93 Ladipo St, Mushin,
Ladipo, Lagos.

Cash Centers

Aleshinloye
Bee Deen Oil and Gas Investment Shopping Complex, Beside Aleshinloye Market, Jericho, Ibadan

Apata
DKL Building, Apata, Ibadan, Oyo State.

Agbede
2 Agbede Road, Oppo Agbede Main Market, Agbede Ikorodu

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

Bakassi
Fa/2a/b/3/82 Upumuchilegbu Industrial Market, Aba (bakassi Market) Abia State

Bogije
Elemoro Royal Shopping Complex, Bogije, Oyo State.

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

Cemetery
20, Cemetery Road, Cemetery Market, Aba, Abia State.

Dutse
D1-001 –D3-003, Eflaye Plaza, DUTSE Alhaji MARKET, Dutse, Jigawa State.

Head Bridge
JC Udeh plaza, Electronics market, Along Onitsha-Asaba Exp.Way, Anambra State.

Epe
Ad Kamson Shopping Complex, Lagos Road, Epe, Lagos.

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

Igando
Suite 25 & 26 Igando Main Market, Igando, Lagos.

Igbogbo
Remdabson Filling Station, Baiyeku Road, Igbogbo, Ikorodu.

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

Itam Uyo
1 Enen Afaha Street, Off Ikot Ekpene Road, Itam Uyo, Akwa Ibom State.

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

Ifo
Lagos-Abeokuta Expressway, Beside LAWRET Filling Station, Coker Bus Stop, Ifo, Ogun State.

Ijegun
Waleola Filling Station (Ardova Plc)

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

Oyigbo
285 Old Aba Road, Oyigbo, Rivers State.

Oja Oba
123 Arakale Road, Opp St Thomas Church, Isikan Road, Akure, Ondo State.

Omida
1 Olusegun Osoba Road, behind St Ann Catholic church Oke Ilowo/Omida Area, Abeokuta, Ogun State.

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

Oju Ore
MCHRIS Plaza, 79, Idi-Iroko road, Oju ore, Sango Ota, Ogun State.

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

Slaughter
Plot 6C, Trans Amadi Industrial Layout, Ogenegba, opposite West African Glass Industry, Port Harcourt, River state.

Ondo Town
OLUFEB Plaza, 3 Oke-Osun Street, Off Barracks Road, Ondo Town, Ondo 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.

Obosi
First floor, Lord-Wish plaza, International Market, Obosi, Anambra State.

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