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Accion Microfinance Bank
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2021 Annual Report

ACCION Microfinance Bank

Advancing Customer Experience and Business Growth through Innovation.

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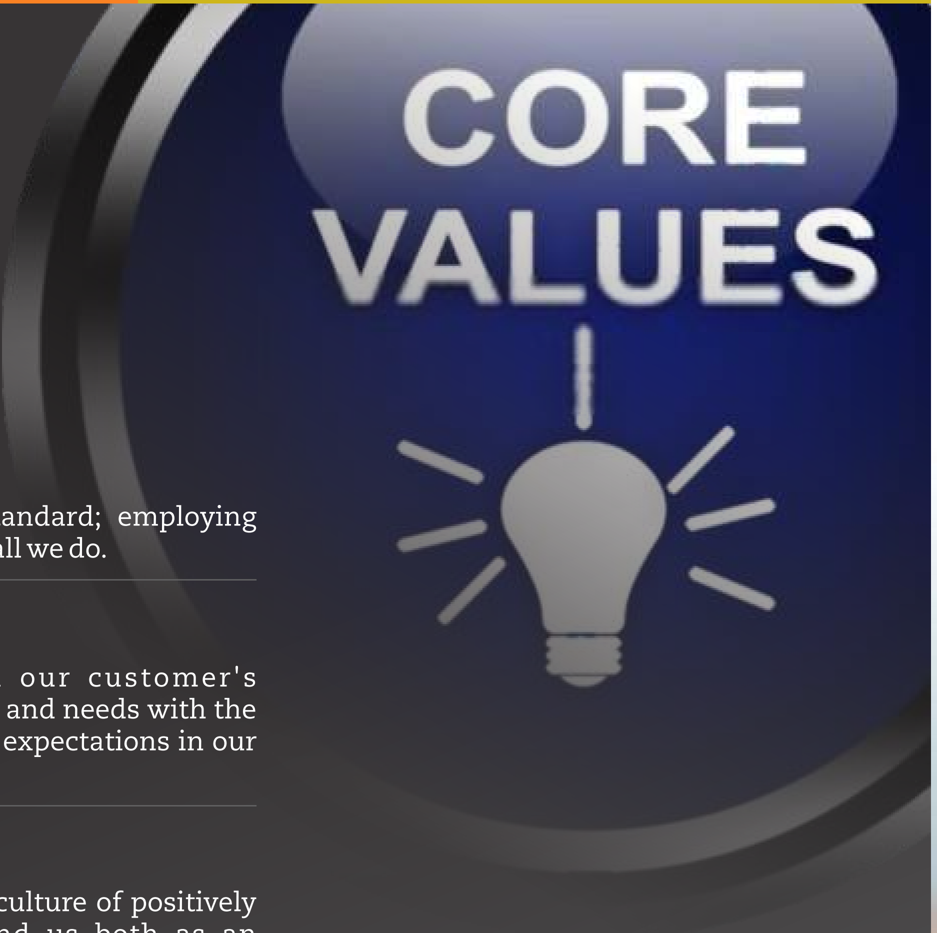
Mission

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 standards.



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.

Directors:	Mr. John Fischer	Chairman
	Dr. Olusegun Aina	Independent Non-Executive Director
	Mr. Taiwo Joda	Managing Director
	Mrs. Adenike Laoye	Non-Executive Director
	Mr. Wolfgang Bertelsmeier	Non-Executive Director
	Mr. Akinsowon Dawodu	Non-Executive Director
	Mr. Prateek Shrivastava	Non-Executive Director
	Mrs. Ibukunoluwa Oyedeji	Non-Executive Director
	Mr. Christian Ruehmer	Non-Executive Director
	Mr. Olumide Obayomi	Independent Non-Executive Director
	Professor Olayinka David-West	Independent Non-Executive Director
	Mr. Brian Kuwik	Alternate Director
	Mrs. Nneka Enwereji	Alternate Director
Company Secretary:	Aluko & Oyebode 1, Murtala Mohammed Drive Ikoyi, Lagos FRC/2013/ICSAN/00000005509	
Registered Office:	1, Murtala Mohammed Drive Ikoyi, Lagos P.O box 71252 Victoria Island, Lagos	
Corporate Head Office:	154 Ikorodu Road, Onipanu Bus-stop Somolu, Lagos	
Independent Auditor:	KPMG Professional Services KPMG Tower, Bishop Aboyade Cole Street, Victoria Island, Lagos	
Major Bankers:	Ecobank Nigeria Limited Stanbic IBTC Bank PLC Guaranty Trust Bank Plc Zenith Bank PLC Access Bank PLC CitiBank Nigeria Limited Wema Bank PLC	
CAC Registration number	RC 653525	
Tax identification number	01501132-001	
CBN/MFB code	50009	

www.aluko-oyebode.com

ACCION MICROFINANCE BANK LIMITED

NOTICE OF 16TH ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of **Accion Microfinance Bank Limited** will be held virtually (via Zoom) on Thursday, the 2nd day of June 2022 in the Company's Board Room, **at 154 Ikorodu Road, Onipanu, Lagos** at **4.30p.m.** for the transaction of the following business:

ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the year ended 31st December 2021 together with the Reports of the Directors and the Auditors thereon.
2. To declare a dividend.
3. To re-elect Mr. Wolfgang Bertelsmeier, Mr. Olusegun Aina and Mrs. Adenike Olaoye as Directors of the Company.
4. To authorize the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS:

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

   "That an amount not exceeding the sum of N60,000,000.00 be approved as Directors' remuneration for the 2022 financial year"

TELECONFERENCE:

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

Meeting ID: 879 484 2857

Password: accion3245

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

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

By Order of the Board

Aluko & Oyebode

ALUKO & OYEBODE
COMPANY SECRETARIES

ALUKO & OYEBODE
Company Secretary
Lagos
Nigeria.

14th April 2022

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 Speech

Advancing Customer Experience and Business Growth through Innovation

Esteemed shareholders, my colleagues on the Board, distinguished ladies and gentlemen, a very warm welcome to all of you. I hope you and your families are healthy and safe. On behalf of Accion Microfinance Bank Limited, I would like to officially welcome you to the Annual General Meeting of the Bank. We are glad to have you.

The financial year 2020-21 has been unique globally due to COVID-19 and its implications on lives, livelihoods, families, businesses and the economy at large. In spite of the pandemic, your bank worked smartly with various stakeholders to deliver on its mandate of empowering and supporting entrepreneurs in Nigeria.

Mr. John Fischer
Chairman

It is worthy to note and commend the leadership of my fellow board members and the commitment of the management team and employees in leveraging innovation to advance customer experience and business growth.

Our valued customers have been exceptional in their resilience during these challenges and we thank them for their adoption of our digital channels to drive their businesses.

2021 Financial Performance

In 2021, business activities were slow in the first quarter due to the continued impact of the COVID-19 pandemic on Nigeria and its trading partners. However, we witnessed a turnaround starting from the second quarter of the year with improvement in business activities, resulting in the Bank's movement to a stable profit position by the end of 2021.

In 2021, our total loan portfolio grew by 37.98% from N9.213 billion in 2020 to N12.712 billion. Likewise, there was a sharp increase of 60.86% in total disbursements when compared to total disbursements of N18.30 billion in 2020. The number of our active borrowers decreased by 15.81%, from 45,973 in 2020 to 38,704 in 2021. Our total number of deposit accounts increased by 4.82% from 455,376 in 2020 to 477,322 in 2021 and the number of savers also increased by 19.12% to 280,410 in 2021 from 235,407 in 2020. However, customers' deposits dropped to N3.81 billion in 2021 from N4.309 billion in 2020, a decline of 11.6%.

Our profit after tax grew by 332% from N132m in 2020 to N571m in 2021. Total equity grew from N5.366 billion in 2020 to N5.936 billion in 2021, which translates to 10.64% growth. This leaves our Bank capitalized well above the N5 billion minimum capital required for a national microfinance bank. We will keep consolidating our capital base in order to ensure we are able to continue to provide services to our existing clients and reinvest to grow our client base.

Based on the strong performance for the year, the Bank is able to propose the payment of a dividend to the shareholders resuming our dividend policy, which was in hiatus due to the uncertainty generated by Covid-19.

Business Model

The Bank will continue to focus its investments on digital channels to drive customer acquisition and financial service delivery in order to better serve our clients, allowing them to access financial services when and where it is most convenient for them. During the past year, we have recorded substantial improvement in the usage of our e-channels and the expansion of our agency partnership. We will continue to focus on this new business model in order to continue to improve our customer experience.

Economic Environment

The past two years have been marked by great uncertainty globally due to the pandemic and its impacts on health, economies, and global trade.

Every nation on the planet was impacted by the pandemic, with important consequences for economic output. Government stimulus and support packages rolled out in many countries provided much needed support to businesses and individuals to cope with the health and economic impacts of Covid-19. However, in late 2021 and into 2022, we are seeing governments respond to the sharp upticks in economic growth and the resultant inflation.

The Nigeria economy rebounded in 2021. A real GDP growth rate of 4.03% was witnessed in 2021, indicating that business and economic activities headed back to pre-pandemic levels. The oil sector, Nigeria's biggest fiscal revenue source, accounted for 7.4% of GDP. The non-oil sector, which contributed around 93% of GDP, has been the main driver of the economic pick-up. Agriculture, information, communications and technology (ICT) and manufacturing accounted for this growth. An impact of this sudden rebound has been a rise in global inflation. In Nigeria, the inflation rate closed at 15% in 2021. We are particularly conscious of the impacts of inflation and government responses to inflation on our clients and our business.

Regulatory Environment

The Federal Government signed the Finance Bill 2021 (the Finance Act or the Act) into law with an effective date of 1 January 2022. The Finance Act introduced over 40 amendments to the existing tax and regulatory legislation in Nigeria. The implementation of this legislation resulted in increased tax payment by the Bank and consequently affected reported profit after tax.

During the year, CBN released a circular on cessation of non-permissible activities by Microfinance Banks. Given your Bank's singular focus on serving micro and small enterprises in Nigeria, we do not believe this circular will have major impacts on your Bank's business.

On October 1, 2021, CBN introduced the e-Naira, a digital currency that serves as both a medium of exchange and a store of value, offering better payment prospects in retail transactions when compared to cash payments. We are analyzing potential use cases of the e-Naira to better serve our clients.

Advancing Customer Experience and Business Growth through Innovation

Our drive to support our customers to use digital channels has been amplified because we understand that digital success includes improving our customer experience, increasing usage of our products and services by offering competitive rates, tenors and amounts equal to or better than market rates.

We have extended our current product and service offerings to include innovative capabilities such as QR payments and improved digital loan processes with improved user interfaces.

We also commenced strategic partnerships with key technical service providers and fintechs, which will help drive scale through targeted new product development, bundled offerings and improving efficiency by leveraging innovative solutions and open banking platforms.

Our digital strategy journey, which started several years ago, has continually been refined year on year. We are adopting innovative strategies to generate revenue, reinforce our customer base and better leverage technology. This will ultimately help in securing a strong strategic position in the market, better serve customers and improve profitability.

We intend to capture market value by adopting an ecosystem approach to solving customers' needs. This can be successful if we are able to create sustainable value for all stakeholders, rely on scalable and open banking technology, leverage the full power of the Bank by tapping into distribution channels and after sales services.

Some of our key considerations include prioritizing our customer experience, focusing on the holistic customer journey and developing a unified digital experience.

Impact

In 2021, we committed our resources to support the growth, development and prosperity of our immediate environment and communities. Our strategic investments in these communities positioned our brand as a leader in social responsibility thereby improving our brand awareness and recognition.

In all areas of development Accion MfB has been at the forefront of empowering financial wellness, capacity, and improving the standard of living for people living with disability. This is evidenced in our collaborations with agencies and targeted groups to foster growth and equal opportunities for all. We organized various workshops, seminars and support these determined individuals in accessing required resources for financial independence.

Our social impact projects have been able to provide materials, improve quality health service delivery and impact the next generation.

Accion Cares

Our Accion Cares Initiative collaborates with reputable partners to provide our employees and external stakeholders with access to beneficial platforms at no extra cost.

In supporting the cause for women's health, we partnered with health centers to carry out free cervical cancer screening for female staff. We also facilitated the vaccination of staff by partnering with government agencies.

One of the measures put in place by your Bank, is partnering with reputable insurance institutions to ensure our products are adequately insured to enable us provide support for customers in the event of adversity.

People

As an Institution, our passion goes beyond empowering business owners. We also place premium on the growth and development of the next generation of professionals. Our collaboration with Chattered Institute of Bankers Nigeria (CIBN) on the CIBN mentoring scheme afforded our inspiring young professionals mentoring opportunities with c-suite executives in the sector.

In 2021, we stepped up efforts to strengthen performance management, talent development, career enrichment, managerial effectiveness, and staff well-being.

We launched our Senior Staff Mentoring Program where industry leaders discuss key leadership development strategies with our team leads.

With the Bank's Training Academy, staff at head office and branches can learn continuously using a broad range of learning resources, including weekly Knowledge Exchange Sessions (KES) and on-the-job learning.

Future Outlook

As Nigeria enters a new election cycle, we anticipate a rise in spending and private sector demand. This combination will lead to expansion of the domestic economy and result in additional inflation, which could lead to additional rate hikes by the CBN. We expect that the CBN will maintain its exchange rate management strategy in 2022 and do not foresee significant changes to the official exchange rate. This may limit US dollar inflows to the country Though the economy exited recession much quicker than anticipated, overall growth remains tepid as the economy still suffers from structural imbalances as businesses grapple with rising inflation.

Lastly, the state of insecurity in several parts of the country have been unprecedented in recent times and have added a further layer of complexity to an already challenging business environment.

Despite these challenges, I am pleased to say your Bank is strong and well positioned to take advantage of coming opportunities and guard against potential risks. We have seen the remarkable resilience of our clients and staff through these troubling times, and look forward to working hand in hand with them to a more secure and prosperous future.

Thank you

My profound gratitude to all stakeholders for their support, my fellow members of board and management of our great institution for your commitment in advancing our customer experience and business growth through innovation.

John Fischer
Board Chairman
Accion Microfinance Bank Limited

Meet Our

BOARD of Directors

Board of Directors

Mr. John Fischer
Chairman

Dr. Olusegun Aina. OFR
Vice Chairman

Mr. Taiwo Joda
Managing Director/CEO

Adenike Laoye
Non-Executive Director

Mr 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

Prof. Olayinka David-West
Independent Non-Executive Director

Brain Kuwik
Alternate Director

Nneka Enwereji
Alternate Director

Risk, Credit & Investment Committee

Christian Ruehmer
Chairman

Olumide Obayomi
Member

Nneka Enwereji
Member

Ibukunoluwa Oyedeji
Member

Wolfgang Bertelsmeier
Member

Audit & Compliance Committee

Olumide Obayomi
Chairman

Mrs. Adenike Laoye
Member

Nneka Enwereji
Member

Wolfgang Bertelsmeier
Member

Ethics & Governance Committee

Mrs. Adenike Laoye
Chairperson

Dr. Olusegun Aina
Member

Prateek Shrivastava
Member

Prof. Olayinka David-West
Member

Channels & Technology Committee

Dr. Olusegun Aina
Chairman

Prateek Shrivastava
Member

Christian Ruehmer
Member

Ibukunoluwa Oyedeji
Member

Prof. Olayinka David-West
Member

Taiwo Joda
MD/CEO, Accion Microfinance Bank

Managing Director's Report

Leveraging Innovation for Improved Customer Service and Growth

I welcome you to the 16th Annual General Meeting of Accion Microfinance Bank Limited. It is another opportunity to do a critical review of our past, present and planned future activities in the Bank. The 2021 financial year was indeed a year of recovery for the Bank especially when compared with our performance in 2020.

The year 2021 turned out for us a year of huge recovery compared to year 2020 that was gripped by the COVID-19 pandemic and lockdowns which paralyzed the economies of countries and threw Nigeria into its worst recession in two decades. The production and approval of vaccines late in the year held hope that the world would enjoy respite in 2021. But the mutation of the virus and the emergence of the Omicron variant generated anxiety and caused some countries to tighten control over entry into their borders. Thus, despite the availability of a few vaccines, the world could not experience the expected normalcy. Apart from the anxiety generated by the Omicron variant, the distribution of vaccines had reflected the inequalities in the world in terms of production and access. These challenges were complicated by vaccine resistance variants across the world where people questioned the intentions of the science behind the vaccines.

In Nigeria, despite the limited availability of the vaccines, controversy trailed the efforts by some governors to make vaccination compulsory and sanctionable. As the year 2021 was coming to close, COVID-19 cases increased beyond the wildest expectations.

The above notwithstanding, the year 2021 was better as all economies witnessed gradual rebounds and recoveries in their economies. In Accion MfB, the recovery was also evident despite the vagaries of the pandemic as our business picked up resulting in a better performance. The various post pandemic strategies paid off for the Bank as we remained focused, staying closer to our clients, providing support and making sure they survive and pull through the crisis along with their businesses.

Global & Domestic Economy Review

According to the International Monetary Fund's (IMF), the world economy expanded 6.1% in 2021 from a 3.1% contraction in 2020. The growth was also aided by a relaxation of pandemic-induced lockdowns & movement restrictions and improved economic activities boosted by increased vaccination rates in most countries resulting in a robust recovery driven by strong consumer spending and some uptake in investment, with trade in goods surpassing pre-pandemic levels thereby marking the highest growth rate in more than four decades.

For sub-Saharan Africa, 2021 was a different story for the region as the economic recovery in the region surprised on the upside in the second half of 2021, prompting a significant upward revision in last year's estimated growth, from 3.7 to 4.5 percent according to the IMF, driven by a partial resumption of tourism, a rebound in commodity prices and the rollback of pandemic-induced restrictions. This year, however, that progress has been jeopardized by the Russian invasion of Ukraine which has triggered a global economic shock that is hitting the region at a time when countries' policy space to respond is minimal to nonexistent. Most notably, surging oil and food prices are straining the external and fiscal balances of commodity-importing countries and have increased food security concerns in the region.

The Nigerian economy in 2021 was characterized by a modest recovery in terms of GDP, with an average growth of 3.17% as of Q3 2021 compared to the -2.61% contraction recorded over the corresponding period of 2020 marking a modest improvement. Although shuffling along with a downward trend since April when it began to decline, Annualized Inflation, however, remained elevated as it averaged 17.1% as of November 2021. Capital Importation in the first half of the year amounted to US$2.78bn; representing a 61% decrease in comparison with the first half of 2020 when a total of US$7.15bn in Capital inflows were recorded. Portfolio Investment, the major component of capital inflow also dropped by 67.5% between H1 2020 and H1 2021.

Despite the country's enormous potential, the economy as a business environment continued to be characterized by structural problems in terms of electricity supply, inefficient transportation, inefficient cargo clearing logistics, and the level of insecurity which has especially remained a sore point for the country, threatening the livelihood of peasant farmers, especially in the Northeast and Northwest. Insurgents and secessionist movements also became more active, threatening the political and economic stability of the country.

As a result of a sharp fall in global oil prices and an increase in risk aversion in global capital markets, the Nigerian Economy became very exposed to the global economic crisis occasioned by the COVID-19 pandemic in 2020. After exiting a technical recession in Q4 2020, the second in five years, economists forecasted an improvement in Nigeria's output in 2021, IMF for instance, had in January predicted a 2.5% annual growth in 2021 to be primarily supported by higher oil values and production and a broad-based recovery in the non-oil sectors following optimism spurred by the government's talks with vaccine manufacturers in Britain and Russia for which reason the country was expected to get the first doses of vaccination early in the year. On the contrary, as of December, only about 1.9% of the population had been fully vaccinated, while the total number of registered cases had reached 239,000 with over 3,000 deaths recorded.

Total public debt stock comprising the federal government, Federal Capital Territory (FCT), states and local governments increased by 20.4% to N39.6trillion or $95.8 billion (22.47% of GDP) as at December 31, 2021 from N32.9trillion or $86.3 billion (25% of GDP) in 2020. Domestic debt portion represented 59.92% of total debt, and external 40.08%. The rising debt profile has been a major issue of concern to Nigerians with high debt service payments. However, the Debt Management office (DMO) has stated that the Debt-to-GDP ratio at 22.47% still remains within Nigeria's self-imposed limit of 40% which is considered prudent when compared to the 55% limit advised by the World Bank and the International Monetary Fund (IMF) for countries in Nigeria's peer group, as well as, the ECOWAS Convergence Ratio of 70%. It is believed that the current push for debt cancellation for African countries if successful will impact positively on the economy.

2021 Financial Performance

As earlier mentioned, the various strategies deployed in 2020 paid off during the year under review. It gives me great joy to state that the Bank has bounced back significantly when compared to 202o.

Our Gross earnings grew by 12.4% t0 N5.47bn in 2021 when compared to N4.86bn in 2020. This is attributed to the increase in loan uptake owing to the recovery witnessed during the year under review. Profit before tax grew by 14,946% from N0.007billion in 2020 to N1.007billion in 2021. Total Assets stood at N14.72billion indicating a growth of 14.3% from N12.88billion in 2020. Deposits however declined by 11.6% from N4.310billion in 2020 to N3.81billion due to the bank's strategy to shift emphasis from expensive purchased funds to more stable funds in Current and Savings accounts, evident in the number of Savers and accounts which grew by 19.1% and 4.82% respectively compared to a decline of 10.6% and 1.35% in the previous year.

Our active loan customers declined by 15.81% from 45,973 in 2020 to 38,704 because of significant write off of bad loan customers who were unable to meet their payment obligations as at 31st December 2021, a carry-over from the impact of the pandemic especially at the lowest category of our clients. However, our loan disbursement increased significantly by 61% from N18.3billion in 2020 to N29.4billion in 2021 as a result of increase in average loan per client. This brought the accumulated loan disbursement from inception to date to N170.083billion from N149.674billion in 2020. In the same vein, cumulative number of loan disbursed closed at 621,441 from 570,416 in 2020 indicating an increase of 8.95%. Total gross portfolio also increased by 52.5% from N8.338billion in 2020 t0 N12.174billion in 2021.

In the digital space, we also made significant leap in our digital journey during the period under review. The deployment of the Big 5 Digital products and services - Brighta Loan (Digital loan on the go), Accion MfB Mobile banking application for banking on the phone, SaveBrighta 2.0 Account & wallet for savers, Internet Banking and the New USSD *572# all contributed to the success recorded in our digital banking.

A total of 16,232 cards were issued in 2021 and activated on our various channels. Cumulatively, the number of ATM cards issued to our customers from inception closed at 769,959. On the other hand we onboarded a total of 1,127 agents when compared to 895 in 2020. Total transaction by our Agents grew astronomically from N0.246 billion in 2020 to N3.860 billion at the end of 2021. Transaction count and volume in our digital channels also improved considerably at the end of 2021. Total NIBSS Instant Payment (NIP) inward transactions as at December 2021 increased by 191% from N7.196 billion in December 2020 t0 N20.975 billion while the transaction count also increased from 116,811 to 263,375 an increase of 125%. In the same vein, Total NIP Outward Transaction also grew by 174% from N8.793 billion in 2020 to N24.122 billion while Transaction count also grew by 105% from 104,899 to 214,406 in 2021. We are excited at the big leap our customers took in adopting our digital channels and trusting the processes.

As a way of sustaining the current tempo in our digital journey and our business generally, we also deepened and cultivated new partnerships with key organisations to achieve the desired objectives. Some of these include Consultative Group to Assist the Poor (CGAP) to drive efficiency in our loan processing through automation of our loan renewal process. We are also partnering with the World Women Banking (WWB) to drive growth in our Save Brighta loans and other product offerings in the Bank. Other initiatives include the full deployment of the upgraded Digital Field Application (DFA) for loan processing, a revamp of the Mobile Application & redesigning of the digital loan algorithm to simplify the process of customer onboarding and improve turnaround time.

As a way of repositioning the Bank and consolidating our head office operations in one location, we acquired and remodeled our new head office building. This initiative has impacted positively on our operations and a major boost on our brand equity.

Our Corporate Social Responsibility

As usual we were in tune with our host communities showing appreciation always for their support and patronage.

During the year under review, we carried out several CSR activities. These include;

- Back to school kits for Army Children School in Ibadan North East Local Government, Iwo Road, Oyo State.
- Renovation of Ikeja Primary Health Care Centre, Lagos, Nigeria.
- Distribution of Parasols to our customers in Port-Harcourt, Rivers State.
- Donation of cash and branded Items to different PLWD associations.
- Pet Bottle “Recycle Pay” Initiative: This initiative involved the donation of over 5000 pet bottles to cover the fees of some of the pupils in a private school - Morit International School in Ajegunle Lagos.
- Donation of Back to school kits to best graduating students in all classes in selected school that the bank has presence.
- Furnishing of Moritz International School library.
- Celebration of the special day with the pupils of Favour Auditory School Ejigbo and donation of school kits to over 40 students and the teachers.
- World health day webinar which led to the engagement of over 941 internal and external stakeholders that participated in a live webinar.

Awards & Recognitions

In recognition of the Bank's mandate of impacting lives of people at the bottom of the pyramid and our Staff, the Bank was awarded the Service Excellence Award by the Financial Institution Training Centre (FITC) during its 40th Anniversary Award Ceremony in 2021. The Bank also won the award of Financial Crime Prevention/AML Employer of the Year in MFIs category at the GRC & FinCrime Prevention Awards organized by Morgans Consulting in 2021. The Award recognizes individuals and organisations across the various industries in Nigeria and the United Kingdom who have been outstanding and have demonstrated expertise in the field of Governance, Risk & Compliance system in organisations and the promotion of Anti-Money Laundering and Counter-Terrorism Measures.

Our People, our Asset.

Today, our workforce of over 860 employees has continued to lend its support to our ever increasing customer base in our locations in Nigeria. Our biggest asset in the Bank remains our human capital.

The Bank's strong leadership stemming from highly competent professionals with industry-wide experience ensures the professional competence of the workforce. This is achieved through our well organized knowledge sharing sessions, regular meetings and trainings that feature leadership and soft skills series. All these were geared towards ensuring that the talents in the Bank were empowered to hold high-level conversations at all levels, identify and create business opportunities as they interface with the clients, It is this unalloyed commitment of our staff that made the recovery in our performance possible during the year under review.

Management in its usual characteristics has and will continue to show appreciation to the staff for their commitment and dedication to duty. During the year under review we delivered on the following.

- Arrangement for Covid-19 vaccination for staff
- Increased Staff Engagement and sensitization through various activities;
  - Gamification and rewards
  - I-Gen Live chat with TJ; Anonymous and genuine feedback were treated by prospective departments
  - Creation of an offline platform (WhatsApp group) where I-Gen effectively interact and engage to contribute to ongoing project and create awareness around it.
  - I-Gen team bonding/hangout: Selected competent I-Gen coordinators to supervise closely on activities in their region.
  - Staff advocacy through the use of social media: This enables staff engage using their social media platforms to create awareness on existing and new products.
- Worked with CIBN for a mentorship program for young professionals in the banking and finance system targeted to build their career, grow their skill set and reflect knowledge gained in current role. We granted approval to 20 staff who participated in the CIBN mentoring program.
- Introduced the first ever CEO Service Award Recognition for staff who distinguished themselves in quality service in the bank.
- Weekly Celebration and rewarding staff for excellent work ethics.
- Staff well-being: Created awareness on health benefits for female staff on cervical cancer this led to screening 65 female staff.
- Improvement and expansion of services provided by our Health Management Organisation (HMO).

Furthermore, 19.3% 0f our staff benefitted from the general promotion exercise during the year. This was a major boost to staff productivity during the year with staff attrition rate closing at 3.6% down from 5.9% in the previous year.

A look into the Future

According to IMF, the current war in Ukraine has triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, economic damage from the conflict is expected to contribute to a significant slowdown in global growth in 2022 and add to inflation. At the moment, fuel and food prices have increased rapidly, hitting hard on the vulnerable populations in low-income countries. It therefore projected global growth to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023.

The report also projected the Nigerian economy to grow by 2.5 per cent in 2022 and 2.8 per cent in 2023 This is due to rebound to higher oil prices as well as accelerated growth in telecommunication and financial services. The oil sector is expected to benefit from higher oil prices, a gradual easing of the Organization of the Petroleum Exporting Countries (OPEC) production cuts, and domestic regulatory reforms. Activity in service sectors is expected to firm as well, particularly in telecommunications and financial services. However, it said the reversal of pandemic-induced income and employment losses is expected to be slow, this, along with high food prices, restrains a faster recovery in domestic demand.

In Accion MfB, we are very optimistic that 2022 will be a better year judging from what we have done so far in the current year and the adopted new business model that will shape our operations in the current year. We will remain focused and keep our eyes on the ball to deliver on our set targets.

In conclusion, I want to thank the Board of Directors for the unflinching support and guidance in making sure that the Bank meets and surpass its set targets. To my Management Team, I want to thank you for your resilience in delivering on our set targets. I believe with your usual support we will deliver better results in 2022.

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 dedicated to supporting the Chief Executive Officer in the day-to-day management of the bank's operations and the implementation of our corporate strategy. They are also committed to serving all our stakeholder groups.

Taiwo Joda
MD/CEO

Adeola Adebisi
Chief Finance Officer

Ayodeji Mebude
Head, Acquiring Business

Daniel Ofoleta
Head, Information Technology

Stephen Olalere
Head, Risk Management, Compliance & Internal Control

Ndubuisi Onuoha
Chief Commercial Officer

Waheed Fagbenro
Group Head, Operations

Ugochi Okafor
Head, Human Resources

Onajero Ohwo
Head, Internal Audit

Emmanuel Uzowulu
Head, Business Banking Upcountry (SS/SE)

Adetokunbo Elliot
Head, Value Chain, Partnerships & Product Development

Financial Highlights

2021

- Return on Assets **3.9%**
- Total Assets **N14.7b**
- Portfolio **N12.7b**
- Number of Savers **280,410**
- Total Loan Disbursed **N29.4b**
- Capital Adequacy **44%**
- Liquidity Ratio **42.4%**
- Number of Loan Disbursed **51,025**
- Deposit **N3.8b**
- Profit After Tax **N571m**
- Return on Equity **9.6%**

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

Digital Journey

An Innovative Future

Refinements have been added over the years, since the inception of our digital journey in 2018. Our drive to support our customers to use digital channels has been amplified because we understand that digital success includes improving customer experience, improving usage of product and services by offering competitive product rates, tenor and loan amounts either at par or better than the current rate and also incentivizing customers. We have also extended current product and service offering to include innovative capabilities such as QR payments and improved digital loan processes with striking user interphase and user expressions.

We have also commenced strategic partnerships with key technical service providers and fintechs which will help drive scale through targeted new product development and or bundled offerings and improving efficiency by leveraging innovative solutions and open banking platforms.

The following was implemented:

1.Revamped the mobile app which is predicated upon speed, convenience & Security

a. Redefining the customer onboarding process flow
b. Included new features like stamped statement
c. Included bank statement analyses for improved digital loan evaluation
d. Improved UI&UX
e. Full KYC check

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

The digital products and channels:

a. Will enable us to do more with data
b. Establish a digital culture
c. Expand product offerings
d. Sustain and manage customer engagement

Our 2022 focus

- Create innovative products and services
- Enhancing customer experience
- Optimizing value chains
- Transforming revenue streams
- Leveraging technology to grow our footprint nationwide
- Enabling trust, privacy & security

Our Digital Report

The digital strategy journey which started some few years ago has continually been refined year on year. We are adopting new strategies to generate revenue, reinforce customer base and better leverage technology. This will ultimately help in securing a bold strategic position in the market, better serve customers and improve revenue and profitability.

We intend to capture market value by adopting an ecosystem approach to solving customer's needs and this can be made successful if we are able to provide sustainable value creation for all stakeholders, rely on scalable and open banking technology(APIs),leverage the full power of the Bank by tapping into distribution channels after sales services etc.

Product/channel impact on bank and customers

a. Customers can interact with the Bank without physical presence at our Branches
b. Digital banking transactions remained unhindered during the Covid-19 lockdown
c. SaveBrighta seen as friendlier, as it provides health and life cover safety nets at no extra costs

2022 focus

a. Complete build of Digital products and channels and introduction of IVR (Voice Banking)
b. Increase awareness on digital products;
c. Increase awareness on Bills payment;
d. Increase awareness on digital channels; Agency Banking, Debit Cards

Creating Wealth Through People Empowerment And Digital Innovation

The Artisan Loan is hybrid (digital+touch) loan that was created to serve artisans only. This loan is specially for customers who are fully registered with their respective trading associations under the Lagos State Council of Tradesmen and Artisans (LASCOTA).

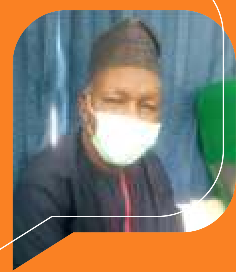
This loan can be accessed on any mobile device from the comfort of your home, shop, or on the go! The product was created to help provide quick boost for this set of people who otherwise have hardly any means of financial support to help them scale up their business.

Artisans can apply for the loan at their convenience following confirmation of their membership and satisfactory evaluation.

The loan can be only be accessed via the bank's USSD channel *572#

Since the product went live, it has been successful in providing this group of people with easy access to funds to scale up their business.

The loan has helped me and other members of the Charcoal Sellers Association expand our business.



MR. ADEOYE KAYODE

Mr. Adeoye is the president of Charcoal Sellers association Lagos State. He heard about this special loan product from Accion MfB to artisans and he decided to give a try. Mr. Adeoye has introduced over 100 members of his association to Accion MfB.

"The loan has helped me and other members of the Charcoal Sellers Association expand our business. Most of us have moved from being retailers only to wholesalers with the financial support we are getting from Accion MfB.

The interest is minimal, the loan process very fast and all loan processes can be carried out on your phone".

ONWORDI OMOWUNMI OLUWABUNMI

Mrs Onwordi testifies that, in over 38 years of running a business, Accion MfB loan has been the best loan she has accessed in terms of the documentation, loan processes, disbursement and repayment patterns.

"Before accessing the loan, I source materials for the tie & Dye business around my business location and it was really affecting my profit but since I started banking with Accion MfB, I am now able to source my goods from Abeokuta, where I get my items cheaper and supply to my customers".

ROADMAP

IT Service Road Map

TASK
Improved IT Service at branches

Deployment of backup links at branches to improve High availability of IT service to both internal and external customers

Digital Banking Road Map

TASK
BAU Loan Renewal via USSD

To reduce the turnaround time for BAU loans renewal to less than 200k

TASK
School Fees Loan Disbursement via USSD

To give customers the privilege to apply for school fees loans via the bank's USSD platform

TASK
Integration of digital payment platform on USSD

To secure card payment via web

TASK
Integration of digital payment platform on USSD

Serving as a digital payment platform to expand the bank's e-chanel reach.

Human Resources Road Map

TASK
Integration of Xceed365 Recruitment page to the website

To expand Accion's recruitment channel to wider job applicants via the bank's website.

IT Security Road Map

TASK
Vulnerability assessment and penetration test (VAPT)

To identify vulnerabilities and protect the bank's IT resources and data against internal and cyber threats.

Business Continuity Road Map

TASK
Real-Time Replication of Data Center To DR Site.

Replication provides higher Recovery Point Objective (RPO) guarantees as the target system contains the mirrored image of the source. RPO is dependent on how soon can the data on the target/replicated site to be made available to the application/user.
We have achieved success in continuous replication of the 100% of the servers in scope.

Corporate
Social Impact

OUR IMPACT ON PEOPLE

Supporting the Next Generation

As an Institution, our passion goes beyond empowering business owners only. We also place a premium on the growth and development of the next generation of business owners and we remain committed to helping them reach their full potential.

In 2021, we committed our resources to support growth, development and prosperity of our immediate environment and communities.

Our strategic investments in these communities positioned our brand as a leader in social responsibility thereby improving our brand love, as well as amplify our social license to lead.

Our activities in 2021 focused on Social Welfare, Health Education, Environment, and support people living with disability.

Improving the Quality of Health Service Delivery

At Ikeja Primary Health Care Centre

Before



After



Before

After

Before


After



Fostering Growth and Equal Opportunities for the Differently Abled.

In all areas of development Accion MfB has been at the forefront of empowering financial wellness, capacity, and improving the standard of living for people living with disability.

In line with the bank's commitment to ensure poverty is eradicated amongst people living with disabilities, we partnered with reputable PLWD foundations to organize financial training and empowerment workshops aimed at providing resources and building capacity for these individuals.

The attendees received financial support through our People Living with Disability (PLWD) Loan and their respective businesses have been flourishing across all sectors.

Also, in celebration of the 2021 International Day of Persons Living with Disability representatives of the bank paid a courtesy visit to Favour Auditory School Ejigbo to commemorate the special day, provide encouragement and gifts to the school.

Mrs. Babatunde Aderonke Basirat

"Before learning about Accion MfB PLWD loan,accessing a loan had become an herculean task due to the nature of my deformity since I was 13 years old (Deaf and Dumb).

Last year (2021), during one of the People Living with Disability (PLWD) meetings, they spoke to us about Accion MfB and all necessary arrangements were made and the loan N100,000 was disbursed within 3days. This has really helped my poultry business grow so much from less than 100 birds to over 500 with different species and I can now meet my customers demand.

Thank you Accion".

Mr. Yekinni Morufu Akanbi

An unfortunate accident led to the amputation of Mr. Yekinni's leg. His savings was spent on saving his life and it became difficult to support his family.

He refused to give up on himself. Rather, he started driving a tricycle to make ends meet and to feed his family.

He stated that Accion made life easy for him when he was able to access the PLWD loan to complete payment for his own tricycle and since then he is now his own boss.

"I am making more profit than before, my repayment is convenient and I can reinvest my profit back into my business and support my family", he further stated.

Providing Relief in a Time of Adversity

When disasters occur, it destroys everything in its path, creating extremely difficult situations and challenges for everyone involved.

One of the measures put in place by Accion Microfinance Bank, is partnerships with reputable insurance institutions to ensure our products are adequately insured to enable us provide support for customers in the event of any disastrous occurrence.

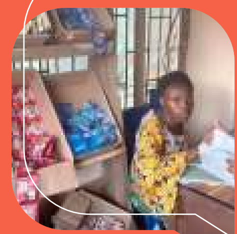
In 2021, a number of our customers experienced fire outbreaks in their place of business which caused some distress however, through the partnership with the insurance companies, the bank came to their aid, cleared their outstanding loans and provided them with a token to help them rebuild their businesses.

Mrs. Abdurahman Salamat Ibironke

Mrs. Abdurahaman Ibironke received a tragic call on the 19th of September, her shop was on fire and everything she had in it had been engulfed, leaving her with nothing.

Frantic and distraught Mrs Ibironke was faced with even bigger problems. Most of her goods had been procured through loans, and the creditors were contacting her for repayment.

Accion MfB cleared her outstanding loan of over N683,332 and gave her about N172, 000 to start up her business again.
"Thank You Accion for comforting me when I needed you the most", she said, gratefully.



Mrs. Adewale Titilayo Ajasa

Mrs Adewale Titilayo Ajasa, a current Accion MfB customer who was on her 15th loan cycle was thrown into a tough situation when an explosion caused a fire incident in her shop and all she had was burnt.

A more serious cause for concern was the thought of how to get back on her feet, pay back her loans and support her family.

Accion MfB provided support by clearing her outstanding loan balance of over N 2,300,000, gave her the sum of N200,000 to start her business again, and afterwards a new loan of N2,000,000 was also disbursed to help her resume her wholesales business fully.

She praised Accion staff, thanking them for being supportive during her trying time.

Mr. Joseph Lambert Emenike

A phone and accessories dealer, Mr Emenike, who had been in business for over 7 years in the same location, had just taken delivery of new stock worth(phones) over 3 million naira from his suppliers when an unfortunate burglary incident occurred and all expensive items in his shop were carted away.

The burden of how to start up again coupled with how to repay his loan became too heavy to bear.

He was visited by the Accion MfB staff who advised him on the next steps to take. The outstanding balance of N1,650,000 was cleared by the bank and he received the sum of N 255,000 to help him start to rebuild his business.

Impact on Products

Improving Business Growth through Provision of Financial Opportunities.

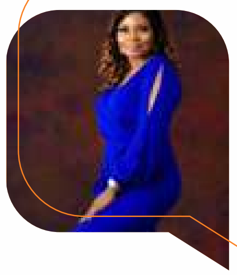
Okafor Ifeanyi Nichodemus

Mr. Okafor is a motorcycle spare parts dealer at machine parts market, Nnewi Anambra State. Due to limited funds, he was only able to source the spare parts locally before a friend of his introduced him to Accion MfB in 2019. He decided to try and was able to access his first loan N390,000 and with this, he started seeing better turnaround in his business.

Mr. Okafor is now able to access loans of up to N1,000,000 as banking with Accion MfB has helped his business grow in scale such that he is now able to source the spare parts from abroad and has now become a supplier to other sellers around him.

Mr. Okafor now makes over double of the profit he used to make when be sourced for parts from same market.

He says "Thank you Accion".



Mrs. Yussuf Nurat Biola

After several years of having to manage a small shop for her beauty business, Mrs. Yussuf Nurat Biola accessed her first loan with Accion MfB in 2017. Between that time and now, her cosmetics/beauty business has grown significantly from being able to only source products locally to now sourcing for premium products abroad.

She now owns her own make up studio and a bigger shop and is currently on a N3,500,000 loan with the bank.

She stated that the loan from has helped her support my family in empowering my children academically.
"Kudos to my growth partner", she says, gratefully.

Sani Garba Muhammed

Mr. Muhammed started his maize business in 2005 and had since then been looking for a way to start other businesses but experienced several challenges.

He was finally able to access a loan facility of about N3,000,000 from Accion MfB in 2020, and has since then been able to diversify into other agricultural products like beans, rice, millet, etc. He has also been able to secure a bigger warehouse to store his products.

Banking with Accion MfB has made business easy for him with the timely access to financial support.

" Accion MfB is a great place to work

All the staff are supportive. They don't treat people living with disability differently. "

Our school loan customers share on the support they have received from Accion MfB and how it has helped them scale up in their businesses.

Mrs. Moses Kikelomo Omolara

Mrs,Moses is the proprietress of DEBBY GOLD CHILDREN SCHOOL. She started banking with Accion MfB in 2013 with a loan of 250,000 and currently accessing N1,500,00.

With the support of Accion MfB housing loan has acquired her own land which is currently being developed as a permanent site for her school. Her school business and family is doing well.

She has acquired her own land and currently developing it for our permanent site with the support of Accion MfB housing loan.

“God bless Accion Microfinance Bank”. She shared.

Oluwafunmilayo Omolara Acha

Proprietress of Sky Blue Diamond Academy in Umuocham, Aba, Abia State, Mrs Acha Oluwafunmilayo, has been an Accion MfB customer for over 4 years.

Before she started with the bank, her school had less than 20 students and was located in a rented apartment.

Her school has now grown to over 180 students and she has been able to acquire a property of her own to accommodate her growing student base.

She Says “my school has really improved. I appreciate Accion Microfinance Bank for coming to the East”

Thank you Accion.

Annuity Loan

Alhaji Abbas Musa

After Alhaji Musa retired from service, he needed funds to expand his business as he now needed more income to be able to support his family. With this in mind, he decided to reach out to Accion MfB.

With his pension earning he was able to access annuity loan from Accion MfB for his agricultural business. This loan has helped in hiring of tractors and aided the supply of his produce to supply to his customers.

According to him, the low interest rate offered by Accion MfB compared to other banks, has been very helpful to him building a successful business.

“This has helped in my business growth and the wellbeing of my family”.

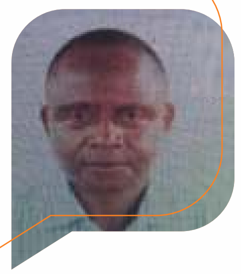
Mr. Akpan Asuquo

Accion MfB has made his retirement life easy for him with the Annuity loan. He was having issues meeting the financial requirements for his farming business until he accessed the bank's Annuity Loan made specially to empower and support pensioners that are business owners.

For over for years that he has been accessing the loan with small interest rate has helped him sustain his business and support his family.

Most importantly the loan has help me secure another business location around Ikorodu

“Thank you Accion for not leaving retirees out of your loan plan”.



Mr. Izu Ifeanyi

Mr Izu Ifeanyi shared how grateful he is for the annuity loan product of the bank. Surviving had been a bit tough after retirement as he was having challenges meeting financial needs of his farming business.

Over the years, accessing a loan with low interest rate has been quite difficult but with the Accion MfB annuity loan, he has been able to get the best financial support to sustain his business and take care of his family.

More importantly, the loan has also helped him expand his business as he operates at more than one business location.

“Thank you Accion for not leaving retirees out of your loan plan”, he shared gratefully.

Our People and Values

We ensure that our values are reflected in our support for staff and our engagement with clients. We strive to become a more conscientious workplace by safeguarding staff health and well-being, and finding ways to work more efficiently.

Our Values

Our core values are integrity, customer service, leadership, innovation and teamwork. In 2021, we executed a Bank wide virtual training for staff on our core values to ensure our staff have a full understanding on our core values and the expected behaviours. This session was facilitated by the MD/CEO and was highly interactive.

Our People

At the end of 2021, Accion MfB had 800 full-time staff, of whom 86% percent were based outside our head office in Lagos Nigeria. The 86% of staff in the branch offices means that we have more staff closer to our customers who follow up to ensure excellent customer experience and required achievement of the goals of the Bank.

Driving organizational performance and effectiveness

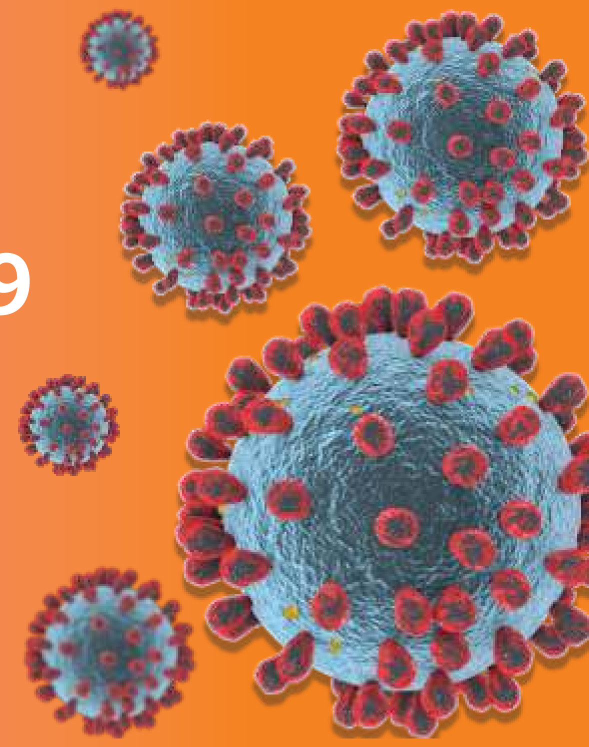
In 2021, we stepped up efforts to strengthen performance management, talent development, career enrichment, managerial effectiveness, and staff well-being. We consistently encouraged staff feedback and resolved complaints through regular and varied engagements including Town hall meetings.

We launched a mentoring programme, the Senior Staff Mentoring Programme where industry leaders discuss key leadership development strategies. Three of such sessions were held in the year with middle management staff enrolled and participating in a highly interactive and crucial session on performance management.

Promoting staff health and safety. The Bank provides an array of programs and services to promote and protect the health and safety of staff by focusing on personal health, prevention, wellness, occupational health and safety, and mental health and well-being. In 2021, these efforts were tailored to address the needs and concerns of our workforce amid the continued COVID-19 pandemic. The HR Clinic was birthed which resulted in the efficient management of complaints and enquiries, especially on health related matters, positively impacting performance of the Bank.

Supporting continuous learning and developing skills for career management and mobility. With the Bank's Training Academy, staff at head office and branches can learn continuously using a broad range of learning resources, including weekly Knowledge Exchange Sessions (KES) and on-the-job learning. We fully adapted staff development and earning programmes as virtual learnings. This effort grew in 2021 with new offerings to equip staff with skills and behaviors for working remotely. During the fiscal year, the Training Academy delivered over 30 virtual trainings across the Bank.

Supporting staff during the COVID-19 pandemic



Throughout the pandemic and the transition to hybrid working models that allowed a mix of on-site and remote work, the Bank has been working to support our staff, with a focus on personal health and safety, work-life balance, mental health, and resilience. These efforts have enabled staff to continue delivering results during the largest crisis response in the Bank's history, despite the challenges presented by working remotely. To protect staff's health and well-being, we:

- Continually updated health and safety information on the pandemic, with more than 50 online engagements—including leadership town halls and staff briefings—to keep staff engaged and up-to-date on developments.
- Provided support for confirmed case and contact tracing assistance, and an off-site testing location for head office and branch staff who have symptoms.
- Helped in accessing care, with financial support for staff seeking treatment, including advance payments.
- Provided ongoing support for staff on general medical and safety issues.
- Enhanced cleaning and precautions at Bank facilities as well as restructuring of facilities to support health, safety, and distancing measures.
- Coordinated the staff Covid-19 vaccination programme, as well as resources on health, mental health, and remote work.

To reinforce our values, we:

- Executed a virtual Core Values training for all staff. The session was facilitated by the MD/CEO.
- Deployed a new intranet site with tools and resources to support staff engagement and performance.
- Secured a flexible, and mobile-friendly collaboration solution (Zoom) and support for virtual meetings.
- Expanded capacity of the Bank's remote access infrastructure (virtual private network-VPN) solutions.
- We continue to ensure appropriate health measures and safety protocols while recognizing the individual circumstances of staff.

Staff Retention

The Bank is very passionate about retaining its key talents and high flying performers. To ensure an engaging and rewarding employee life cycle, the Bank promoted some qualifying staff while several internal redeployments were done as part of the resourcing strategy and for staff optimization.

Accion Cares

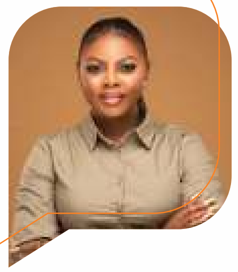
CEO's Service Recognition Award

As part of the strategy to provide support and encouragement to internal stakeholders, the bank created the first-ever CEOs recognition award. Several members of staff were recognized and celebrated for their hard work, passion, and relentless contribution to the growth of the organization.

Empowering Young Professionals and Building Capacity.

The CIBN mentorship program was initiated to provide adequate guidance and mentoring for young professionals in the banking and finance system.

The focus of this program was to enhance learning and career development for young bankers, provide networking opportunities and assist in acquiring the required competencies and gain professional experience.

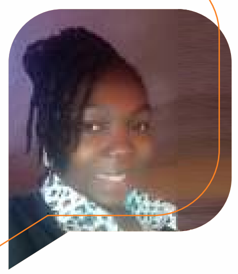


Habeebat Oyebanji

"The CIBN mentoring scheme was a great initiative. It has contributed positively to supporting me in my career journey and knowledge acquisition.

Daniel Barizaa

"The program was indeed educative and impactful, and should be recommended to other Accion staff"



Dorcas Ajos

The session with my mentor was really impactful and I learnt a lot to help me succeed in my career journey.

Mohammed Shittu Yusuf

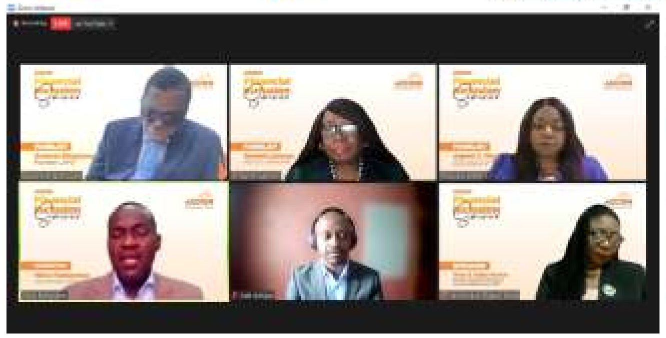
"The program was very enlightening and exciting, I got to learn a lot and I hope to mentor others in the nearest future.
Thanks to CIBN and Accion MfB for the opportunity."

Financial Inclusion Seminar

Theme" The Future of Microfinance Banking: Any Existential Threat?"

The 4th edition of the Financial Inclusion Seminar had over 750 participants in attendance which consisted of key stakeholders in the ecosystem, Board of Directors, Managing Directors of prestigious organizations, Executive Directors, Regulators, Professionals in the finance space and lots more.

The discussions bordered on how MFIs in Nigeria have fulfilled their mandate. Further discussions tackled the issues of Digital Adoption Challenges for MFIs, Tackling Cybersecurity Challenges, Competition – Fintechs & MFIs, and Partnerships, and Diversity of Inclusion for Women, Youth and People Living with Disabilities.



Building Strategic Partnerships

To Foster Sustainable Business Growth

Promoting The Accion MfB Brand

Risk Management Policy

Risk Management Policy

Introduction

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

Over the past few years, Accion MfB has expanded, introduced new products and continues to be a major microfinance institution within the financial market in Lagos and other ten states, which include Rivers, Ogun, Oyo, Anambra, Abia, Delta, Edo, Ondo, Akwa Ibom, Kano States and the FCT. In addition, the environment for microfinance in Nigeria has changed significantly in the past few years, with a strong focus on customer protection, reputational risk, and good governance. Hence, Accion MfB has set up a full-fledged risk and internal control department that identifies various stakeholders responsible to identify and manage the risks facing the institution.

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

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

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

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

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

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

Structure of the Risk, Control and Compliance Department at Accion MfB

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

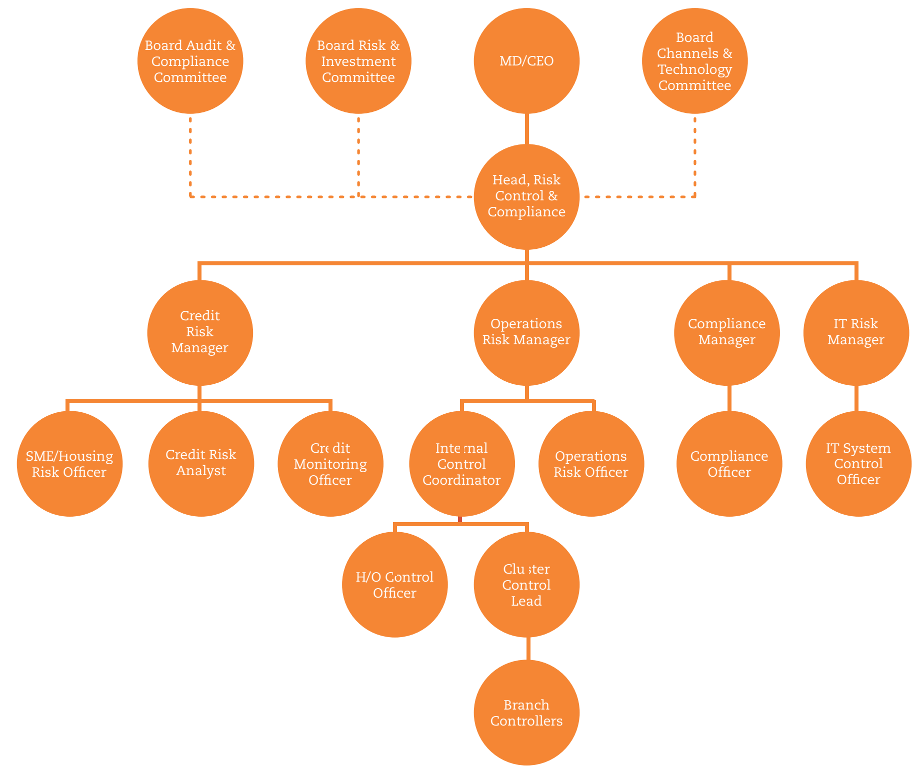
Comprehensive risk management should always be led by senior management which should be involved in the entire process of installing risk management standards and then ensuring that all decisions and policies issued by the entire management team are followed, controlled and later evaluated, based on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

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

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

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

ORGANIZATIONAL STRUCTURE FOR RISK, CONTROL & COMPLIANCE DEPARTMENT



Key Stake Holders in Risk Management Process at Accion MfB

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

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

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

Risk, Control and Compliance Department: The overall responsibility of the Risk, Control and Compliance department at Accion MFB is to identify and monitor the different risks faced by the institution and to propose controls (policies/strategies) to manage the risks. The department is also responsible for monitoring the implementation of controls and provides feedback on adjustments that need to be made in existing policies/process.

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

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

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

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

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

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

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

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

Impairment 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 reorganization
- 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.

Complaints Handling

The process flow for customer complaint resolution is as follows:

1

Complaints are received through all our available service channels (Voice, Email, WhatsApp, Live Chats, Letters/Visits to the Branches/Head Office and our Social media platforms) and for time sensitive and fraud related complaints, customers are always advised to use Dedicated Whistle Blowing media to send us email to kpmgethicsline@ng.kpmg.com

2

Received complaints are instantly acknowledged with a Case ID and attended within 24 hours of receipt across all channels.

3

Regular feedback on the resolution status of the complaints is given to the customer before final resolution.

4

Escalated complaints are resolved within case-specific SLA.

5

Where no objection is received to the outcome, the Customer Shall be deemed satisfied and the complaint closed.

6

Periodic reports on all customer complaints and feedback received in the Bank are collated, grouped based on Type/frequency, analysed to determine the root cause(s) and circulated internally to prevent recurrences. The same is reported to CBN on periodic basis.

Summary of Complaint received at Contact Center in 2021

TABLE 1 Details of complaints received in 2021 (Month on Month)

Month	No. of complaints received	No. of complaints resolved
January	115	110
February	448	447
March	375	329
April	356	342
May	186	184
June	196	193
July	209	208
August	300	300
September	250	246
October	293	293
November	212	212
December	170	170
Grand Total	**3110**	**3034**

TABLE 2 Total amount of complaints and amount claims received as at the end of Financial year 2021

Month	No.	Total Amount claimed (N'Million)	Amount refunded (N'Million)
Description	2021	2021	2021
Pending Complaints B/F	76	NA	NA
Received complaints	3110	24,239,070	23,389,470
Resolved complaints	3034	NA	NA
Unresolved complaints escalated to CBN for intervention	NA	NA	NA

DIRECTORS' REPORT

The Directors are pleased to present their annual report on the state of affairs of the Bank, together with the audited financial statements for the year ended 31 December 2021.

1) LEGAL FORM AND PRINCIPAL ACTIVITIES

The Bank was incorporated as a private limited liability company on the 16th of May 2006 with an authorized share capital of N432, 250,000. Accion Microfinance Bank Limited was granted approval to operate as a microfinance bank by the Central Bank of Nigeria (CBN) on 20 April, 2007. The Bank was also granted a license to operate as a National Microfinance Bank in December 2014. The authorized share capital is N1,240,000,000 with issued share capital of N1,238,872,971 of which N1,207,407,700 is fully paid.

The principal activity of the Bank 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 Bank is eligible to accept deposits from individuals, groups and organizations and also raise finance in accordance with the CBN regulations and guidelines on microfinance banks.

The Bank currently has 83 branches nationwide from which it operates

2) OPERATING RESULTS

The profit before tax recorded by the Bank for the year ended 31 December 2021 was N1,067 million (31 December 2020: N7.09 million). Highlights of the Bank's operating results for the year ended 31 December 2021 are as follows:

	31-Dec-2021	31-Dec-2020
Profit before tax	1,066,923	7,091
Income tax (expense)/credit	(496,066)	124,917
Profit after tax	570,857	132,008
Total comprehensive income	**570,857**	**132,008**
Appropriation:		
Transfer to Statutory reserve	71,357	16,501
Transfer to regulatory risk reserve	278,510	119,552
	349,867	**136,053**
Basic and diluted earnings per share (kobo)	47	11

In the 2020 audited financial statements, the NITDA levy was included under other operating expenses, this has been reclassified to tax expense in 2021.

3) DIVIDENDS

The Board of Directors are pleased to recommend N0.20K per share amounting to N241,481,540 (Dec 2020: NIL) on the issued share capital of 1,207,407,700 ordinary shares of N1 each for approval by the shareholders.

4) DIRECTORS

The following Directors served during the year under review:-

NAME	DESIGNATION	DATE OF APPOINTMENT
Mr. John Fischer	Chairman	Appointed 20 October 2009 and approved by CBN on 28 June 2012
Mr. Taiwo Joda	Managing Director	26 May 2017
Mr. Wolfgang Bertelsmeier	Non-Executive Director	25 May 2018
Mr. Akinsowon Dawodu	Non-Executive Director	10 June 2016
Mr. Prateek Shrivastava	Non-Executive Director	05 January 2017
Mr. Christain Ruehmer	Non-Executive Director	05 January 2017
Mrs. Adenike Laoye	Non-Executive Director	05 January 2017
Mrs. Ibukunoluwa Oyedeji	Non-Executive Director	04 August 2020
Dr. Olusegun Aina	Non-Executive (Independent) Director	16 December 2014
Mr. Olumide Obayomi	Non-Executive (Independent) Director	02 September 2016
Professor Olayinka David-West	Non-Executive (Independent) Director	10 December 2020
Mr. Brian Kuwik	Alternate Director	Nominated September 4, 2009
Mrs. Nneka Enwereji	Alternate Director	Nominated February 9, 2016

5) DIRECTORS' INTEREST IN SHARES
For the purposes of Sections 301 of the Companies and Allied Matters Act (CAMA), 2020, none of the Directors except the Managing Director had direct or indirect interests of Directors in the issued share capital of the Bank as recorded in the Register of members as at 31 December 2021 and/or as notified by the Directors. The Managing Director interest is maintained under the senior staff share options.

6) DIRECTORS' INTEREST IN CONTRACTS
For the purpose of Section 303 of the Companies and Allied Matters Act (CAMA), 2020, none of the Directors notified the Bank of any direct or indirect interest in any
contract or proposed contract with the Bank in the year under review.

7) RETIREMENT OF DIRECTORS
In accordance with S.285 (1) & (2) of the Companies and Allied Matters Act (CAMA), 2020, Mr. Akinsowon Dawodu, Christian Ruehmer and Mr. Taiwo Joda retired by rotation and being eligible for reappointment offer themselves for re-election. These Directors were re-elected as Directors at the Bank's Annual General Meeting held on 10 June 2021.

8) CHANGES TO THE BOARD
Since the last Annual General Meeting held on 10 June 2021, there have been no changes or new appointments unto the Board. The Board is stable and uniquely positioned to
provide the right level of strategic leadership and direction for the Bank.

9) SUBSTANTIAL INTEREST IN SHARES
According to the Register of Members as at 31 December 2021, the following shareholders of the Bank hold more than 5% of the issued ordinary share capital of the Bank:

	31 December 2021		31 December 2020	
Shareholder	**No. of Shares**	**Shareholding (%)**	**No. of Shares**	**Shareholding (%)**
Accion Africa-Asia Investment Company	443,184,162	36.71	443,184,162	36.71
Ecobank Nigeria Ltd	269,225,436	22.30	269,225,436	22.30
Citibank Nigeria Limited	246,555,669	20.42	246,555,669	20.42
International Finance Corporation	156,010,382	12.92	156,010,382	12.92
Zenith Bank Plc	90,858,036	7.53	90,858,036	7.53
Total	**1,205,833,685**	**99.87**	**1,205,833,685**	**99.87**

10) ANALYSIS OF SHAREHOLDING

The shareholding structure of the Bank is as stated below:

31 December 2021					31 December 2020				
Range		Holders	%	Units	Range		Holders	%	Units
From	To				From	To			
1	100,000,000	2	33	92,432,051	1	100,000,000	2	33	92,432,051
100,000,001	200,000,000	1	17	156,010,382	100,000,001	200,000,000	1	17	156,010,382
200,000,001	400,000,000	2	33	515,781,105	200,000,001	400,000,000	2	33	515,781,105
400,000,001	500,000,000	1	17	443,184,162	400,000,001	500,000,000	1	17	443,184,162.00
		6	**100**	**1,207,407,700**			**6**	**100**	**1,207,407,700**

12) CBN MINIMUM CAPITAL REQUIREMENT
In its revised circular dated 7 March 2019, the Central Bank of Nigeria (CBN) raised the minimum capital for national microfinance banks (MFBs) from 2 billion to N5billion. The CBN's directive was to take effect from April 2021. However, the CBN, in consideration of the impact of COVID-19 on the economy, extended the deadline for compliance by one year with its revised circular REF: FPR/DIR/GEN/CIR/07/054 dated 29 April 2020. Consequently, national MFBs are expected to meet minimum capital of N3.5 billion capital by April 2021 and N5 billion by April 2022.
This requirement was captured in the Bank's strategic plan and the Bank is now fully compliant with a shareholders funds of N5.6 billion.

13) PROPERTY AND EQUIPMENT
Information relating to changes in the Bank's property and equipment is given in Note 19 of the financial statements.

14) DONATIONS
As part of our commitment to the development of our primary community and to identify with the aspirations of various sections of the society, the Bank made contributions to charitable and non-political organisations amounting to 534,450 (31 December 2020: Nil) during the year. This comprises contributions to health care organisations
amongst others as listed below:

	N
Ikeja Health Care	534,450
	534,450

15) FRAUD AND FORGERIES

Nature of Fraud	No. of Incidence		Fraud Amount (N)		Actual Loss to the Bank (N)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Perpetrated by staff	7	13	1,301,500	28,231,163	813,500	24,208,063
ATM Electronic Fraud	-	-	-	-	-	-
Others	-	1	-	278,000	-	208,800
Total	**7**	**14**	**1,301,500**	**28,509,163**	**813,500**	**24,416,863**

<u>Perpetrated by staff</u>
The sum of N488,000 (2020: N4,093,100) had been recovered from the fraud perpetrated by staff. This represents 37.5% (2020: 14.5%) recovery of the total fraud amount. The actual loss of N813,500.00 incurred in current year will be recovered from the staff guarantor.

16) HUMAN RESOURCES

EMPLOYMENT OF DISABLED PERSONS
The Bank maintains a fair policy in considering job applications from physically challenged persons, having regard to their abilities and aptitude. In the event of any member
of staff becoming physically challenged, every effort will be made to ensure that their employment with the Bank continues and that appropriate training is arranged.

It is the policy of the Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees. The Bank did not employ any physically challenged person during the year.

EMPLOYEE INVOLVEMENT AND TRAINING

The Bank ensures through various fora that employees are informed on matters concerning them. Formal channels are employed in communication with employees with an appropriate feedback mechanism.

As part of our corporate values to continually train our employees to become the best professionals, the training plan was designed to deploy various trainings in different categories.

External Trainings: The current workforce were trained to skill up for increased job performance. Some of the training areas includes: Adaptive Leadership Training Program, Cybersecurity: New Threats and New Approaches to Protecting Organizations' Data, Senior Management Mentoring Program - Leadership and Executive Coaching for Peak Performance, Senior Leadership and Management Program Building Executive Management Capacity in the Microfinance Industry, Capacity building for Business Continuity Planning for Microfinance Banks in Nigeria, IFRS 9, NDPR Masterclass Program, Frankfurt School/MLDC Microfinance Masterclass Program and Fintech Innovation & Regulatory Technology Masterclass.

In-House Trainings: Through the Bank's Training Academy, there was continuous learning for staff using a broad range of resources, including weekly Knowledge Exchange Sessions (KES) and on-the-job learning. Various trainings were facilitated by staff who are proficient in identified areas with a key focus to train other employees on technical skills for improved job competencies. The training areas in the year under review were: data privacy & protection, fraud prevention, cyber defense in an adversary world, Information security training, business etiquette, credit appraisal, anti-money laundering and counter terrorism and risk management training.

HEALTH, SAFETY AND WELFARE OF EMPLOYEES

The Bank maintains business premises designed with a view to guarantee the safety and healthy working conditions of her employees and customers alike. Employees are adequately insured against occupational and other hazards. The Bank has in place enlightenment programs/publications designed to equip staff members with basic health management tips and fire prevention tips. Also, fire prevention and firefighting equipment's are installed in strategic locations within the Bank's premises.

17) EMPLOYEE AND DIRECTOR INFORMATION

The number and percentage of men and women employed in the Bank during the year ended 31 December 2021 and the comparative year were as follows:

	Number			Percentage	
	Male	Female	Total	Male	Female
Employees (2021)	449	411	860	52%	48%
Employees (2020)	481	428	909	53%	47%
Top Management (2021)	10	4	14	71%	29%
Top Management (2020)	11	4	15	73%	27%
Board					
Executive Directors (2021)	1	-	1	100%	0%
Executive Directors (2020)	1	-	1	100%	0%
Non -Executive Directors (2021)	7	3	10	70%	30%
Non -Executive Directors (2020)	7	3	10	70%	30%

i) The analysis by grade of employees is as shown below:

	31 December 2021			Percentage		
GRADE LEVEL	Number			Percentage		
	Male	Female	Total	Male	Female	Total
Manager (M)	5	1	6	4	1	5
Senior Manager (SM)	2	1	3	2	1	3
Assistant General Manager (AGM)	2	-	2	2	-	2
Senior Assistant General Manager (SAGM)	2	-	2	1	-	1
Deputy General Manger (DGM)	-	-	-	-	-	-
General Manager (GM)	1	1	2	1	1	2
Senior General Manager (SGM)	-	-	-	-	-	-
	12	**3**	**15**	**10**	**3**	**13**

ii) Analysis of Directors by gender:

	31 December 2021			31 December 2020		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Managing Director	1	-	1	1	-	1
Executive Directors	-	-	-	-	-	-
Non - Executive Directors	7	3	10	7	3	10
Total	8	3	11	8	3	11

18) OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations. Beyond the resilient plans and control standards that the Bank has in place, the Risk Management unit maintains a Bank wide operational risk register in order to conform to the Bank's Enterprise Risk Management framework and the requirement of the Central Bank of Nigeria (CBN). The register is regularly reviewed and updated to ensure that potential risk are identified on time and remedial actions quickly taken to mitigate them.

19) COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Bank has processes in place to ensure compliance with the Corporate Governance Code of the Financial Reporting Council ("the Council") and, in this regard, the Board has submitted its report thereon to the Commission for the year ended 31 December 2021.

20) ACQUISITION OF OWN SHARES

From the pool of issued shares available to employees (senior staffs) of the Bank, 1,574,015 units are held by the Bank's Senior staff as at year end (2020: 1,574,015). No units of ordinary shares was sold to staff during the year.

21) EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2021 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

22) INDEPENDENT AUDITOR

Messrs. KPMG Professional Services, was appointed as auditors in accordance with section 401 of CAMA 2020 at the annual general meeting of 10 June 2021. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office, have indicated their willingness to continue in office as auditor to the Bank. In accordance with Section 401(2) of the Companies and Allied Matters Act of Nigeria (CAMA), 2020, the auditor will be re-appointed at the next annual general meeting of the Bank without any resolution being passed

BY ORDER OF THE BOARD

Aluko & Oyebode

ALUKO & OYEBODE
COMPANY SECRETARIES

Aluko & Oyebode
Company Secretary/Legal Adviser
FRC/2013/ICSAN/00000003509
24 March 2022

CORPORATE GOVERNANCE REPORT

INTRODUCTION
Accion Microfinance Bank Limited ("the Bank") remains committed to institutionalising corporate governance principles. For the Bank, Corporate Governance is not an end in itself but an essential enabler for value creation whilst propagating a value-led culture, high behavioural standards and robust procedures as fundamental tools in the entrenchment of a strong corporate governance framework. As a Limited Company, we remain dedicated to our duties and pledge to safeguard and increase investor value through transparent corporate governance practices.

The Bank is governed under a framework that enables the Board to discharge its oversight functions while providing strategic directions to the Bank in balance with its responsibility to ensure regulatory compliance.

In the year under review, the Bank complied with the provisions of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Other Financial Institutions. The Bank also submitted periodic returns to the CBN, the Corporate Affairs Commission (CAC) and Nigerian Deposit Insurance Corporation (NDIC).

GOVERNANCE STRUCTURES

THE BOARD
The Board is responsible for embedding high standards of corporate governance across the Bank. The Board recognises that effective corporate governance is a key imperative to achieving the sustainable growth of the Bank.

The Board plays a central role in conjunction with Management in ensuring that the Bank is financially strong. This synergy between the Board and management fosters interactive dialogue in setting broad policy guidelines in the running of the Bank to enhance optimal performance and ensure that associated risk are well managed.

The Board of Directors currently consists of eleven (11) members as stated below:

Executive Directors	1
Non-Executive Directors	10 (Inclusive of 3 Independent Directors)

THE ROLE OF THE BOARD
The traditional role of the Bank's Board is to provide the Bank with leadership within a framework of prudent and effective controls which enables risk to be assessed and managed while deploying the Bank's resources to profitable use. The Board outlines the Bank's strategic and corporate aims, ensures that the necessary financial and human resources are in place for the Bank to meet its objectives and reviews management performance on a continuous basis. The Board also sets the Bank's values and standards and ensures that its obligations to its shareholders and others are understood and met.

RESPONSIBILITIES
The Board is accountable to the Shareholders and continues to play a key role in governance. It is the responsibility of the Board of Directors to endorse the Bank's organisational strategy, develop directional policy, appoint, supervise and remunerate senior executives and ensure accountability of the Bank to its stakeholders and regulatory authorities. The Board is responsible for providing stable and effective leadership for the Bank, to facilitate achievement of its corporate operating objectives.

The roles of the Chairman and Managing Director/Chief Executive Officer are separate and no one individual combines the two positions. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman facilitates the contributions of Directors and promotes effective relationships and open communications between Executive and Non-Executive Directors both inside and outside the Boardroom.

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The Board has delegated the responsibility for the day to day management of the Bank to the Managing Director/Chief Executive Officer, who is supported by the Executive Management. The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board and the Executive Management is accountable to the Board for the development and implementation of strategies and policies.

REMUNERATION POLICY
The Bank's remuneration policy sets out the criteria and mechanism for determining the levels of remuneration of the Directors of the Bank and also defines the process for determining Executive Directors compensations and rewards for corporate and individual performance. The policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. It includes:

Remuneration class	Description	Entitled Directors	Timing
Basic Salary/Allowances	Reflects the industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Executive Directors only	Monthly/Annually
Performance Incentive	This is awarded based on the performance of the Bank and individual Directors.	Executive Directors only	Annually
Directors' fees	Annual Payments approved at the Annual General Meeting	Non-Executive Directors only	Annually
Sitting allowances	Allowances paid for attending board and board committee meetings	Non-Executive Directors only	Paid at every sitting at board and board committee meetings

The Directors' fees for the year under review was fixed at N10,500,000.00 by members at the last Annual General Meeting. This excludes sitting allowance and other allowances for meetings attended.

BOARD MEETINGS
To ensure the Board's effectiveness throughout the year, an annual meeting and task calendar is developed at the beginning of each year. These calendars do not only focus on the activities of the Board but also establish benchmarks against which its performance can be evaluated at the end of the year.

The Board meets quarterly and additional meetings are convened as the need arises. In furtherance of its roles, the Board met four (4) times in the year under review on 25 March, 10 June, 16 September and 9 December 2021. Attendance at the Board meetings during the year were as follows:

No	Members	Designation	No. of Meeting	No. of Attendance
1	Mr. John Fischer	Chairman	4	4
2	Mr. Taiwo Joda	Managing Director	4	4
3	Mr. Wolfgang Bertelsmeier	Non-Executive Director	4	4
4	Mr. Akinsowon Dawodu	Non-Executive Director	4	-
5	Mr. Prateek Shrivastava	Non-Executive Director	4	4
6	Mr. Christian Ruehmer	Non-Executive Director	4	4
7	Mrs. Adenike Laoye	Non-Executive Director	4	4
8	Mrs. Ibukunoluwa Oyedeji	Non-Executive Director	4	4
9	Dr. Olusegun Aina	Independent Non-Executive Director	4	4
10	Mr. Olumide Obayomi	Independent Non-Executive Director	4	4
11	Professor Olayinka David-West	Independent Non-Executive Director	4	4
12	Mr. Brian Kuwik	Alternate Director	4	-
13	Mrs. Nneka Enwereji	Alternate Director	4	4

DIRECTORS' PERFORMANCE EVALUATION

The Board Ethics and Governance Committee, oversees a formal evaluation process to assess the composition and performance of the Board, each Committee and individual Directors on an annual basis. The assessment is conducted to ensure the Board, Committees and individual members are effective and productive and to identify opportunities for improvement.

As part of the process, each member completes a detailed and thorough questionnaire and each member also participates in an oral interview/conversation session as a follow up to the completion of the questionnaire. The Board Ethics and Governance Committee reports annually to the full Board with result of the evaluation exercise. The recommendations of the performance evaluation are considered by the Board and are implemented as required.

In compliance with the requirement of the Central Bank of Nigeria (CBN) Code of Corporate Governance, the Board commissioned the Ernst & Young (EY) to carry out Board evaluation for the financial year ended 31 December 2021.

Their report has been forwarded to the CBN and will be communicated to shareholders at the Annual General Meeting.

TENURE OF DIRECTORS

In pursuance of the Bank's drive to continually imbibe best Corporate Governance practices, the tenure of the Non-Executive Directors is limited to a maximum of three (3) terms of four (4) years each and Independent Directors tenure is 4 years for a single term and a maximum of two consecutive terms if re-elected upon expiration of 1st term. This allows for the injection of fresh perspectives to the business of the Board.

INDUCTION AND CONTINUOUS TRAINING

The Bank has in place a formal induction program for newly appointed Directors. This induction which is arranged by the Bank Secretary includes presentation by Senior Management staff to assist Directors in building a detailed understanding of the Bank's operations, its strategic plan, business environment and key issues faced by the Bank and to introduce directors to their fiduciary duties and responsibilities.

Training and Education of Directors on issues pertaining to their oversight function is a continuous process in order to update their knowledge and skills and keep them informed of new developments in the Bank's business and operating environment. These trainings are carried out through external, local and international courses. The trainings attended during the year under review are as follows:

Facilitating Institution	Topics	Location
Ernst & Young	Digital Transformation Dynamics & Traditional Banking: The Next Phase for Accion Mfb	Virtual

All Directors attended the training course in the year under review.

BOARD COMMITTEES

The responsibilities of the Board are further accomplished through four (4) standing Committees. Through these committees, the Board is able to effectively deal with complex and specialised issues and fully utilise its expertise to formulate strategies for the Bank. These committees have clearly defined terms of reference setting out their roles, responsibilities, functions and reporting procedures to the Board.

The Board committees in operation during the year under review were:

- Board Risk, Credit & Investment Committee
- Board Audit & Compliance Committee
- Board Ethics & Governance Committee
- Board Channels &Technology Committee

The roles and responsibilities of these committees are discussed below:

Board Risk, Credit & Investment Committee

This Committee has the responsibility 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:-

- Ensuring that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors.
- Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated.
- Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk.
- Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;
- Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors
    - Magnitude of all material business risks;
    - The processes, procedures and controls in place to manage material risks;
    - The overall effectiveness of the risk management process;
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.
- To establish and periodically review the bank's risk portfolio in order to align organizational strategies, goals, and performance.
- To 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.
- 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.
- To establish and periodically review the Bank's credit policy and portfolio in order to align organizational strategies, goals and performance;
- To recommend non-performing credits for write-off by the Board.
- To select and retain independent experts and consultants in the field of risk analysis subject to Board's approval, to advise with respect to market data and assist the Committee with its duties, and to approve fees and set terms of engagement for such consultants.
- To report to the entire Board at such times as the Committee and Board shall determine, but not less than four times in a year.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

The Committee meets at least once in each quarter. However, additional meetings are convened as required. The Committee met eight (8) times in the 2021 financial year on 4 March, 23 March, 5 May, 3 June, 12 July, 9 September, 2 December and a joint session with Board Channels &Technology Committee on 17March 2021.

Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	No. of Meetings	Attendance
1	Mr. Christian Ruehmer	Chairman	8	8
2	Mr. Olumide Obayomi	Member	8	8
3	Mrs. Ibukunoluwa Oyedeji	Member	8	8
4	Mrs. Nneka Enwereji	Member	8	5

Board Audit & 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:

- 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.
- Review the regular internal reports to management prepared by the Internal Audit Department and management's response.
- 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.
- Review the performance of the Bank's independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
- 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.
- In consultation with the external auditors and the internal auditors, review the integrity of the Bank's financial reporting processes, both internal and external.
- 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.
- 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.
- 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.
- 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.
- Review any significant disagreement among management and the independent accountants or the Internal Audit Department in connection with the preparation of the financial statements.
- 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.
- Establish, review and update periodically a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.
- Obtain reports from management, the Internal Auditor and the External Auditors regarding compliance with all applicable legal and regulatory requirements.
- 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.
- Review reports and disclosures of insider and related person transactions.
- 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.
- Review activities, organizational structure, and qualifications of the internal audit department.
- Review, with the organization's counsel, legal compliance matters including corporate securities trading policies.
- Review, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.
- Perform any other duties to ensure compliance with all applicable laws, regulations and operating standards.
- Review internal controls including financial, business controls and oversee the risk management framework and processes.
- 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 Board Audit & Compliance Committee meets quarterly, and additional meetings are convened as required. The Committee met four (4) times during the 2021 financial year on 23 March, 3 June, 9 September and 2 December 2021. Membership of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	No. of Meetings	Attendance
1	Mr. Olumide Obayomi	Chairman	4	4
2	Mrs. Adenike Laoye	Member	4	4
3	Mrs. Nneka Enwereji	Member	4	3
4	Mr. Wolfgang Bertelsmeier	Member	4	1

Board Ethics & Governance Committee

The purpose of this Committee is to assist the Board in:

- Identification, approval and recommendation of individuals qualified to become members of the Board to the Board of Directors.
- Develop, update as applicable and make recommendations to the Board on corporate governance principles and policies as applicable to the Bank.
- Identify and make recommendations to the Board for approval on staff welfare, conditions of service, administrative and/or ethical issues as may arise.
- Review the Bank's organisational structure and make recommendation to the Board for approval.
- 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 fo rimplementation. Continuous development, review and assessment of the system of Corporate Governance in the Bank as well as appropriat erecommendations to the Board in this regard.
- Annually review and make recommendations to the Board regarding the remuneration of staff and the Board.
- 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.
- 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 four (4) times during the 2021 financial year on 22 March, 31 May , 8 September and 3 December 2021. Members of the Committee and attendance at its meetings during the year were as follows:-

No.	Members	Designation	No. of Meetings	Attendance
1	Mrs. Adenike Laoye	Chairman	4	3
2	Dr. Olusegun Aina	Member	4	4
3	Mr. Prateek Shrivastava	Member	4	4
4	Professor Olayinka David-West	Member	4	4

Board Channels & 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.

The responsibilities of the Committee are:

- Oversight of Strategic Management: The Committee shall continue to review the implementation of the Bank's channels and technology strategy.
- Oversight of Risk Optimization: The Committee is expected to ensure that a technology risk management framework exists to identify, analyse, mitigate, manage, monitor, and communicate technology related business risk, and that the framework for technology risk management is in alignment with the enterprise risk management (ERM) framework.
- 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:
  - Technology-enabled investments are managed as a portfolio of investments
  - Technology-enabled investments are managed through their economic life cycle to achieve business benefit
  - Business ownership and accountability for technology-enabled investments are established
  - Technology -enabled investment portfolios, technology processes and technology services are evaluated and benchmarked to achieve business benefit
  - Outcome and performance measures are established and evaluated to assess progress towards the achievement of enterprise and technology objectives
  - Improvement initiatives are identified, prioritised, initiated and managed based on outcome and performance measures

The Board Channels &Technology Committee is required to meet as often as it deems necessary but not less than 4 times a year. The Committee met seven (7) times in the 2021 financial year on 25 February, 22 March, 2 June, 16 July, 8 September and 3 December and a joint session with Board Risk, Credit & Investment Committee on 17 March 2021. Membership of the Committee and attendance at its meetings during the year were as follows:

No.	Members	Designation	No. of Meetings	Attendance
1	Dr. Olusegun Aina	Chairman	7	6
2	Mr. Prateek Shrivastava	Member	7	7
3	Mrs. Ibukunoluwa Oyedeji	Member	7	7
4	Mr. Christian Ruehmer	Member	7	6
5	Professor Olayinka David-West	Member	7	5

MANAGEMENT COMMITTEES

The committees comprise senior management staff of the Bank. These committees provide inputs for the respective Board committees of the Bank and ensure that recommendations of the Board committees are effectively and efficiently implemented.

They meet as frequently as necessary to take action and decisions within the confines of their powers. The standing management committees are:-

- Assets and Liabilities Committee
- Appraisal Committee
- Bank Disciplinary Committee
- Digital and IT Steering Committee
- Management Credit Committee

Assets and Liabilities Committee

It is responsible for reviewing and monitoring the deployment of the Bank's assets for optimal returns while also ensuring a balance in the Bank's liabilities and that they are safe guarded. The Asset and Liability Committee meets quarterly or as required to analyse and make recommendations on risks arising from day to day activities of the Bank. The Committee also establishes standards and policies covering the various components of the Bank's assets and liabilities. The members of the Committee include Managing Director/CEO, Chief Commercial Officer, Group Head, Operations, Head Risk, Control and Compliance, Head IT, Chief Digital Officer, Chief Finance Officer and Head Legal.

Appraisal Committee

The Committee considers issues pertaining to performance appraisal and makes recommendation to management as deemed appropriate. The members of the Committee include the Chief Finance Officer, Chief Information Officer, Head, Legal, Chief Risk Control and Compliance, Head, HR.

Bank Disciplinary Committee

This Committee is responsible for considering investigation reports of incidences regarding employee misconduct, considering signed confession/statement of misconduct by the alleged employee and allowing for fair hearing. The Bank Disciplinary Committee (BDC) also recommends appropriate disciplinary action to EXCO/MD.. The members of the Committee include the Head of Legal department, Head, Human Resources and All Group Heads, with the exclusion of Head of Internal Audit who present each case to the Committee.

Digital and IT Steering Committee

This Committee is responsible for amongst others, development of corporate information technology (IT) strategies and projects that ensure cost effective application and management of resources throughout the organisation. The Committee also reviews for management's recommendation to the Board Channels &Technology Committee, new and existing bank products and its features. The members of the Committee includes the Managing Director/CEO, Chief Digital Officer, Chief Finance Officer, Head, IT, Chief Commercial Officer, Group Head, Operations, Head, Value Chain Partnership & Product Development and Head, Risk, Control & Compliance.

Management Credit Committee

also reviews and approves credit facilities not exceeding an aggregate sum to be determined by the Board from time to time. The Committee is saddled with the responsibility of ensuring that adequate monitoring and recovery of credit is carried out. The members of the Committee includes the Managing Director/CEO, Chief Commercial Officer, Head, Business Banking, Head, Value Chain Partnership & Product Development, Head, Risk, Control & Compliance and Head, SME Banking.

WHISTLE-BLOWING PROCESS

The Bank is committed to the highest standards of openness, probity and accountability hence the need for an effective and efficient whistle blowing process as a key element of good corporate governance and risk management.

Whistle blowing process is a mechanism by which suspected breaches of the Bank's internal policies, processes, procedures and unethical activities by any stakeholder (staff, customers, suppliers and applicants) are reported for necessary actions.

It ensures a sound, clean and high degree of integrity and transparency in order to achieve efficiency and effectiveness in our operations.

The reputation of the Bank is of utmost importance and every staff of the Bank has a responsibility to protect the Bank from any person or act that might jeopardize its reputation. Staff are encouraged to speak up when faced with information that would help protect the Bank's reputation.

An essential attribute of the process is the guarantee of confidentiality and protection of the whistle blower's identity and rights. It should be noted that the ultimate aim of this policy is to ensure efficient service to the customer, good corporate image and business continuity in an atmosphere compliant to best industry practice.

The Bank has a Whistle Blowing channel via its website, dedicated telephone hotlines and e-mail address in compliance with Section 6.1.12 of the Central Bank of Nigeria (CBN) post-consolidation Code of Corporate Governance for Banks in Nigeria.

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

SHAREHOLDERS' PARTICIPATION

The Annual General Meeting of the Bank is the highest decision-making forum. Shareholders are opportune to express their opinions on the Bank's financials and other issues affecting the Bank at such forum. The Bank encourages shareholders to participate in the affairs of the Bank.

PROTECTION OF SHAREHOLDERS' RIGHTS

The Board ensures the protection of the statutory and general rights of shareholders at all times, particularly voting rights at General Meetings of the Bank. All are treated equally, regardless of volume of shareholding or social status.

SHAREHOLDERS' MEETING

Shareholders' meetings are duly convened and held in line with existing statutory and regulatory regime. The Bank's General Meetings are conducted in a transparent and fair manner. Shareholders have the opportunity to express their opinions on the Bank's financial results and other issues affecting the Bank. The Annual General Meetings are attended by representatives of regulators such as the CBN, NDIC as well as representatives of Shareholders' Associations.

COMPLAINT CHANNELS

To ensure an effective feedback process, the following channels have been provided for customers to enable them contact the Bank:
Email: info@accionmfb.com
Toll Free Line: 07000222466 or 01-2719326

BY ORDER OF THE BOARD

Aluko & Oyebode
Company Secretary/Legal Adviser
FRC/2013/ICSAN/00000005509
24 March 2022

Statement of Directors' responsibilities

The Directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) guidelines and circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 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.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Taiwo Joda
Managing Director/Chief Executive Officer
FRC/2018/NIM/00000018093
24 March 2022

John Fischer
Chairman
FRC/2020/003/00000020827
24 March 2022

Certification by Chief Executive Officer and Chief Finance Officer

Certification Under Section 405(1) of the Companies and Allied Matters Act 2020
Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief financial Officer, hereby certify the financial statements of Accion Microfinance Bank Limited for the year ended 31 December 2021 as follows:

- That we have reviewed the audited financial statements of the Bank for the year ended 31 December 2021

- That the 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.

- The 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 Bank as of and for the year ended 31 December 2021.

- That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Bank is made known to us by other officers of the Bank during the period end 31 December 2021.

- That we have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date of the audited financial statements, and certify that the Bank's internal controls are effective as of that date;

- That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

- We have disclosed to the Bank's auditors and audit committee -

  i. there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and

  ii. there is any fraud that involves management or other employees who have a significant role in the Bank's internal control.

Taiwo Joda
Managing Director/Chief Executive Officer
FRC/2018/NIM/00000018093
24 March 2022

Adeola Adebisi
Chief Finance Officer
FRC/2014/ICAN/00000007135
24 March 2022

REPORT OF THE AUDIT COMMITTEE

In compliance with section 404(7) of the Companies and Allied Matters Act (CAMA), 2020, we the members of the Audit Committee of Accion Microfinance Bank Limited report on the financial statements for the year ended 31 December 2021 as follows:

- We have reviewed the scope and planning of the audit requirements and we found them adequate.

- We have reviewed the financial statements for the year ended 31 December 2021 and are satisfied with the explanations obtained in response to our queries.

- We reviewed the external auditor's Management Letter for the year ended 31 December 2021 and management responses thereto and are satisfied that management is taking appropriate steps to address the issues raised.

- We have reviewed all insider related credits as defined by Section 19(4) of the Banks and Other Financial Institutions Act, 2020 and confirm that the Bank disclosed all such credits and that they were reported in line with the Central Bank of Nigeria (CBN)'s guidelines. Specifically, we are satisfied that the Bank has complied with the provisions of the Central Bank of Nigeria circular BSD/1/2004 dated 18 February 2004 on "Disclosure of insider related credits in the financial statements of banks" . We hereby confirm that no amount was outstanding as at 31 December 2021 as insider related credits.

- We ascertained that the accounting and reporting policies of the Bank for the year ended 31 December 202 I are in accordance with legal requirements and agreed ethical practices.

- The external auditor confirmed having received full cooperation from management in the course of their audit.

Olumide Obayomi
Chairman, Audit Committee
FRC/2014/ICAN/00000009248
24 March 2022

Other members of the Audit Committee:
- Adenike Laoye
- Nneka Enwereji
- Wolfgang Bertelsmeier

Kenneth Oliseh acted as Secretary to the Committee

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

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

EY
Building a better working world

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, 2021 in accordance with the guidelines of Section 14 and 2.8 of the Federal Reporting Council of Nigeria and Central Bank of Nigeria Code of Corporate Governance for Microfinance Banks ("FRC CCG and CBN CCG").

The FRC CCG and CBN CCG mandates an annual evaluation of the Board and individual directors of companies 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. The code requires that such evaluation should be conducted by an independent consultant and disclosures in the annual report should include information on the corporate governance structure of a company.

Our approach included the review of Accion MFB 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. 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 the FRC CCG and CBN CCG during the year ended 31st December, 2021. Specific recommendations for the further improvement of Accion MFB's 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
FRC/2013/CIBN/00000001554

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street,
Victoria Island,
PMB 40014, Falomo,
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Website www.kpmg.com/ng

Independent Auditor's Report

To the Shareholders of Accion Microfinance Bank

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Accion Microfinance Bank Limited (The Bank), which comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising of significant accounting policies and other explanatory information

In our opinion. the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institution Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion
We conducted our audit in accordance with International Standard of 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 Company in accordance with International Ethic Standards Board for Accountants *International Code of Ethics for Professional Accountants (Including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statement in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgement, were of most significant in our audit of the financial statements of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of Loans and advances to customers
The ECL allowance and loans and advances to customers in considered to be of most significance in the audit, due to the level of subjectivity inherent in estimating the key assumptions that impact the recoverability of loan balances, including the impact of macroeconomic conditions in arriving at the level of impairment allowance required. The Bank used an Expected Credit Loss (ECL) model to determine the impairment allowance for loans and advances to customers. The determination of impairment allowance using ECL model is inherently a significant area for the Bank and requires the application of certain judgements, assumptions and estimates of financial indices which relate to the expected outlook on publicly available information from external sources such as inflation rate, unemployment rate, and Gross Domestic Product (GDP) growth in our circulation; these indices are estimated from historical financial data obtained within and outside the Bank.

This forward-looking information is incorporated into both the assessment fo whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank's ECL model includes certain judgement and assumptions in determining the impairment allowances of loan and advances to customers comprising the:

- Determination of the default;
- Assessment of significant increase in credit risk (SICR);

- Incorporation of forward-looking information base on the economic scenarios within the model;
- determination of the 12 month and lifetime probability of default (PD) used in the ECL model;
- determination of the Exposure of Default (EAD) based on the discounted future cash flows at the reporting date; and rate of recovery on the loans that are past due and in default;
- estimation of the Loss Given Default (LGD) based on collateral values and other cash flows;

Procedures

Our procedures included the following:

- we evaluated the design and implementation of the key controls over the impairment determination process, such as the board credit committee review of ECL allowance on loans and advances to customers and management review of relevant data used in the calculation of the expected credit losses including evaluation of ECL impairment computation.
- We assessed the Bank's default definition and other qualitative default indicators by checking it to the requirements of the relevant accounting standards.
- we tested the appropriateness of the Bank's determination of SICR, defaults and the resultant classification of loans into stages on a sample basis by reviewing customer files for the terms of the loans and account statements for due and unpaid obligations.
- assisted by our Financial Risk Management specialists, we checked the key data and assumptions for the data input into the ECL model used by the Bank. Our procedures in this regard included the following:
  - we challenged the appropriateness and reasonableness of the Bank's ECL methodology by considering whether it reflects unbiased and probability weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money. reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.
  - for forward looking assumptions by using publicly available information from external sources such as, inflation rate, unemployment rate and Gross Domestic Product (GDP) growth rate in our circulation.
  - we evaluated the appropriateness of the basis of determining Exposure at Default, including the contractual cash flows, outstanding loan balance, loan repayment type, loan tenor and effective interest rate by checking them to source documents and performing a recomputation;
  - for PD used in the ECL calculation, we validated the completeness and accuracy of the date used for default and non-default categories for corporate and retail loans by evaluating its reasonability.
  - We checked the calculation of the LGD used by the Bank in the ECL calculations, including the appropriateness of the used collateral, by recomputing the LGD, cashflow validation and assessing the haircuts applied by management on the recoverability of collateral considering the current economic conditions. On a simple basis, we challenged the valuation of collaterals applied in the ECL computations by evaluating the competence of the valuers, and checking the market value of the collaterals to other independent publicly available information;
  - we assessed how the Bank has treated restructured loans based on charges to cashflow characteristics of customers and the related impact on staging and SICR, to confirm that they are consistent with the requirements of the standards.
  - we independently re-performed the calculation of impairment allowance for loans and advances using the Bank's impairment model and validated key inputs.

The Bank's accounting policy on impairment, related disclosures on credit risk and significantt accounting judgements, estimates and assumptions are shown in notes 3(viii) respectively.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 202 were audited by another auditor who expressed an unmodified opinion on financial statements on 30 March 2021.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility, Report of the Audit Committee, Board Performance Evaluation Report and Other National Disclosures, which we obtained prior to the date of the auditor's report. It also comprises the Notice of Annual General Meeting., Chairman's Report, List of the Board of Directors, Managing Director's Report, Management Team List, Financial Highlight, Branch Network and List of Cash Centres (togeher "the outstanding reports") which are expected to be made available to us after the date of this auditor's report, but 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, 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 if the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars and for such internal control as the directors determine is necessary to enable the preparation of the 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 Company'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 Company 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 judgement 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 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 that 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 Company'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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 disclosure are inadequate, to modify our opinion.

KPMG

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 cease to continue as a good concern.

Evaluate the overall presentation, structure and content of the financial statements represent the underlying transactions and events in a manner that achieves fair representation.

We communicate with the Audit Committee regarding, among the 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 ai=udit.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 5 of the companies and Allied Matters Act (CAMA). 2020

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

Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

i. The Bank did not pay penalties during the year ended 31 December 2021.
ii. Related party transactions and balances are disclosed in note 28 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Akinyemi J. Ashade
FRC/2013/ICAN/00000000786
For: KPMG Professional Services
Chartered Accountants
29 March, 2022
Lagos, Nigeria

STATEMENT OF FINANCIAL POSITION
AS AT

In thousands of naira	Note	31-Dec-2021	31-Dec-2020
ASSETS			
Cash and cash equivalents	16	1 ,346,942	2 ,919,319
Loans and advances to customers	17	11,674,684	8 ,337,995
Investment securities	18	268,929	269,556
other assets	21	482,060	291,461
Property and equipment	19	904,747	842,230
Intangible asset	20	42,535	126,064
Deferred Tax Asset	15(c)	-	94,978
TOTAL ASSETS		**1 4,719,897**	**1 2,881,603**
LIABILITIES			
Deposits from customers	22	3,810,250	4 ,309,677
Current tax liabilities	15(b)	483,417	140,356
Borrowings	23	3,687,058	2,538,050
Other liabilities	24	757,605	527,993
Deferred tax liabilities	15(c)	45,183	-
TOTAL LIABILITIES		**8,783,513**	**7,516,076**
CAPITAL AND RESERVES			
Share capital	25	1,205,834	1,205,834
Staff Share Option	26	1,575	1,575
Share premium	27(a)	8,138	8,138
General Reserve	27(b)	2,686,977	2,465,986
Statutory reserve	27(c)	1,602,883	1,531,526
Regulatory risk reserve	27(d)	430,977	152,468
TOTAL EQUITY		**5,936,384**	**5,365,527**
TOTAL LIABILITIES AND EQUITY		**14,719,897**	**12,881,603**

The financial statements were approved by the Board of Directors on 24 March 2022 and signed on its behalf by:

John Fischer
Chairman
FRC/2020/003/00000020827

Taiwo Joda
Managing Director/Chief Executive Officer
FRC/2018/NIM/00000018093

Additionally certified by:

Adeola Adebisi
Chief Finance Officer
FRC/2014/ICAN/00000007135

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED

In thousands of naira	Note	31-Dec-2021	31-Dec-2020
Gross earnings		5,546,127	4,897,276
Interest income calculated using the effective interest method	8	5,033,675	4,511,883
Interest expense	9	(468,912)	(768,699)
Net interest income		4,564,763	3,743,184
Fee and commission income	10	394,410	331,672
Total operating income		4,959,173	4,074,856
Other income	11	118,042	53,721
Credit loss expense	12	(510,698)	(623,515)
Impairment writeback on other assets	21(d)	12,008	7,736
Net operating income		**4,578,525**	**3,512,798**
Operating expenses			
Personnel expenses	13	(1,535,421)	(1,413,017)
Depreciation of property and equipment	19	(275,517)	(320,261)
Amortisation of intangible assets	20	(98,335)	(136,390)
Other operating expenses	14	(1,602,329)	(1,636,039)
Total operating expenses		(3,511,602)	(3,505,707)
Profit before tax		1,066,923	7,091
Income tax (expense)/credit	15(a)	(496,066)	124,917
Profit for the year		**570,857**	**132,008**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**570,857**	**132,008**
Basic and diluted earnings per share (kobo)	32	47	**11**

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2021

	Share Capital	Staff Share Option	Share Premium	General Reserve	Regulatory Risk Reserve	Statutory Reserve	Total
Balance at 1 January 2021	1,205,834	1,575	8,138	2,465,986	152,468	1,531,526	5,365,527
Total comprehensive income							
Profit for the year	–	–	–	570,857	–	–	570,857
Total comprehensive income	–	–	–	570,857	–	–	570,857
Transfer to statutory reserve (see note 27(c))	–	–	–	(71,357)	–	71,357	–
Transfer to regulatory risk reserve (see note 6(c)(ii))	–	–	–	(278,510)	278,510	–	–
Contributions by and distributions to equity holders							
Dividend paid (see note 33)	–	–	–	–	–	–	–
Total contributions and distributions	–	–	–	–	–	–	–
Balance at 31 December 2021	**1,205,834**	**1,575**	**8,138**	**2,686,976**	**430,978**	**1,602,883**	**5,936,384**

For the Year Ended 31 December 2020

	Share Capital	Staff Share Option	Share Premium	General Reserve	Regulatory Risk Reserve	Statutory Reserve	Total
Balance at 1 January 2021	1,205,834	3,390	7,067	2,481,355	32,916	1,515,025	5,245,587
Total comprehensive income							
Profit for the year	–	–	–	132,007	–	–	132,007
Total comprehensive income	–	–	–	132,007	–	–	132,007
Transfer to statutory reserve (see note 27(c))	–	–	–	(16,501)	–	16,501	–
Transfer to regulatory risk reserve (see note 6(c)(ii))	–	–	–	(119,552)	119,552	–	–
Share Buyback/Transfer	–	(3,390)	–	(11,323)	–	–	(14,713)
Staff Share Option	–	1,575	1,071	–	–	–	2,646
Contributions by and distributions to equity holders							
Dividend paid (see note 33)	–	–	–	–	–	–	–
Total contributions and distributions	–	–	–	–	–	–	–
Balance at 31 December 2020	**1,205,834**	**1,575**	**8,138**	**2,465,986**	**152,468**	**1,531,526**	**5,365,527**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED

IN THOUSANDS OF NAIRA	NOTE	31-DEC-2021	31-DEC-2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		570,857	132,008
Tax expense	15(a)	496,066	(124,917)
Profit Before Tax		1,066,923	7,091
Adjustments for:			
Depreciation of property- and equipment	19	275,517	320,261
Amortization of intangible assets	20	98,335	136,390
Other PPE write-off	19	-	3,406
Net impairment loss on loans and advances to customers	12	485,517	623,515
Net impairment loss on cash and cash equivalents	12	5,561	-
Net impairment loss on other assets	21(d)	(12,008)	(7,736)
Net impairment loss on investment securities	12	65	-
Interest income using effective interest rate	8	(5,033,675)	(4,511,883)
Accrued Interest expense	9	468,912	768,699
Profit on sale of property and equipment	11	(1,262)	(1,518)
Loss on disposal of intangible assets	20	-	(7,197)
		(2,646,115)	(2,668,972)
CHANGES IN:			
- loans and advances to customers	34(b)	(2,580,499)	995,024
- other assets	34(c)	(178,591)	(81,544)
- other liabilities	34(e)	229,614	178,706
- deposits from customers	34(d)	(496,994)	296,166
		(5,672,585)	(1,280,620)
Interest received	34(g)	4,880,532	4,195,667
Interest paid	34(h)	(561,488)	(458,849)
Tax paid	15(b)	(12,844)	(462,033)
VAT paid	34(d)	(2,433)	-
NET CASH GENERATED FROM - OPERATING ACTIVITIES		**(1,368,818)**	**1,994,165**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property - and equipment	34(a)(ii)	(254,701)	(42,402)
Acquisition of intangible assets	20	(15,161)	(3,389)
Payment for new leased properties	34(i)	(83,316)	(144,914)
Proceeds from disposal of - property and equipment	34(a)(i)	1,600	3,864
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(351,578)**	**(186,841)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal on borrowings	23(b)	(2,287,852)	(1,818,259)
Repayment of interest on borrowings	23(b)	(258,568)	(486,032)
Additions to borrowings	23(b)	2,700,000	2,374,900
Net cash generated from financing activities		**153,580**	**70,609**
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,566,816)	1,877,933
Cash and cash equivalents as at 1 January		2,919,319	1,041,386
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	16	**1,352,503**	**2,919,319**

1 Reporting entity

Accion Microfinance Bank Limited ("the Bank") was established in 2006. Accion Microfinance Bank Limited is registered with the Corporate Affairs Commission and licensed by the Central Bank of Nigeria. The Bank's corporate head office is at 154, Ikorodu Road, Onipanu Bus stop, Somolu, Lagos. The Bank is domiciled in Nigeria with registered address at 1 Murtala Mohammed drive, Ikoyi, Lagos.

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 Basis of accounting

a Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) guidelines and circulars. The IFRS accounting policies have been consistently applied to all years presented.

The financial statements were approved by the directors on 24 March 2021.

b Basis of preparation and measurement

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

- Equity securities measured at Fair Value Through Other Comprehensive Income (FVTOCI)
- Investment securities (treasury bills) measured at amortised cost
- Financial assets and liabilities measured at amortised cost

c Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

d Functional and presentation currency

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

e Going concern

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgments and estimates. The Directors have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Bank has adequate resources to continue as going concern for the foreseeable future and has no intention or need to reduce substantially its business operations. Liquidity ratio and continuous evaluation of current ratio of the Bank is carried out to ensure that there are no going concern threats to the operation of the Bank.

3 Changes in significant accounting policies

The Bank has consistently applied the accounting policies as set out in note 4 to all years presented in these financial statements.
A number of new standards are effective from 1 January 2021 but they do not have a material effect on the Bank's financial statements.

a Conceptual framework amendment: Amendment to references to conceptual framework in the IFRS standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definition of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

b Amendment to IAS 1 and IAS 8: Definition of Material

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.
The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "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 amendment has no material impact on the Bank's financial statements.

c Amendment to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Amendment to IFRS 9, IAS 39 and IFRS 7 are issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the year leading to IBOR reform, as mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.
The amendment has no material impact on the Bank's financial statements.

d Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued 'Definition of a Business' making amendments to IFRS 3 Business Combination. The amendments are a response to feedback received from the post-implementation review of IFRS 3. They clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination.

In summary, the amendments:
- clarify the minimum attributes that the acquired set of activities and assets must have to be considered a business;

- remove the assessment of whether market participants are able to replace missing inputs or processes and continue to produce outputs;
- narrow the definition of a business and the definition of outputs: and
- add an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendment has no material impact on the Bank's financial statements.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
The amendment has no material impact on the Bank's financial statements.

4 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 these financial statements are set out below.

(a) Interest income and expense

(i) Effective interest rate

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

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

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the
effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or
financial liability.

(ii) Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see 4(f)(viii).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:
- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at fair value through other comprehensive income; and
- negative interest on financial liabilities measured at amortised cost.

Interest expense presented in the statement of profit or loss and OCI includes:
- financial liabilities measured at amortised cost;
- negative interest on financial assets measured at amortised cost; and
- interest expense on lease liabilities.

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 trading income.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss (FVTPL) are presented in net income and from other financial instruments at FVTPL.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

(b) Fees and commission

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

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

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straightline basis over the commitment period.

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

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

(c) Other income

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

(d) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

(I) Bank acting as a lessee

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

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

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

From 1 January 2020, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.
The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The short-term leases item include items with lease value below N100,000 and less than one year tenure.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental
to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(e) INCOME TAX

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

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

(I) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met and is assessed as follows:

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

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax, which is 0.25% of gross earnings (31 December 2019: 0.5%). Taxes based on profit for the period are treated as income tax in line with IAS 12.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reportingpurposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profitsare determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

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

Deferred tax assets and liabilities are offset only if certain criteria are met.

(f) FINANCIAL INSTRUMENTS

(I) Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date the Bank becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially at fair value plus or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

(ii) Classification

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

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

A 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 payment of principal and interest.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets 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 amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.
- However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loan comprises unsecure working capital lending, digital loans and micro loans.

Certain debt securities are held by the Bank Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL

because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. '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.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), 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 loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates)

The Bank holds a portfolio of short-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected - see below.

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgement in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

Contractually linked instruments

Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- The contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;

- The underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and

- The exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassification

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

iii) *Derecognition*

Financial Assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain. control of the financial asset.

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 derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

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

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

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

Financial Liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial liabilities- Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit and loss. Any gains or loss on derecognition is also recognised in profit or loss.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then 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 derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial Liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

v) Interest Rate Benchmark Reform (policy Applied From 1 January 2020)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the reform; and
- The new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

vi) Offsetting

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

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

vi) Fair Value Measurement

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

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

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.
The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

viii Impairment

The Bank recognises loss allowances for expected credit loss (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments and;
- loan commitments issued.

No impairment loss is recognised on equity investments.
The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not creditimpaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and When discounting future cash flows, the following discount rates are used:
- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and 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 the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new 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.

Credit-impaired financial assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

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

Financial guarantee contracts held

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

Designation at fair value through profit or loss (FVTPL)

Financial assets

On initial recognition, the Bank may choose to designate a financial asset as at fair value through profit or loss (FVTPL) where this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

The Bank may also designate financial assets as at FVTPL where the assets are managed, evaluated and reported internally on a fair value basis.

Financial liabilities

The Bank may choose to designate financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

g Cash and cash equivalents

Cash and cash equivalents include bank notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

The reconciliation of the opening cash and cash equivalents to the closing cash and cash equivalents in the statement of cash flows is done using the indirect method.

h Operating expenses

All expenses are recognised in the income statement on an accrual basis. Other expenses are expenses other than investment expenses, employee benefit, expenses for marketing and administration expenses. They include wages, professional fee, depreciation expenses and other non-operating expenses. Other operating expenses are accounted for on accrual basis and recognized in the income statement over the period of utilization of the service or at the date of their origin

I **Loans and advances**

Loans and advances to customers' captions in the statement of financial position include:
- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

j **Investment Securities**

The 'investment securities' caption in the statement of financial position includes:
- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- equity investment securities designated as at FVOCI.

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

k **Property and equipment**

I. **Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.
Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.
Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii. **Subsequent costs**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

iii. **Depreciation**

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.
The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Land	Not depreciated
Buildings	50 years
Computer equipment	3 years
Machine and equipment	5 years
Furniture and fittings	5 years
Motor vehicles	4 years
Right of use assets	Lower of lease term or the useful life of the leased asset (duration include 2,3 and 5 years)

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

iv. **De-recognition**

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

I **Intangible assets**

Computer software

Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses.
Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life for computer software is three (3) years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.
Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

m **Impairment of non-financial assets**

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.
An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss and are used to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.
For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n **Deposits and borrowings**

Deposits and borrowings are the Bank's sources of funding. When the Bank sells a financial asset and simultaneously enters into a "repo" or "lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.
Deposits and borrowings are initially measured at fair value minus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

o Other assets

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

Other receivables comprise staff cash advance and sundry debtors which are carried at cost less lifetime ECL impairment.

Inventories comprise stock of debit cards, stock of cheques, stock of office stationeries and stock of adhesive stamp. Inventories are stated at lower of cost and net realisable value. Cost of inventories also include all other cost incurred in bringing the items to their present location and condition.

p Provisions and other liabilities

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

Other liabilities are short term obligations to third parties. They are recognized at cost.

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

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

q Contingent liabilities

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or nonoccurrence, of one or more uncertain future events not wholly within the Bank's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements. See note 31.

r Expenditure

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

s Employee benefits

i. Defined contribution plan

A defined contribution plan is pension plan under which the Bank pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. For defined contribution plans, the Bank makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act.

The Bank has no further payment obligations once the contributions have been paid. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the period during which related services are rendered. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Employees and the Bank contribute 8% and 10% respectively of each of the qualifying staff salary in line with the provisions of the Pension Reforms Act 2014.

ii. Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

t Share capital and reserves

i. Share issue costs

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

ii. Dividend on the Bank's ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of IFRS. 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.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Where the Bank purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Bank's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Bank's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

Share premium

This represents the excess amount paid by shareholders on the nominal value of the shares. This amount is distributable to the shareholders at their discretion. The share premium is classified as an equity instrument in the statement of financial position.

Treasury shares

Own equity instruments which are acquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration is recognised in other capital reserves. Voting rights related to treasury shares are nullified for the Bank and no dividends are allocated to them respectively. this is currently represented by the staff share options.

General reserves

The general reserves comprises undistributed profit/(loss) from previous years and the current year. General reserve is classified as part of equity in the statement of financial position.

Statutory reserves

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:

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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 percent 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 percent 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.

Regulatory risk reserves
Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Central Bank of Nigeria's (CBN) Amended Regulatory and Supervisory Guidelines for Microfinance Banks. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes accounted for in general reserves as follows:

where Prudential provisions is greater than IFRS provisions: the excess provision resulting should be transferred from the retained reserve account to a non-distributable "regulatory risk reserve".

where Prudential impairment provisions is less than IFRS provisions: the excess charges resulting should be transferred from the Regulatory Risk Reserve account to the General reservesto the extent of the non-distributable reserve previously recognised.

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

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

Segment information is provided on the basis of operating and reportable segments in the manner the Bank manages its business. The financial statements of the Bank reflect the management structure of the Bank and the way in which the Bank's management reviews business performance. Invariably, management considers its retail banking operations, whose results are shown in the statement of financial position and statement of comprehensive income, as its only operating segment.

w New standards and interpretations not yet adopted
A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards, and Interpretations which may be relevant to the Bank are set out below.

The Bank does not plan to adopt these standards early. The standards will be adopted in the period that they become mandatory unless otherwise indicated:

Standards not yet effective	Summary of the requirements and impact	Effective date
Amendments to IFRS 1, IFRS 9, and IFRS 16: *Annual improvements to IFRS Standards 2018-2020*	- IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. - IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. - IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendment is not expected to have any significant impact on the Bank.	1 January 2022
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between: - costs associated with producing and selling items before the item of property, plant and equipment is available for use; and - costs associated with making the item of property, plant and equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.	1 January 2022

Standards not yet effective	Summary of the requirements and impact	Effective date
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. The amendment is not expected to have any significant impact on the Bank.	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure Initiative: Accounting Policies	The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include: - requiring companies to disclose their material accounting policies rather than their significant accounting policies; - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements; The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following: - an entity develops an accounting estimate to achieve the objective set out by an accounting policy. - developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. - a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. - a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023. The amendment is not expected to have any significant impact on the Bank.	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions. The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to General reservesor other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability. The amendment is not expected to have any significant impact on the Bank.	1 January 2023

Financial Risk Management

Financial Risk Management

Introduction and overview

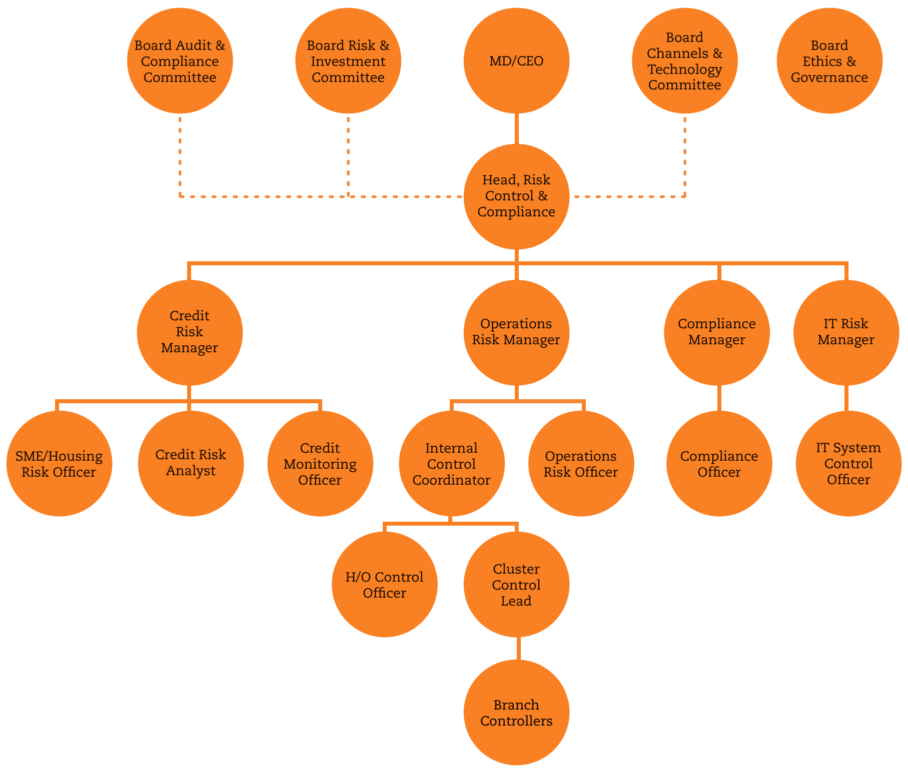
The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO), which is responsible for approving and monitoring Bank risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board also oversees how management monitors compliance with the risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Board is assisted in its oversight role by the Board Risk, Credit and Investment Committee, which undertakes both regular and ad-hoc reviews of risk management controls and procedures.

The risk management framework of the Bank identifies risk culture as the foundation upon which the pillars of risk and control processes and extreme events management lie.

The general organisational structure can be seen below:



The Board of Directors are responsible for developing and monitoring the Bank's risk management policies.

The Bank's approach to risk

The Bank addresses the challenge of risks comprehensively through an enterprise-wide risk management framework by applying leading practices that are supported by a governance structure consisting of the board and executive management committees. The Board drives the risk governance and compliance process through management. The audit committee provides oversight on the systems of internal control, financial reporting and compliance. The Board also sets the risk philosophy, policies and strategies and provides guidance on the various risk elements and their management.

Executive management drives the management of the financial risks (market, liquidity and credit risk), operational risks as well as strategic and reputational risks.

The key features of the Bank's risk management framework are:

- The Board of Directors provide overall risk management direction and oversight.
- The Bank's risk appetite is approved by the Board of Directors.
- Risk management is embedded in the Bank as an intrinsic process and is a core competency of all its employees.
- The Bank manages its credit, market, operational and liquidity risks in a co-ordinated manner within the organization.
- The Bank's risk management function is independent of the business divisions.
- The Bank's internal audit function reports to the Board; providing independent validation of the business units' compliance with risk policies and procedures and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

The Board of Directors is committed to managing compliance with a framework to enforce compliance with applicable laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The compliance function, under the leadership of the Head of Internal Audit of the Bank has put in place a compliance framework, which includes:

- Comprehensive compliance manual, the manual details the roles and responsibilities of all stakeholders in the compliance process,
- Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally.

Risk Appetite

The Bank's risk appetite is reviewed by the Board of Directors annually, at a level that minimizes erosion of earnings or capital due to avoidable losses or from frauds and operational inefficiencies. This reflects the conservative nature of the Bank as far as risk taking is concerned.

Risk Management Philosophy, Culture and Objectives

The Bank considers effective risk management to be the foundation of a long lasting institution.

- The Bank continues to adopt a holistic and integrated approach to risk management and therefore, brings all risks together under one or a limited number of oversight functions.
- Risk management is a shared responsibility. Therefore the Bank aims to build a shared perspective on risks that is grounded in consensus.
- There is clear segregation of duties between market facing business units and risk management functions.
- Risk Management is governed by well defined policies which are clearly communicated within the Bank.
- Risk related issues are taken into consideration in all business decisions. The Bank shall continually strives to maintain a conservative balance between risk and revenue consideration.

The Bank has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers, investment in debt securities, cash and cash equivalents, pledged assets and trade and other receivables. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

The Bank has exposure to credit risk as it routinely executes transactions with counterparties which comprise mainly of providing loans to low income individuals and micro-entrepreneurs.

Credit risk limits

The Bank applies credit risk limits, among other techniques in managing credit risk. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to. Through this, the Bank not only protects itself, but also in a sense, protects the counterparty from borrowing more than they are capable of paying.
The Bank continues to focus on its concentration and intrinsic risks and further manage them to a more comfortable level. This is very important due to the serious risk implications that intrinsic and concentration risk pose to the Bank. A thorough analysis of economic factors, market forecasting and prediction based on historical evidence is used to mitigate the crystallization of these risks.
The Bank has in place various portfolio concentration limits (which is subject to periodic review). These limits are closely monitored and reported on from time to time.

The Bank's internal credit approval limits for the various authority levels are as indicated below.

Designation	Range of Approval
Senior Credit Officer	50,000 up to 300,000
Credit Supervisors	301,000 up to 500,000
CPC Manager	501,000 up to 1,500,000
Business Manager in charge of Regions	Up to 2.5 million
Chief Commercial Officer	Up to 3.5 million
CEO/MD	Up to 6.5 million
Risk and Investment Committee	Up to 1% of share capital unimpaired by losses

These internal approval limits are set and approved by the Bank's Board and are reviewed regularly as the state of affairs of the Bank and the wider financial environment demands.

Credit quality analysis

The tables below set out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investment securities without
taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying
amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

31 December 2021

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3 Stage 1	Total
Loan and advances to customers at amortised cost					
Grades 1-6: Strong	0-0.59	11,242,693			11,242,693
Grades 7-9: Satisfactory	0.60-11.34		252,225		252,225
Grade 10: Higher risk	11.35-99.99			1,217,186	1,217,186
Grade 11-12: Credit-impaired	100				-
Gross carrying amount		11,242,693	252,225	1,217,186	12,712,103
Loss allowance		(78,338)	(111,473)	(847,608)	(1,037,419)
Carrying amount		**11,164,355**	**140,752**	**369,578**	**11,674,684**

31 December 2020

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Loan and advances to customers at amortised cost					
Grades 1-6: Strong	0-0.59	7,741,601			7,741,601
Grades 7-9: Satisfactory	0.60-11.34		643,647		643,647
Grade 10: Higher risk	11.35-99.99			827,844	827,844
Grade 11-12: Credit-impaired	100				-
Gross carrying amount		7,741,601	643,647	827,844	9,213,092
Loss allowance		(28,442)	(92,045)	(754,529)	(875,016)
Carrying amount		**7,713,159**	**551,602**	**73,315**	**8,338,076**

31 December 2021

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortised cost					
Grades 1-6: Strong	0-0.59	268,994	-	-	268,994
Loss allowance		(65)	-	-	(65)
Carrying amount		268,929	-	-	268,929

31 December 2020

In thousands of naira	12-month PD ranges	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortised cost					
Grades 1-6: Strong	0-0.59	269,556	-	-	269,556
Loss allowance		-	-	-	-
Carrying amount		269,556	-	-	269,556

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where appropriate for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:
- a quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.
Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures

Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;

- data from reference agencies, press articles, changes in external credit ratings;
- actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Retail exposures

- Internally collected data on customer behaviour - e.g. utilisation of credit card facilities;
- external data from credit reference agencies, including industry-standard credit scores.

All exposures

- Payment record - this includes overdue status as well as a range of variables about payment ratios;
- utilisation of the granted limit;
- requests for and granting of forbearance; and
- existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

The Bank identifies key drivers behind changes in credit risk for portfolios. Generally, a significant increase in credit risk is assessed based on the estimation of PDs and consideration of qualitative factors, each of which are designed to reflect forward-looking information, on an individual instrument basis as described above. However, if the Bank identifies a key driver that is not considered in the individual assessment on a timely basis, then the Bank will evaluate whether there is reasonable and supportable information that enables it to make an additional assessment on a collective basis with respect to all or some of a portfolio. This may lead to the Bank concluding that a segment or proportion of a portfolio has undergone a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of contract;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of expected credit loss (ECL). The determination of ECL includes various assumptions and judgements in respect of forward looking macroeconomic information.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(f)(iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

The methodology for estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which may include:

- instrument type;
- credit risk grade
- collateral type;
- date of initial recognition;
- remaining term to maturity:
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

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

The financial instruments such as loans and deposits disclosed in the statement of financial position are not offset as the Bank does not have any current enforceable obligation to do so.

Exposure to credit risk
The Bank's exposure to credit risk is influenced mainly by the characteristics of the counterparties. Management considers the default risk of the industry in which the counterparty operates based on economic factors as this may have an influence on credit risk.

The Bank is exposed to credit risk on its loans and receivables balances due from its customers in the private sectors .

The Bank has credit standards, policies and procedures to control and monitor intrinsic and concentration risks through all credit levels of selection,
underwriting, administration and control. This include:

- Utilization of the services of portfolio managers whom are educated on the risk appetite of the Bank and thus ensure that all investments are in low risk grade securities.
- Ensuring that all investments entered are of a low to medium duration and thus minimising the risk of default.
- All treasury investments undergo a formal credit analysis process that would ensure the proper appraisal of the facility.
- The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and implemented.
- All conflict of interest situations must be avoided.

Investment securities designated at FVTOCI
The Bank via its portfolio managers limits its exposure to credit risk by investing only in highly liquid money market instruments with counterparties that have a good credit rating. The portfolio managers actively monitors credit ratings and ensures that the Bank has only made investments in line with the Bank's investment policy as approved by Board which approves investments in equities, placements with local banks and Federal Government Treasury Bills.

Cash and cash equivalents
The Bank held cash and cash equivalents with maturity profile of less than or equal to 3 months, held with local banks and assessed to have good credit
ratings based on the Bank's policy.

Loans and advances to customers
The Bank has classified loans and advances to customers. These are evaluated periodically for impairment in line with its accounting policy as disclosed in note 3(f)(viii). Impairment losses have been recognized in profit or loss and reflected in an allowance account against loans and advances to customers. The total impairment allowance as at 31 December 2021 was approximately #1,037million (31 December 2020: #875million).

Collateral security
All financial assets held by the Bank are normally unsecured. Our comfort on the Treasury Bills is the issuer's credit rating, which is the Federal Government
of Nigeria.

Write-off policy
The Bank writes off a loan balance when the Bank's Credit Department determines that the loan is uncollectible and had been declared delinquent and
subsequently classified as lost. The write-off process is a critical component of the Bank's credit management activities. The policy requires a periodic review
and identification of classified loans deemed to be uncollectible with long outstanding balances of principal and interest. The determination is made after
considering information such as the continuous deterioration in the customer's financial position, such that the customer can no longer pay the obligation, or
that the proceeds from the collateral will not be sufficient to pay back the entire exposure. The Board of Directors and the CBN approvals are required for
such write-off. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

Maximum exposure to credit risk
The carrying amount of the Bank's financial assets, which represents the maximum exposure to credit risk at the reporting date was as follows:

IN THOUSANDS OF NAIRA	NOTE	31-DEC-21	31-DEC-20
Cash and cash equivalents	16	1,346,942	2,919,319
Loans and advances to customers	17	11,674,684	8,337,995
Investment securities at amortised cost	18	268,929	269,556
Other assets (excluding prepayments and inventories)	21	301,603	129,027
		13,592,158	11,655,897

(viii) **Geographical Sectors**

The following table breaks down the Bank's main credit exposure at their gross amounts (Loans and advances to customers and deposit with banks) as categorised by geographical region. ''Deposit with banks'' here represents current account balances with other banks, money market placements and investments in treasury bills. For this table, the Bank has allocated exposures to regions based on the region of domicile of the Bank's counterparties.

	31 DECEMBER 2021			31 DECEMBER 2020		
In thousands of naira	Balances with banks	Loans and advances to customers	Total	Balances with banks	Loans and advances to customers	Total
South South	-	1,738,841	1,738,841	-	1,263,635	1,263,635
South West	1,301,529	9,281,208	10,582,737	2,874,351	6,839,204	9,713,555
South East	-	1,272,177	1,272,177	-	888,948	888,948
North Central	-	241,234	241,234	-	146,052	146,052
North West	-	178,643	178,643	-	75,172	75,172
North East	-	-	-	-	-	-
	1,301,529	**12,712,103**	**14,013,632**	**2,874,351**	**9,213,012**	**12,087,363**

viii) **Credit Quality**

The following table breaks down the Bank's main credit exposure at their gross amounts, as categorised by performance as at 31 December 2021 and 31 December 2020 respectively.

	31 DECEMBER 2021			31 DECEMBER 2020		
In thousands of naira	Balances with banks	Loans and advances to customers	Total	Balances with banks	Loans and advances to customers	Total
12 months ECL	1,301,529	11,242,693	12,544,222	2,874,351	7,741,601	10,615,952
Lifetime ECL not credit impaired	-	252,225	252,225	-	643,647	643,647
Lifetime ECL credit impaired	-	1,217,186	1,217,186	-	827,844	827,844
Gross amount	1,301,529	12,712,103	14,013,632	2,874,351	9,213,092	12,087,443
ECL impairment	(5,561)	(1,037,419)	(1,042,980)	-	(875,016)	(875,016)
Carrying amount	1,295,968	11,674,684	12,970,652	2,874,351	8,338,076	11,212,427

(ix) **Credit risk exposure**

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless, specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

External rating grade (S&P)

	31 DECEMBER 2021				31 DECEMBER 2020			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	1,352,503	-	-	1,352,503	2,919,319	-	-	2,919,319
Below B	-	-	-	-	-	-	-	-
Unrated	- -	-	-	-	-	-	-	-
Gross carrying amount	**1,352,503**	-	-	**1,352,503**	**2,919,319**	-	-	**2,919,319**
Loss allowance	(5,561)	-	-	(5,561)	-	-	-	-
Carrying amount	**1,346,942**	-	-	**1,346,942**	**2,919,319**	-	-	**2,919,319**

	31 DECEMBER 2021				31 DECEMBER 2020			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents								
AAA - A	9,123,964	138,825	248,120	9,510,908	-	-	-	-
BBB - B	86,303	50,490	574,868	711,661	-	-	-	-
Below B	107,323	17,319	148,487	273,129	-	-	-	-
Unrated	1,925,103	45,591	245,711	2,216,405	7,741,601	643,647	827,844	9,213,092
Gross carrying amount	**11,242,693**	**252,225**	**1,217,186**	**12,712,103**	**7,741,601**	**643,647**	**827,844**	**9,213,092**
Loss allowance	(78,338)	(111,473)	(847,608)	(1,037,419)	(28,442)	(92,045)	(754,529)	(875,016)
Carrying amount	**11,164,355**	**140,752**	**369,578**	**11,674,684**	**7,713,159**	**551,602**	**73,315**	**8,338,076**

	31 DECEMBER 2021				31 DECEMBER 2020			
In thousands of naira	Stage 1	Stage 2	Stage3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	268,994	-	-	268,994	269,556	-	-	269,556
Below B	-	-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-	-	-
Gross carrying amount	268,994	-	-	268,994	269,556	-	-	269,556
Loss allowance	(65)	-	-	(65)	-	-	-	-
Carrying amount	268,929	-	-	268,929	269,556	-	-	269,556

In thousands of naira	31 DECEMBER 2021 Stage 1	Stage 2	Stage3	Total	31 DECEMBER 2020 Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents								
AAA - A	-	-	-	-	-	-	-	-
BBB - B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Unrated	316,075	-	-	316,075	155,507	-	-	155,507
Gross carrying amount	316,075	-	-	316,075	155,507	-	-	155,507
Loss allowance	(14,472)	-	-	(14,472)	(26,480)	-	-	(26,480)
Carrying amount	330,547	-	-	301,603	181,987	-	-	129,027

(x) **Loss allowance**

The following tables show reconciliation from the opening to the closing balance of the loss allowance of financial instrument.

In thousands of naira Cash and cash equivalents	31 DECEMBER 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 DECEMBER 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	-	-	-	-	-	-	-	-
Net measurement allowance (see note 12)	5,561	-	-	5,561	-	-	-	-
Balance at 31 December	5,561			5,561				

In thousands of naira Cash and cash equivalents	31 DECEMBER 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 DECEMBER 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	28,442	92,045	754,529	875,016	88,982	209,265	515,631	813,878
Net measurement allowance (see note 12)	49,896	19,428	416,193	485,517	(60,540)	(117,220)	733,643	555,883
Write-offs during the year	-	-	(323,114)	(323,114)	-	-	(494,745)	(494,745)
Balance at 31 December	78,338	111,473	847,608	1,037,419	28,442	92,045	754,529	875,016

In thousands of naira Cash and cash equivalents	31 DECEMBER 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 DECEMBER 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	-		-	-	-	-	-	-
Net measurement allowance (see note 12)	65		-	65	-	-	-	-
Balance at 31 December	65		-	65	-	-	-	-

In thousands of naira Other assets	31 DECEMBER 2021 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	31 DECEMBER 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January	-	-	26,479	26,479	-	-	34,215	34,215
Net measurement allowance (see note 12)	-	-	(12,008)	(12,008)	-	-	(7,736)	(7,736)
Balance at 31 December	-	-	14,471	14,471	-	-	26,479	26,479

c. **Liquidity risk**

Liquidity risk is the potential loss arising from the Bank's inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other Bank's risks such as credit, market and operational risks.

I. Liquidity risk management process

The Bank has a sound and robust liquidity risk management framework that ensures that sufficient liquidity, including a cushion of unencumbered and high quality liquid assets, are maintained at all times to enable the Bank withstand a range of stress events, including those that might involve loss or impairment of funding sources.

The Bank's liquidity risk exposure is monitored and managed by senior management on a regular basis. This process includes:

- Projecting cash flows and considering the level of liquid assets necessary in relation thereto
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Maintaining liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business.
- Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The Bank maintains adequate liquid assets sufficient to manage any liquidity stress situation. The liquidity ratio remains one of the best among its peer companies.

ii. Maturity analysis for financial assets and financial liabilities

The following are the remaining maturities of financial assets and financial liabilities at the reporting date. These are the carrying amounts which includes interest payments and exclude the impact of netting agreements.

31 December 2021

Expected cash flows

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Non-derivative financial assets							
Cash and cash equivalents	16	1,346,942	1,350,401	1,350,401	-	-	-
Loans and advances to customers	17	11,674,684	12,712,103	3,635,104	5,548,510	3,040,937	487,552
Investment securities	18	268,929	270,000	190,000	80,000	-	-
		13,290,555	14,332,504	5,175,505	5,628,510	3,040,937	487,552
Non-derivative financial liabilities							
Deposits from customers	22	(3,810,250)	(3,810,250)	(3,479,646)	(176,705)	(153,899)	-
Other liabilities	24	(680,015)	(759,923)	(286,132)	(306,329)	(159,447)	(8,015)
Borrowings	23	(3,687,058)	(3,640,002)	(125,687)	(642,532)	(648,735)	(2,223,048)
		(8,177,323)	(8,210,175)	(3,891,465)	(1,125,566)	(962,081)	(2,231,063)

31 December 2020

Expected cash flows

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Non-derivative financial assets							
Cash and cash equivalents	16	2,919,319	2,927,620	2,927,620	-	-	-
Loans and advances to customers	17	8,337,995	9,213,012	2,988,205	4,128,480	1,723,518	372,809
Investment securities	18	269,556	270,000	190,000	80,000	-	-
	13,290,555	11,526,870	12,410,632	6,105,825	4,208,480	1,723,518	372,809
Non-derivative financial liabilities							
Deposits from customers	22	(4,309,677)	(4,331,435)	(3,221,774)	(1,022,758)	(85,145)	(1,758)
Other liabilities	24	(443,290)	(527,994)	(9,557)	(131,623)	(386,814)	-
Borrowings	23	(2,538,050)	(2,539,345)	-	-	(2,539,345)	-
		(7,291,017)	(7,398,774)	(3,231,331)	(1,154,381)	(3,011,304)	(1,758)

The above analysis is based on the Bank's expected cash flows on the financial liabilities, which do not vary significantly from the contractual cash flows. As part of the management of its liquidity risk, the Bank holds liquid assets comprising cash and cash equivalents and other financial assets to meet its liquidity requirements.

(iii) **Exposure to liquidity risk**

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

Details of the reported ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

In thousands of naira	2021	2020
At 31 December	42%	74%
Average for the period	53%	48%
Maximum for the period	35%	26%
Minimum for the period	68%	68%

(d) **Market risk**

Market risk is the risk that changes in market prices such as foreign exchange rates, and interest rate and equity prices will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

The Bank's portfolio managers assess, monitor, manage and report on market risk taking activities within the Bank. The Bank has continued to develop its market risk management framework. The operations of the fund managers in connection with the management of market risk is guided by the Bank's culture of reducing the risk of losses associated with market risk-taking activities, and optimizing risk-reward trade-off."

The Bank's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Bank and ensure that:

1. The individuals who take or manage risk clearly understand it.
2. The Bank's risk exposure is within established limits.
3. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.
4. The expected payoffs compensate for the risks taken.
5. Sufficient capital, as a buffer, is available to take risk.

Our market risks exposures are broadly categorised into:
(i) Trading market risks - These are risks that arise primarily through trading activities and market making activities. These include position taking in fixed income securities (Bonds and Treasury Bills).
(ii) Non trading market risks - These are risks that arise from assets and liabilities that are usually on our books for a longer period of time, but where the intrinsic value is a function of the movement of financial market parameters.

(i) ***Measurement of market risk***

The Bank currently adopts non-VAR (Value At Risk) approach for quantitative measurement and control of market risks in both trading and non trading books. The measurements includes: Duration and Stress Testing. The measured risks using these two methods are monitored against the pre-set limits on a monthly and weekly basis respectively. All exceptions are investigated and reported in line with the Bank's internal policies and guidelines.

Limits are sets to reflect the risk appetite that is approved by the Board of Directors. These limits are reviewed at least annually or at a more frequent intervals. Some of the limits include: Aggregate Control Limits (for Securities); Management Action Trigger (MAT) and Duration.

ii. ***Exposure to foreign exchange risk***

Foreign Exchange risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank can be exposed to foreign exchange risk through any asset, investment and bank balance domiciled in foreign currency. Currently, the Bank does not have transactions in any other currency except the Bank's reporting currency i.e. Naira. Hence, it is not exposed to foreign exchange risk.

iii. ***Exposure to interest rate risk***

The Bank is exposed to a considerable level of interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates).

Similar to the last financial year, interest rate was fairly volatile. These changes could have a negative impact on the net interest income, if not properly managed. This greatly assists it in managing its exposure to interest rate risks.

Sensitivity analyses are carried out from time to time to evaluate the impact of rate changes on the net interest income. The assessed impact has not been significant on the capital or earnings of the Bank.

The table below summarizes the Bank's interest rate gap position:

31 December 2021 — Contractual cash flows

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Assets							
Cash and cash equivalents	16	1,346,942	1,350,401	1,350,401	-	-	-
Investment securities	18	268,929	270,000	190,000	80,000	-	-
Loans and advances to customers	17	11,674,684	12,712,103	3,635,104	5,548,510	3,040,937	487,552
Other assets	21	482,060	496,532	314,785	-	181,513	234
		13,772,615	14,829,036	5,490,290	5,628,510	3,040,937	487,786
Liabilities							
Deposits from customers	22	3,810,250)	3,810,250)	(3,479,646)	(176,705)	(153,899)	-
Other liabilities	24	(680,015)	(759,923)	(286,132)	(306,329)	(159,447)	(8,015)
Borrowings	23	3,687,058)	3,640,002)	(125,687)	(642,532)	(648,735)	(2,223,048)
		8,177,323)	8,210,175)	(3,891,465)	(1,125,566)	(962,081)	(2,231,063)
		5,595,292	6,618,861	1,598,825	4,502,944	2,078,856	(1,743,277)

31 December 2020 — Contractual cash flows

In thousands of naira	Note	Carrying amount	Gross nominal inflow/ (outflow)	Up to 3 months	3 - 6 months	6 months - 1 year	Over 1 year
Assets							
Cash and cash equivalents	16	2,919,319	2,927,620	2,927,620	-	-	-
Investment securities	18	269,556	269,556	-	-	269,556	-
Loans and advances to customers	17	8,337,995	9,213,012	2,988,205	4,128,480	1,723,518	372,809
Other assets	21	291,461	319,741	319,741	-	-	-
		11,818,331	12,729,929	6,235,566	4,128,480	1,993,074	372,809
Liabilities							
Deposits from customers	22	(4,309,677)	(4,331,435)	(3,221,774)	(1,022,758)	(85,145)	(1,758)
Other liabilities	24	(443,290)	(527,994)	(9,557)	(131,623)	(386,814)	-
Borrowings	23	(2,538,050)	(2,539,345)	-	-	(2,539,345)	-
		(7,291,017)	(7,398,774)	(3,231,331)	(1,154,381)	(3,011,304)	(1,758)
		4,527,314	5,331,155	3,004,235	2,974,099	(1,018,230)	371,051

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (BP) parallel fall or rise in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows.

The Bank's sensitivity to an increase or decrease in interest rates by 500 basis points:

In thousands of naira	31-Dec-21	31-Dec-20
Increase in interest rate by 200 basis points (+2%)	277,449	241,661
Decrease in interest rate by 200 basis point (-2%)	(277,449)	(241,661)

Capital management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Bank's strategic plan. Specifically, the Bank considers how the present and future capital requirements will be managed and met against projected capital requirements.

This is based on the Bank's assessment and against the supervisory/regulatory capital requirements taking account of the Bank business strategy and value creation to all its stakeholders.

In its revised circular dated 7 March 2019, the Central Bank of Nigeria (CBN) raised the minimum capital for national microfinance banks (MFBs) from N2 billion to N5 billion.

The CBN's directive is to take effect from April 2021. However, the CBN, in consideration of the impact of COVID-19 on the economy, extended the deadline for compliance by one year with its revised circular REF: FPR/DIR/GEN/CIR/07/054 dated 29 April 2020. Consequently, national MFBs are expected to meet minimum capital of N3.5 billion capital by April 2021 and N5 billion by April 2022. The Bank currently has a net asset of N5.9 billion.

Capital adequacy

The Capital Adequacy Ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, the regulatory capital of a national Microfinance Bank is N5 billion, while a minimum ratio of 10% is to be maintained.

(I) The Bank strives to maintain a Capital Adequacy Ratio above the regulatory minimum of 10%. Capital levels are determined either based on internal assessments or regulatory requirements.

(ii) The capital adequacy of the Bank is reviewed regularly to meet regulatory requirements and standard of international best practices in order to adopt and implement the decisions necessary to maintain the capital at a level that ensures the realization of the business plan with a certain safety margin.

(iii) The Bank undertakes a regular monitoring of capital adequacy. The Bank has consistently met and surpassed the minimum capital adequacy requirements applicable in all areas of operations.

(iv) The Bank's capital plan is linked to its business expansion strategy which anticipates the need for growth and expansion in its branch network and IT infrastructure. The capital plan sufficiently meets regulatory requirements as well as providing adequate cover for the Bank's risk profile. The Bank's capital adequacy remains strong and the capacity to generate and retain reserves continues to grow.

In thousands of naira	Note	31-Dec-2021	31-Dec-2020
Tier 1 capital			
Ordinary share capital	25	1,205,834	1,205,834
Staff share options	26	1,575	1,575
Share premium	27(a)	8,138	8,138
General reserves	27(b)	2,686,976	2,465,986
Statutory reserves	27(c)	1,602,883	1,531,526
Regulatory risk reserves	27(d)	430,978	152,468
		5,936,384	5,365,527
Less: regulatory deduction			
Intangible assets	20	(42,535)	(126,064)
Eligible Tier 1 capital		5,893,849	5,239,463
Total regulatory capital		5,893,849	5,239,463
Risk-weighted assets		**13,372,955**	**9,867,306**
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		44%	53%
Total tier 1 capital as a percentage of total risk-weighted assets		44%	54%

Computation of Risk Weighted Assets of On-balance Sheet Exposure (2021)

Exposure Details	Gross Exposure before CRM	Credit Risk Mitigation (CRM)	Net Exposure after CRM	Risk Weight %	RWA
Cash & cash equivalents	1,346,942	-	1,346,942	-	-
Regulatory retail portfolio	-	-	-	75	-
Loan & advances to customers	11,674,684	-	11,674,684	100	11,674,684
Investment securities	268,929	-	268,929	100	268,929
Other assets	482,060	-	482,060	100	482,060
Property, plant & equipment	904,747	-	904,747	100	904,747
Intangible assets	42,535	-	42,535	100	42,535
	14,719,897	-			**13,372,955**

Computation of Risk Weighted Assets of On-balance Sheet Exposure (2020)

Exposure Details	Gross Exposure before CRM	Credit Risk Mitigation (CRM)	Net Exposure after CRM	Risk Weight %	RWA
Cash & cash equivalents	2,919,319	-	2,919,319	-	-
Regulatory retail portfolio	-	-	-	75	-
Loan & advances to customers	8,337,995	-	8,337,995	100	8,337,995
Investment securities	269,556	-	269,556	100	269,556
Other assets	291,461	-	291,461	100	291,461
Property, plant & equipment	842,230	-	842,230	100	842,230
Intangible assets	126,064	-	126,064	100	126,064
	12,786,625	-			**9,867,306**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

6. Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(I) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

(I) - Note 4(f)(viii): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

- Notes 4(f)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 December 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Notes 4(f)(viii): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

- Note 31: recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources. Accounting policies on contingencies is contained in note 3(q) of the financial statements.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

(a) Impairment of financial assets

IFRS 9 impairment requirements are based on an expected credit loss model (ECL). Key changes in the Bank's accounting policies for impairment of financial assets are listed below.

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

(b) Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Bank assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

The Bank's accounting policy on fair value measurement is discussed in Note 3(h)(viii).

Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 : Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2 : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3 :Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses observable market data to determine the fair value of its equity securities. Observable prices or model inputs are usually available in the market for listed debt and equity securities. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The Bank does not have any instrument at fair value as at 31 December 2021 (31 December 2020: NIL)

There was no financial instrument measured in Level 3 of the fair value hierarchy, hence there is no table to show a reconciliation from the beginning balance to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

Financial instruments not measured at fair value

The table below sets out the fair value of financial instruments not measured at fair value and analysed by level in the value hierarchy into which each fair value measurement is categorised.

31 December 2021

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	16	-	1,346,942	-	1,346,942	1,346,942
Loans and advances to customers	17	-	11,674,684	-	11,674,684	11,674,684
Investment securities at amortised cost	18	-	268,929	-	268,929	268,929
Other receivables	21	-	301,603	-	301,603	482,060
		-	13,592,158	-	13,592,158	13,772,615
LIABILITIES						
Deposits from customers	22		3,810,250		3,810,250	3,810,250
Other liabilities	24	-	680,015	-	680,015	680,015
Borrowings	23	-	3,687,058	-	3,687,058	3,687,058
		-	8,177,323	-	8,177,323	8,177,323

31 December 2020

In thousands of naira	Note	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
ASSETS						
Cash and cash equivalents	16	-	2,919,319	-	2,919,319	2,919,319
Loans and advances to customers	17	-	8,337,995	-	8,337,995	8,337,995
Investment securities at amortised cost	18	-	269,556	-	269,556	269,556
Other receivables	21	-	319,741	-	319,741	291,461
		-	11,846,611	-	11,846,611	11,818,331
LIABILITIES						
Deposits from customers	22		4,309,677		4,309,677	4,309,677
Other liabilities	24	-	443,290	-	443,290	443,290
Borrowings	23	-	2,538,050	-	2,538,050	2,538,050
		-	7,291,017	-	7,291,017	7,291,017

Cash and cash equivalents
Cash and cash equivalents are cash deposits in banks and short term deposits (placements) with financial institutions. The cash deposits and placements are deemed to be at fair value due to the limited term to maturity of these instruments.

Other receivables
The carrying amount of trade and other receivable is a reasonable approximation of their fair value, which is not materially sensitive to changes in market rate of return due to limited term to maturity of these instruments.

Loans and advances to customers
Where they are available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cashflow techniques. Input into the valuation techniques includes expected life credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

Deposits from customers
The fair value of deposits payable on demand is the amount payable at the reporting date.

Other liabilities
Other liabilities consist of amount owed to non-trade related creditors. The carrying amount of other creditors is a reasonable approximation of their fair value, which is payable on demand.

c. **Determination of regulatory risk reserves**
Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Central Bank of Nigeria's (CBN) Amended Regulatory and Supervisory Guidelines for Microfinance Banks. This is at variance with the expected credit loss model required by IFRS 9.

As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 3.5 of the exposed Prudential Guidelines for Microfinance Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

I Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes accounted for in general reserves as follows:

- where Prudential provisions is greater than IFRS provisions: the excess provision resulting should be transferred from the retained reserve account to a non-distributable "regulatory risk reserve".
- where Prudential impairment provisions is less than IFRS provisions: the excess charges resulting should be transferred from the regulatory Risk Reserve account to the general reserves to the extent of the non-distributable reserve previously recognised.

ii The non-distributable reserve should be classified under Tier 1 as part of the core capital.

The Bank has complied with the requirements of the guidelines as follows:

Prudential adjustments for the year ended 31 December 2021

In thousands of naira	Note		N'000
Impairment assessment under IFRS Loan and advances:			
Stage 1	17(c)		78,338
Stage 2	17(c)		111,473
Stage 3	17(c)		847,608
Total impairment allowances on loans (a)			**1,037,419**
Specific provision:	**%**	**Gross exposure**	**Total**
- Pass and watch	5	326,365	16,318
- Sub-standard	20	108,300	21,660
- Doubtful	50	82,610	41,305
- Lost	100	1,279,909	1,279,909
		1,797,184	**1,359,192**
Collective provision	1	**10,920,465**	**109,205**
Total regulatory impairment based on prudential guidelines (b)		**12,717,649**	**1,468,397**
Required balance in regulatory risk reserves (c = b - a)			**430,978**
Balance, 1 January 2021			**152,468**
Transfer to regulatory risk reserves			**278,510**
Balance, 31 December 2021			**430,978**

Prudential adjustments for the year ended 31 December 2020

In thousands of naira	**Note**		**N'000**
Impairment assessment under IFRS Loan and advances:			
Stage 1	17(c)		28,442
Stage 2	17(c)		92,045
Stage 3	17(c)		754,529
Total impairment allowances on loans (a)			**875,016**
Specific provision:	***%***	***Gross exposure***	***Total***
- Pass and watch	5	252,062	12,603
- Sub-standard	20	287,215	57,443
- Doubtful	50	104,290	52,145
- Lost	100	827,844	827,844
		1,471,411	**950,035**
Collective provision	1	7,744,893	77,449
Total regulatory impairment based on prudential guidelines (b)		**9,216,304**	**1,027,484**
Required balance in regulatory risk reserves (c = b - a)			**152,468**
Balance, 1 January 2020			***32,916***
Transfer to regulatory risk reserves			**119,552**
Balance, 31 December 2020			**152,468**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Financial assets and financial liabilities Accounting classification measurement basis and fair values

The table below sets out the carrying amounts classification and fair values of the Bank's financial assets and financial liabilities:

31 December 2021

In thousands of naira	*Note*	*Fair value through profit or loss*	*Fair value through OCI*	*Amortised cost*	*Total carrying amount*	*Fair value*
Cash and cash equivalents	16	-	-	1,346,942	1,346,942	1,346,942
Investment securities	17	-	-	11,674,684	11,674,684	11,674,684
Loans and advances to customers	18	-	-	268,929	268,929	268,929
Other assets	21	-	-	482,060	482,060	496,532
		-	-	**13,772,615**	**13,772,615**	**13,787,087**
Deposits from customers	22	-	-	3,810,250	3,810,250	3,810,250
Other liabilities	24	-	-	680,015	680,015	680,015
Borrowings	23	-	-	3,687,058	3,687,058	3,687,058
		-	-	**8,177,323**	**8,177,323**	**8,177,323**

31 December 2020

In thousands of naira	*Note*	*Fair value through profit or loss*	*Fair value through OCI*	*Amortised cost*	*Total carrying amount*	*Fair value*
Cash and cash equivalents	16	-	-	2,919,319	2,919,319	2,919,319
Investment securities	17	-	-	8,337,995	8,337,995	8,337,995
Loans and advances to customers	18	-	-	269,556	269,556	269,556
Other assets	18	-	-	291,461	291,461	319,741
		-	-	**11,818,331**	**11,818,331**	**11,846,611**
Deposits from customers	22	-	-	4,309,677	4,309,677	4,309,677
Other liabilities	24	-	-	443,290	443,290	443,290
Borrowings	23	-	-	2,538,050	2,538,050	2,538,050
		-	-	**7,291,017**	**7,291,017**	**7,291,017**

Financial instruments at fair value are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models.

Wherever possible, these models are used as the basis of observable market prices and rates including, for example, interest rate, yield curves, equities and prices.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Interest income

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Loans and advances	4,953,325	4,399,444
Treasury bills	2,028	14,217
Money market placement	78,322	98,222
Total interest income calculated using the effective interest method	**5,033,675**	**4,511,883**

9. Interest expense

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Term deposits	104,124	206,635
Savings deposits	24,753	45,555
Borrowings (see note 23(b))	338,895	516,509
Overdrafts	1,140	-
Total interest expense	**468,912**	**768,699**

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

10. Fees and commission income

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Credit-related fees and commission	238,590	184,317
Insurance Fee	89,260	84,353
Customer's deposit-related fees and commission	66,560	63,002
	394,410	**331,672**

(I) Disaggregation of fee and commission income

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

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Loan management fee	238,589	184,097
Loan commitment fee	-	220
Insurance fee	89,260	84,353
	327,849	268,672
Account administration and maintenance fee	62,479	62,825
Commission on turnover	4,081	177
	66,560	63,002
	394,409	331,674

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

The loans and advances with customers run for tenors of between 3months-2years. The loans and overdraft were impaired by N1.04 billion (31 December 2020: N875 million).

The management fees on these facilities are deferred and spread over the tenor of the loan. The amount of revenue recognised for the year ended 31 December 2021 was N239 million (31 December 2020: N184 million). See note 10(I).

Loan management fee relates to fees for loan processing on facilities granted to customers. This is usually 1% of loan disbursed or loan restructured.

(ii) Contract Balances

The following table provides information about contract liabilities.

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Contract liabilities which are included in 'loans and advances to customers'	136,336	76,917

(iii) Performance obligation and revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

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

For the accounting policy for fees and commissions in the scope of IFRS 9, see note 3(b).

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

11. Other income

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Service fees and charges (see (I) below)	20,039	14,187
Miscellaneous income (see note ii below)	16,195	4,200
Profit on disposal of property and equipment	1,262	1,518
Cash recovery of loans written-off	80,546	33,816
	118,042	53,721

(I) Service fees and charges include fees on customer requests such as issuance of letter of indebtedness, charges on issuance of drafts, seals, stamps, reference letters and signature confirmation letters. These are recognized at the point in time when the transaction takes place.

(ii) Miscellaneous income is made up of income from e-channel sources and other income such as revaluation foreign exchange on cash and cash equivalents and financial instruments. The break down is shown below:

In thousands of naira	31-Dec-2021	31-Dec-2020
USSD NIP -Fee income	4,001	1,459
Mobile App income	1,611	1,210
Web and online income	149	2
Other E-channels income	5,214	1,280
Agency services income	1,079	249
Foreign exchange income	4,141	-
	16,195	**4,200**

12. Credit Loss Expense

In thousands of naira	31-Dec-2021	31-Dec-2020
Impairment loss on loans and advances to customers	485,517	623,515
Impairment loss on investment securities at amortised cost (see note 18(b))	65	-
Impairment loss on cash and cash equivalent (see note 16(b))	5 ,561	-
Impairment loss on Other Asset	19,555	-
	510,698	**623,515**

13. Personnel expenses

In thousands of naira	31-Dec-2021	31-Dec-2020
Wages and salaries	1,436,920	1,306,666
Post-employment benefits:		
Defined contribution plan - pension cost	98,501	106,351
	1,535,421	1,413,017

a. The average number of persons employed during the year by category:

	31-Dec-2021	31-Dec-2020
Executive Director	1	1
Management	15	15
Non-management	844	893
	860	909

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

	31-Dec-2021	31-Dec-2020
Less than N500,000	63	58
N500,001 - N1,000,000	109	145
N1,000,001 - N2,500,000	526	567
N2,500,001 - N3,500,000	93	74
N3,500,001 - N4,500,001	26	24
N4,500,0001 - N5,500,000	9	13
N5,500,001 and above	34	28
	860	909

b. Director's emolument
The remuneration paid to the executive and non-executive Directors of the Bank (excluding pension and certain allowances) was:

In thousands of naira	31-Dec-2021	31-Dec-2020
Directors' fees	10,500	9,200
Sitting allowances	23,990	25,700
Other Directors' expenses	12,209	14,600
Total Non-Executive Directors' remuneration (see note 14)	46,699	49,500
Executive compensation (see note 28(b)(I))	37,316	37,316
	84,015	86,816
The Directors' remuneration shown above includes:		
The Chairman	2,580	4,770
Highest paid Non-executive Director	6,280	5,050

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

N0 - N1,500,000	1	3
N1,500,001 - N3,000,000	3	2
N3,000,001 - N4,500,000	5	1
N4,500,001 - N6,000,000	2	4
N6,000,001 - Above	-	1
	11	11

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

14. Other operating expenses

In thousands of naira	31-Dec-2021	31-Dec-2020
Repairs and maintenance cost	43,385	37,110
Vehicle and generator running cost	25,126	23,677
Office expenses	303,904	306,624
Computer expenses	2,388	4,784
Travel expenses	23,868	31,490
AGM & Year end expenses	2,456	3,761
Directors' remuneration	46,699	49,500
Bank charges	2,046	15,240
Marketing/publicity expenses	38,098	82,118
Professional fees	122,725	129,940
Insurance cost	88,394	90,165
NDIC premium	19,176	14,105
Rent and rates	21,982	31,659
Subscription fees	18,302	8,135
Digital Expenses	221,962	157,623
Utilities	60,213	60,983
Auditor's remuneration	11,825	18,689
Other expenses (see note a)	549,780	570,436
	1,602,329	1,636,039

a. Other expenses includes the following:

Donations	534	-
Recruitment expenses	8,825	5,786
ITF expense	17,000	16,000
Medical Expenses	311,346	327,870
Stamp duties	-	151
Legal expenses	13,885	18,107
Miscellaneous expenses (see breakdown below)	198,190	202,522
	549,780	570,436

Relocation expenses	5,200	4,818
Recovery expenses	82,123	49,305
Trainee allowance	106,676	132,206
Retreat expenses	1,889	13,129
Business premises permit	1,895	691
Other business expenses	407	2,373
	198,190	202,522

15. Income taxes

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
(a) Amounts recognized in profit or loss		
Current tax expense		
Company income tax	308,558	12,178
Education tax	33,894	1,902
NITDA Levy	10,736	324
Nigeria Police Trust Fund (NPTF) levy	50	-
National Agency for Science and Engineering Infrastructure (NASENI) levy	2,667	-
	355,905	14,404
Deferred tax expense		
Charge for the year (see note {c})	140,161	(139,321)
	140,161	(139,321)
Tax expense	496,066	(124,917)

Tax expense

The Bank believes that its accrual for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. In the 2020 audited financial statements, the NITDA levy was included under other operating expenses, this has been reclassifed to tax expense in 2021.

(b) Movement in current tax liabilities

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Balance at 1 January	140,356	587,985
Income tax expense (see note (a) above)	355,905	14,404
Tax paid	(12,844)	(462,033)
Balance at 31 December	483,417	140,356

c. Movement in deferred tax balances

In thousands of naira	*31-Dec-2021*	*31-Dec-2020*
Deferred Tax (Asset)/Liability as at 01 January	(94,978)	44,343
Tax expense/ (credit) during the period	140,161	(139,321)
Deferred Tax Asset/(Liability) as at 31 December	45,183	(94,978)

d Reconciliation of effective tax rate

In thousands of naira	**31-Dec-2021**		**31-Dec-2020**	
Profit before tax	%	**1,066,923**	%	**7,091**
Tax using the Bank's domestic tax rate	30	320,077	30	2,128
Non-deductible expenses	1	10,587	654	46,341
Tax-exempt items	(2)	(19,439)	(512)	(36,291)
Tertiary Education Tax	3	33,894	27	1,902
NITDA Levy	1	10,736	5	324
Nigeria Police Trust Fund (NPTF) levy	0	50	-	-
Temporary difference impact on deferred tax	13	140,161	(1,965)	(139,321
	46	**496,066**	-1762	**(124,917)**

16 Cash and cash equivalents

	In thousands of naira	**31-Dec-2021**	**31-Dec-2020**
a	Cash and cash equivalent comprise:		
	Cash on hand:	50,974	44,968
	Cash on hand	50,974	44,968
	Deposits with banks:		
	Current account balances with other banks	410,185	273,866
	Money market placements	891,344	2,600,485
		1,301,529	2,874,351
	Cash and cash equivalents for cash flow purposes:	1,352,503	2,919,319
	Impairment allowance (see note (b) below)	(5,561)	-
	Cash and cash equivalents	1,346,942	2,919,319
b	Movement in impairment allowance:		
	Balance at 1 January	-	-
	Impairment loss(see note 12)	5,561	-
		5,561	-

Cash at banks earns interest at fixed rates based on the bank deposit rates. Placements with banks 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.

17 Loans and advances to customers

		31-Dec-2021	**31-Dec-2020**
a	Loans and advances to customers comprise:		
	Loan and advances to customers at amortised cost	11,674,684	8,337,995
		11,674,684	8,337,995
	Current	11,187,132	7,965,186
	Non-current	487,552	372,809
		11,674,684	8,337,995

b **Loan and advances to customers at amortised cost**

	31-Dec-2021			**31-Dec-2020**		
In thousands of naira	**Gross Amount**	**ECL Allowance**	**Carrying Amount**	**Gross Amount**	**ECL Allowance**	**Carrying Amount**
Term loans	12,667,630	(1,006,426)	11,661,204	9,177,056	(875,016)	8,302,040
Overdrafts	44,473	(30,993)	13,480	35,955	-	35,955
	12,712,103	(1,037,419)	11,674,684	9,213,011	(875,016)	8,337,995

c **Movement in allowances for impairment**

	31-Dec-2021				31-Dec-2020			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at the beginning of the year	28,442	92,045	754,529	875,016	88,982	209,265	515,631	813,878
Additional allowance/(reversal) during the year	49,896	19,428	416,193	485,517	(60,540)	(117,220)	733,643	555,883
Recoveries for the year	-	-	-	-	-	-	-	-
Write-offs during the year	-	-	(323,114)	(323,114)	-	-	(494,745)	(494,745)
Balance at the end of the year	78,338	111,473	847,608	1,037,419	28,442	92,045	754,529	875,016

18 **Investment securities**

Investment securities comprise:

a **Investment securities at amortised cost**

Treasury bills	268,994	269,556
ECL impairment	(65)	-
Total investment securities	268,929	269,556
Current	268,929	269,556
Non-current	-	-
	268,929	269,556

b **Movement in impairment allowance**

Balance at the beginning of the year	-	-
Impairment loss during the year (see note 12)	65	-
Balance at the end of the year	65	-

19 Property and Equipment

	Buildings	Freehold Land	Right-of-Use Asset	Furniture & Fittings	Machine & Equipments	Work-in progress	Motor Vehicles	Computer Equipment	Leasehold Improvements	Total
Cost:										
Balance as at 1 January 2020	357,450	102,100	154,318	156,228	301,170	-	176,481	534,475	2 23,762	2,005,984
Additions during the year	-	-	144,914	4,828	18,310	-	-	11,887	7,377	1 87,316
Reclassification	-	-	-	-	81	-	-	(81)	-	-
Write-Off	(3,406)	-	-	-	-	-	-	-	-	(3,406)
Disposals	-	-	-	-	(7,093)	-	(5,750)	(10,609)	-	(23,452)
Balance at 31 December 2020	354,044	102,100	299,232	161,056	312,468	-	170,731	535,672	2 31,139	2,166,442
Balance as at 1 January 2021	354,044	102,100	299,232	161,056	312,468	-	170,731	535,672	2 31,139	2,166,442
Additions during the year	29,066	-	83,316	2,718	4 7,787	131,863	-	40,392	2 ,875	3 38,017
Disposals	-	-	-	-	-	-	(11,845)	(695)	-	(12,540)
Transfers	-	-	-	-	-	-	-	355	-	3 55
Balance at 31 December 2021	383,110	102,100	382,548	163,774	360,255	131,863	158,886	575,724	2 34,014	2,492,274
Accumulated Depreciation:										
Balance at 1 January 2020	7,006	-	91,451	115,833	147,678	-	93,892	391,446	1 77,751	1,025,057
Charge for the year	8,316	-	102,348	14,269	48,448	-	36,961	87,484	22,435	320,261
Disposals	(12)	-	-	-	(4,835)	-	(5,750)	(10,509)	-	(21,106)
Balance at 31 December 2020	15,310	-	193,799	130,102	191,291	-	125,103	468,421	200,186	1,324,212
Balance at 1 January 2021	15,310	-	193,799	130,102	191,291	-	125,103	468,421	200,186	1,324,212
Charge for the year	8,184	-	105,845	11,628	48,663	-	29,820	56,012	15,365	275,517
Disposals	-	-	-	-	-	-	(11,845)	(357)	-	(12,202)
Balance at 31 December 2021	23,494	-	299,644	141,730	239,954	-	143,078	524,076	215,551	1 ,587,527
Net Book Value: 31 December 2020	338,734	102,100	105,433	30,954	121,177	-	45,628	67,251	30,953	842,230
Net Book Value: 31 December 2021	359,616	102,100	82,904	22,044	120,301	131,863	15,808	51,648	18,463	904,747

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2020: Nil).
There was no impairment loss on all classes of property and equipment during the year (31 December 2020: Nil).
There were no property and equipment pledged as securities for liabilities (31 December 2020: Nil).
There were no contractual commitments for the acquisition of property and equipment (31 December 2020: Nil).

On 1 January 2019, following the adoption of IFRS 16, the Bank recognises right-of-use assets for leases of branch premises and has presented right-of use assets within 'property and equipment' – i.e. the same line item in which it presents underlying assets of the same nature that it owns.

20 Intangible asset

In thousands of naira	31-Dec-2021	31-Dec-2020
Computer software		
Cost:		
Balance at beginning of the year	575,874	582,623
Addition during the year	15,161	3,389
Disposals during the year	-	(10,138)
Transfers during the year	(355)	-
Balance at end of the year	590,680	575,874
Accumulated Amortisation:		
Balance at start of the year	449,810	3 16,361
Amortisation on disposals	-	(2,941)
Charge for the year	98,335	136,390
Balance at end of the year	548,145	449,810
Carrying amount at end of the year	42,535	126,064
Loss of disposal of intangible assets	-	(7,197)

All intangible assets are non current. Intangible assets of the Bank have finite useful life and are amortised over 3 years.
The Bank does not have internally generated intangible assets.

21 Other assets

In thousands of naira	31-Dec-2021	31-Dec-2020
Other financial assets:		
Other receivables (see note (c) below)	316,075	155,507
Impairment allowance (see note (d) below)	(14,472)	(26,480)
	301,603	129,027
Non financial assets:		
Prepayments (see note (a) below)	157,541	131,597
Inventories (see note (b) below)	22,916	30,837
	180,457	162,434
	482,060	291,461
Gross closing balance	496,532	317,941
Current	482,060	291,461
Non-current	-	-
	482,060	291,461

a Prepayments comprise the following:

In thousands of naira	31-Dec-2021	31-Dec-2020
Prepaid insurance	46,611	31,978
Prepaid Office Rent	62,133	68,194
Prepaid IT Expenses	2,653	15,813
Other prepaid expense	46,145	15,612
	157,542	131,597

b Inventories comprise stock of debit cards, stock of cheques and stock of office stationeries.

In thousands of naira	31-Dec-2021	31-Dec-2020
Cheque Books	3,983	2,411
Pre-printed Forms	2,527	3,134
Other Stationery	2,139	1,715
ATM Debit Cards	812	9,137
Promotional Items	13,455	14,440
	22,916	30,837

d Movement in impairment allowances:

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at the beginning of the year	26,479	34,215
Impairment writeback during the year	(12,008)	(7,736)
Balance at the end of the year	14,472	26,479

22 Deposits from customers

In thousands of naira	31-Dec-2021	31-Dec-2020
Current deposits	805,613	206,519
Savings deposits	2,480,085	2,059,008
Term deposits	523,901	2,043,681
Sundry deposits	651	469
	3,810,250	**4,309,677**

23 Borrowings

In thousands of naira	31-Dec-2021	31-Dec-2020
a Borrowings comprise:		
CBN concessionary (see note (I) below)	27,461	43,648
DBN concessionary loan (see note (ii) below)	2,592,398	954,811
FBNQuest concessionary loan (see note (iii) below)	514,356	1,008,493
Citibank concessionary loan (see note (iv) below)	552,843	531,098
	3,687,058	2,538,050

i. The Bank obtained a loan facility from Central Bank of Nigeria (CBN). The facility is earmarked for providing qualifying Housing Microfinance Loans to its customers for eligible Housing Microfinance Activity. The loan was disbursed in tranches; the first tranche of N72.39 million was disbursed to the Bank in 2018. The fund was given to the Bank at an interest rate of 16% . Principal and interest repayment is done quarterly. The Bank was given a moratorium period of 2 years.

ii. The Bank obtained the following Development Bank of Nigeria (DBN) loans for on-lending to micro, small and medium enterprises to grow their businesses.

	Date facility was obtained	Amount (#'million)	Rate	Tenor
a	21 April 2020	922	13.79%	2 years
	11 June 2020	453	13.79%	3 years
	23 September 2021	750	12.50%	2 years and 6 months
	24 November 2021	750	12.50%	3 years
	09 December 2021	500	12.50%	3 years
	23 December 2021	200	12.50%	3 years
		3,575		

iii. The Bank obtained a N1billion line of credit from FBNQuest Merchant Bank for on-lending to its customers on 27 May 2020. The facility is earmarked for providing loans to low income individuals and micro-entrepreneurs. The loan was issued on 27 May 2020 with 18 months tenure to expire on 28 November 2021.
The fund was given to the Bank at an interest rate of 3months NIBOR at repayment date + a 3.5% spread. Principal amount was repaid at maturity while the interest repayment was paid quarterly. Presently the Bank has a revolving overdraft of N500million and a term loan of N500million with FBNQuest. The term loan of N500million was drawn on 28th December 2021 and has 18 months' tenure, the principal will be repaid at maturity while interest will be paid quarterly.

iv. The Bank obtained a N500million credit facility from Citibank Nigeria Limited on May 24 2017 for 5year renewable every year. The facility is earmarked for providing loans to low income individuals and micro-entrepreneurs. The final renewal was effected on May 13 2021 for a period of one year to elapse on May 12 2022. The fund was given to the Bank at an interest rate of 3months NIBOR at repayment date + a 4% spread. Principal amount would be repaid at maturity while the interest repayment is made quarterly.

b The movement in borrowings during the year was as follows:

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance, beginning of the year	2,538,050	1,975,445
Additions during the year	2,700,000	2,374,900
Interest accrued during the year (see note 9)	338,895	516,509
Reversal of charges	-	(24,513)
Interest paid during the year	(258,568)	(486,032)
Principal repayment during the year	(1,631,319)	(1,818,259)
Balance at year end	3,687,058	2,538,050
Total principal repayment of borrowings (for cashflow purpose)	(2,287,852)	(1,818,259)

24 Other liabilities

In thousands of naira	31-Dec-2021	31-Dec-2020
Financial liabilities:		
Accounts payable	37,198	22,649
Productivity bonus (see note (a))	50,000	-
Sundry creditors	23,970	14,046
Accruals (see note b)	230,112	132,198
Other payables	338,725	274,387
Dividend payables	10	10
	680,015	443,290
Non-financial liabilities:		
Withholding tax payable	28,613	39,972
VAT payable	2,482	49
ITF payable	17,000	16,000
NHF payable	1,690	1,737
Pension Payable	16,159	16,657
PAYE payable	11,646	10,288
	77,590	84,703
	757,605	527,993
Current	757,605	527,993
Non-current	-	-
	757,605	527,993

a This amounts represents accrual made at the end of the year for payment of productivity bonus to employees of the Bank. It is linked to the performance of the Bank.

b These amounts comprise the transactions of the Bank's accrued expenses for the period. The detail are shown below:

In thousands of naira	31-Dec-2021	31-Dec-2020
Audit fees	11,825	16,044
Director's expenses	60,821	40,339
Professional services	17,841	12,757
Other expenses	33,660	31,091
IT system support	47,056	4,456
Security expenses	1,298	1,298
Staff Bonus Incentive	57,611	26,213
	230,112	**132,198**

25 Share capital

	31-Dec-2021	31-Dec-2020
Authorised:		
1,240,000,000 units of ordinary shares of N1 each	**1,240,000,000**	**1,240,000,000**
Issued and fully paid:		
1,205,834,000 units of ordinary shares of N1 each	**1,205,834,000**	**1,205,834,000**

26 Staff Share Option

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, 2021, 1

27 Share premium and reserves

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

a Share premium

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

b Retained earnings

General reserves comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

c Statutory reserve

The Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.8.1.7 of the Amended Regulatory and
In line with the CBN requirement, the Bank transferred 12.5% of its profit after tax to statutory reserves as at year-end .

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance, beginning of the year	1,531,526	1,515,025
Transfer to statutory reserve during the year	71,357	16,501
Balance at year end	**1,602,883**	**1,531,526**

d Regulatory risk reserve

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

28 Related party transactions

a Parent and ultimate controlling party

As at the year ended 31 December 2020, the Accion Africa-Asia Investment Bank owns the simple majority of the Banks shares. The Bank does not have a subsidiary.

b Transactions with key management personnel

Key management personnel is defined as the Bank's executive and non-executive Directors, including their close members of family and any entity over which they exercise control.

i. Key management compensation for the year comprised:

In thousands of naira	31-Dec-2021	31-Dec-2020
Salaries and other short-term benefits (see note 13(b))	37,316	37,316
	37,316	**37,316**

In thousands of naira	31-Dec-2021	31-Dec-2020
At start of the year	-	-
Granted during the year	2,600	-
Repayment during the year	-	-
At end of the year	2,671	-
Specific impairment	-	-
Interest earned	71	-

Other loans granted to key management personnel were performing as at 31 December 2021 (31 December 2020: Not applicable).

Loans and advances outstanding:
The amounts granted and their balances as at 31 December 2021 were as follows:

In thousands of naira

Name	Relationship	Facility type	Amount granted	31 Dec. 2021	31 Dec. 2020	Status
Taiwo Joda Adesina	Managing Director	Rent Advance - Staff	2,600,000	2,670,904	-	Performing
			2,600,000	**2,670,904**	**-**	

iii. Deposits

a Deposits of other related parties
Included in deposits is an amount of #6.08 million (31 December 2020: #5.82million), representing deposits from major shareholders. The balances as at 31 December were as follows:

In thousands of naira

Name of Bank/individual	Relationship	Type of deposit	31 Dec. 2021	31 Dec. 2020
Zenith Bank Nigeria Plc	Major shareholder	Term deposit	2,245	2,149
Ecobank Nigeria Plc	Major shareholder	Term deposit	3,833	3,668
			6,078	5,817

29. Compliance with banking and other regulations

During the year ended 31 December 2021, the Bank paid no penalties (31 December 2020: Nil).

30. Events after the reporting period

There were no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2021 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

31. Contingencies Litigation and claims

The Bank in its ordinary course of business was involved in 37 cases as at 31 December 2021 (31 December 2020: 26) as a co-defendant.

The Directors of the Bank are of the opinion that none of the aforementioned cases is likely to have material adverse effect on the Bank and are not aware of any other pending and/or threatened claims or litigations which may be material to the financial statements.

However, the total amount that may be claimed against the Bank is estimated at 12.06 million (31 December 2020: N1.08 million).

32. Earnings per share

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

Basic earnings per share

	31-Dec-2021	31-Dec-2020
Net profit attributable to shareholders (in thousands of naira)	570,857	132,008
Number of shares in issue (in thousands)	1,207,409	1,207,409
Weighted average number of shares in issue (in thousands)	1,207,409	1,207,409
Basic earnings per share (kobo)	47	11

For the year end 31 December 2021, there are no diluting shares. Therefore, the Basic EPS and diluted EPS are the same (2020:Nil).

33. Dividend per share

	31-Dec-2021	31-Dec-2020
Dividend proposed	241,481.80	-
Number of shares issued and ranking for dividend	1,207,409	1,207,409
Proposed dividend per share (kobo)	20	-
Final dividend per share proposed	20	-
Dividend paid during the year	-	-
Total dividend paid during the year	-	-
Dividend paid per (kobo)	-	-

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act of Nigeria (CAMA), 2020, has proposed a final dividend of N0.20K (31 December 2020: final; NIL) from the general reserves account as at 31 December 2021.

This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December 2021 and 31 December 2020 respectively.

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

34. Statement of cash flows notes

(a) (I) Proceeds from disposal of property and equipment

In thousands of naira	31-Dec-2021	31-Dec-2020
Cost of property and equipment disposed during the year (see note 19)	12,540	23,452
Accumulated depreciation on property and equipment disposed (see note 19)	(12,202)	(21,106)
Net book value of property and equipment disposed	338	2,346
Profit on sales of property and equipment (see note 11)	1,262	1,518
Proceeds from disposal of property and equipment	1,600	3,864

(ii) Acquisition of PPE

In thousands of naira	31-Dec-2021	31-Dec-2020
PPE additions during the year (see note 19)	338,017	187,316
Less ROU assets additions (see note 19)	(83,316)	(144,914)
	254,701	42,402

(b) Loans and advances to customers (see note 17)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year)	9,213,011	10,208,035
Balance at year end	12,712,103	9,213,011
	3,499,092	(995,024)
Interest receivable (see note (g))	(595,479)	(442,336)
Write off (see note 18(c))	(323,114)	(494,745)
	2,580,499	(1,932,105)

c. Changes in other assets (see note 21)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year)	317,941	236,397
Balance at year end	496,532	317,941
	178,591	81,544
Transition adjustment to right of use assets	-	-
	178,591	81,544

d. Changes in deposit from customers (see note 22)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year)	(4,309,677)	(4,013,511)
Balance at year end	(3,810,250)	(4,309,677)
	499,427	(296,166)
VAT payables	(2,433)	-
	496,994	(296,166)

e. Other liabilities (see note 24)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year)	(527,993)	(349,287)
Balance at year end	(757,607)	(527,993)
	(229,614)	(178,706)

f. Investment securities at amortised cost (see note 18)

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year)	269,556	239,794
Movement	(562)	29,763
Balance at year end	268,994	269,556
Explained by:		
Purchase of treasury bill investments	-	-
Disposal of treasury bill investments	-	-
Interest income (see note 8)	(2,028)	(14,217)
	562	(29,763)

g. Interest received

In thousands of naira	31-Dec-2021	31-Dec-2020
Interest income (see note 8)	5,033,675	4,511,883
Interest receivable on loans - prior year (see note 34(b))	442,336	122,790
Interest receivable on treasury bills - prior year	2,004	5,334
Interest receivable on loans (see note 34(b))	(595,479)	(442,336)
Interest receivable on treasury bills	(2,004)	(2,004)
Interest received	4,880,532	4,195,667

h. Interest paid

In thousands of naira	31-Dec-2021	31-Dec-2020
Interest expense on liabilities (see note 9)	(468,912)	(768,699)
Interest payable on deposit - prior year	-	1,164
Interest payable on borrowings - prior year	(349,777)	(41,090)
Interest payable on borrowings	257,201	349,777
Interest paid	(561,488)	(458,849)

I. Right of use assets

In thousands of naira	31-Dec-2021	31-Dec-2020
Balance at beginning of the year (see note 19)	105,433	154,318
Payment for properties leased during the year	83,316	144,914
Depreciation (see note 19)	(105,845)	(193,799)
Balance at year end (see note 19)	82,904	105,433

35. Fees for non-audit services

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

Service description

In thousands of naira	31-Dec-2021	31-Dec-2020
Tax consultancy - Recurring	4,500	4,500
Tax support - VAT	-	6,341
Whistle blowing services	1,000	1,000
NDIC certification audit	850	-
	6,350	11,841

OTHER NATIONAL
DISCLOSURES

OTHER NATIONAL DISCLOSURES:
VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	31-Dec-2021 N'000	%	31-Dec-2020 N'000	%
Gross earnings	5,546,127		4,897,276	
Net impairment loss on financial instruments	(510,698)		(623,515)	
Bought-in-materials and services - local	5,035,429		4,273,761	
	(1,602,329)		(1,636,039)	
Value added	**3,433,100**	**100**	**2,637,722**	**100**
Distribution of value added: To employees				
As salaries and other benefits	1,535,421	44	1,413,017	53
To providers of finance				
As interests	468,912	14	768,699	29
To the Government				
As taxes	496,066	14	(124,917)	(5)
Retained in the business				
Asset replacement (depreciation and amortisation)	373,852	11	456,651	17
Profit to augment reserves	570,857	17	132,008	5
Value added	**3,433,100**	**100**	**2,637,722**	**100**

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

OTHER NATIONAL DISCLOSURES:
FINANCIAL SUMMARY AS AT

In thousands of naira	Note	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Cash & cash equivalents	16	1,346,942	2,919,319	1,041,386	914,052	738,329
Loans and advances to customers	17	11,674,684	8,337,995	9,394,157	8,219,748	6,959,938
Investment securities	18	268,929	269,556	239,794	267,738	207,860
Property and equipment	19	904,747	842,230	1,072,378	964,400	349,158
Intangible asset	20	42,535	126,064	266,261	236,860	183,657
Other assets	21	482,060	291,461	202,182	409,284	307,489
Deferred Tax Asset	15{c}	-	94,978	-	-	-
TOTAL ASSETS		**14,719,897**	**12,881,603**	**12,216,158**	**11,012,082**	**8,746,431**
LIABILITIES						
Deposits from customers	22	3,810,250	4,309,677	4,013,511	2,809,253	2,392,578
Borrowings	23	3,687,058	2,538,050	1,975,445	2,349,494	1,474,453
Current tax liabilities	15(b)	483,417	140,356	587,985	603,347	574,137
Deferred tax liabilities	15{c}	45,183	-	44,343	87,627	33,281
Other liabilities	24	757,605	527,993	349,287	552,647	366,342
TOTAL LIABILITIES		**8,783,513**	**7,516,076**	**6,970,571**	**6,402,368**	**4,840,791**
CAPITAL AND RESERVES						
Share capital	25&26	1,207,409	1,207,409	1,209,224	1,209,770	1,219,904
Share premium	27(a)	8,138	8,138	7,067	7,067	6,473
General Reserve	27(b)	2,686,977	2,465,986	2,481,355	1,816,602	1,409,923
Statutory reserve	25{c}	1,602,883	1,531,526	1,515,025	1,400,607	1,269,340
Regulatory risk reserve	25(d)	430,978	152,468	32,916	175,668	-
TOTAL EQUITY		**5,936,384**	**5,365,527**	**5,245,587**	**4,609,714**	**3,905,640**
TOTAL LIABILITIES AND EQUITY		**14,719,897**	**12,881,603**	**12,216,158**	**11,012,082**	**8,746,431**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of naira		31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Gross income		5,546,127	4,897,276	6,128,640	5,315,433	4,692,108
Profit before taxation		1,066,923	7,091	1,340,043	1,554,973	1,378,586
Profit after taxation		570,857	132,008	915,342	1,050,137	809,761
Basic and diluted earnings per share (kobo)	32	47	11	76	87	66
Net assets per share (kobo)		492	444	434	381	320

BRANCH LOCATION

Head Office
Accion Microfinance Bank
154 Ikorodu Road,
Onipanu, Lagos

Onipanu
Accion Microfinance Bank
154 Ikorodu Road,
Onipanu, Lagos

Oke-Arin
Accion Microfinance Bank
20 Ijaye Street,
Oke Arin, Lagos

Apongbon
Accion Microfinance Bank
16 Apongbon Street, Lagos.

Agege
Accion Microfinance Bank
223 Old Abeokuta Rd,
Agege, Lagos.

Alaba
Accion Microfinance Bank
27/28 Igbede Road,
Alaba, Lagos.

Ikeja
Accion Microfinance Bank
3/5, Oba Akran, Ikeja, Lagos

Oshodi
Accion Microfinance Bank
20, Oshodi Road,
Oshodi, Lagos.

Ikotun
Accion Microfinance Bank
83, Ikotun-Idimu Road,
Paradise Bus-Stop,
Ikotun, Lagos State.

Ladipo
Accion Microfinance Bank
93 Ladipo Street,
Mushin, Lagos.

Ikorodu
Accion Microfinance Bank
62 Owolowo Street,
1st Floor, Ikorodu, Lagos.

Idi-Oro
Accion Microfinance Bank
175 Agege Motor Road, Lagos

Ojodu
Accion Microfinance Bank
Ise Oluwa House,
Plot 898a Isheri Road,
Ojodu, Lagos

Idumagbo
Accion Microfinance Bank
1st Floor, 19 Idumagbo Avenue,
Lagos.

Ajah
Accion Microfinance Bank
XYZ Plaza Ground Floor,
1 Kassim Oyofo Street,
Thomas Estate, Ajah, Lagos

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

Oyingbo
Accion Microfinance Bank
209 Borno Way by Ladipo,
Oyingbo, Ebute Metta, Lagos.

Ikorodu Agric
Accion Microfinance Bank
92c, Isawo Road, NNPC Station,
Agric, Lagos.

Aguda Surulere
Accion Microfinance Bank
16 Kushimo Street, Aguda,
Surulere, 1st Floor,
(Opposite Mobil), Lagos.

Baruwa
Accion Microfinance Bank
154 Ipaja Road, Baruwa,
Ipaja, Lagos.

Oke Odo
Accion Microfinance Bank
352, Lagos Abeokuta Expressway,
Oke Odo, Lagos.

Boundary
Accion Microfinance Bank
62 Bale Street, Boundary,
Ajegunle, Lagos.

Sango Ota
Accion Microfinance Bank
46 Ijoko Road, Sango Ota,
Ogun State, Lagos.

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

Mile 3
Accion Microfinance Bank
21 Ada George Road,
Rumuokokwu Town, Mile 3,
Diobu, Port Harcourt, Rivers.

Mile 1, Port Harcourt
Accion Microfinance Bank
28 Ikwerre Road, (1st Floor Left Wing)
Mile 1, Diobu, Port-Harcourt.

Isolo
Accion Microfinance Bank
32, Ire Akari Estate Road,
Isolo, Lagos

Onitsha
Accion Microfinance Bank
28 Francis Street, Main Market,
Onitsha, Anambra.

Nkpor
Accion Microfinance Bank
14 Ajuluchukwu Street, Nkpor,
Onitsha, Anambra

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

Dugbe
Accion Microfinance Bank
22 Adekunle Fajuyi Road, Dugbe,
(Opposite MKO Abiola House),
Ibadan, Oyo State.

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

Molete Ibadan
Accion Microfinance Bank
Wimbo Building, 61 Molete Road,
Opposite Molete Baptist Church,
Idi Odo, Challenge, Ibadan,
Oyo State.

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

Ariaria
Accion Microfinance Bank
25 Power-Lines By Faulks Road,
Ariaria, Aba, Abia State.

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

Sapon
Accion Microfinance Bank
Sokenu Road, Oke Ijeun/Sapon,
Abeokuta, Ogun State.

Asaba
Accion Microfinance Bank
Ogbogonogo Modern Market,
Nnebisi Road, Asaba, Delta State,
Former Skye Bank Property.

Benin
Accion Microfinance Bank
24 Sakponba Road, Benin,
Edo State.

Uyo
Accion Microfinance Bank
222 Ikot Ekpene Road, Uyo,
Akwa-Ibom State.

Akure
Accion Microfinance Bank
(Ground Floor), 19 Ilemo Street,
Off Arakale Road, Oja Oba
Market Area, Akure, Ondo State.

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

Ketu
Accion Microfinance Bank
572, Ikorodu Road, Ketu, Lagos

Ojuelegba
Accion Microfinance Bank
77 Ojuelegba Road, Ojuelegba, Lagos

Bariga
Accion Microfinance Bank
2, Jagunmolu Street,
Bariga, Lagos.

Akowonjo
Accion Microfinance Bank
13, Shasha Road, Akowonjo,
Lagos.

Bodija
Accion Microfinance Bank
Christy Plaza, Secretariat-UI Road,
Beside Methodist High School,
Ibadan, Oyo.

Orile
Accion Microfinance Bank
21 Coker Street, Orile,
(1st And 2nd Floor), Lagos.

Ejigbo
Accion Microfinance Bank
91, Ikotun Ejigbo Road, 1st Floor,
(Above Sweet Sensation), Lagos.

Obalende
Accion Microfinance Bank
31, Moloney Street, Obalende,
Lagos.

Festac
Accion Microfinance Bank
House 30, 2nd Avenue,
Festac, Lagos.

Kano
Accion Microfinance Bank
Home Concept Plus, Plaza 32,
France Road, Sabon Gari, Kano.

CASH CENTRE

Oju Ore
Accion Microfinance Bank Ltd.
Mkris Plaza, Oju-Ore Round About,
Idi-Iroko Road Oju-Ore,
Otta, Ogun State.

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

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

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

Bagadry
Accion Microfinance Bank Ltd.
Adedeji Shopping Plaza,
Joseph Dosu Road, Badagry,
Lagos.

Uselu
Accion Microfinance Bank Ltd.
135 Uselu - Lagos Road, Uselu,
Benin, Edo State.

Ochanja
Accion Microfinance Bank Ltd.
67, Ameobi Street, Ochanja Market,
Anambra State.

Head Bridge
Accion Microfinance Bank Ltd.
JC Udeh plaza, Electronics market,
Along Onitsha -Asaba expressway,
Onitsha, Anambra State.

Igbogbo
Accion Microfinance Bank Ltd.
Remdamson Filling Station,
Baiyeku Road,Igbogbo,
Ikorodu, Lagos.

Cemetery (Aba)
Accion Microfinance Bank Ltd.
20 Cemetery Road, Aba ,
Abia State.

Bakassi
Accion Microfinance Bank Ltd.
FA/2A/B/3/82 Upumuchilegbu
Industrial Market, Aba
(Bakassi Market), Abia State.

Igando
Accion Microfinance Bank Ltd.
Suite 25 and 26 Igando Main Market,
Igando, Lagos

Mowe
Accion Microfinance Bank Ltd.
65 Ofada Road, Ire Akari,
MFM Bus Stop, Mowe, Ogun State.

Ogijo
Accion Microfinance Bank Ltd.
120 Shagamu Road,
off Arogunre Street,
Ile Oba, Ogijo, Ogun State.

Agbede
Accion Microfinance Bank Ltd.
2 Agbede Road, Oppo Agbede
Main Market, Agbede,
Ikorodu, Lagos.

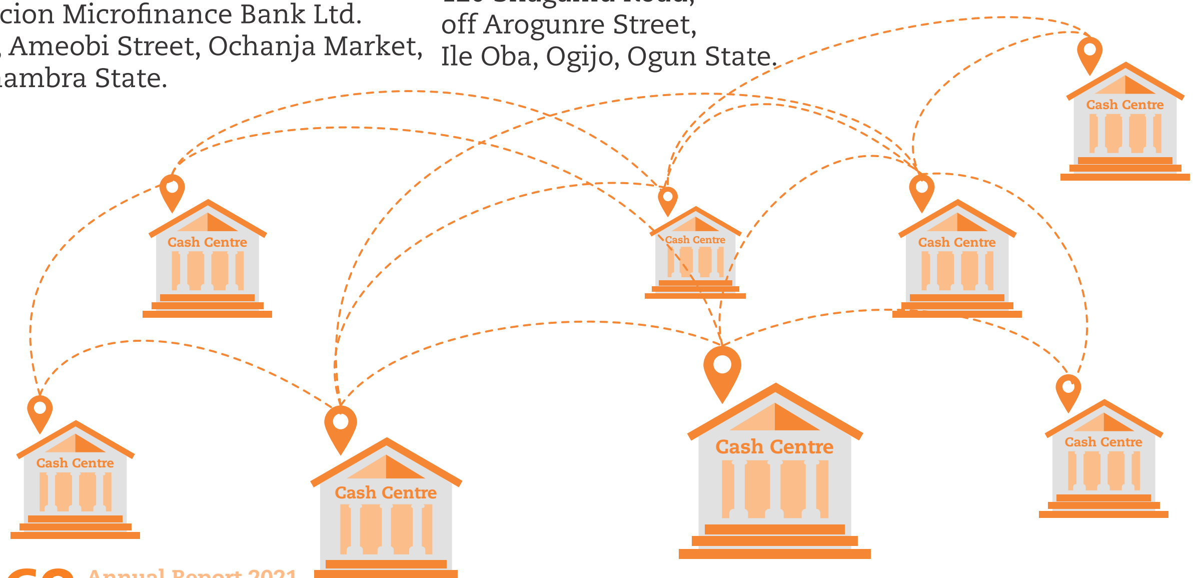
Bogije
Accion Microfinance Bank Ltd.
Elemoro Royal Shopping
Complex, Bogije, Lagos.

Command
Accion Microfinance Bank Ltd.
Beta Silver Petrol Station,
Command, Ipaja, Lagos State.

Ondo Town
Accion Microfinance Bank Ltd.
OLUFEB Plaza, 3 Oke-Osun Street,
Off Barracks Road, Ondo Town,
Ondo State.

Ifo
Accion Microfinance Bank Ltd.
Coker Bus stop, Beside Lawret
Filling station, Lagos – Abeokuta,
Expressway, Ifo, Ogun state.

Oja Oba
Accion Microfinance Bank Ltd.
123, Arakale road, opposite
St Thomas Church, Isikan road,
Akure, Ondo state.



Epe
Accion Microfinance Bank Ltd.
Animashaun Plaza,
Beside Petrocam Filling Station,
Lagos Road, Epe.

Imota
Accion Microfinance Bank Ltd.
Imota Motor Park, Beside Imota Market,
Imota Ikorodu, Lagos State.

Dutse
Accion Microfinance Bank Ltd.
D1-001 –D3-003, Eflaye Plaza,
Dutse Alhaji Market, Dutse, Abuja.

Oyigbo
Accion Microfinance Bank Ltd.
285 Old Aba Road, Oyigbo,
Rivers State.

Obosi
Accion Microfinance Bank Ltd.
Shop 25, 26 1st Floor, Lord's
Wish Plaza, Electrical Market.
Obosi, Anambra State.

Itam
Accion Microfinance Bank Ltd.
1 Enen Afaha street,
Ikot Ekpene road, Uyo,
Akwa Ibom State.

Slaughter
Accion Microfinance Bank Ltd.
Plot 6C, Trans Amadi Industrial
Layout, Oginigba opposite West
African Glass Industry,
Port Harcourt, Rivers State.

Aleshinloye
Accion Microfinance Bank Ltd.
Bee Deen Oil & Gas Investment
Limited. Shopping Complex,
Beside Aleshinloye Market,
Jericho Area,Ibadan, Oyo State.

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

Apata
Accion Microfinance Bank Ltd.
DKL Building, Apata,
Sokenu Road, Ibadan, Oyo State.

Iyana Ipaja
Accion Microfinance Bank Ltd.
Shop 45 and 46, Block F,
Iyana Ipaja market,
Iyana Ipaja, Lagos.

Omida
Accion Microfinance Bank Ltd.
1 Olusegun Osoba Road,
Behind St. Ann Catholic church,
Oke Ilowo/Omida Area,
Abeokuta, Ogun State.

Geographical Spread

1 Lagos
2 Ogun
3 Oyo
4 Ondo
5 Edo
6 Delta
7 Anambra
8 Abia
9 Rivers
10 Akwa-Ibom
11 Kano
12 FCT Abuja