FORTIS MICROFINANCE BANK PLC
RC 695895

ANNUAL FINANCIAL STATEMENTS
31ST DECEMBER 2015

PKF Professional Services
Chartered Accountants
Abuja

FORTIS MICROFINANCE BANK PLC

ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2015

Contents

FORTIS MICROFINANCE BANK PLC

COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER, 2015

Country of incorporation and domicile	Nigeria
Company registration number	695895
Nature of business and principal activities.	The principal activity of the Company is the provision of microfinance banking services. These sevices include funds mobilization and granting of loans and advances to the designated subsector.

Directors

Mr. Felix Achibiri	Chairman
Mr. Ugochukwu Ezeh	Ag. Managing Director
Mr. Kunle Oketikun	Director
Mr. Deji Fisho	Director
Mr. Danjuma Usman	Director
Mr. Danjuma Suleiman	Director
Mr. Pauli Isiguzo	Director
Mrs. Wandoo Aibangbee	Secretary

Registered office	Medife House Plot 2135, Herbert Macaulay Way, Wuse Zone 5, Abuja.
Bankers	Diamond Bank Plc Fidelity Bank Plc First Bank Plc Access Bank Plc Eco - Bank Plc Keystone Bank plc Mainstreet Bank Ltd Heritage Banking Company Ltd FCMB Plc UBA Plc Unity Bank Plc GTB Plc Skye Bank Plc
Auditors	PKF Professional Services (Chartered Accountants)

FORTIS MICROFINANCE BANK PLC

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2015

The Directors are pleased to present their annual report on the affairs of Fortis Microfinance Bank Plc ("the Bank"), in compliance with International Financial Reporting Standards (IFRS) and the Auditors' report for the year ended 31st December, 2015.

Legal form and principal activity

The Company was incorporated in Nigeria under the Companies and Allied Matters Act CAP C20 LFN 2004 as Fortis Microfinance Bank Ltd on 18th June, 2007 and commenced operations on 22nd October, 2007. It obtained approval to operate from the Central Bank of Nigeria through the grant of a Microfinance Banking Licence on 4th October, 2007. The Company converted into a public liability company on 4th November 2011 changing its name to Fortis Microfinance Bank Plc. On 17th August, 2015 the Bank was granted a National Licence by the Central Bank of Nigeria to further enhance its financial services and economic inclusions throughout the country.

The Company's principal activity continues to be the provision of Microfinance banking and other financial services to its Corporate and Individual Customers. Such services include funds mobilization and granting of loans and advances to the designated subsector.

Operating Results:

The following is a summary of the company's operating results:

	2015	2014
	N	N
Gross income	3,649,315,816	3,361,823,834
Profit before taxation	882,521,116	1,070,501,010
Taxation	(298,817,216)	(395,988,264)
Profit after taxation	583,703,900	674,512,746

Directors and their Interests:

The directors of the company who held office during the year together with their direct and indirect interest in the share capital of the company were as follows:

	Number of Ordinary Shares	
	2015	2014
Mr. Felix Achibiri	70,000,000	70,000,000
Mr. Kunle Oketikun	70,000,000	70,000,000
Mr. Deji Fisho	70,000,000	70,000,000
Mr. Danjuma Usman	70,000,000	70,000,000
Mr. Danjuma Suleiman	-	-
Mr. Pauli Isiguzo	-	-
Mr. Ugochukwu Ezeh	-	-
Total	280,000,000	280,000,000

Retirement of Directors

Mr. Henry Nwawuba retired from the Board during the year following his election into the Federal House of Representatives.

Appointment of Directors

Two new Executive Directors were appoint into the Board of Directors of the company during the year under review.

Major Shareholding

The company's paid up capital of N815,045,500 is made up of 1,630,091,000 ordinary shares of 50k each. According to the Register of members, no shareholder held more than 5% of the issued share capital of the company as at 31 December 2015.

Analysis of shareholding

The analysis of the distribution of the shares of the Company at the end of the financial year is as follows:

Share range	2015 Nos of holdings	% of shareholders	2014 Nos of holdings	% of shareholders
1 - 1000	0%	0%	-	-
1,001- 10,000	1,815,000	0.11%	1,815,000	0.11%
10,001 - 1,000,000	4,980,000	0.31%	4,980,000	0.31%
1,000,000 - 10,000,000	26,797,437	1.64%	26,797,437	1.64%
Above 10,000,000	1,596,498,563	97.94%	1,596,498,563	97.94%
	1,630,091,000	100%	1,630,091,000	100%

Property plant and equipment

Changes in property plant and equipment during the year under review are shown in Note 20 of the financial statements. In the opinion of the Directors, the market value of the Company's assets is not lower than the valuation ascribed in the accounts.

Donations and charitable gifts

The company made donation of up to N1M during the year under review.

Employment of disabled persons

The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from disabled persons. The Company's policy is that the most qualified and experienced persons are recruited for appropriate job levels irrespective of an applicant's state of origin, ethnicity, religion or physical condition. In the event of any employee becoming disabled in the course of employment, the company is in a position to arrange appropriate training to ensure the continuous employment of such persons without subjecting him/her to any disadvantage in his/her career development.

Health, safety and welfare of employees

The Company maintains business premises designed with a view to guaranteeing the safety and healthy working environment of its employees and customers alike. Health, safety and fire drills are regularly organized to keep employees alert at all times. Employees are adequately insured against occupational hazards. In addition, the company provides medical facilities to its employees and their immediate families at its expense.

Employee involvement and training

The Company encourages participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Company provides opportunities for employees to deliberate on issues affecting the Company and employees' interests, with a view to making inputs to decisions thereon. The Company places a high premium on the development of its manpower. Consequently, the Company sponsored employees for various training courses both in Nigeria and abroad during the year under review.

Contracts

In accordance with Section 277 of the Companies and Allied Matters Act, none of the Directors has notified the Company of any declarable interest in contracts deliberated by the Company or the Board of Directors during the year under review.

Acquisition of Own Shares

The company did not purchase any of its own shares during the year under review.

Post Balance Sheet Events

There have not been any material post balance sheet events to date which may have any significant effect on the financial statements as at 31 December 2015

Auditors

Messrs PKF Professional Services have indicated their willingness to continue in office in accordance with section 357(2) of the Companies and Allied Matters Act 1990.

BY ORDER OF THE BOARD

Date: **21st April, 2016**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
FORTIS MICROFINANCE BANK PLC

Report on the financial statements

We have audited the annual financial statements of Fortis Microfinance Bank Plc, which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 72.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Bank and Other Financial Institutions Act and Company and Allied Matters Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material mis-statements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

In our opinion the financial statements fairly present, in all material aspects, the financial position of Fortis Microfinance Bank Plc as at 31 December 2015, and of its financial performance for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by Bank and Other Financial Institutions Act and Company and Allied Matters Act.2004

Adaji Omede Patrick Sunday FRC/2014/ICAN/00000006846
For: Professional Services
Chartered Accountants
Abuja

Date: 30th April 2016

Corporate Governance

Introduction

Fortis Microfinance Bank Plc ("the Company") has over the years built an enviable reputation which has consistently adopted, implemented and applied international best practices in corporate governance, service delivery and value creation for all its stakeholders.

The Company's corporate governance principles are embodied in its Code of Corporate Governance which represents the core values upon which the Company was founded. The Code of Corporate Governance is designed to ensure accountability of the Board and Management to stakeholders. For the Company, good corporate governance goes beyond adhering to rules and policies of the regulators; it premised on consistently creating excellent value for our stakeholders using the best possible principles within a sustainable and enduring system.
The Company continuously reviews its code to align with legal, regulatory requirements and best practices, in order to remain a pace setter in the area of good corporate governance and practice.

Governance Structure

1 THE BOARD

Directorships

The business and affairs of the Company is managed by its Board of Directors, which shall comprise of not less than five (5) and not more than Eleven (11) members. They may be elected by the shareholders at the annual meeting of shareholders of the Company, and each director shall be elected for a fixed term as may be agreed, until his successor who is qualified may be elected.

Regular meetings

Regular meetings of the Board shall be held, at least once every 3 months, at the registered office of the Bank, or at such other time and place as shall be determined by the Board.

Special meetings

Special Meetings of the Board may be called by the Chairman on 5 days notice to each director, either personally or by mail, fax, telephone, text or by email; special meetings may also be called by the Managing Director through the company Secretary in like manner and on like notice on the written request of a majority of the Directors in office.

Removal

Any director or the entire Board of Directors may be removed, by the holders of at least 90% of the shares then entitled to vote at an election of Directors.

Profile of Chairman and Directors

Felix Achibiri

Chairman of the Board

Felix Achibiri is the Founder and Executive Chairman of DFC Holdings Limited a privately owned African company set up to seize the increased investment opportunities in Nigeria and the African Continent. Felix has over 17 years experience spanning Leadership, Business Conceptualization, Development and Strategy. Prior to the setup of DFC Holdings, he was the Pioneer Managing Director/CEO of Rural Steel Bridging Limited, a Company that specializes in the design, supply, construction and commissioning of galvanized modular steel bridges in Nigeria with associated infrastructure with technical support from Messrs US Bridge of Cambridge, Ohio, U.S.A.

He sits on the board of Genesis Electricity Ltd, a full service energy solutions company providing power generation, transmission, and distribution services and African Green Project Ltd.

Felix started his career with Falcon Petroleum Limited representing the interest of Celmco Industries Limited, a member of the Reliance Telecoms' Group. He graduated from the University of Port Harcourt where he majored in Marketing Management in 1998. Felix is a member of the Conservative African Business Group (CABG); He also serves on the board of several other companies some of which are:

- Site Services Technologies Limited
- Fortis Mobile Money Ltd
- Greenfield Global Inceptics Ltd

Felix is widely travelled and has attended several international professional courses, exhibition and workshops. Mr. Achibiri brings his unwavering strength in identifying opportunities, making the right connection and building relationships for actualization of set business goals. He is married with Children.

Kunle Oketikun
Director

Kunle Oketikun is a Director of Fortis Microfinance Bank Plc. Having been appointed in 2010, He has over 20 years' experience in Banking acquired in senior positions within Retail, Corporate and Investment Banking from Standard Trust Bank (Now UBA), Lead bank Plc. and Ecobank Nigeria Plc.

Prior to Fortis, he was responsible for Ecobank's branches in Abuja and the Northern states. He was the pioneer Executive Director, Operations and Risk Management in Fortis Microfinance Bank, before being appointed Managing Director/CEO, a position he held until 1st December, 2015. He holds a Masters Degree in Banking and Finance and is an Associate member of various professional associations including the Chartered Institute of Bankers of Nigeria (ACIB), Institute of Cost Management (ICM) and Chartered Institute of Management (ACIM).

Kunle is widely travelled and has attended several training programs, both local and International in various aspects of Banking and Leadership. He has been exposed to diverse microfinance trainings including International Labour Organization (ILO) and Ford Foundation supported trainings on "Making Microfinance Work" as well the Central Bank of Nigeria (CBN) organized "Capacity Building Training" for Operators of Microfinance Banks in Nigeria. He attended the CBN|NDIC|CIBN recently instituted Microfinance Certified Professional training and examination for all MD's and top executive of licensed microfinance bank in Nigeria where he obtained the MCIB certification.

Deji Fisho
Director

Deji Fisho is a graduate of Business Administration and holds an MBA from Ahmadu Bello University, Zaria. He holds several diplomas and has attended key seminars locally and internationally. Deji started his banking career in 1992 and has had requisite and management training from banks including UBA, Citizen Bank (now Heritage Bank) and Ecobank Plc.

Deji's professional memberships include the Chartered Institute of Bankers of Nigeria (CIBN), Institute for Fraud Management and Control, Institute of Capital Market Registrars (ICMR) and Risk Management Association of Nigeria (RIMAN). Other memberships include Abuja Chamber of Commerce, Industry, Mines & Agriculture (ABUCCIMA) and Abuja Literary Society. He is a consultant to organizations including the British Council, Department for Foreign Development (DFID), the National Hospital Abuja, amongst other. His competencies include Business Transformation, Policy, Finance and Strategy. Deji is an unrelenting entrepreneur and has been actively involved in the initiation and management of several businesses traversing finance, education, insurance, health & hospitality, auto sales & servicing, IT and asset management.

Deji Fisho is an author; he currently contributes articles to both local and international journals and magazines. He has a passion for Youth Empowerment, National Integration, mentoring young people, community development and building bridges. He is a change driver and is involved in Transformation programmes across Nigeria. He speaks widely on entrepreneurship, ethics, leadership and business transformation.

Mr. Danjuma Usman
Director

A seasoned banker with over 22 years hands on banking experience acquired in senior managerial positions. His business interests spans from banking, transportation, insurance and real estate. He is happily married with children.

Mr. Ugochukwu Ezeh
Acting Managing Director/CEO

Ugochukwu Ezeh joined Fortis Microfinance Bank Plc. in April 2015, and presently acts as the Managing Director, prior to this he headed the Bank's Small-to-Medium Enterprise (SME) businesses. He has over 10 years banking experience which cut across retail, Corporate and Investment Banking, and backed with a strong analytical Credit Risk Management skill. He started his banking career with Standard Trust Bank in 2002, until its merger with United Bank for Africa Plc. In 2007, he joined Equitorial Trust Bank Ltd (now Sterling Bank Plc). He proceeded to the University of Salford, Manchester, United Kingdom where he obtained a Diploma in Economics and an M.Sc. in Investment Banking from the same University. On his return to Nigeria in 2010, he joined Access Bank Plc as a Relationship Manager with responsibilities for intergrated sales, relationship and credit strategies. Ugochukwu joined Fidelity Bank Plc in 2012 as Group Head, Construction and Project Financing, overseeing Abuja and the Northern Region. Mr Ezeh holds a B.Sc degree in Economics from University of Port Harcourt, Nigeria and an MBA (Marketing) from the Federal University of Technology Owerri, Imo State Nigeria.

Mr. Pauli Isiguzo
Director (Executive Director, Finance and Operations)

Pauli Isiguzo is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), and an Associate Member of Chartered Institute of Taxation of Nigeria (CITN) and Chartered Institute of Bankers of Nigeria (CIBN). He has over 15 years of cognate experience that cuts across Financial Management, Financial Reporting, Banking, Auditing, Portfolio Management, Strategy and Planning, Financial and Management Consultancy.

Prior to joining Fortis MFB Plc, he served with Access Bank Plc (Intercontinental Bank Plc), Platinum Mortgage Bank, Equity Bank Limited, Eurolink Consulting, and Investment Portfolio Management Services (IPMS) Limited. His career highlights includes serving as the National Consultant by the World Bank (Country Office Abuja) in 2013 to assist select states in the implementation of IPSAS; Regional Financial Controller, North Central Region in Intercontinental Bank Plc, Head Internal Audit/Control in Platinum Mortgage Bank.

Besides consulting for the World Bank, he has also consulted for the following entities: Transmission Company of Nigeria (Training); Lavie Energy Limited, Aso Savings and Loans Plc.

List of Board Members

At the moment, the Board consists of seven (7) Board members as listed below:

Mr. Felix Achibiri	Chairman
Mr. Ugochukwu Ezeh	Acting Managing Director
Mr. Kunle Oketikun	Director
Mr. Danjuma Suleiman	Director
Mr. Deji Fisho	Director
Mr. Danjuma Usman	Director
Mr. Pauli Isiguzo	Director
Mrs. Wandoo Aibangbee	Company Secretary

Board Committees

The Board carries out its responsibilities through its standing committees, which have clearly defined terms of reference, setting out their roles, responsibilities, functions and scope of authority. The Board presently has four (4) standing committes, namely: Credit & operation committee (Risk management Committee), General purpose (establishment) Committee, Audit Committee and ICT Committee.

Through these Committees, the Board is able to more effectively deal with complex and specialised issues, and to fully utilize its expertise to formulate strategies for the Bank. The Committee make recommendations to the Board, which retains responsibility for final decision making.

A summary of the roles, responsibilities and composition of each of the committees are as stated hereunder.

Risk Management Committee

The Risk Management committee is tasked with the responsibility of setting and reviewing the Bank's risk policy. The terms of reference of the Board Risk Management Committee include:

1 To review and formulate all credit processes and policies of the Bank and recommend appropriate resolutions to the Board.

2 To review and formulate all operational policies of the Bank and recommend appropriate resolutions to the Board.

3 To oversee Management's process for the identification of significant risks across the Bank and the adequacy of risk mitigation, prevention, detection and reporting mechanisms

4 To review the Bank's compliance level with applicable laws and regulatory requirements which may impact on the Bank's risk profile

5 To conduct periodic review of changes in the economic and business environment, including emerging trends and other factors relevant to the Bank's risk profile.

6 To handle any other issue referred to the Committee from time to time by the Board.

The Board's Risk Management Committee is made up of the following members:

Mr. Danjuma Usman	Chairman
Mr. Kunle Oketikun	Member
Mr. Danjuma Suleiman	Member
Mr. Deji Fisho	Member
Mr. Wandoo Aibangbe	Secretary

General Purpose Committee

The General purpose committee is saddled with the responsibility of reviewing and making appropriate recommendations to the Board as to ways of enhancing the day to day activities and policies of the Bank towards efficiency and growth. The focus of the committee is on every aspect of the operations of the Bank and it is made up of the following members:

Mr. Danjuma Suleiman	Chairman
Mr. Danjuma Usman	Member
Mr. Deji Fisho	Member
Mrs. Wandoo Aibangbe	Secretary

Audit Committee

The Audit Committee is responsible for ensuring that the Company complies with all relevent policies and procedures both from the regulators and as laid down by the Board of Directors. Its major functions include the approval of the annual audit plan of the internal auditors, review and approval of the audit scope and plan of the external auditors, review of the audit report on internal weaknesses observed by both the internal and external auditors during their respective examinations and to ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices.

The committee reviews the Bank's annual and interim financial statements, particularly the effectiveness of the Bank's disclosure controls and systems of internal control as well as areas of judgement involved in the compilation of the Bank's results. The Committee is responsible for the review of the integrity of the Bank's Financial Reporting and overseas the independence and objectivity of the external auditors. The Committee has access to external auditors to seek explanations and additional information, while the internal and external auditors have unrestricted access to the Committee, which ensures that their independence is in no way impaired

The committee is made up of three (3) Non-Executive Directors of which one of them has relevant recent financial experience. The committee is comprised of the following members:

Mr. Deji Fisho	Chairman
Mr. Danjuma Usman	Member
Mr. Kunle Oketikun	Member
Mrs. Wandoo Aibangbee	Secretary

ICT Committee

This committee is saddled with the responsibility of:

1 Ensuring that significant ICT projects meet business requirements

2 Ensuring due process is followed in evaluation and approval of significant applications and platforms

3 Monitor and make recommendations on risk associated with ICT investment that significantly affect the Company.

4 Performing other functions as may be referred to it by the Board from time to time.

The ICT Committee is comprised of the following members

Mr. Danjuma Usman	Chairman
Mr. Deji Fisho	Member
Mr. Kunle Oketikun	Member
Mrs. Wandoo Aibangbee	Secretary

Roles & Responsibilities

These duties of the Board may be delegated to a subcommittee of the Board or to the Managing Director/CEO

1. The governing body of the Bank shall be the Board of Directors, which establishes policy, directs the activities of the officers and committees, and approves all actions pertaining to the business of the Bank.

2 The Board must approve all new policies and policy revisions before being incorporated into the policy manual.

3. The Board approves the procedure manual of each committee if available.

4 The budget of the Bank shall be presented on an annual basis and approved by the Board prior to its effective date. The Board reviews the committees and officers' reports and make recommendations concerning committees activities.

5. The Board has the responsibility for retaining legal counsel and approving the retainer fee paid to legal counsel. The Board evaluates the services rendered by legal counsel annually, prior to the renewal of the retainer agreement.

6 The Board has the responsibility for retaining an external auditor. The Board evaluates the performance of the auditor on an annual basis prior to renewal of the contract.

7. Approve the mission of the Bank and review management's performance in achieving it.

8. Annually assess the ever-changing environment and approve the the Bank strategy to be responsive.

9. Annually review and approve the operational plans

10 The Board of Directors will meet at least four times during the calendar year.

11 The Board Chairman in consultation with the executive committee may call special meetings.

12 Attendance of officers is required at all Board meetings and official events of the Bank. Request to be excused shall be communicated as soon as possible to the Chairman of the Board of Directors.

13 An Officer owes his/her loyalty to the Bank and may not, without permission of the Board, use their position as Officer or Director to his/her own advantage.

14 An Officer or Director may not be a designated representative of two organizations that would constitute a conflict of interest.

15 The Bank's directors may not serve as an officer of another organization whose primary or secondary activity is related to the activities of the Bank.

Organizational tasks

1. Elect, monitor, appraise advice, stimulate, support, reward, and, if deemed necessary or desirable, change Top Management.

2 Annually approve the performance review of the Managing Director and establish compensation based on recommendations of the Executive Committee and the Board Chairman.

3 Be assured that management succession is properly planned.
4 Be assured that the organizational strength and employee base can substantiate long-range goals.
5. Approve appropriate compensation and benefit policies and practices
6. Annually review the performance of the Board (including its composition, organization, and responsibilities) and take steps to improve its performance.

Operational tasks

1 Review results achieved by management compared with the organization's mission and annual long-range goals. Compare the performance of the Bank with that of similar institutions.

2. Be certain that the financial structure of the Bank will adequately support its current needs and long-range strategy.

3 Provide candid and constructive criticism, advice and comments to the management
4 Approve major actions of the Bank such as capital expenditures on all projects over authorized limits and major changes in programs and services.

Audit tasks

1 Ensure that the Board and its Committees are adequately informed of the financial condition of the Bank and its operations through reports or by any appropriate method
2 Ensure that published reports properly reflect the operating results and financial condition of the Bank.
3 Ensure that management has established appropriate policies to define conflicts of interest throughout the Bank
4 Appoint independent auditors subject to approval by Board members
5. Review compliance with relevant material laws affecting the organizations and its programs and operations

Confidentiality

Confidentiality is a hallmark of professionalism**.** The Bank Directors must:
1 Ensure that all information which is confidential or privileged or which is not publicly available is not disclosed inappropriately
2 Ensure that all non-public information about other persons or firms acquired by the Bank personnel in dealing with outside firms on behalf of the Bank is treated as confidential and not disclosed.

Roles of Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and and no one individual combines the two offices.

Chairman, Board of Directors

The Chairman is the Senior Leader of the Board of Directors of **the Bank** who presides at all meetings of the Board of Directors, the executive committee and other meetings as required, and guides the board in the enforcement of all policies and regulations relating to the Bank. The Chairman oversees implementation of corporate and local policies and ensures that appropriate administrative systems are established and maintained. The Chairman is an ex-officio member of all committees.

Key Responsibilities

1 Works with the Managing Director, Board Officers, Committee Chairs and Company Secretary to develop the agendas for Board Meetings, and presides at all Board and Business meetings
2 Appoints board members to key leadership positions, including positions as Chair of board committees and service committees as appropriate with Board Approval
3 Serve on the Executive, Budget and Finance, and other committees as may be appropriate
4 Works with the Board of Directors and paid leadership, in accordance with the Banks By-Laws, to establish and maintain systems for:
    i Planning the human and financial resources for the Bank and for setting priorities for future development and growth
    ii Reviewing operational and service effectiveness and setting priorities for future development and growth
    iii Controlling fiscal affairs
    iv Acquiring, maintaining, and disposing of property
    v Maintaining a public relations program to ensure community involvement
    vi Ensuring ethical standards are maintained
5 Be directly responsible to the Board of Directors for the administration of the Bank
6 Serve as the official representative and spokesperson for the Bank
7 Perform any other duties that are necessary for the success of the Bank

Managing Director (Chief Executive Officer)

The Managing Director is responsible for the overall administration and management of the Bank business operations. Areas of responsibility include planning and evaluation, policy development and administration, personnel and fiscal management and public relations and provision of quality services to the community, and he/she is directly accountable (responsible and reporting) to the Board of Directors of the Bank.

Responsibilities

The Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors some of which are to:

1 Develop and facilitate/direct an active planning process for achieving the philosophy, mission, strategy, annual goals and objectives of the Bank.
2 Develop organizational goals and objectives consistent with the mission and vision of the Bank.
3 Develop and administer operational policies
4 Oversee all activities and services including business development to ensure that the Bank's objectives are met.
5 Ensure compliance with regulatory requirements.
6 Provide information for evaluation of the the Bank's activities.

Company Secretary

The Company secretary shall attend all sessions of the Board and all meetings of the shareholders and act as secretary, and record all the votes of the Company and the minutes of all its transactions in a book to be kept for that purpose, and shall perform like duties for all given notice of all meetings of the shareholders and of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Managing Director, and under whose supervision he/she shall be. He/she shall keep in safe custody the Corporate Seal of the Bank, and when authorized by the Board, affix the same to any instrument requiring same.

Description Committee Chairs

Purpose/Description

The Committee Chair sets the tone for the work of the committee. He or she ensures that members have the information needed and oversees the logistics of the committee's operations. The Committee Chair is also responsible for linking the work of the Committee back to the full Board with reports to the Board chairman.

2. SHARE HOLDERS

Meetings of shareholders

Meetings of shareholders shall be held at the registered office of the bank or at such place, either within or outside Abuja, as may be selected from time to time by the Board of Directors.

Annual General Meetings

The Annual General Meeting of the shareholders shall be held as designated each year if not a public holiday. When the shareholders shall meet to transact such other business as may properly be brought before the meeting. If the annual meeting is for election of Directors and is not held on the date designated therefore, the Directors shall cause the meeting to be held as soon thereafter as convenient.

Election of Directors

Elections of the Directors of the bank shall be in accordance with the Bank's Articles of Association and Bye Laws.

Special meetings

Whenever there is a written request for a special meeting, it shall be the duty of the company secretary to fix the date of the meeting to be held not more than thirty days after receipt of the request, and to give due notice thereof. If the company Secretary neglects or refuses to fix the date for the meeting and give notice thereof, the person or persons calling the meeting may do so.

Special meetings of the shareholders may be called at any time by the Chairman, the Board of Directors or Shareholders entitled to cast at least one-fifth of the votes of all Shareholders.

Business transacted at all special meetings shall be confined to the objects stated in the call and matters germane thereto, unless all shareholders entitled to vote are present and consent otherwise.

Written notice of a special meeting of Shareholders stating the time, place and object thereof, shall be given to each shareholder entitled to vote at least 7 days before such meeting, unless a greater period of notice is required by law.

3 Other Officers

The Executive Officers of the Bank shall be chosen by the Directors and shall be a Chairman, Managing Director/CEO, Executive Director, (Operations and Risk Management) and Executive Director, (Business Development).

Remuneration

Salaries and other allowances of all officers and agents of the bank shall be fixed by the Board of Directors.

Term of Office

The Executive Officers of the Board shall hold office for Five years with an option to renew for another term.(The maximum term is 2) until their successor who is qualified has been chosen. Any officer or agent elected or appointed by the Board may be removed by the Board of Directors. In the judgment of the Board of Directors, the best interest of the Company will be served accordinly.

Chairman

The Chairman shall preside at all meetings of the Shareholders and Directors. He/she shall see that all orders and resolutions of the Board are carried into effect, subject however, to the right of the Directors to delegate any specific powers, except such as may be by statute exclusively conferred on the Chairman, to any other officer or officers of the Bank.

Managing Director /CEO

The Managing Director/CEO shall attend all sessions of the Board. The Managing Director/CEO shall be the Chief Executive Officer of the Company; He/she shall have general and active management of the business of the Company, subject, however, to the right of the Directors to delegate any specific powers, except such as may be by statute exclusively conferred on the Managing Director/CEO, to any other officer or officers of the Bank. He/she shall have the general power and duties of supervision and management usually vested in the office of Managing Director/CEO of the Bank.

Executive Director (Finance and Operations)

The Executive Director, (Finance and Operations) shall have custody of the Corporate Funds and Securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company, and shall keep the moneys of the Company in separate account to the credit of the Company. He shall be supervised by the Managing Director and responsible to the Executive Committee (EXCO). He/she shall disburse the funds of the Company as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the Managing Director and Directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as Executive Director - Operations and Risk Management of the financial condition of the Company.

Executive Director (Business Development)

The Executive Director Business Development shall solicit and initiate new business measures for the Company and shall also have custody of the Corporate Funds. He /She shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company. He shall also be supervised by the MD and responsible to the Executive Committee (EXCO). He/she shall render to the MD and directors, at the regular meetings of the Board, or whenever they may require it, an account of all his transactions as an Executive Director.

Internal Management Structure

The Company operates an integral management structure where all officers are accountable for duties and responsibilities attached to their respective offices and there are clearly defined and acceptable lines of authority and responsibility

FORTIS MICROFINANCE BANK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2015

	Notes	2015 N	2014 N
ASSETS			
Assets			
Cash and cash equivalents	17	3,587,356,870	2,394,295,270
Loan and advances to customers	18	13,918,512,155	11,729,356,112
Investment securities	19	650,000,000	699,999,947
Property, plant and equipment	20	191,135,150	204,110,189
Intangible assets	21	69,793,417	62,063,698
Other assets	22	880,875,654	856,135,472
Non current Assets held for sale	22b	640,000,000	640,000,000
Total assets		19,937,673,246	16,585,960,688
Liabilities			
Deposits from banks	23	609,876,600	490,943,474
Deposits from customers	24	10,035,684,791	9,587,379,246
Deposits for shares	25	1,822,000,000	1,822,000,000
On-lending facilities	26	4,177,722,097	1,438,005,303
Current income tax liabilities	27	318,047,746	742,160,345
Deferred tax	28	38,433,184	38,485,555
Other liabilities	29	252,731,496	367,513,334
Total liabilities		17,254,495,914	14,486,487,257
Equity			
Share capital	30	815,045,500	815,045,500
Share premium		-	-
Statutory reserve	30d.	804,554,858	658,628,883
Regulatory risk reserve	30e.	76,154,841	69,578,922
Retained earnings	30c.	126,661,313	510,504,807
Bonus Reserves	30f.	860,760,819	45,715,319
Total equity		2,683,177,331	2,099,473,431
Total equity and liabilities		19,937,673,246	16,585,960,688

Ag Managing Director
Mr. Ugochukwu Ezeh (FRC/2016/CIBN/00000014286)

Director
Kunle Oketikun (FRC/2013/CBN/00000004499)

The notes form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2015

	Notes	2015 N	2014 N
Interest income	7	2,804,744,065	2,498,609,279
Interest expenses	8	(1,786,419,429)	(1,460,744,722)
Net interest income		1,018,324,636	1,037,864,557
Loan impairment charges	9	(49,182,139)	(15,450,961)
Net interest income after loan impairment charges		969,142,498	1,022,413,596
Fee and commission income	10	795,425,211	823,019,567
Fee and commisssion expense	11	(10,057,939)	(9,785,150)
Net fee commission income		785,367,272	813,234,417
Other operating income	12	49,146,540	40,194,988
Other income		834,513,812	853,429,405
Total operating income		1,803,656,310	1,875,843,001
Personnel expenses	13	(459,106,458)	(376,986,374)
General and administrative expenses	14	(416,862,340)	(384,436,721)
Depreciation and amortisation		(45,166,396)	(43,918,896)
Total expenses		(921,135,194)	(805,341,991)
Profit before income tax		882,521,116	1,070,501,010
Income tax expenses	15	(298,817,216)	(395,988,264)
Profit for the year		583,703,900	674,512,746
Other compreehensive income:			
Income tax relating to component of other comprehensive income			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year		583,703,900	674,512,746
Earnings per share		0.36	0.41

The notes form an integral part of these financial statements

FORTIS MICROFINANCE BANK PLC

Statement of changes in equity

	31st December, 2015						
	Share capital	**Share premium**	**Regulatory risk reserve**	**Bonus Reserves**	**Statutory reserve**	**Retained earnings**	**Total**
Balance at 1 January 2015	815,045,500	-	69,578,922	45,715,319	658,628,883	510,504,807	2,099,473,431
Profit for the year		-	-	-		583,703,900	583,703,900
Transfers for the year		-	-	-	145,925,975	(145,925,975)	-
Transfers for the year	-		6,575,919	815,045,500		(821,621,419)	-
Dividends to equity holders	-	-	-	-	-	-	-
Balance at 3I December 2015	**815,045,500**	**-**	**76,154,841**	**860,760,819**	**804,554,858**	**126,661,313**	**2,683,177,331**

	31st December 2014						
	Share capital	**Share premium**	**Regulatory risk reserve**	**Bonus Reserves**	**Statutory reserve**	**Retained earnings**	**Total**
Balance at 1 January 2014	815,045,500	-	43,250,927	45,715,319	316,409,911	194,613,830	1,415,035,487
Profit for the year	-	-	-	-	-	674,512,746	674,512,746
Prior year adjustments	-	-	-	-	-	9,925,198	9,925,198
Transfers for the year	-	-		-	342,218,972	(342,218,972)	-
Transfers to Regulatory Reserve			26,327,995			(26,327,995)	-
Dividends to equity holders	-	-	-	-	-	-	-
Balance at 31 December 2014	815,045,500	-	69,578,922	45,715,319	658,628,883	510,504,807	2,099,473,431

a. The notes on pages 24 to74 forms an integral part of these financial statements

FORTIS MICROFINANCE BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2015

	2015	2014
	N	N
Cash flow from operating activities		
Profit for the period	583,703,900	674,512,746
Adjustments for:		
Depreciation of property and equipment	32,759,708	33,525,848
Amortisation of intangibles	12,406,689	10,393,048
Prior year adjustment- Interest Income	-	2,896
Adjustment- Defered tax	(38,485,554)	-
Impairment of financial assets	49,182,139	15,450,961
Income tax expenses	298,817,216	395,988,264
	938,384,097	1,129,873,762
Changes in:		
Loan and advances to customers	(2,231,762,262)	(3,509,105,802)
Other assets	(24,740,182)	(502,369,149)
Deposits from banks	118,933,126	(370,311,610)
Deposits from customers	448,305,545	1,312,066,837
Deposit for shares	-	1,182,000,000
Regulatory Reserves	(6,575,919)	(26,327,995)
Other liabilities	(114,781,838)	81,073,599
	(1,810,621,530)	(1,832,974,120)
Interest received	2,804,744,065	2,498,609,279
Interest paid	(1,786,419,429)	(1,460,744,722)
	1,018,324,636	1,037,864,557
Tax paid	(684,496,630)	(101,729,710)
Net cash from/(used in) operating activities	(1,556,734,063)	(804,830,067)
Cash flows from investing activities		
Purchase of property, plant & equipment	(19,784,670)	(26,830,492)
Purchase of intangible software	(20,136,408)	(20,579,802)
Purchase of investments	(650,000,000)	(699,999,947)
Disposal of investments	699,999,947	481,254,795
Net cash from/(used in) investing activities	10,078,869	(266,155,446)
Cash flows from financing activities		
Shares issued	-	-
Finance lease repayment	-	-
Proceeds from On-lending facilities	2,739,716,794	687,550,303
Net cash from / (used in) finaning activities	2,739,716,794	687,550,303
Net increase / decrease in cash & cash equivalents	1,193,061,600	(383,435,210)
Cash and cash equivalents at beginning of year	2,394,295,270	2,777,730,480
Cash and cash equivalents at end of year	3,587,356,870	2,394,295,270

FORTIS MICOFINANCE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2015

1 Reporting entity

Fortis Microfinance Bank Plc ("the Bank) is domiciled in Nigeria. The Bank's registered office is located at Medife House Plot 2135, Herbert Macaulay Way, Wuse Zone 5, Abuja. These financial statements for the year ended 31st December 2015 are prepared for the Bank. The Bank is primarily involved in the provision of Microfinaning products and services.

2 Statement of Compliance with International Financial Reporting Standards

The financial statements of Fortis Microfinance Bank Plc have been prepared in accordance with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except for the available -for- sale financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgements in the process of applying the entity's accounting policies. The areas involving a higher judgement in degree of judgement or complexity, areas where assumptions and estimates are significant to the financial statements are stated in Note 3.

3 Significant Accounting Policies

(a) Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(b) Functional and presentation currency

These financial statements are presented in Nigeria Naira, which is the Bank's functional currency.

(c) Basis of measurement

These financial statements have been prepared on the Historical Cost convention except for the following:

(i) Available- for- sale financial assets are measured at fair value.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Details of significant estimates made in preparing the financial statements are in note 6 of the financial statements.

(e) *New and ammended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year.

(i) Standards and interpretations issued but not yet effective.

Standard	Content	Effective Date
IAS 27	Separate financial statement	1-Jan-13
IAS 28	Investment in associate and joint venture	1-Jan-13
IAS 19	Employee benefit	1-Jan-13
IFRS 10	Consolidated financial statement	1-Jan-13
IFRS 11	Joint arrangement	1-Jan-13
IFRS 12	Disclosure of interest in other entities	1-Jan-13
IFRS 13	Fair value measurement	1-Jan-13
IFRS 32	Financial instruments: presentation	1-Jan-13
IFRS 9	Financial instruments	1-Jan-15

IAS 27: Separate Financial Statement (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company presented separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28: Investment in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 19: Employee benefits (Amendment)

IAS19 Employee Benefits(amended 2011) outlines the accounting requirements for employee benefits, including short-term benefits (e.g wages and salaries, annual leave), post-employment benefits such as retirement benefits, other long-term benefits (e.g long service leave) and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

IFRS 10: Consolidated Financial Statement

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require Management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1st January, 2013.

IFRS 11: Joint Arrangement

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers.

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12: Disclosure of interest in other entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13: Fair value measurment

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9: Financial instruments - Classification and measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013.

FORTIS MICOFINANCE BANK PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2015

(f) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The Company is only into a single line of business "provision of credit to small and medium size enterprises". No information on operating segment is presented to the Chief Operating Decision Maker. No single customer contributes 10% or more of the Bank's revenue.

(g) Interest

Interest income and expenses are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the entity estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

Interest income and expense presented in the financial statement include:

(i) interest on financial assets and liabilities measured at amortised cost calculated on an effective interest
(ii) Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis.

(h) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate such as Management fee, Availment fee, processing fee and Legal fee.

Other fees and commission income, including application fee, search fee, ATM switch fee, monthly service charge, sales commission, and placement fees are recognized as the related services are performed. When a loan commitment is not expected to result in the draw- down of
Other fees and commision expense relates mainly to transaction and service fees, which are expensed as the services are received.

(i) Dividend income

Dividend income is recognized when the right to receive income is estabilshed. Dividends on trading equities are reflected as a component of

net trading income. Dividend income on long term equity investments is recognized as a component of other operating income.

(j) Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. they are divided into finance leases and operating leases.

(a) The entity is a lessee

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease. When an operating lease is terminated before the expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

(ii) Finance lease

Leases where the entity has substancially all the risks and rewards of ownership, are classified as finance leases. Finance leeases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocacted between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(b) The entity is the lessor

When the assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(k) Income Tax

(a) Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arising from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and carry-forwards; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred tax assets are recognized when it is probable that future taxable profit will be available against which these temporary differences can be utilised. The tax effects of carry-forwards of unused losses or unused tax credits are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurement of available- for- sale, which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(l) Financial assets and liabilities

(i) Recognition

The entity recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the entity becomes a party to the contractual provisions of the instrument.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Subsequent recognition of financial assets and liabilities is at amortised cost or fair value.

When the transaction price differs from the fair value of other observable current market, transactions in the same instrument or based on a valuation technique whose variables include only data observable from markets, the bank immediately recognises the difference between the transaction price and the fair value (a ’Day 1’ profit or loss) in’ Net gains/(losses) on financial instruments classified as held for trading’. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

(ii) Classification

The classification of financial instruments depends on the purpose and management’s intention for which the financial instruments were acquired and their characteristics.

(iii) De-recognition

The entity de-recognises a fianancial asset when the contractual rights to the cash flows from the financial assets expire, or when it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substancially all of the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the entity is recognized as a separate asset or liability.

The entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The entity enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the entity neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the entity continues to recognise the asset to the extent of its continuing involvement, determnined by extent to which it is exposed to changes in the value of the transferred asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the entity 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.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the entity’s trading activities.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

For financial instruments traded in active markets, the determination of fair values of financial assets and fianacial liabilities is based on quoted market price or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occuring market transactions on an arm's length basis. If the above criteria are met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer or significant increase in the bid- offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, NIBOR, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

In cases where the fair value of the unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into credit quality, liquidity and costs. The fair values of contingent liabilities and irrecoverable loan commitments correspond to their carrying amounts.

The best evidence of fair value of a financial instument at initial recognition is the transaction price, i.e, the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data observable from markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or instrument is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the insrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

(vii) Identification and measurement of impairment

(a) Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) Assets classified as available for sale

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Bank uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(m) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents, cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(n) Financial assets and liabilities at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the entity as a fair value through profit or loss upon initial recognition.

Financial liabilities for which the fair value option is applied are recognised in the statement of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(i) Financial assets and liabilities classified as held for trading

Trading assets and liabilities are those assets and liabilities that the entity acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

(iii) Reclassification of financial assets and liabilities

The entity may choose to reclassify a non-derivative financial asset held for trading out of the held for trading category if the financial assets other than loans and receivabless are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to reocur in the near-term. In addition, the entity may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the entity has the intention and ability to hold these financial assets for the forseeable future until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no revearsals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determinedd at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(o) Assets pledged as collateral

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial assets held for trading to assets pledged as collateral, if the transferee has received the right to sell or re-pledged them in the event of default from agreed terms. Initial and subsequent measurement of assets pledged as collateral is at fair value.

(p) Loans and advances

Loans and advances are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the entity does not intend to sell immediately or in the near term.
When the entity is a lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the entity purchases a financial asset and simultaneously enters into an agreement to resell the assets (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as loan or advance, and the underlying asset is not recognised in the entity's financial statements. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the entity becomes entitled to the dividend.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the entity has the intention to hold that financial asset for the foreseeable future or until maturity.

Non Current assets held for sale

The bank assessment at the end of each reporting period whether there is objective evidence that financial assets or a group of financial assets is impaired. In the case of equity investment clasified as availoable for sale, a significant or prolonged decline in the fair value of security below its cost is also evidenced that the assets are impaired. If any such evidence exist for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairement loss on that financial asset previously recorgnized in profit or loss is removed from equity and recorgnized in profit or loss. impairement losses recorgnised in the income statement on equity instrument are not reversed through the income statement. if. in a subsequent period, the fair value of a debt instrument classified as available for sale increases and increase can be objectively related to an event occuring after the impairement loss was recorgnized in profit or loss, the impairement loss is reversed through the income ststement. the non-current asset available for sale during the year was the N640 million surrendered directors properties to be used for equity upon sale. there was no evidence of impairement and as at the reporting date objective estimate was not available. Any impairement noticed in subsequent year will be adjusted for based on IAS 10.

(q) Property, plant and equipment

Land and buildings comprise mainly Bank premises and offices. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses of on qualifying cash flow hedges foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'. Where there is no evidence of impairment the value of land and buildings will not be tested for impairment; also where there is no objective valuation any revaluation adjsutment will not be recognised.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Property, Plant and Equipment	Useful Lives	Depreciation Rate
Furniture and fittings	10 years	10%
Equipment	10 years	10%
Computers and IT equipments	10 years	10%
Motor vehicles	5 years	20%
Plant and machinery	5 years	20%
Freehold Building	50 years	2%
Leasehold Building	50 years	2%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

An item of property plant 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.

(r) Intangible assets

(i) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the entity are recognised as intangible assets when the following criteria are met:

(1). it is technically feasible to complete the software product so that it will be available for use;
(2). management intends to complete the software product and use or sell it;
(3). there is an ability to use or sell the software product;
(4). it can be demonstrated how the software product will generate probable future economic benefits;
(5). adequate technical, financial and other resources to complete the development and to use or sell the software
(6). the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives, which in this case is 10 years.

Amortisation is recognised in profit and loss on a straight-line basis over the useful life of the software, from the date that the asset is available for use since most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.
Computer software development costs recognised as assets in line with IAS 38-Intangible assets, are amortised over their estimated useful life, which in this case is 10 years.
Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate

(s) Impairment of non-financial assets and Other Assets

Assets that have an indefinite useful life for example, goodwill or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. When there is no evidence or indication of impairment, the non financial assets other assets will not be tested for impairment losses.The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(t) Deposits liabilities

The entity classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of thr instrument.

Deposits and debt securities are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(u) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the entity has a present legal or constructive obligation as a result of past events; it is probable that an out flow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an out flow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(v) Financial guarantees

Financial guarantees are contracts that require the entity to make specified payments to reimburse the holder for a loss it incurs because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liabilities is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guaarantees are included within other liabilities.

(w) Disclosure of Employee benefits in accordance with IAS 19

(i) Pension obligations

The Bank operates a defined contribution schemes. A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate entity. The entity has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The entity has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the entity before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the entity 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.

(x) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(y) Share capital and reserves

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company’s equity share capital (treasury shares), the consideration paid,

(z) Earnings per share

The entity presents its basic 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.

4 Financial Risk Management Framework

(a) Introduction and overview

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

(i) Credit risk
(ii) Operational risk
(iii) Market risk
(iv) Liquidity risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks.

Risk management philosophy

The risk management philosophy of Fortis microfinance Bank Plc is drawn from its mission and vision statements and seeks to achieve maximum optimisation of the risk - return trade off, while ensuring strong commitment to the following key indices:

(i) Excellent service delivery across business segments
(ii) Sound performance reporting (financial and non-financial)
(iii) Sound corporate governance

Risk management framework

The focus of risk management in Fortis Microfinance Bank Plc (hereinafter referred to as the bank) is to ensure business continuity and effective integration over time into the organization processes so that risk management do not only protect value, but create value.

The risk management framework and methodology is based on and complies with the International Risk Management Standard ISO 31000 and the Central Bank of Nigeria's directions for risk management.

The frame work clearly states the organization's desired risk management culture which is a going concern, and the role of the Board of Directors, management and other employees of the bank in the achievement of this culture. It looks at risk management from an enterprise perspective and shows clearly the functions of every stake holder in the risk management function.

The major risk elements as it affects the bank are individually isolated and ways/processes of identifying them and possible mitigants are highlighted. The risk management process is a continuous one and this is also stressed in this framework. The various kinds of transaction and activity to avoid in other to reduce vulnerability as it relates to individual risk element mentioned are also highlighted.

Risk management governance structure

To be effective, the concern and tune for risk management must start at the top. While the overall responsibility of risk management rests with the Board os Directors (BOD), it is the duty of senior management to transform strategic direction set by the Board in the shape of policies and procedures and to institute an effective hierarchy to execute and implement these policies. To ensure that the policies are consistent with the risk tolerance of shareholders the same should be approved by the Board. To keep these policies in line with significant changes in internal and external environment, Board of DIrectors (BOD) is expected to review these policies and make appropriate changes as and when deemed necessary and at least every year. In line with the forgoing, the governance structure of the bank's risk management and their expected responsibilities are as follows;

(a) The Board Risk management committee

There shall be a Board Risk Management Committee (BRMC) which will consist of at least four (4) members with at least two (2) non-executive directors, one of whom shall serve as Chairman. The MD/CEO shall be a member of the committee and they shall carry out the following responsibilities;

(I). Approve the bank's risk management documentation including the strategic risk profile, risk appetite and tolerance, risk management policy and procedures

(II). Set the standards and expectations of the Bank with respect to conduct and behavior, and ensure that effective risk management is enforced through an effective performance management system

(III) Monitor the management of high and significant risks, and the effectiveness of associated controls through the review and discussion of quarterly or biannually risk management reports

(iV) Satisfy itself that risks with lower ratings are effectively managed with appropriate controls in place and effective reporting structures

(V). Approve major decisions affecting the organization's risk profile and exposure

(VI) Ensure that management as well as individuals responsible for managing individual risks facing the bank possess sound expertise and knowledge to accomplish the risk management function.

(b) The Risk Management Committee

The formulation of policies related to risk management only would not solve the purpose unless these are clearly communicated down the line. Senior management has to ensure that these policies are embedded in the culture of the Bank. In this vein, there shall be a Risk Management Committee which will be chaired by the Risk Manager/Head RAMG (Risk Asset Management Group), and shall comprise of the following;

(i) The Head, Legal Department
(ii) The Head of Operations
(iii) The Head, Treasury Department
(iv) The Head, Internal Control and Audit

The Risk Management Committee (RMC) which will have a reporting relationship to the BRMC (Board Risk Management Committee)shall carry out the following responsibilities;

(i). Implementation of risk policies and procedures keeping in view the strategic direction and risk appetite specified by the board

(ii). Development and implementation of procedures and practices that translate the board's goal, objectives and risk tolerance into operating standards that are well understood by Bank's personnel

(iii). Establish lines of authority and responsibility for managing individual risk elements in line with the board's overall direction

(iv). Establish and implement risk identification, measurement, monitoring and control procedures

(v). Ensure that the bank's risk management processes are properly documented and adequate awareness about same created amongst the generality of staff so as to make risk management a part of the corporate culture of the bank.

(vi). Review the Bank's risk management frameworks, identify lapses and suggest corrective measures

(c) The Risk Management Department

The Risk Management Department of which is headed by the Head, RAMG (Risk Asset Management Group) shall be a member of the Risk Management Committee (RMC) and also report to same and the BRMC (Board Risk Management Committee). The head of the department shall act as advisor and co-coordinator for risk and shall not have direct operational responsibility for individual risk element except Operation Risk. The department shall carry out the following responsibilities;

(I) Establish systems and procedures relating to risk identification, measurement and control, and monitor the loan and investment portfolio quality for early warnings

(II) Ensure that risk remains within the boundaries established by the board

(III) Ensure that business lines comply with risk parameters and prudential limits established by the board.

(IV) Proffer remedial measures to address identified deficiencies and problems

(V) Work with risk champions to ensure that the risk management processes are implemented in accordance with risk management policy and strategy

(VI) Ensure that relevant risk information is reported and escalated or cascaded, as the case may be, in a timely manner that supports organizational requirement

(VII Oversee and update the Bank's risk profile with input from the risk champions

(d) The Risk Champions

Risk Champions are typically line managers and functional specialists in different units and departments of the Bank. For this context, risk champions of the bank shall be;

(i) Branch Managers
(ii) Customer Service Managers
(iii) Relationship Managers
(iv) Customer Service Officers
(v) The Bank Unit Heads They shall carryout the following risk management responsibilities;

(I) Manage the risk they have accountability for and in line with their job function

(II) Review the risk on a regular basis and identify where current control deficiencies may exist

(III) Implement and monitor risk treatment proposed by the RMC (Risk Management Committee)/risk management department

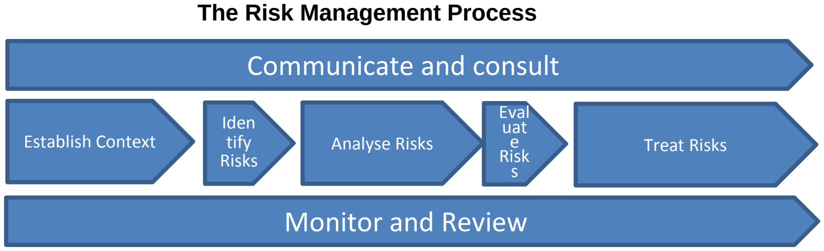
(IV) Submit a weekly risk/loss event report to the risk management department showing frequency of occurrences and impact to their job function and the bank at large and escalate the risk where it is increasing in likelihood or consequence

(V) Provide information about the risk in their jurisdiction when it is requested

(e) The Risk Management Process

For the purpose of this document, risk management process shall be defined as "a comprehensive system where appropriate risk management environment and culture is created, maintain an efficient risk measurement, mitigating and monitoring process, and putting in place adequate internal control arrangement". The risk management process of the bank which is a continuous process shall not be far from this. The Bank's risk management process shall be;

The Risk Management Process



As shown in the diagram above, Communicate and Consult and Monitoring and Review shall be ongoing activities that occur at every stage of the process. The following are the meanings and significance of the various elements of the process;

(1). **Communication and Consult:** For this purpose, means communicating and consulting with

- (I) Stakeholder Management Plan (either dedicated to risk management or containing a risk management element)
- (II) Communications that have been provided to internal and/or external stakeholders. Example, the risk
- (III) Outcomes of communication and consultation evaluation exercises

(2). **Establishing the Context:** Is concerned with understanding the background of the organization and its risk, establishing the external, internal and risk management context in which the rest of the process will take place. Criteria against which risk will be assessed will be established and the structure defined. Establishing the risk management context shall include;

- (I). Definition of responsibilities
- (II). Depth and breadth of the risk management activities to be carried out, including specific inclusions
- (III). Definition of risk assessment methodologies
- (IV). What decision have to be made
- (V). Scoping or framing studies needed, their extent, objectives, and the resources required for such
- (VI). Design of the Risk Management Framework, Risk Management Policy, Risk Assessment Criteria

(3). Identify Risks: This is defined as “the process of determining what, where, when and why and how something could happen”. The objective of risk identification is to generate a comprehensive list of risks based on those events and circumstances that might enhance, prevent, degrade or delay the achievement of the bank’s objectives. This list of risk shall be used to guide the analysis, evaluation, treatment and monitoring of key risk elements. This exercise is critical because a risk that is not identified may be excluded from further analysis.

(4). Analyze Risk: This is a systematic process to understand the nature of risk and determine the level of the risk. it provides an input to decisions on whether risk needs to be treated and the most
The type of risk analysis to be employed by the bank at any point in time shall be Qualitative (use of words to describe

the magnitude of potential consequences and the likelihood that those consequences will occur) or Semi Quantitative

(Use of nominal ranking scales, i.e values are assigned to likelihood and consequence scale) analysis.

(5). Evaluate Risks: This involves comparing a risk’s overall exposure against the organization’s risk tolerance. This shall be the determinant of whether further controls are required to bring the risk within a level acceptable to the organization. The output of the evaluation shall be produce a prioritized list of risks that require action. The bank shall use a simple risk mapping method as a further or immediate fall out from the bank’s risk profile for evaluation of risk.

(6). Risk Treatment: This involves identifying the range of options for treating risks, assessing these options and the preparation and implementation of treatment plans. The risks that falls outside the bank’s risk tolerable levels are those which pose a significant potential impact on the ability of the bank to achieve her set objectives. Such risk must be treated to minimize these impacts.

(7). Monitoring and Review: involves analyzing and learning lessons from events, changes and trends and ensuring that the risk control and treatment measures are effective in both design and operation. This is key to enable the bank ensure effectiveness and adequacy of risk management process,
Successful risk management requires frequent and open communication and it contributes to good corporate governance by providing reliable and current information to the board, senior management and other stakeholders

(b). Credit Risk

Credit Risk arises from the possibility that an obligor is either unwilling to perform his obligation or his ability to perform such obligation is impaired resulting in economic loss to the bank. It is a risk that a borrower will not repay what is owned as at when due. The nature of credit risk for the bank in this context shall be;

- (I). Direct Lending/Default Risk: Risk that obligors will be unable or unwilling to pay the contractual interest or principal on their debt.

- (II). Contingent Lending (BG/APG): Risk that a potential customer obligation will become actual obligation and will not
- (III). Documentary Exposure: Risk that documentary evidence which bank depends on under contract may not be
- (IV). Legal Risk: Risk arising from the type and nature of contractual agreements. Risk that contracts may not be

Credit Strategy

The credit strategy of the Bank shall hinge on its credit philosophy and the philosophy shall be based on the following

(I). The reduction of concentration to a particular sector, industries and persons.
(II). Portfolio flexibility and liquidity.
(III). Strict adherence to credit policies.
(IV). Giving credit to only identifiable and suitable customers with credible records and identified addresses.
(V). Never give credit based on futuristic, optimistic and speculative reasons.
(VI). Risk considerations should always have priority over business and profit.
(VII) Repayment sources must be identified before advancing credit.
(VIII Securities/collateral should never be the basis for credit but a fall back or extra comfort.
(IX). Avoid conflict of interest and insider trading.
(X). Apply sanctions for non-compliance with credit policies.

Internal Credit Policies and Procedures

All credit requests must pass up the hierarchy before getting to the MD/CEO who is the final approval authority. The approval process as set out in the Credit Policy and Procedures Manual shall apply. In the absence of decentralization of credit approval, and for all credits to be approved centrally, the Management Credit Committee (MCC) shall be the approving body. The MCC shall comprise of the following;

(I). MD/CEO
(II). Executive Director (ED), Finance and Operations
(III). Executive Director (ED), Business Development
(IV). Head Risk Management.
(V). Head Credit Administration and Analysis Department (CAAD).

Credit Risk Measurement

The bank shall use qualitative and quantitative techniques in measuring risk inherent in the credit portfolio. Credit

Credit Risk Rating Framework

The Bank shall have in place a clearly-defined credit risk rating system for all retail obligors and products to measure

DESCRIPTION	RATING BUCKET	RANGE OF SCORES (%)
Extremely low risk	AAA	100-85
VERY LOW RIS	AA	84-71
LOW RISK	A	70-61
ACCEPTABLE RISK	BBB	60-51
MODERATELY HIGH RISK	BB	50-41
HIGH RISK	B	40-36
EXTREMLY HIGH RISK	CC	20 below

Retail customer risk shall be based on expert systems adjusted for local peculiarities with sufficient attention given to

(I). Age of key man.
(II). Management of business
(III). Ownership of premises.
(IV). Contact address with phone numbers.
(V). Experience in business.
(VI). Length and worth of relationship with the Bank.
(VII) Value and reliability of collateral (where applicable).
(VIII 6 months turnover.
(IX). Monthly cash flow in relation to monthly loan repayment.
(X). Credit term requested.
(XI). Type of credit product.
(XII) Credit history/record.

Maximum exposure to credit risk

The maximum exposure to credit risk the Bank has is as follow:

	2015	2014
Cash and cash equivalent		
Fixed deposits with other banks	3,103,056,106	1,667,543,805
Loan and advances to customers		
Loan and advances to customers	13,786,836,285	10,529,878,308
Staff related loans	146,728,922	269,234,243
Other loans and advnaces	197,568,324	1,093,682,798
Investment securities		
Available for sale	650,000,000	699,999,947
Total	17,884,189,636	14,260,339,101

The Bank's operation is based within Abuja and credit exposures are located within Abuja.
The Bank's risk assets portfolio are with the microcredit customers and small and medium sized companies.

Impaired loans and securities
Impaired loans and securities are loans and securities or which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. These are loans specifically impaired.

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to indidually significant exposures, and a colective loan loss allowance, established for homogeneous assets in respect of losses that have been incurred but have not been

Write-off policy
The Bank writes off a loan/security balance when the Board of Director determines that the loans/securities are uncollectible.
This determination is reached after considering information such as the occurrence of significant changes in the
All loans and advances are categorised as either:

- Neither past due nor impaired
- Past due but not impaired
- Individually impaired

Financial Risk Management Framework

The impairment allowance includes allowance against financial assets that have been individually impaired and those subject to collective impairment.

	2015			
	Cash and cash equivalent	Loans and advances	Investment securities	Other assets
Carrying amount	3,587,356,870	13,918,512,155	650,000,000	880,875,654
Individually impaired				
Gross amount	-	13,709,395,692	-	-
Allowance for impairment	-	(132,960,509)	-	-
	-	13,576,435,183	-	-
Collectively impaired				
Gross amount	-	421,737,838	-	-
Allowance for impairment	-	(79,660,866)	-	-
	-	342,076,972	-	-
Neither past due not impaired				
Gross amount	-	-	650,000,000	880,875,654
	-	-	650,000,000	880,875,654
Cash and cash equivalent	3,587,356,870	-	-	-
	3,587,356,870	-	-	-
Total carrying amount	3,587,356,870	13,918,512,155	650,000,000	880,875,654

	2014			
	Cash and cash equivalent	Loans and advances	Investment securities	Other assets
Carrying amount	2,394,295,270	11,729,356,112	699,999,947	856,135,472
Individually impaired				
Gross amount	-	574,292,616	-	-
Allowance for impairment	-	(64,062,783)	-	-
	-	510,229,833	-	-
Collectively impaired				
Gross amount	-	11,318,502,733	-	-
Allowance for impairment	-	(99,376,454)	-	-
	-	11,219,126,279	-	-
Neither past due nor impaired				
Gross amount	-	-	699,999,947	856,135,472
	-	-	699,999,947	856,135,472
Cash and cash equivalent	2,394,295,270	-	-	-
	2,394,295,270	-	-	-
Total carrying amount	2,394,295,270	11,729,356,112	699,999,947	856,135,472

Nigeria Prudential Guidelines

The Bank also maintains information on the credit quality of its loans and advances in line with CBN prudential guidelines. Where the provision under prudential Guidelines is higher than IFRS impairment, the Company recognises impairment based on IFRS and difference between IFRS and the Prudential Guideline is recognised in regulatory risk reserves as non distributable reserves. Where the provision under Prudential Guideline is less than the IFRS impairment, the Bank recognises impairment based on IFRS.

	2015	
	Gross	Impairment
Performing	13,709,395,692	137,072,690
Pass & Watch	210,650,115	10,532,506
Substandard	163,360,044	32,672,009
Doubtful	17,615,180	8,807,590
Lost	30,112,500	30,112,500
	14,131,133,530	219,197,294

The provision of N219,197,294 for 31 December 2015, is in accordance with CBN prudential guideline is higher than impairment under IFRS. The difference of N6,575,919 is taken to Regulatory Risk Reserve.

	2014	
	Gross	Impairment
Performing	11,431,158,382	114,311,584
Pass & Watch	241,655,148	12,082,757
Substandard	181,511,160	36,302,232
Doubtful	22,800,000	11,400,000
Lost	15,670,659	15,670,659
	11,892,795,349	189,767,232

	2015	2014
Regulatory risk reserves	76,154,841	69,578,922

The nature of the various collateral held were as follow:

	2015	2014
Individually impaired		
Cash	1,746,000,000	1,636,000,000
Motor	14,000,000	14,000,000
Property	2,105,911,395	2,105,911,395
Collectively impaired		
Cash	355,160,800	324,160,760
Motor	-	-
Property	195,296,215	193,296,215
Total carrying amount	4,416,368,410	4,273,368,370

Disclosure on Loan Portfolio Composition

1 Products in Portfolio Volume

Micro-enterprise loans	6,381,923,273
Small and Medium enterprise loans	6,216,763,000
Large enterprise loans	1,248,063,716
Education loans	114,973,258
Loans for immediate household needs	122,637,571
Other loans	46,772,713
Total	**14,131,133,530**

2 **Portfolio at risk >30 days (volume)**

Micro-enterprise loans	96,411,999
Small and Medium Enterprise loans	43,839,459
Large Enterprise loans	13,076,316
Education loans	56,216,913
Loans for immediate household needs	-
Housing loans	-
Other loans	9,652,608
Total	**219,197,294**

Financial Risk Management Framework

Credit Collateral

Collateral shall be any of cash/ near cash, landed property with legal, verifiable and transferrable title and acceptance guarantees. Based on the nature of the bank's operation i.e microfinance Bank, It only accepts collateral for loans above N500,000 and the value of such collaterals must be at least 150% of the total loan sum. This is to guarantee the bank against the risk of default from its customers.

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers and bank is shown below:

	2015	2014
Individually impaired	3,865,911,395	3,755,911,395
Collectively impaired	550,457,015	517,456,975
Cash and cash equivalent	-	-
Total carrying amount	4,416,368,410	4,273,368,370

The nature of the various collateral held are as follow:

	2015	2014
Individually impaired		
Cash	1,636,000,000	1,636,000,000
Motor	14,000,000	14,000,000
Property	2,105,911,395	2,105,911,395
Collectively impaired		
Cash	355,160,800	324,160,760
Motor		-
Property	195,296,215	193,296,215
Total carrying amount	4,306,368,410	4,273,368,370

Credit Control

The Internal Control and Audit unit shall from time to time, carry out checks and off site checks on the overall performance of the credit portfolio and its true position. This shall be done by collating the data on the loan portfolio and carrying out verification with the named customers on the portfolio. Also, they shall from time to time call over the disbursement and loan payment on the banking software and shall raise exceptions where applicable. Their control activities shall also be geared towards monitoring and reporting of credit exceptions and deterioration.

Managing Problem Credit

The bank shall have in place a methodology for identifying and managing problem credits and problem credits in this context shall be one which the obligor has failed to meet up to all agreed and signed terms and conditions guiding the granting of the credit.
Problem loans shall be escalated by the Loan Monitoring Units and handed over to the Debt Recovery Unit for remedial treatments.

Credit portfolio neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by the reference to the internal rating system adopted by the Bank.

DESCRIPTION	RATING BUCKET	2015	2014
LOW RISK	AAA-A	4,308,495,122	4,273,368,370
MODERATE RISK	BBB- B	9,593,441,114	7,333,776,591
EXTREMLY HIGH RISK	CC	229,197,294	285,650,388
		14,131,133,530	11,892,795,349

C. Operational Risk

Operational risk can be defined as the risk of loss resulting from inadequate or failed internal processes, people, and system or from external events. Operational Risk arises from the execution of the organization's daily activities, making it a very broad concept.

Operational Risk Management Process

Operational Risk Management involves interfacing with all units within the organization to ensure that the primary operational risk factors are highlighted and mitigated adequately so that they do no crystallize. It is aimed at reducing the frequency and severity of events leading to operational losses and maintenance of a robust control and monitoring system. The process of managing operational risk in the bank shall be;

(I). Risk Assessment: Conduct RCSA (RIsk and Control Self Assessment), Compile KRI (Key Risk Indicators), Collate Loss data

(II). Risk Identification: RCSA (RIsk and Control Self Assessment) Profile Result, KRI (Key RIsk Indicators) trends & Loss data with concentration

(III). Risk Measurement: Probability & Severity Assessment, Overall risk rating

(IV). Risk Control: Report identified risks and recommend control/mitigants to all stake holders

(V). Risk Monitoring: Frequent trend analysis Follow up with business

Monitoring and Control

An effective monitoring process shall be entrenched in the bank to promote adequate managing of operational risk. The ORM (Operation and Risk Management) Department shall monitor the implementation of agreed remedial actions through reminders to the responsible parties and status reports detailing implementation progress and key challenges. Implementation of agreed remedial action shall be monitored on a continuous basis until required controls are confirmed to be in place. The ORM (Operation and RIsk Management) Department shall prepare update on implemented remedial actions on a monthly basis.

D. Market Risk

This is a risk of loss in on and off balance sheet positions arising from movements in market places. Market risk can be defined as the potential loss resulting from declining/changes in prices in the financial market. There are various elements of market risk. The primary ones, sometimes referred to as “pure market risk” are:

(I). Interest rate risk and,
(II). Equity risk

Identifying interest rate risk

Interest rate risk is the exposure of a bank’s financial condition to adverse movements in interest rates which are likely to affect the bank’s earnings and capital base. This includes any opportunity cost that might arise if the bank were to fix interest rates on its assets and/or liabilities in a falling or rising interest rate environment.

Controlling interest rate risk

The Bank shall primarily use a combination of limits to control their interest rate risk exposures. The Treasury unit shall use Earnings-at-risk limit to control the exposure of the Bank’s projected future reported earnings. The Treasury unit shall also establish Gap limits to control the Bank’s risk to earnings arising from mismatches between the repricing of rate sensitive assets and liabilities. Limits on Gap mismatches shall be expressed in terms of net income at risk under various scenarios.

The proposal of the above mentioned limits shall be agreed with the Treasurer and submitted to the RMC (Risk Management Committee) through the Head Risk Management. All recommendations shall take cognizance of the size, complexity, risk tolerance and capital adequacy of the Bank. In addition, recommendations shall be realistic and consistent with the nature and business imperatives of the operating environment. The proposal of the above mentioned limits shall be agreed with the Treasurer and submitted to the RMC (Risk Management Committee) through the Head Risk Management. All recommendations shall take cognizance of the size, complexity, risk tolerance and capital adequacy of the Bank. In addition, recommendations shall be realistic and consistent with the nature and business imperatives of the operating environment.

The Treasury unit shall monitor the Bank’s exposure from interest rate risk and ensure that established limits are always adhered to. They shall monitor the exposures daily by collating reports from the bank’s transaction systems. Exceptions to policy limits shall be approved, where necessary, by the Head, Risk Management and the MD/Chief Executive Officer based the recommendation of the Treasurer. All such exceptional approvals are to be presented to the RMC (Risk Management Committee) at its earliest subsequent meeting for ratification.

A summary of the Bank’s interest rate gap position on trading and non trading portfolio is as follow:

Market risk

Repricing period	2015			
	Carrying amount	Less than 3month	3 - 6 months	Above 6 months
Cash and cash equivalents	3,587,356,870	3,587,356,870	-	-
Loan and advances to customers	13,918,512,155	10,438,884,116	2,087,776,823	1,391,851,215
Investment securities	650,000,000	650,000,000	-	-
Other assets	880,875,654	880,875,654	-	-
	19,036,744,678	15,557,116,639	2,087,776,823	1,391,851,215
Deposits from banks	609,876,600	609,876,600	-	-
Deposits from customers	10,035,684,791	10,035,684,791	-	-
Other liabilities	2,140,047,746	2,140,047,746	-	-
On-lending facilities	4,177,722,097	-	-	4,177,722,097
Other liabilities	252,731,496	252,731,496	-	-
	17,216,062,730	13,038,340,633	-	4,177,722,097
	1,820,681,948	2,518,776,006	2,087,776,823	(2,785,870,881)

	2014			
	Carrying amount	Less than 3month	3 - 6 months	Above 3 months
Cash and cash equivalents	2,394,295,270	2,394,295,270	-	-
Loan and advances to customers	11,729,356,112	8,797,017,084	1,759,403,417	1,172,935,611
Investment securities	699,999,947	699,999,947	-	-
Other assets	856,135,472	856,135,472	-	-
	15,679,786,801	12,747,447,773	1,759,403,417	1,172,935,611
Deposits from banks	490,943,474	490,943,474	-	-
Deposits from customers	9,587,379,246	9,587,379,246	-	-
Other liabilities	1,438,005,303	1,438,005,303	-	-
On-lending facilities	1,438,005,303	-	-	1,438,005,303
Other liabilities	367,513,334	367,513,334	-	-
	13,321,846,660	11,883,841,357	-	1,438,005,303
	2,357,940,141	863,606,416	1,759,403,417	(265,069,692)

As at year end if the interest rate on assets and liabilities held at amortised cost should increase/decrease by 100 basis point,

	2015		2014	
	Profit	**Equity**	**Profit**	**Equity**
Decrease		0	0	0

There was no changes in the basis of carrying out the sensitivity analysis from the prior period.

Exposure to foreign exchange

Foreign exchange risk represents exposure to changes in values of current holding and future cash flows denominated in other currencies. Based on the Microfinance Bank Act, the Bank is not allowed to hold or invest in any assets/laibilities in foreign currency. Therefore the Bank does not have any foreign exchange risk.

e. Liquidity Risk

Liquidity is the Bank's ability to fund increases in assets and meet obligations as they come due and is crucial to the ongoing viability of any banking organization. Therefore, managing liquidity is one of the most important activities conducted by banks.

Liquidity Risk is defined as the risk to a Bank's earnings and capital arising from its inability to meet obligations as and when due and at reasonable cost. This risk can expose the bank to litigation, financial loss, or damage to its reputation. In the extreme, it could lead to the collapse of the institution.

Liquidity Strategy

The Treasurer of the bank shall be responsible for the implementation of the liquidity strategy of the bank, through the treasury unit. The bank shall have the following as its liquidity strategy;

(i) A liquidity ratio of a minimum of 25% at every point in time as against the 20% stipulated by the CBN (Central Bank of Nigeria). This shall be monitored and reported daily to the risk management committee and EXCO (Executive Committee) by the treasurer

(ii) When ratio drops below 25%, loans and advances shall cease or drop also, pending the re-enhancement of the ratio

(iii) The bank shall maintain a revolving overdraft lines with selected/correspondence commercial banks, to provide contingent funding when the need arise

(iv) Liquidity shall be derived from customer/Microcredit savings, deposits in current accounts and term deposits from selected customers which shall conform to the approved interest rate guide of the bank.

Controlling Liquidity Risk

ALCO(Assets and Liabilities Committee) shall control the Bank's exposure to liquidity risk by setting limits and putting in place a Contingency Funding Plan (CFP). In setting limits the following factors shall be taken into consideration:

(I). The Bank's risk tolerance.
(II). The nature of the Bank's funding strategies and activities.
(III). The Bank's past and current performance.
(IV). Regulatory limits.
(V). The Bank's level of earnings and capital available to absorb potential losses.

The Treasurer shall select relevant ratios for which, limits shall be set. ALCO(Assets and Liabilities Committee) and RMC (Risk Management Committee) shall approve the appropriate limits consistent with the size, complexity, risk tolerance and capital adequacy of the Bank. Where exceptions to exceed limits are required, these shall be proposed by the Treasurer for anticipatory approval of the Managing Director/Chief Executive Officer depending on the amount to be exceeded.

Limits shall be reviewed by ALCO (Assets and liabilities committee) either annually or when the risk tolerance of the Bank changes for any given reason. All amendments shall be approved by RMC. Under no circumstance shall the Bank breach regulatory guidelines in setting limits. Internal Control shall monitor compliance with set internal and regulatory limits. Should the set limits be exceeded, a report is to be made immediately to the Treasurer for corrective action.

The Treasurer shall develop and implement a CFP (Contingency Funding Plan) to address the strategies for handling liquidity crises which shall also include procedures for compensating cash flow shortfalls for temporary (this includes day-to-day) and long term emergency situations. The CFP (Contingency Funding Plan) is an extension of ongoing liquidity management and establishes the objectives for sound liquidity risk management by ensuring:

(i) The maintenance of an appropriate amount of liquid assets.
(ii) The measurement and projection of funding requirements during various scenarios.
(iii) The management of access to funding sources.

Details of reported ratio of net liquid assets to deposit from customer at the reporting date and during the period were as follow:

	2015	2014
At end of period	24%	30%
Average for the period	26%	25%
Maximum for the period	38%	30%
Minimum for the period	21%	20%

Financial Risk Management Framework

The table below shows the undiscounted cash flows on the Bank’s financial assets and liabilities and on the basis of their earliest possible contractual maturity.

Maturity profile	2015				
	Carrying amount	Gross nominal inflow/outflow	Less than 3 month	3 - 6 months	Above 6 months
Cash and cash equivalents	3,587,356,870	3,623,230,438	3,623,230,438	-	-
Loan and advances to customers	13,918,512,155	14,057,697,276	10,543,272,957	2,108,654,591	1,405,769,728
Investment securities	650,000,000	656,500,000	656,500,000	-	-
	18,155,869,025	18,337,427,715	14,823,003,396	2,108,654,591	1,405,769,728
Deposits from banks	609,876,600	615,975,366	615,975,366	-	-
Deposits from customers	10,035,684,791	10,136,041,639	10,136,041,639	-	-
On-lending facilities	4,177,722,097	4,177,722,097	4,177,722,097	-	-
	14,823,283,487	14,929,739,101	14,929,739,101	-	-
	3,332,585,537	3,407,688,614	(106,735,706)	2,108,654,591	1,405,769,728

	2014				
	Carrying amount	Gross nominal inflow/outflow	Less than 3 month	3 - 6 months	Above 6 months
Cash and cash equivalents	2,394,295,270	2,418,238,222	2,418,238,222	-	-
Loan and advances to customers	11,729,356,112	11,846,649,673	8,884,987,255	1,776,997,451	1,184,664,967
Investment securities	699,999,947	706,999,946	706,999,946	-	-
	14,823,651,329	*14,971,887,842*	*12,010,225,424*	*1,776,997,451*	*1,184,664,967*
Deposits from banks	490,943,474	495,852,909	495852908.7	-	-
Deposits from customers	9,587,379,246	9,683,253,038	9,683,253,038	-	-
On-lending facilities	1,438,005,303	1,438,005,303	1,438,005,303	-	-
	11,516,328,023	11,617,111,250	11,617,111,250	-	-
	3,307,323,306	3,354,776,592	393,114,174	1,776,997,451	1,184,664,967

Financial Risk Management Framework

5 Capital Management

The Bank’s regulator, Central Bank of Nigeria, sets and monitors capital requirements for the Bank. The Bank is directly suppervised by the Central bank of Nigeria. In implememnting the current capital requirements, Central Bank of Nigeria requires the Bank to maintain prescribed ratio of total capital to total risk-weighted assets.

The capital adequacy ratio is the ratio of the capital based of the Bank to the risk weighted asset based. In accordance with the Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintianed.

Tier 1 capital		
Share capital	815,045,500	815,045,500
Share premium	-	-
Statutory reserve	804,554,858	658,628,883
Retained earnings	126,661,313	510,504,807
Bonus issue	860,760,819	45,715,319
Shareholders’ fund	2,607,022,490	2,029,894,509
Add/(less):		
Fair value reserve for available for sale		
Intangible assets	(69,793,417)	(62,063,698)
Total regulatory risk capital	2,537,229,073	1,967,830,811
Risk-weighted assets	13,918,512,155	11,729,356,112
Total regulatory capital expressed as a percentage of total risk-weighted assets.	18%	17%

6 Key sources of estimation uncertainty

Allowances for credit lossess

In accordance with IAS 39, the Bank assesses at each balance sheet date whether there is objective evidence that loan assets or available for sale financial investments (debt or equity) will not be recovered in full and, wherever necessary, recognises an impairment loss in the income statement. An impairment loss is recognised if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets.

Impairment assessments are conducted individually for significant assets, which comprise all wholesale customer loans and larger retail business loans and collectively for smaller loans and for portfolio level risks, such as country or sectoral risks. For the purposes of the assessment, loans with similar credit risk characteristics are grouped together – generally on the basis of their product type, industry, geographical location, collateral type, past due status and other factors relevant to the evaluation of expected future cash flows.

The impairment assessment includes estimating the expected future cash flows from the asset or the group of assets, which are then discounted using the original effective interest rate calculated for the asset. If this is lower than the carrying value of the asset or the portfolio, an impairment allowance is raised.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

Following impairment, interest income continues to be recognised at the original effective interest rate on the restated carrying amount. Uncollectable loans are written off against the related allowance for loan impairment on completion of the Group’s internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to the income statement.

Impairment of available for sale equity instruments

Where there has been a prolonged or significant decline in the fair value of an equity instrument below its acquisition cost, it is deemed to be impaired. The cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. Increases in the fair value of equity instruments after impairment are recognised directly in other comprehensive income. Further declines in the fair value of equity instruments after impairment are recognised in the income statement.

Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management’s judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

Determination of impairmentof property and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impariment exist.

Valuation of financial instruments

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that coudl indicate that impariment exist.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair hierarchy into which the fair value measurement is categorised.

	2015		
	Level 1	level 2	level 3
Available for sale financial assets	-	650,000,000	-

	2014		
	Level 1	level 2	level 3
Available for sale financial assets	-	699,999,947	-

7 Interest income

	2015	2014
Placements	229,144,535	149,508,414
Loans and advances	2,575,599,530	2,334,361,084
Other financial instruments	-	14,739,781
	2,804,744,065	2,498,609,279

8 Interest expense

	2015	2014
Savings Accounts	50,658,552	19,721,369
Term Deposits	1,370,058,036	1,441,023,353
On-Lending Facilities	365,702,841	
	1,786,419,429	1,460,744,722

9 Loan impairment charges

	2015	2014
Collective impairment	33,584,055	17,760,679
Specific impairment	15,598,084	(2,309,718)
Amount written off during the year as uncollectible		
	49,182,139	15,450,961

10 Fee and commisssion

	2015	2014
Commission on turnover	88,130,269	115,728,231
Commission on managers’ cheque	133,000	151,084
Other commissions	9,848,708	11,278,229
Fees	697,313,234	695,862,023
	795,425,211	823,019,567

11 Fee and commisssion expenses

	2015	2014
Fee and commission expense	10,057,939	9,785,150
	10,057,939	9,785,150

12 Other operating income

	2015	2014
Other banking income	49,146,540	40,194,988
	49,146,540	40,194,988

13 Personnel expenses

	2015	2014
Salaries and wages	406,791,068	346,702,861
Pension contribution (Employees)	7,537,713	3,261,507
Pension contribution (Employer)	8,575,727	3,261,507
Other related staff expenses	36,201,950	23,760,499
	459,106,458	376,986,374

14 Other administrative expenses

	2015	2014
Share capital increase expenses	44,588,673	10,846,950
NDIC Premium and other insurance	21,903,604	22,501,923
Other administrative expenses	166,559,849	173,594,658
Repair and maintenance	24,021,909	32,185,115
Transport expenses	9,609,310	8,197,638
Diesel and Fuel cost	35,733,185	30,455,052
Directors Related Expenses	21,848,683	27,512,153
Professional fee/expenses	49,953,246	8,366,080
Audit fees	4,000,000	4,000,000
Rent and rates	38,643,880	66,777,152
	416,862,340	384,436,721

15 Income tax expenses

	2015	2014
Company income tax	279,579,266	367,800,778
Education tax	19,290,321	25,349,322
	298,869,586	393,150,100
Under provision of tax in previous year	-	1,952,663
Deferred tax expenses		
Deferred tax expenses	(52,371)	885,501
	298,817,216	395,988,264

(b) Reconciliation of effective tax rate

	2015	2014
Profit for the period	585,187,363	674,512,746
Total income tax expense	(297,333,753)	395,988,264
Profit excluding income tax	287,853,610	1,070,501,010
Income tax using the Company's domestic	92,113,155	342,560,323
Non-deductible expenses*	-	-
Tax incentives (investment allowance)	-	-
	92,113,155	342,560,323

16 Earnings per share

Basic earnings per share

Basic earnings per share of N0.36kobo (2014:N0.41kobo) is based on the profit attributable to ordinary shareholders of N583,703,900 (2014:N674,512,746) and on the ordinary shares of1,630,091,000 (2014:1,630,091,000).

Profit attributable to ordinary shareholders

	2015	2014
Profit for the period	583,703,900	674,512,746
Profit attributable to ordinary shareholders	583,703,900	674,512,746

Weighted average number of ordinary shares

	2015	2014
Issued ordinary shares at 1 January	1,630,091,000	1,630,091,000
Effect of share options exercised	-	-
Weighted average number of ordinary shares at 31st December	1,630,091,000	1,630,091,000

16a Pension Contribution

In accordance with the provision of the pension reform Act 2004, the bank commenced a contributory pension scheme in 2008. The contribution of the bank during the period 2015 is N16.1 Million (2014: N6.4 Million). Employees of the Bank contributed 8% of the sum of basic, housing and transport allowance of staff emolument as pension. This has been adjusted in line with recent review of the Pension Act.

16b Audit Fees

The audit fees under operating expenses is based on accrual accounting principle whereby the transaction was recorgnised at the time of occurrence. The amount N4,000,000 on audit fee (note 14) represented the actual payment and accruals for financial year 2015 on the professional fees due to the auditors.

17 Cash and cash equivalents

	2015	2014
Cash in vault, tills and teller safe	44,241,854	58,234,040
Current account with other Banks	436,278,230	602,878,066
Fixed deposits with other banks	3,103,056,106	1,667,543,805
Other Cash Items	3,780,681	65,639,359
	3,587,356,870	2,394,295,270

18 Loans and advances

	2015	2014
Loan and advances to customers	13,786,836,285	10,529,878,308
Staff related loans	146,728,922	269,234,243
Other loans and advnaces	197,568,324	1,093,682,798
	14,131,133,530	11,892,795,349
Impairment - Specific	(79,660,867)	(64,062,783)
Impairment - collective	(132,960,509)	(99,376,454)
	13,918,512,155	11,729,356,112

Reconciliation of allowances account for losses on loans and advances to banks

	2015		
	Specific	Collective	Total
Beginning of year	64,062,783	99,376,454	163,439,237
Charge for the year	15,598,084	33,584,055	49,182,139
End of year	79,660,867	132,960,509	212,621,376

	2014		
	Specific	Collective	Total
Beginning of year	66,372,501	81,615,775	147,988,276
Charge for the year	(2,309,718)	17,760,679	15,450,961
	-	-	-
End of year	64,062,783	99,376,454	163,439,237

19 Investment securities

	2015	2014
Held to maturity		
Treasury bills	650,000,000	699,999,947
	650,000,000	699,999,947

20 Property, plant and equipment

	Freehold buildings	Plant and Machinery	Computer equipment	Office equipment	Motor vehicles	Furniture and fittings	Total
Cost	₦' 000	₦' 000	₦' 000	₦' 000	₦' 000		₦' 000
1-January-2015							
Cost	109,234,717	48,370,565	76,827,959	54,801,210	203,909,805	37,708,102	530,852,358
Additions		3,130,000	4,221,400	1,911,270	9,800,000	722,000	19,784,670
Disposals	-	-	-	-	-	-	-
31 DECEMBER, 2015	109,234,717	51,500,565	81,049,359	56,712,480	213,709,805	38,430,102	550,637,028
Accumulated depreciation							
1-January-2015	11,997,972	42,209,543	34,269,590	27,486,188	190,926,742	19,852,135	326,742,170
Depreciation	2,184,694	2,906,367	7,884,699	5,587,374	10,411,613	3,784,960	32,759,708
Disposals	-	-	-	-	-	-	-
31 DECEMBER, 2015	14,182,666	45,115,910	42,154,289	33,073,562	201,338,355	23,637,095	359,501,878
Netbook value							
31 DECEMBER, 2015	95,052,051	6,384,655	38,895,070	23,638,918	12,371,450	14,793,007	191,135,150
31 December 2014	97,236,745	6,161,022	42,558,369	27,315,022	12,983,063	17,855,967	204,110,189

21 Intangible assets

Cost	Purchased software
Balance at 1 January 2015	103,930,479
Addition	20,136,408
Disposal	-
Balance at 31 December, 2015	124,066,887
Amortisation and impairment losses	
Balance at 1 January 2015	41,866,781
Amortisation for the period	12,406,689
Reclassification	-
Balance at 31 December, 2015	54,273,470
Carrying amounts	
Balance at 31 December, 2015	69,793,417
Balance at 31 December 2014	62,063,698

22 Other assets

	2015	2014
Prepayment	119,081,436	28,575,564
Account receivables	680,311,222	650,883,787
Others	81,482,995	176,676,121
	880,875,654	856,135,472

		2015	2014
22b.	**Non current asset held for sale**	640,000,000	640,000,000

The non current asset held for sale represents properties surrendered by Directors valued at N640,000,000, in cosideration for the Bank's shares. The properties are to be sold and the proceeds utilised by the Bank. The CBN will only approve this as capital injection after the sale of those properties.

23 Deposits from banks

	2015	2014
Deposits from banks	609,876,600	490,943,474
	609,876,600	490,943,474

24 Deposits from customers

	2015	2014
Current accounts	409,427,146	251,211,855
Saving accounts	577,041,297	135,780,009
Term deposits	9,049,216,348	9,200,387,382
	10,035,684,791	9,587,379,246

All term deposits from customers are at fixed interest rates.

25 **Deposits for shares**	1,822,000,000	1,822,000,000

This represents various deposits by investors for the shares of the company and the fair value of properties (Building) transferred to Fortis Microfinance Bank PLC in consideration for shares of the company. The building is valued at N640,000,000

26 On-lending facilities

	2015	2014
On-lending facilities	4,177,722,097	1,438,005,303
	4,177,722,097	1,438,005,303

27 Taxation

	2015	2014
Balance brought forward	742,160,345	448,787,292
Charge for the period	298,869,586	393,150,100
	1,041,029,931	841,937,392
Add under provision in previous years	-	1,952,663
Less: Reversal of adjustment during the year	(38,485,555)	-
Taxation	1,002,544,376	843,890,055
Less payment for the period	(684,496,630)	(101,729,710)
	318,047,746	742,160,345

28 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributed to the following:

Movement in temporary differences during the year

	2015		
	Beginning	Profit or loss	End of year
Plant and equipment	38,485,555	52,371	38,433,184
	38,485,555	52,370.69	38,433,184

	2014		
	Beginning	Profit or loss	End of year
Plant and equipment	37,600,054	(885,501)	38,485,555
	37,600,054	(885,501)	38,485,555

29 Other liabilities

	2015	2014
Other taxes payable	50,019,104	73,389,930
Sundry deposit	36,237,949	101,820,719
Teller overage	2,723,456	1,761,462
Other payables	93,097,082	94,742,674
Account payable	45,615,768	27,212,872
Managers cheque	25,038,137	68,585,677
	252,731,496	367,513,334

30 Capital and reserve

Share capital
The holders of ordinary shares are entitled to receive dividend from time to time and are entitled to vote at meetings of the banks.

(a) Authorised

	2015	2014
5,000,000,000 Ordinary shares of 50k each	2,500,000,000	2,500,000,000
	2,500,000,000	2,500,000,000

(b) Share capital

	2015	2014
1,630,091,000 Ordinary shares of 50k each	815,045,500	815,045,500
	815,045,500	815,045,500

The movement on the issued and fully paid up share capital account during the year was as follows:

	2015	2014
Balance, beginning of year	815,045,500	815,045,500
Increase in the year	-	-
Bonus share capitalised	-	-
Balance, end of year	815,045,500	815,045,500

The movement on the share premium during the year was as follows:

	2015	2014
Balance, beginning of year	-	-
Increase in the year	-	-
Bonus share capitalised	-	-
Balance, end of year	-	-

(c) Retained earnings

	2015	2014
Balance, beginning of year	510,504,807	194,613,830
Increase in the year	583,703,900	674,512,746
Adjusment	(815,045,500)	9,925,198
Transfer to statutory reserve	(145,925,975)	(342,218,972)
Transfer to Regulatory Risk Reserve	(6,575,919)	(26,327,995)
Balance, end of year	126,661,313	510,504,807

(d) Statutory reserve

	2015	2014
Balance, beginning of year	658,628,883	316,409,911
Increase in the year	145,925,975	342,218,972
Balance, end of year	804,554,858	658,628,883

(e) Regulatory risk reserve

	2015	2014
Balance, beginning of year	69,578,922	43,250,927
Increase in the year	6,575,919	26,327,995
Balance, end of year	76,154,841	69,578,922

(f) Bonus Reserve

	2015	2014
Balance, beginning of year	45,715,319	45,715,319
Increase in the year	815,045,500	-
Bonus share capitalised	-	-
Balance, end of year	860,760,819	45,715,319

31 Customer Complaints

Management is committed through a structure to promptly attend to customer complaints as it occurs, by instituting a call center department fully fortified for this purpose.

Disclosure Of Customer Complaints In Financial Statements For The Year Ended December 2015

	DESCRIPTION	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED
		2015	**2014**	**2015**	**2014**	**2015**
	Pending Complaints b/f	0	Nil	0	0	0
	Received Complaints for the period	153	1,252	2,383,000.00	0	2,383,000.00
	Resolved Complaints during the period	153	1252	2,383,000.00	0	2,383,000.00

32 Insider-Related Transaction

(i) Related parties: Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes investment as well as key management personnel.

(ii) Transaction with key management personnel: The Company's key management personnel, and persons connected with them, are

There was no insider-related credit or transaction during the year.

33 Penalty

The only penalty paid during the year was in respect of late submission of 2014 Audited Accounts to Nigeria Stock Exchange amounting to N1,100,000.

FORTIS MICROFINANCE BANK PLC

VALUE ADDED STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015		2014	
	N	**%**	**N**	**%**
Gross Income	3,649,315,816		3,361,823,834	
Interest expenses				
local	(1,796,477,368)		(1,470,529,872)	
Net interest income	1,852,838,448		1,891,293,962	
Dimunition in asset value	(49,182,139)		(15,450,961)	
	1,803,656,310		1,875,843,001	
Bought-in materials and services				
local	(416,862,340)		(384,436,721)	
Value added	**1,386,793,970**	**100%**	**1,491,406,280**	**100%**
Distribution:				
Employees				
Salaries and benefits	459,106,458	33%	376,986,374	25%
Government				
Income tax	298,817,216	22%	395,988,264	27%
Retained in the Bank				
Asset replacement (depreciation)	45,166,396	3%	43,918,896	3%
Profit for the year (including statutory)	583,703,900	42%	674,512,746	45%
	1,386,793,970	**100%**	**1,491,406,280**	**100%**

These statements represent the distribution of the wealth created through the use of the bank's assets through its own and employees effort

FORTIS MICROFINANCE BANK PLC

5 YEAR FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
	N	N	N	N	N
ASSETS					
Cash and cash equivalents	3,587,356,870	2,394,295,270	2,777,730,480	976,314,911	1,078,972,072
Loan and advances to customers	13,918,512,155	11,729,356,112	8,209,373,276	5,950,070,697	2,997,569,751
Investment securities	650,000,000	699,999,947	481,254,795	291,676,712	200,000,000
Property, plant and equipment	191,135,150	204,110,189	200,883,243	230,728,114	267,483,144
Intangible assets	69,793,417	62,063,698	51,876,944	46,898,840	41,946,939
Other assets	880,875,654	856,135,472	353,766,323	286,708,110	362,732,092
Non Current Assets held for sale	640,000,000	640,000,000	640,000,000	-	-
Total assets	19,937,673,246	16,585,960,688	12,714,885,061	7,782,397,384	4,948,703,998
Current liabilities					
Deposits from banks	609,876,600	490,943,474	861,255,084	340,082,009	422,615,087
Deposits from customers	10,035,684,791	9,587,379,246	8,275,312,409	5,935,014,600	3,433,415,187
Deposit for shares	1,822,000,000	1,822,000,000	640,000,000		
On-lending facilities	4,177,722,097	1,438,005,303	750,455,000	134,000,000	32,000,000
Finance lease	-	-	-	22,841,226	39,547,377
Current income tax liabilities	318,047,746	742,160,345	448,787,292	193,207,359	32,841,111
Deferred tax	38,433,184	38,485,555	37,600,054	42,352,947	53,754,894
Other liabilities	252,731,496	367,513,334	286,439,735	82,766,940	60,884,036
Total liabilities	17,254,495,914	14,486,487,257	11,299,849,574	6,750,265,081	4,075,057,692
Equity					
Share capital	815,045,500	815,045,500	815,045,500	815,045,500	815,045,500
Share premium	-	-	-	-	-
Statutory reserve	804,554,858	658,628,883	316,409,911	124,958,318	45,715,320
Regulatory risk reserve	76,154,841	69,578,922	43,250,927	43,250,927	1,347,927
Retained earnings	126,661,313	510,504,807	194,613,830	3,162,238	(34,177,760)
Deposit for shares	-	-	-	-	-
Bonus issue	860,760,819	45,715,319	45,715,319	45,715,319	45,715,319
Total equity	2,683,177,331	2,099,473,431	1,415,035,487	1,032,132,302	873,646,306
Total equity and liabilities	19,937,673,246	16,585,960,688	12,714,885,061	7,782,397,383	4,948,703,998

STATEMENT OF COMPREHENSIVE INCOME

	2015	2014	2013	2012	2011
Gross Earnings	3,649,315,816	3,361,823,834	2,811,543,629	1,922,468,559	1,157,208,588
Interest expense	(1,796,477,368)	(1,470,529,872)	(1,171,118,631)	(716,756,185)	(299,019,566)
Operating and direct expenses	(921,135,194)	(805,341,991)	(968,830,279)	(814,284,736)	(575,254,204)
Impairement charge for credit losses	(49,182,139)	(15,450,961)	(36,920,385)	(83,977,340)	(29,824,950)
Profit before tax	882,521,116	1,070,501,010	634,674,334	307,450,298	253,109,868
Income tax	(298,817,216)	(395,988,264)	(251,771,149)	(148,964,301)	(22,402,608)
Profit after tax	583,703,900	674,512,746	382,903,185	158,485,997	230,707,260