RC:618784

INFINITY

MICROFINANCE BANK LTD

...my trusted growth partner

580, Ikorodu Road, Kosofe Bus-Stop, Mile 12, Lagos
Telephone: 01-7737641, 039883828, 08159091601, 08159091603
08159091609, 08159091611, 08159091655

BRANCHES: AGEGE/AJAH//ALAGBADO//BARIGA//EGBEDA//IKEJA//IKORODU//IKOTUN//ILE EPO//KETU//LAGOS ISLAND//OSHODI//OWODE ONIRIN//YABA

infinitymicrofinancebankng.com

TBOJ Consult 08023448954, 08068398403

Annual Report & Financial Statement 2017

I Go Shine

Our various financial solutions empower Our micro clients, elevate their business and elicite Joy.

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I Go Shine!

BUSINESS EMPOWERMENT

We make our micro clients shine through our support with various financial products and services.

INFINITY
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RC:618784

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MICROFINANCE BANK LTD
RC:618784

...my trusted growth partner

• Corporate Head Office

580, Ikorodu Road, Kosofe Bus-stop, Mile-12 Lagos, 08185670321, 08159091601, 08159091609, 08159091605, 08159091611

- **Ketu Office**
  2nd Floor, 4 Demurin Street, Ketu
  08159091655, 08159091621, 08159091638
- **Owode Office:**
  Plot 1, Line 1, Owode onirin Market,
  Iron Section, Owode-Ajegunle, Lagos
  08159091646, 08159091669 ,08159091623
- **Ikorodu Office**
  39, Ayangburen Street, Ikorodu, Lagos
  08159091641, 08159091658 ,08159091660
  08150833769
- **Lagos Island Office 1**
  Adeniji Adele Shopping Plaza
  11, Isale-Eko, Lagos.
  08159091613, 08159081639, 08159091657
- **Lagos Island Office 2**
  Shoppers' Mart Phase II
  118/120 Broad Street, Lagos.
  07053493962, 07054393964, 08159091625
- **Ibeju-Lekki Office**
  Eputu Mall, Eputu London
  Ibeju-Lekki, Lagos
  08150833759, 08150833760, 08158394223
  08159091654
- **Boundary Office**
  54,Baale Street, Boundary Market,
  Ajegunle
  08159091634 ,08159091635, 07054393972
- **Ikeja Office:**
  Aderonke Shopping Plaza
  20, Olowu Street, Ikeja Lagos.
  08055820831, 08159091663
- **Odongunyan Office**
  Tenibegiloju Plaza, Odongunyan
  Bus Stop, Odongunyan, Ikorodu Lagos
  08159091663, 08159091609
- **Oshodi Office**
  Akinwande House, 47, Oshodi Road,
  Oshodi, Lagos
  08159091663, 07054393966, 08158394232
- **Yaba Office**
  14, Ojuelegba Road, Opp. Tejuosho Market,
  Yaba, Lagos
  08159091668, 08158394229
- **Bariga Office**
  62, Jagunmolu Street, Bariga
  08159091617, 08159091664
- **Agege Office**
  Primal Tex Plaza
  Along Iju Road, Pen Cinema, Agege Lagos
  07054393960, 08159091648, 08159594398
- **Egbeda Office**
  Primal Tek Plaza, Egbeda
  08159091647, 08159081629
- **Ile Epo Office**
  13, Old Ota Road, Oke-Odo, Abule Egba
  08159091626, 08159091649, 08159091659
- **Alagbado Office**
  14, AIT Road, Kollington B/Stop, Alagbado,
  Lagos
  08159091631, 08150833768, 08150833764
  08150833767
- **Ikotun Office**
  Stainless Shopping Complex
  Ikotun Roundabout, Ikotun Lagos.
  08159091630, 08158394220,08150833757
- **Mushin Office**
  Chief Oduntan Plaza
  294, Agege Motor Road, Olorunsogo
  Mushin, Lagos
  08032786733, 08158993713

PRODUCTS & SERVICES

• DPA ACCT • BLESS ACCT. • BETA ACCT • INFINITY SAVING ACCT • e-NOW NOW
• INFINITY CURRENT ACCT. • LIBERTY ACCT. • E GO BETA® ACCT.
• INFINITY GROUP LOAN • INFINITY DIAMOND ACCT. (IDA)
• I GO BUILD ACCT (IGB) • MICRO HEALTH • MICRO HOUSING
• MICRO LOAN • MICRO LEASE • OVERDRAFT • CAPACITY BUILDING
• ADVISORY SERVICES

info@infinitymfb.com www.infinitymfb.com

VISION STATEMENT

The Vision of the Bank is to be the preferred providers of Microfinance Services in Nigeria.

MISSION STATEMENT

The MISSION of the Bank is to be the best growth partner to our select customers, keeping highly resourceful and motivated employees and creating highest values for our Shareholders and Communities.

PRODUCTS & SERVICES

·DPA ACCT. ·BLESS ACCT. ·BETA GOLD ACCT. ·INFINITY SAVING ACCT. ·E-NOW NOW SAVING ACCT. ·INFINITY CURRENT ACCT. ·LIBERTY ACCT. ·INFINITY CURRENT ACCT. ·INFINITY GROUP LOAN ·INFINITY DIAMOND ACCT. (IDA) ·LIBERTY ACCT. ·E GO BETA+ ACCT. ·I GO BUILD ACCT. (IGB) ·MICRO HEALTH ·MICRO HOUSING ·MICRO LOAN ·MICRO LEASE ·OVERDRAFT ·CAPACITY BUILDING ·ADVISORY SERVICES

INFINITY MICROFINANCE BANK LIMITED
STATMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

Assets	Notes	2017 ₦	2016 ₦
Cash and cash equivalents	4	238,554,974	154,763,542
Financial assets held for trading			
Loans and advances	5	874,297,693	759,912,199
Investment Securities:			
- Available for sale securities	6	4,495,940	4,495,940
- Held to maturity securities	7	55,000,000	65,000,000
Other assets	8	19,012,685	14,065,000
Property and equipment	9	77,829,346	78,678,434
Total assets		**1,269,190,638**	**1,080,915,115**
Liabilities:			
Deposit liabilities	10	505,600,953	381,699,050
Current tax liabilities	11	17,142,918	12,516,558
Term loans	12	112,224,567	140,799,567
Other liabilities	13	22,654,507	43,171,428
Total liabilities		**657,622,945**	**578,186,603**
Net assets		**611,567,693**	**502,728,513**
Equity:			
Share capital	14	110,905,670	110,905,670
Retained earnings	15	253,891,821	187,344,812
Other reserves	16	246,770,202	204,478,031
Total equity attributable to equity holders of the Company		**611,567,693**	**502,728,513**

Signed on behalf of the Board of Directors on 28 February, 2018

Chief Peter K. Asu - Chairman
FRC NO.: FRC/2013/ICAN/00000001380

Mrs. Clara Oloniniyi - MD/CEO
FRC NO.: FRC/2016/CIBN/00000014739

Mr. Gabriel O. Adewunmi - CFO
FRC NO.: FRC/2014/CIBN/00000007238

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2017.

	Notes	2017	2016
Interest income	17	436,097,268	405,375,555
Interest expense	18	(17,432,307)	(21,965,201)
Net interest income		418,664,962	383,410,354
Fee and commission income	19	87,588,332	86,452,672
Operating income		506,253,294	469,863,025
Impairment loss on financial assets	5ii	(6,500,407)	(8,750,000)
Depreciation expenses	9ii	(15,656,886)	(13,375,629)
Personnel expenses	20	(216,158,757)	(197,826,567)
Other operating expenses	21	(134,600,290)	(128,931,151)
Profit before income tax		**133,336,949**	**120,979,678**
Taxation		(12,000,325)	(10,875,000)
Profit for the year		**121,336,624**	**110,104,678**
Other comprehensive income, net of income tax			
Foreign currency translation differences for foreign operations			
Fair value gains/(losses) on available for sale investments			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year	22	**121,336,624**	**110,104,678**
Earnings per share - basic (kobo)		54.70	49.64

INFINITY
MICROFINANCE BANK LTD
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF INFINITY MICROFINANCE BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Infinity Microfinance Bank Limited ("the Microfinance Bank") which comprise the statements of financial position as at 31 December, **2017**, the statements of comprehensive income, changes in equity, statement of cash flows for the year ended 31 December, **2017**, summary of significant accounting policies and other explanatory information, as set out on pages 25-54

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that gives a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Act, 2011, the Banks and Other Financial Institutions Act of Nigeria, Supervisory and Regulatory Framework for Microfinance Banks in Nigeria, and relevant Central Bank of Nigeria circulars, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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 and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Infinity Microfinance Bank Limited as at 31 December **2017**, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Banks and Other Financial Institutions Act of Nigeria, Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks in Nigeria and relevant Central Bank of Nigeria circular.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by Infinity Microfinance Bank Limited, so far as appears from our examination of those books and the Company's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of accounts.

Contraventions

The Bank did not contravene any Section relating to Bank Loans during the Financial Year.

Olufemi Aladejebi
FRC NO.: FRC/2013/ICAN/00000001813
Olu Aladejebi & Co.
(Chartered Accountants)
Lagos, Nigeria

A1046718

Mrs Clara OLONINIYI MCIB, FICA
Managing Director/CEO

FIVE-YEAR FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
Assets	N	N	N	N	N
Cash and cash equivalents	238,554,974	154,763,542	204,025,155	123,766,689	99,591,161
Financial assets held for trading					
Loans and advances	874,297,693	759,912,199	682,939,019	523,729,545	391,664,472
Investment Securities:					
- Available-for-sale securities	4,495,940	4,495,940	7,860,479	7,906,059	8,393,443
- Held to maturity securities	55,000,000	65,000,000	20,000,000	17,500,000	55,948,717
Other assets	19,012,685	18,065,000	8,508,204	5,750,849	11,587,342
Property and equipment	77,829,346	78,678,434	32,565,438	29,515,676	22,957,979
Total assets	**1,269,190,638**	**1,080,915,115**	**955,898,295**	**708,168,818**	**590,143,114**
Liabilities:					
Deposit liabilities	505,600,953	381,699,050	340,407,141	267,716,774	256,456,628
Current tax liabilities	17,142,918	12,516,558	2,391,558	4,177,295	4,147,522
Term loans	112,224,567	140,799,567	188,791,667	99,533,333	88,125,000
Other liabilities	22,654,507	43,171,428	21,619,635	14,789,190	16,774,059
Total liabilities	**657,622,945**	**578,186,603**	**553,210,001**	**386,216,592**	**365,503,209**
Net assets	**611,567,693**	**502,728,513**	**402,688,294**	**321,952,226**	**224,639,905**
Equity:					
Share capital	110,905,670	110,905,670	110,905,670	83,179,252	41,589,626
Retained earnings	253,891,821	187,344,812	101,067,678	58,921,158	62,119,620
Other reserves	246,770,202	204,478,031	190,714,946	179,851,816	120,930,659
Total equity attributable to equity holders of the company	**611,567,693**	**502,728,513**	**402,688,294**	**321,952,226**	**224,639,905**
Gross earning	**1,029,938,894**	**961,691,252**	**756,180,247**	**347,107,963**	**262,209,447**
Profit before taxation	**133,336,949**	**120,979,678**	**100,450,622**	**119,031,975**	**81,145,526**
Taxation	(12,000,325)	(10,875,000)	(13,500,000)	(5,350,000)	(4,147,522)
Profit after taxation	121,336,624	110,104,678	86,950,622	113,681,975	76,998,004
Earnings per share	54.70	49.64	39.20	68.34	92.57

23 DIRECTORS 'EMOLUMENTS

Remuneration paid to directors (excluding pension contributions and certain benefits/allowances) of the Bank was as follows:

The emoluments of all directors fell in between N500,000 to N1,000,000

24 LITIGATIONS AND CLAIMS

The Bank had no litigations and claims during the year.

25 CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent assets and liabilities as at 31 December 2016.

26. RELATED PARTIES-TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Banks's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the senior management staff and directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Infinity Microfinance Bank. There were no transactions with key management personnel and their immediate relatives during the year.

VALUE ADDED STATEMENT

	2017		2016	
	N	%	N	%
Gross interest income	436,097,268		405,375,555	
Other income	87,588,332		86,452,672	
Bought in materials and services				
Interest expense	(17,432,307)		(21,965,201)	
Other expenses	(132,228,248)		(131,026,811)	
Value added	**374,025,046**	**100**	**338,836,214**	**100**
Distribution to employees				
Employee cost	216,158,757	57.79	197,826,567	58.38
To government				
Corporate income tax	12,000,325	3.21	10,875,000	3.21
To shareholders				
Dividend paid during the year	8,872,454	2.37	6,654,340	1.96
The future				
Depreciation/ amortization	15,656,886	4.19	13,375,629	3.95
Transfer to retained earnings and reserves	121,336,624	32.44	110,104,678	32.49
Value added	**374,025,046**	**100**	**338,836,214**	**100**


Pastor Bimbo Josiah Ajayi


Pastor Tope Oloniniyi


Chief Godwin Okafor


Mrs Clara OLONINIYI MCIB, FICA


Dr. Samson Amedu


Mr. Jide Diya

CONTENTS

19	Fees and commission income		
	Commission and charges	87,191,111	80,417,110
	Income from investments	42,221	73,775
	Income non financial services	355,000	5,961,786
	Total fee and commission income	**87,588,332**	**86,452,672**
20	Personnel expenses		
	Wages and salaries	190,427,397	165,434,101
	Contributions to defined contribution plans	5,018,520	5,027,678
	Other staff costs	20,712,840	27,364,788
		216,158,757	**197,826,567**
21	Other operating expenses		
	Directors' emoluments	2,970,000	7,136,480
	Auditors' remuneration	1,500,000	1,000,000
	Others	130,130,294	120,794,671
		134,600,294	**128,931,151**

22 Earnings per share
Basic earnings per share
The calculation of basic earnings per share at 31 December 2017 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding calculated as follows:
Weighted average number of ordinary shares

	Dec-17	Dec-16
	N	N
Issued ordinary shares at beginning of the year	110,905,670	110,905,670
Weighted effect of shares issued during the year	-	-
	110,905,670	110,905,670
Weighted average number of ordinary shares at end of the year	221,811,340	221,811,340
Profit attributable to ordinary shareholders		
Profit for the year attributable to equity holders	121,336,624	110,104,678
Earnings per share (kobo)	54.68	49.64

23 EMPLOYEES
The average number of full time persons employed by the Bank during the year was as follows:

Management staff	9	9
Senior staff	17	15
Junior staff	179	168
	205	192

The number of employees of the Bank, other than directors, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits/allowances) in the following ranges:

Below N1milliom	155	165
N1, 000, 001 - N1, 500, 000	25	11
N1, 500, 001 - N2, 500, 000	15	9
N2, 500, 001 - N3, 500, 000	10	7
	205	192

24 Directors' Emolument
Remuneration paid to directors (excluding pension contributions and certain benefits/allowances) of the Bank was as follows:

25 Litigations and Claims
The Bank had no litigations and claims during the year.

26 Contingent Liabilities and Commitments
There were no contingent assets and liabilities as at 31 December 2017

		2017	2016
14	Capital and reserves		
	Share capital		
(a)	Authorised :		
	Ordinary shares of N1 each	150,000,000	150,000,000
(b)	Issued and fully paid -		
	221,811,340 Ordinary shares of 50k each.	110,905,670	10,905,670
	Balance, beginning of the year	110,905,670	110,905,670
	New issues during the year-Bonus		
	Balance, end of the year	110,905,670	110,905,670
15	**Retained Earnings**	**2017**	**2016**
	Balance at 1 January	187,344,812	101,067,678
	Opening adjustment restatement		
	Restated opening balance	187,344,812	101,067,678
	Total comprehensive income for the year	121,336,624	96,341,593
	Adjustment in property investment	-	-
	Transfer to statutory reserve	(15,167,078)	-
	Dividend paid	(8,872,454)	(6,654,340)
	Additional provision for investment value	-	(3,410,119)
	Taxation Arrears	(3,624,990)	-
	Addittional Impairment transfer to Regulatory Risk Reserve .	(27,125,093)	-
		253,891,821	187,344,812
16	Note to other reserves		
	Share premium	3,448,652	3,448,652
	Statutory reserve	204,330,526	189,163,448
	Regulatory reserve	38,991,024	11,865,931
		246,770,202	204,478,031
	Total Equity	611,567,693	502,728,513
17	**Interest income**		
	Interest on loans	337,122,812	315,121,848
	Interest on deposit	27,812,270	22,903,509
	Interest on current accounts	71,162,186	67,350,197
	Total Interests Income.	436,097,268	405,375,555
18	**Interest Expense**		
	Savings account	130,878	108,397
	Fixed deposit account	5,352,403	3,749,428
	Treasure account	146,219	842,149
	LASMI Fund	4,700,000	7,857,336
	OIKO Fund	-	180,266
	CBN Fund	585,342	1,243,836
	Other accounts	6,517,465	7,983,790
	Total interest expense	17,432,307	21,965,201
	Net Interest Income	418,664,962	383,410,354

DIRECTORS:	Chief Peter K. Asu	– Chairman
	Mrs. Clara Oloniniyi	– Managing Director/CEO
	Chief Godwin Okafor	
	Mr. Samson Amedu	
	Mr. Bimbo Josiah Ajayi	
	Mr Tope Oloniniyi	
MANAGEMENT:	Mrs. Clara Oloniniyi	– Managing Director/CEO
	Mr. Gabriel O. Adewunmi	– Head, Financial Control & Administration
	Mr. Segun Ogunniyi	– Controller, Credit and Marketing
	Mrs. Adesola Somolu	– Head, Human Resources
	Mrs. Funke Adeyemi	– Head, Retail Banking
	Mr. Wilson Okiriwenwen	– Head, Information Technology
	Mr. Mutiu Oladele Salami	– Head, Internal Control/Audit

REGISTRATION NUMBER: RC 625383

LICENCE NUMBER: 000041

REGISTERED OFFICE:
580, Ikorodu Road
Kosofe Bus Stop
Mile 12
Lagos

CONSULTANTS:
MIP Financial Solutions Limited
3rd Floor, Law Union House
14 Hughes Avenue
Alagomeji, Yaba
Lagos

COMPANY SECRETARY: Chinedu Ezeani & Co.

AUDITORS:
Olu Aladejebi & Co.
(Chartered Accountants)
4, Turton Street,
Sabo
Yaba
Lagos

BANKERS:
First Bank of Nigeria Plc
Wema Bank Plc
Fidelity Bank Plc
Guaranty Trust Bank Plc
Skye Bank Plc

FRC No. FRC/2014/00000003862

CHIEF PETER K. ASU FCA
Chairman, Board of Directors

9	PROPERTY AND EQUIPMENT	Freehold Property	Building	Plant & Machinery	Furniture Fittings & Office Equipment	Computer Equipment	Motor Vehicles	Total
	Cost:	N	N	N	N	N	N	N
	At 1 January 2017	55,000,000	4,077,362	3,185,450	16,944,798	12,646,400	15,257,500	107,111,510
	Additions		-	94,000	5,094,300	2,919,498	6,700,000	14,807,798
	Disposal		-	(210,000)	(591,300)	(3,589,500)	-	(4,390,800)
		55,000,000	4,077,362	3,069,450	21,447,798	11,976,398	21,957,500	117,528,508
	Depreciation:							
	At 1 January 2017		1,568,805	1,194,720	8,186,133	7,890,172	9,593,246	28,433,076
	Charge for the year		407,736	782,321	3,786,876	4,369,751	6,310,202	15,656,886
	Eliminated on Disposals		-	(210,000)	(591,300)	(3,589,500)	-	(4,390,800)
	Other adjustments		-	719,478	40,022	-	(759,501)	(0)
			1,976,540	2,486,519	11,421,732	8,670,424	15,143,947	39,699,162
	Net book value:							
	At 31 December 2017	**55,000,000**	**2,100,822**	**582,931**	**10,026,066**	**3,305,974**	**6,813,553**	**77,829,346**
	At 31 December 2016	**55,000,000**	**2,508,557**	**1,990,730**	**8,758,665**	**4,756,228**	**5,664,254**	**78,678,435**

*** Property acquired for Proposed Head Office.**

		2017	2016
10	**Deposit liabilities**		
	Current	6,151,201	3,467,402
	Savings	446,196,534	338,168,886
	Time	53,253,218	40,062,762
		505,600,953	381,699,050
11	**Taxation**		
	Current Tax liabilities		
	Statement of Financial Position		
	Balance brought forward	12,516,558	2,391,558
	Tax Provision for the year	11,650,325	15,716,513
		24,166,883	18,108,071
	Payment during the year	(7,023,965)	(5,591,513)
	Balance carried forward	17,142,918	12,516,558
	Income Statement		
	Income tax	12,000,325	7,250,000
	Under provision for previous year adjusted in equity	-	3,625,000
		12,000,325	10,875,000
12	Term loans		
	Lagos State Government Funds	58,099,567	58,099,567
	Federal Government Development Fund	54,125,000	82,700,000
		112,224,567	140,799,567
13	Other liabilities		
	Account payable	1,821,403	3,077,780
	Accrued expenses	785,410	390,717
	Other accounts payable	22,047,287	39,702,932
		24,654,100	43,171,428

By performance:		
Performing	853,886,623	753,924,210
Pass and watch	21,396,558	7,507,460
Substandard	3,843,270	2,558,730
Doubtful	2,711,089	3,603,010
Lost	20,957,439	14,315,669
	902,794,979	781,909,079
By Maturity profile:		
Under 1 month	645,384,429	405,834,259
1 to 3 months	100,132,328	331,646,717
3 to 6 months	147,642,509	32,995,103
6 to 12 months	8,603,981	7,697,609
Over 12 months	1,031,732	3,735,391
	902,794,979	781,909,079

5b Movement in loans and advances

	Dec-17	Dec-16
	N	N
Opening Net loans	759,912,199	682,939,019
Advances during the year -net	120,885,901	85,723,180
	880,798,100	768,662,199
Less Impairment during the Year	(6,500,407)	(8,750,000)
Net Loans and advances	874,297,693	759,912,199

All micro loans are partly secured with compulsory savings while SME loans are mostly secured with both compulsory savings and adequate collaterals

6	Available for sale financial assets		
		2017	2016
	Equities	11,957,629.45	11,957,629
	Impairment	(7,461,689.00)	(7,461,689)
		4,495,940.45	4,495,940
7	Held to maturity securities		
	Treasury bills	55,000,000.00	65,000,000
	Less: specific allowance impairment		
		55,000,000.00	65,000,000
8	Other assets		
	Prepayments	18,702,684.51	18,065,000
	Other receivables	310,000.00	-
		19,012,684.51	18,065,000
	Provision for impairment on other assets	-	-
		19,012,684.51	18,065,000

FOR YEAR ENDED 31 DECEMBER 2017

Distinguished shareholders, ladies and gentlemen, it is my pleasure to welcome you all to the Twelfth Annual General Meeting of Infinity Microfinance Bank Limited and to present to you the Financial Statements of Infinity Microfinance Bank Limited for the year ended 31 December 2017. The Nigerian economy had a slow recovery from the recession it plunged into in 2016 during the year 2017, the weak recovery was largely aided by improved global oil prices and production volumes while the non-oil sector contracted by 0.8% year on year in the Third Quarter of 2017. Despite the harsh operating environment that characterized the year, our Bank was able to sustain positive performance for the year.

OPERATING ENVIRONMENT

The Federal Government and the Central Bank of Nigeria embarked on diverse initiatives targeted at bringing the economy out of the recession which started officially in second quarter 2016. The initiatives include the launching of the Secondary Market Intervention Sales (SMIS) by CBN for the management of the foreign exchange, launching of the Economic Recovery and Growth Plan (ERGP) by the Federal Government, regular supply of Forex by CBN to meet demand for forex, introduction of Investors and Exporters Windows (NAFEX Rate)and other key interventions targeted at convergence of the exchange rate in the official and parallel market, increasing foreign portfolio investments in Nigeria and improving the foreign exchange liquidity.

The apex bank also continued implementation of tight monetary policies with yield above 20% levels in the first three quarters and the benchmark policy rate remaining unchanged throughout the year. Whilst this action attracted foreign portfolio investors and increased FX inflows into the economy to take advantage of the high yield environment, it reduced lending to the private sector and lending to the Deposit Money Banks and the Microfinance Banking Sector.

While the inflation declined consistently from 18.72% in January 2017 to 15.4%in December 2017, the effect was dampened by high food prices which drove food index year on year to its 7-year high of 20.3% in November 2017. The surge in food prices was mainly due to high transportation cost, adverse weather conditions, displacement of farmers by attacks from suspected Fulani herdsmen and Boko Haram sect etc. The growing sense of insecurity in the country was aggravated by the continued sporadic attacks by suspected Fulani Herdsmen, the suspended quit-notice given to Igbo people in the north by some northern youths, the clampdown of rising Biafran agitators by the Nigerian Army and the resurfacing threats by the Niger Delta militants etc.

BUSINESS ACTIVITIES DURING THE YEAR

The Nigerian economy officially recovered from recession in the second quarter and recorded a 0.55% growth in GDP compared to -0.91% in the first quarter. The country's ranking on the ease of doing business also improved by 24 points to 145th position out of 190 countries in the survey.

Though these indices seem to suggest a marginal positive trend, the Nigerian economy and the small and medium enterprise sector in particular faced major headwinds that robbed the business community of any significant growth as disposable income available for family expenditure suffered serious cutback in the face of late passage of budget, introduction of BVN to mobile money users and extension of same to microfinance banking customers. The yuletide season was also characterized by persistent fuel scarcity resulting in hike in transportation and food cost and general price increases and increase in the cost of doing business. According to The National Bureau of Statistics (NBS) Quarter 3 2017 GDP figures, all the various sectors of the economy with the exception of the oil sector contracted.

The micro and small business enterprise sector which is the focus of our business suffered huge strain due to lower purchasing power, dwindling demand, and high cost of doing business. The dearth of Foreign Direct Investment into the microfinance banking which started in 2015 as a result of the Forex crises continued because investors are still reluctant to bring medium to long term funds into Nigeria after taking huge losses on the account of Naira devaluation and scarcity of foreign exchange needed for repayment of funds from their local partners. The structural realignment of the micro small and medium enterprises continued as emphasis shifted to Non-oil sector, agricultural value chain businesses, commerce, export, distribution and services. Other factors that contributed to the paucity of disposable funds includes the aggressive collection of taxes, rates, dues and fines by various government agencies of Federal, State and Local Government levels during the year.

Though the business environment was very challenging for most part of 2017, Infinity Microfinance Bank remained focused on serving her customers whilst paying necessary attention to the dynamics of lending risks in economy that is still trying to crawl its way out of recession. We strengthened our business architecture so that we can remain strong in managing new risks in the short to medium term especially the technology risk and human resources risks. We completed the migration of our Banking Application to a cloud-based solution and introduced on-line real time banking in all our branches with capacity for introduction of full e-channels banking and we stamped our feet in the inter-bank exchange gateways. We also added our seventeenth branch at Ikeja and strengthened top management team with new hires.

OPERATING RESULTS

Ladies and gentlemen, fellow shareholders, I am pleased to inform you that despite the very unstable business environment under which we operated in 2017, our Bank recorded positive results in accordance with our tradition and trends in the past years.

Our gross earning recorded 7.7% increase from =N=469,863,025 for the year ended 31 December 2016 compared to =N=506,253,294 for the year ended 31 December, 2017. Likewise, the Total Assets grew by 17.4% from a sum of =N=1,080,915,115 for the year ended 31 December, 2016 compared to =N=1,271,190,231 for the year ended 31 December, 2017. Our Loan portfolio also grew from a total of =N=759,912,199 as at 31 December, 2016 to =N=874,297,693 as at 31 December, 2017 thereby recording an increase of 15%. On the profitability index, our Profit Before Tax increased by 10.21% from =N=120,979,678 as at 31 December, 2016 to =N=133,336,949 as at 31 December, 2017 while the profit After Tax also increased by 10.2% from =N=110,104.678 as at 31 December, 2016 to =N=121,336,624 as at 31 December, 2017.

This result would not be possible without the commitment of our staff, management and customers which has been consistent over the years. Most of our efforts in 2017 are geared towards positioning the Bank for greater efficiency and professionalism which will in turn enhance our sustainability in the long run. We shall continue to use various loyalty packages and every opportunity to appreciate our loyal customers, especially those that have maintained good records with us over the years and demonstrated commitment to Infinity Microfinance Bank Limited.

In order to reward the support and confidence of the shareholders of our Bank, The Board of Directors has recommended a dividend of 4 kobo per share for every 50 kobo share of Infinity Microfinance Bank as at 31 December, 2017. To effect these changes a special resolution has been proposed by the Board at the Annual General Meeting.

FUTURE CHALLENGES AND OPPORTUNITIES

According to the World Bank forecasts, the Nigerian economy is expected to grow by at least 2.5 per cent in 2018. This is expected to be sustained by increases in oil receipts and higher government spending on infrastructure and activities leading to the 2019 elections. It is expected that the current drive for promoting non-oil export and economic diversification will be sustained. As a state microfinance Bank, we expect most of our strategic investment in IT infrastructure to yield more positive returns yields in the years ahead by creating better access and convenience for our customers.

We foresee greater business opportunities for the future and we expect that the Naira will remain stable and foreign investments and funding will increase to further stimulate the economy while the inflation will moderate.

Finally, I thank my colleagues on the Board of Directors for their dedication and invaluable contributions during the year 2017.

Thank you for listening .

Chief Peter K. Asu
Chairman, Board of Directors

4 Cash and cash equivalents

	2017	2016
	=N=	=N=
Cash in hand	2,907,745	2,961,485
Current accounts with banks in Nigeria	84,200,980	76,802,057
Money market placements	151,446,250	75,000,000
	238,554,974	154,763,542
BALANCES HELD WITH OTHER BANKS		
First Bank Plc.-Current Account	37,356,034	12,402,302
First Bank Plc.-Savings	2,123,662	334,102
Wema Bank Plc -Ojota	7,498,877	1,155,449
Guaranty Trust Bank Plc.-Lagos	11,386,707	20,887,792
Fidelity Bank Plc.	3,927,117	33,415,026
Wema Bank Plc.-Treasure-Agege	647,468	647,468
Skye Bank Plc.-Ikorodu	10,303,012	6,384,057
Zenith Bank Plc.	6,863,043	1,525,860
First City Monument Bank Plc.	37,375	50,000
Fidelity Bank (MSMEDF)	1,338,368	-
Sterling Bank Plc.	2,719,318	-
	84,200,980	76,802,056
PLACEMENTS		
Skye Bank Plc.	28,906,899	25,000,000
Wema Bank -Oshodi	80,000,000	50,000,000
Zenith Bank Plc.	20,000,000	-
Sterling Bank Plc.	22,539,351	-
	151,446,250	75,000,000

5 Loans and receivables

	2017	2016
Gross amount	902,794,979	781,909,079
Impairment	(28,497,287)	(21,996,880)
Net amount	874,297,693	759,912,199

5ii Movement of Loan Impairment

Balance b/f	21,996,880
Charge for the Year	6,500,407
Impairment for the year	28,497,287

Loan by Type:

	2017	2016
Micro loans and advances	741,020,875	659,902,055
Small and medium enterprise loans	147,641,828	104,495,272
Micro Lease Loan	4,547,291	4,319,235
Hire purchase	1,031,117	1,759,437
Other loans	7,639,399	9,056,090
Staff loans	914,470	2,376,990
	902,794,979	781,909,079

The table below analyses financial instruments measured at fair value into the fair value hierarchy at the end of the reporting period:

31 December 2017	Level 1	Level 2	Level 3	Total
	N	N	N	N
Financial assets held for trading		-	-	
Available for sale investment	4,495,940	-	-	7,906,059
31 December 2016				
Financial assets held for trading				
Available for sale investment	4,495,940	-	-	7,906,059

3.40 Financial assets and liabilities classification
The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

Details of the Bank's classification of financial assets and liabilities are given in note 5,6,7 and 8

3.41 Depreciation and carrying value of property and equipment
The estimation of the useful lives of assets is based on management's judgment. 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.

3.42 Determination of impairment of property and equipment, and intangible assets, excluding goodwill
Management is required to make judgments 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 impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

3.43 Geographical segments
The Company operates in one geographical region; Nigeria and does not have a secondary reporting segment.

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

Legal Form and Principal Activity
The Bank was licensed by Central Bank of Nigeria on 23 October 2007 to operate microfinance banking and provide microfinance services to customers through its Head Office and subsequently approved cash centres.

The Bank was incorporated on 09 August 2007 as private company limited by shares and commenced operations in November 2007.

The Microfinance Bank's principal activity is to carry on business as a microfinance bank, providing financial service to micro, small and medium scale enterprises and other low income people in Nigeria in the form of working capital and loans. The Microfinance bank is eligible to accept deposits from individuals, groups and private organizations and also raise finance in accordance with the CBN regulations and guidelines on micro finance banks.

Directors Interest
The interest of the Directors in the issued share capital of the bank is recorded in the register of shareholdings as at 31 December 2017 as follows:

	Number of ordinary shares held	
	Direct Holding	Indirect Holding
Chief Peter K Asu	8,762,667	-
Mrs. Clara Oloniniyi	12,597,333	-
Chief Godwin Okafor	51,394,667	-
Mr. Samson Amedu	6,800,000	
Mr. Bimbo Josiah Ajayi	-	1,862,432
Mr Tope Oloniniyi	-	82,554,667

Operating results
The Microfinance Bank commenced operations immediately after being granted the license to operate as a microfinance bank. Highlights of the Microfinance Bank's results for the year under review are as follows:

	31 Dec. 2017	31 Dec. 2016
	N	N
Profit for the year	133,336,949	120,979,678
Provision for tax	(12,000,325)	(10,875,000)
Retained profit	121,336,624	110,104,678

CHINEDU EZEANI ESQ
Company Secretary

Use of estimates and judgments
The Bank's management, in collaboration with the Audit Committee is responsible for the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management

Key sources of estimation uncertainty
Allowances for credit losses
Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.15

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

3.38 Determining fair values
The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy 3.14 For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

3.39 Critical accounting judgments in applying the Bank's accounting policies
Critical accounting judgments made in applying the Bank's accounting policies include:
- Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3

The Bank measures fair values using the following fair value hierarchy that reflects the nature and process used in making the measurements:
Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

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

Level 3: Valuation techniques using inputs that are not based on observable market data, i.e. unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument

3.37 Operational Risk Management
Capital management
Regulatory capital

The Central Bank of Nigeria sets and monitors capital requirements for all microfinance banks in Nigeria. The central bank of Nigeria prescribes the minimum capital requirement for microfinance banks operating within Nigeria.

In implementing current capital requirements, Central Bank of Nigeria requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

Capital Adequacy Ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and its risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

	December 2017	December 2016
	N	N
Tier 1 capital		
Ordinary share capital	110,905,670	110,905,670
Retained earnings	253,891,821	187,344,812
Statutory reserves	204,330,526	189,163,448
Share premium	3,448,652	3,448,652
Total qualifying Tier 1 capital (A)	572,576,669	490,862,582
Tier 2 capital		
Fair value reserve for available for sale securities		-
Regulatory risk reserves	38,991,024	11,865,931
Total qualifying Tier 1 capital (B)	**38,991,024**	**11,865,931**
Total regulatory capital (C)=(A+B)	611,567,693	380,873,384
Risk -weighted assets (D)	874,297,693	759,928,110
Capital Adequacy ratio (CAR) = (C/D)	70%	50%

In accordance with the provision of sections 334 and 335 of the Companies and Allied Matters Act 2004, Sections 24 and 28 of the Banks and Other Financial Institutions Act 1991 and the CBN Regulatory and Supervisory Framework for Microfinance Banks, the Directors are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Microfinance Bank and the profit or loss for the year.

These responsibilities include ensuring that;
Appropriate internal controls are established both to safeguard the assets of the Microfinance Bank procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities.

The Microfinance Bank keeps accounting records, which disclose with reasonable accuracy the financial position of the Microfinance Bank and ensures that the financial statements comply with the requirements of the Statements of Accounting Standards applicable in Nigeria, Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act of Nigeria and the Central Bank of Nigeria Regulatory and Supervisory Framework for Microfinance Banks.

The Microfinance Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

It is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Microfinance bank will not continue in business.

Property, Plant & Equipment

Information relating to changes in Property, Plant & Equipment is given in Note 9 to the financial statements.

Employment of Disabled Persons

The Microfinance Bank has no disabled persons in its employment.
However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Microfinance Bank continues and that appropriate training is arranged. It is the policy of the Microfinance Bank that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Health, Safety and Welfare at Work

The Microfinance Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards.

Employee Involvement and Training

The Microfinance Bank policy with regards to employee involvement and training is to encourage participation of employees in arriving at decisions in respect of matters affecting their well being. Towards this end, the Microfinance Bank provides opportunities where employees deliberate on issues affecting the Microfinance Bank and employee interests, with a view to making inputs to decisions thereon. The Microfinance Bank places a high premium on the development of its manpower. Consequently, the Microfinance Bank sponsored its employees for various training courses in the period under review.

Auditors

Messrs Olu Aladejebi & Co. auditors to the bank, have indicated their willingness to continue in office, in accordance with section 357 (2) of the Companies and Allied Matters Act, 2004.

Company Secretary
By Order of the Board
February 28, 2018 .

Introduction

The Board of Directors has commenced proper implementation of Corporate Governance principle in the operations of Infinity Microfinance Bank. The Directors have also endorsed compliance with the provision of the Microfinance Bank's code of Corporate Governance, which has incorporated most of the provisions of the Central Bank of Nigeria (CBN) Code on Corporate Governance for Banks in Nigeria.

The Board

The Board is composed of 6 members, including the Chairman, who is a Non-Executive Director, the Managing Director and 4 Non-Executive Directors.

The Board has four committees. These are the Credit Committee, Audit Committee, Risk Management Committee, Finance and Establishment committee. In addition to the Board Committees there are regular meetings by various Management Committees.

Responsibility

The Board reviews corporate performance, authorises and monitor strategic decisions whilst ensuring regulatory compliance and safeguarding the interest of the shareholders. The Board is committed to ensuring that the Microfinance Bank is managed in a manner that will fulfil the shareholders aspirations and expectation. The Board has provided leadership for achieving the strategic objectives of the Microfinance Bank.

Specifically, the responsibilities of Infinity Microfinance Bank Limited Board of Directors are:

- Determining the Microfinance Bank's objectives and strategies as well as plans to achieve them;
- Determining the terms of reference and procedures of the Board Committees, including reviewing and approving the reports of such committees where appropriate;
- Considering and approving the annual budget, monitoring performance, and ensuring that Infinity Microfinance Bank is a going concern;
- Ensuring that effective risk management process exists and is maintained;
- Retaining responsibility for systems of financial, operational and internal control and regulatory compliance, as well as ensuring that statutory reporting of these is adequate.

Chairman and Chief Executive

In line with best practice and the provision of both the CBN and the Microfinance Bank Codes of Corporate Governance, the responsibilities of the Chairman and the Managing Director are separated. While the Chairman is responsible for the leadership of the Board and creating the conditions for overall Board and individual Director's effectiveness, the Managing Director is responsible for the overall performance of the Microfinance Bank, including responsibilities for ensuring day to day management and control.

Standing Committees

The Board discharges its responsibilities through a number of standing committees whose charter are reviewed from time to time. The committees consist of:

The Board Credit Committee

This Committee was set up to assist the Board of Directors in the discharge of its responsibility to exercise due care, diligence and skill in overseeing, directing and reviewing the management of the credit portfolio of the Bank. The committee consider loan application above specified limits and which has been approved by EXCO credit committee. It also serves as a catalyst for credit policy changes going from EXCO credit committee to Board for consideration. The committee also reviews the loan portfolio of the Bank.

Committee's Terms of Reference

- To recommend criteria by which the Board of Directors can evaluate the credit facilities presented from various customers and review the credit portfolio of the Bank.
- To consider all credit facilities above Management approval limit.
- To establish and periodically review the Bank's credit portfolio in order to align organizational strategies, goals, and performance.
- To make recommendations to the Board of Directors with respect to credit facilities based upon performance and other factors as deemed appropriate.

Commissions and fees charged for services rendered are recognised in the accounting period in which the services were rendered.

Revenue is recognised on a straight line basis over the specified period.

3.35 Share capital and reserves

Share issue costs

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

Dividend on ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's shareholders.

Statutory Reserve

In compliance with regulations of the Central Bank of Nigeria, an appropriation of 15% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 10% of profit after tax if the statutory reserve is greater than the paid up share capital. For the purposes of making this appropriation, 'Profit for the year' as reported in the statement of comprehensive income is used. The appropriation is reported in the statement of changes in equity.

Regulatory risk reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Bank assesses qualifying financial assets using the guidance under the Prudential Guidelines. These apply objective and subjective criteria towards providing for losses in risk assets. Assets are classed as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendants provision as per the table below based on objective criteria.

Classification	Percentage Provided
Performing	1%
Pass and Watch	5%
Substandard	20%
Doubtful	50%
Lost	100%

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IAS 39 are compared. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Regulatory Risk Reserve". Where the IAS 39 impairment is greater, no appropriation is made and the amount of the IAS 39 impairment is recognised in the Statement of Comprehensive Income.

In subsequent periods, reversals or additional appropriations between the 'Regulatory Risk Reserve' and Retained Earnings to maintain total provisions at the levels expected by the Regulator.

3.36 Earnings per share

The Bank presents ordinary basic earnings per share for its ordinary shares. Basic earnings per share are 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 year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.33 Employee Benefits

Short-term 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 Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the period during which the employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates a funded defined contribution retirement benefit scheme for its employees under the provisions of the Pension Reform Act 2004. Employees' and the Bank's contributions to the scheme are 7.5% and 7.5% respectively of each employee's annual basic salary, transport and housing allowances. Employees' contributions to the scheme are funded through payroll deductions while obligations in respect of the Bank's contribution to the scheme are recognised as an expense in the profit and loss account on an annual basis.

The Bank also operates a defined contribution insurance scheme. Employees are entitled to join the scheme on confirmation of their employment. The employee and Bank contributions to the scheme are 5% and 12.5% respectively of the employee's annual basic salary, transport and housing allowance. Employees' contributions to the scheme are funded through payroll deductions while obligations in respect of the Bank's contribution are charged to the profit and loss account.

3.34 Contingencies

Contingent asset

Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent assets is not recognised in the statement financial position but is disclosed when an inflow of economic benefit is probable. When the realisation of income is virtually certain, then the related asset is not a contingent and its recognition is appropriate.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statement.

Contingent Liability

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefit is remote. A provision for the part of the obligation for which an outflow of resources embodying economic benefits is probable is recognised, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent liabilities are assessed continually to determine whether an outflow of economic benefit has become probable.

- To recommend to the Board of Directors, as appropriate, new credit proposals, restructure plans, and amendments to existing plans.
- To report to the entire Board at such times as the Committee and Board shall determine, but not less than every quarter.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.
- To recommend non-performing credits for write-off by the Board.

The Board Audit Committee

The Board Audit Committee was set up to further strengthen internal control in the Bank, in compliance with Companies and Allied Matters Act, CAP20, LFN 2004. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that an effective system of financial and internal control is in place within the Microfinance Bank.

Committee's Terms of Reference

- To meet with the independent Auditors, Chief Financial Officer, Internal Auditor and any other Bank executive both individually and/or together, as the Committee deems appropriate at such times as the Committee shall determine to discuss;
- the terms of engagement for the independent auditors, the scope of the audit, and the procedures to be used; the Bank's quarterly and audited annual financial statements, including any related notes, the Bank's specific disclosures and discussion under 'Managements Control Report and the independent auditors' report, in advance of publication;
- the performance and results of the external and internal audits, including the independent auditors' management letter, and management's responses thereto;
- the effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports;
- To actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditors and to take appropriate action in response to the independent auditors' report to satisfy itself of the independent auditors' independence; to periodically evaluate the independent auditor's qualifications and performance including a review of the lead partner, taking into account the opinion of management and the internal auditor;
- To review critical accounting policies and financial statement presentation; to discuss with management and the independent auditors significant financial reporting issues and judgments made in preparation of the financial statements including the effect of alternative accounting methods; to review major changes in accounting policies.
- To report to the entire Board at such times as the Committee shall determine.

The Board Risk Management Committee

The committee assist the Board in fulfilling its oversight responsibility relating to establishment of policies, standards and guidelines for risk management, and compliance with legal and regulatory requirements in the Bank. In addition, it oversees the establishment of a formal written policy on the overall risk management system. The committee evaluates the Bank's risk policies on a periodic basis to accommodate major changes in internal and external environment.

Committee's Terms of Reference

- The primary responsibility of the Committee is to ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors.
- Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;
- Ensure that Management understands and accepts its responsibility for identifying, assessing and managing risk;
- Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance.
- To report to the entire Board at such times as the Committee and Board shall determine, but not less than twice a year.
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time

The Board Finance & Establishment Committee The Board Finance Committee considers plans, budget, business models, strategies and the audited accounts of the Microfinance Bank. It also considers staff matters in respect of senior officers of the Microfinance Bank from Managers grade and above.

Committee's Terms of Reference

- Review of all matters relating to staff welfare, including remuneration of staff, and Executive Management;
- Consideration of all large scale procurement to be made by the Bank;
- Review of contracts award for significant expenditures;
- Consideration of promotions of Senior Management staff of the Bank; and
- Any other matter that may be referred to it by the Board.

The Board IT Steering Committee

The Board IT committee oversee the IT infrastructure of the Bank and formulate policies that will guarantee business continuity and availability of link among others.

Committee's Terms of Reference

- Develop the short, medium and long term IT plans for the Bank.
- Ensure compliance with regulatory standards.
- Engineer the proper assimilation of the Bank on IT backbone

Executive Committee (EXCO)

The Executive Committee (EXCO) is made up of the Managing Director as chairman and other top management staff of the Microfinance Bank. The committee meets regularly to deliberate and take policy decision on the management of the Microfinance Bank. It is primarily responsible for the implementation of strategies approved by the Board and ensuring efficient deployment of Infinity Microfinance Bank's resources.

Management Committees

These are standing committees made up of senior management of the Infinity Microfinance Bank. The committees ensure that policies by the Board and the regulatory bodies are complied with and also provide inputs into the various Board Committees in addition to ensuring the effective implementation of risk policies.

The management committees include: Management Credit Committee, Asset and Liabilities Management Committees and Disciplinary Committee.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years.
Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

De-recognition

An item of intangible asset 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.

3.21 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (bank of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3.22 Provisions

Provisions are liabilities that are uncertain in amount and timing. A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in provision due to passage of time is recognised in 'Interest expense'.
Provisions recognised by the Bank relates to legal claim against it that are highly probable.

3.33 Employee Benefits

Short-term 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 Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Assets	Notes	2017 N	2016 N
Cash and cash equivalents	4	238,554,974	154,763,542
Financial assets held for trading			
Loans and advances	5	874,297,693	759,912,199
Investment Securities:			
- Available-for-sale securities	6	4,495,940	4,495,940
- Held to maturity securities	7	55,000,000	65,000,000
Other assets	8	19,012,685	18,065,000
Property Plant and equipment	9	77,829,346	78,678,434
Total assets		**1,269,190,638**	**1,080,915,115**
Liabilities:			
Deposit liabilities	10	505,600,953	381,699,050
Current tax liabilities	11	17,142,918	12,516,558
Term loans	12	112,224,567	140,799,567
Other liabilities	13	22,654,507	43,171,428
Total liabilities		657,622,945	578,186,603
Net assets		611,567,693	502,728,513
Equity:			
Share capital	14	110,905,670	110,905,670
Retained earnings	15	253,891,821	187,344,812
Other reserves	16	246,770,202	204,478,031
Total equity attributable to equity holders of the Company		**611,567,693**	**502,728,513**

Signed on behalf of the Board of Directors on February 28, 2018

Mr. Gabriel O. Adewunmi - CFO
FRC NO.: FRC/2014/CIBN/00000007238

Mrs. Clara Oloniniyi – MD/CEO
FRC NO.: FRC/2016/CIBN/00000014739

Chief Peter K. Asu - Chairman
FRC NO.: FRC/2013/ICAN/00000001380

location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for banks of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, 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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. The carrying amount of the asset is reduced through the use of an allowance account.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable

To the extent a loan is irrecoverable, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. 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 previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.
Future cash flows in a bank of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

Available-for-sale financial assets
Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been measured at fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

3.16 Offsetting

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

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

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

Interest on loans is included in profit or loss and reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in profit or loss as 'Net impairment loss on financial assets'.

3.13 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.

3.14 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets.
Subsequent to initial recognition, the fair values of financial instruments are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants.
Where discounted cash flow analyses are used, estimated cash flows are based on management's best estimates and the discount rate is a market-related rate at the balance sheet date from a financial asset with similar terms and conditions. Where pricing models are used, inputs are based on observable market indicators at the balance sheet date and profits or losses are only recognised to the extent that they relate to changes in factors that market participants will consider in setting the price.

3.15 Impairment of financial assets

Assets carried at amortised cost
The Bank assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or bank of financial assets is impaired. A financial asset or a bank of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a 'loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or bank of financial assets that can be reliably estimated.
Objective evidence that financial assets (including equity securities) are impaired may include;

- Default or delinquency by a borrower;
- Restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider;
- Indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or
- Other observable data relating to a bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are banked on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process which considers asset type, industry, geographic

	Notes	2017	2016
Interest income	17	436,097,268	405,375,555
Interest expense	18	(17,432,307)	(21,965,201)
Net interest income		418,664,962	383,410,354
Fee and commission income	19	87,588,332	86,452,672
Operating income		506,253,294	469,863,025
Impairment loss on financial assets	5ii	(6,500,407)	(8,750,000)
Depreciation expenses	9ii	(15,656,886)	(13,375,629)
Personnel expenses	20	(216,158,757)	(197,826,567)
Other operating expenses	21	(134,600,294)	(128,931,151)
Profit before income tax		133,336,949	120,979,678
Provision for Taxation		(12,000,325)	(10,875,000)
Profit for the year		**121,336,624**	**110,104,678**
Other comprehensive income, net of income tax			
Fair value gains/(losses) on available for sale investments			
Other comprehensive income for the year, net of tax			
Total comprehensive income for the year	**22**	**121,336,624**	**110,104,678**
Earnings per share - basic (kobo)		54.70	49.64

The accompanying notes form an integral part of these consolidated financial statements.

	Note	2017 N	2016 N
Cash flows from operating activities:			
Profit for the period:		133,336,949	120,979,678
Tax expense		(12,000,325)	(10,875,000)
Profit after tax		121,336,624	110,104,678
Adjustments for:			
Depreciation of property and equipment		15,656,886	13,375,629
Depreciation adjustment		-	1,293,079
Other Adjustment		15,396,579	-
Impairment on financial assets		27,125,093	-
Impairment on available for sale securities		-	(3,410,119)
		179,515,182	**121,363,267**
Changes in assets/liabilities			
Financial assets held for trading		-	-
Loans and advances		(114,385,494)	(76,973,180)
Available-for-sale securities		-	3,364,539
Held to maturity securities		10,000,000	(45,000,000)
Other assets		(947,685)	(9,556,796)
Deposit liabilities		123,901,903	41,291,909
Current Tax Liabilities		976,035	10,125,000
Term loans		(28,575,000)	(47,992,100)
Other liabilities		(20,516,922)	21,551,793
Net cash (used in) / from operating activities before tax		**149,968,020**	**18,174,431**
Tax Paid		(12,516,558)	(6,654,340)
Net cash (used in) / from operating activities after tax		**137,451,462**	**11,520,091**
Cash flows from investing activities:			
Purchase of property and equipment		(69,807,798)	(60,781,704)
Net cash (used in) / from investing activities		**(69,807,798)**	**(60,781,704)**
Cash flows from financing activities:			
Taxation Arrears		3,624,990	
Dividends paid		8,872,454	
Net cash (used in)/from financing activities		**12,497,444**	-
Net increase in cash and cash equivalents		83,791,433	(49,261,613)
Cash and cash equivalents at beginning of year		154,763,542	204,025,155
Cash and cash equivalents at end of year		**238,554,974**	**154,763,542**

Interest on held-to-maturity investments is included in profit or loss and reported as 'Interest income'. In the case of impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in profit or loss as 'Net impairment loss on financial assets'. Held-to-maturity investments are government and corporate bonds.

3.10 Financial assets and liabilities held at fair value through profit and loss

Trading assets and liabilities are those assets and liabilities that the Bank 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 or position taking. This category has two sub-categories; financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as trading if acquired principally for the purpose of selling in the short term. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs recognized in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except non-derivative financial assets, other than those designated at fair value through profit or loss on initial recognition (i.e. trading) may be reclassified if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivable, then it may be reclassified out of the trading category only in rare circumstances.

Financial assets may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on different basis; or
- A bank of financial assets is managed and its performance evaluated on a fair value basis.

Subsequent to initial recognition, the fair values are re-measured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in 'net trading income' for trading assets, and in 'net income from other financial instruments carried at fair value' for financial assets designated at fair value through profit or loss at inception.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in net trading income. Trading assets are not reclassified subsequent to their initial recognition.

3.11 Available-for-sale

Financial assets classified by the Bank as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised through other comprehensive income as a component of equity (Fair value reserve) until the financial asset is derecognised or impaired.
When available-for-sale financial assets are disposed of, the fair value adjustments accumulated are recycled from equity through other comprehensive income to the income statement.

Interest income, calculated using the effective interest method, is recognised in the income statement.
Dividends received on available-for-sale instruments are recognised in income statement when the Bank's right to receive payment has been established

3.12 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Bank as at fair value through profit or loss or available-for-sale.

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future; and
- Differences arising from investment property measured at fair value whose carrying amount will be recovered through use Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.09 Financial Assets and Liabilities

All financial assets and liabilities are recognised in the statement of financial position and measured in accordance with their assigned IAS 39 category.
The Bank allocates financial assets to the following categories; held-to-maturity; financial assets at fair value through profit and loss; available for sale; and loans and receivables.

The Bank's holding of financial liabilities consist only of financial liabilities carried at amortised cost. Financial liabilities are derecognized when extinguished. Financial liabilities on the statement of financial position include, "Deposit liabilities and Term loans" and payable balances included in "Other liabilities".

Recognition

Management determines the classification of its financial instruments at initial recognition. All financial instruments are initially recognised at fair value. Transaction costs are included in the amounts initially recognised except for financial assets at fair value through profit and loss, where transactions are recognised immediately in income statement.

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification. Financial assets categories and their subsequent measurement are:

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or as available for sale. Where the Bank sells more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets and the difference between amortised cost and fair value will be accounted for in equity.
Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- Sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

	Share Capital	Share premium	Statutory reserve	Fair value reserves	Regulatory Risk reserves	Retained earnings	Total
Balance at 1 January 2017	110,905,670	3,448,652	189,163,448	-	11,865,931	187,344,812	502,728,513
Total comprehensive income for the year							-
Profit or loss			15,167,078			106,169,546	121,336,624
Adjustment in property investment						-	-
Taxation areas						(3,624,990)	(3,624,990)
Additional Provision for investment value							-
Additional Impairment transfer to Regulatory Risk Reserve					27,125,093	(27,125,093)	27,125,093
Dividend payment						(8,872,454)	(8,872,454)
Balance at 31 December 2017	110,905,670	3,448,652	204,330,526	-	38,991,024	253,891,821	611,567,693

1.0 Reporting entity

The Bank was licensed by Central Bank of Nigeria on 23 October 2007 to operate microfinance banking and provide microfinance services to customers through its Head Office and subsequently approved cash centres.

The Bank was incorporated on 09 August 2007 as private company limited by shares and commenced operations in November 2007.

The Microfinance Bank's principal activity is to carry on business as a microfinance bank, providing financial service to micro, small and medium scale enterprises and other low income people in Nigeria in the form of working capital and loans. The Microfinance bank is eligible to accept deposits from individuals, groups and private organizations and also raise finance in accordance with the CBN regulations and guidelines on micro finance banks.

Basis of preparation

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs, as issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria

The Financial statements were authorised for issue by the directors on February 28, 2017.

1.2 Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest naira

2.0 Basis of measurement

These financial statements are prepared on the historical cost basis except those financial assets and financial liabilities that have been measured at fair value.

2.1 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, 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 judgments 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 recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 3.37

3.01 Significant accounting policies

Significant accounting policies are defined as those that are reflective of significant judgements and uncertainties, and potentially give rise to different results under different assumptions and conditions.

The accounting policies set out below have been consistently applied to all periods presented in these financial statements. These policies have been consistently applied to all years presented unless otherwise stated.

3.02 Interest

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The effective interest rate is calculated on initial recognition of the financial asset and liability and is not revised subsequently except as stated below regarding impaired financial assets.

The calculation of the effective interest rate includes contractual fees paid or received transaction costs, and discounts or premiums that are an 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 statement of comprehensive income include:

Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.

Interest on available-for-sale investment securities calculated on an effective interest basis

Once a financial asset or bank of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income from other financial instruments and carried at fair value through profit and loss in the statement of comprehensive income.

3.03 Fees and commission

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

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.

3.04 Net trading income

Net trading income comprises gains less losses related to financial assets held for trading or designated as fair value through profit or loss as well as financial liabilities at fair value through profit or loss, and includes all realised and unrealised fair value changes and foreign exchange differences.

3.05 Dividends

Dividend income is recognised when the right to receive income is established.

Dividends on held for trading financial assets are reflected as a component of net trading income, while dividend from other financial instruments at fair value through profit and loss are recognized as part of other operating income based on the underlying classification of the equity investment.

Dividend income on available-for-sale securities are recognised as a component of other operating income.

3.06 Income Tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss 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.

3.07 Current Tax

Current tax is the expected tax payable on taxable income for the year determined in accordance with the Companies Income tax Act (CITA), using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.08 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided for using the balance sheet or liability method. Deferred tax is not recognised for the following temporary differences: