Accion Microfinance Bank Limited

Final Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

Accion Microfinance Bank Limited

Long term Rating:

Bbb+

Short term Rating:

A2

Outlook: Stable
Issue Date: 17 June 2026
Expiry Date: 30 June 2027
Previous Rating: Bbb+
(*expired June 2024*)

Industry:
Microfinance

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RATING RATIONALE

Agusto & Co. hereby assigns a long term '**Bbb+**' rating and a short term "**A2**" rating to Accion Microfinance Bank Limited ("Accion MFB" or "the MFB"). The rating reflects the MFB's low leverage, good liquidity and funding profile, experienced management team and strong support from an international microfinance group. However, the rating is constrained by Accion MFB's high cost-to-income ratio and significant write-offs. We have also considered the macro environment which remains constrained by elevated inflation, high interest rates, weak consumer demand, regulatory uncertainty, security risks, and rising competition from Fintechs and digital credit providers, all of which continue to weigh on business performance and credit quality.

Accion MFB is licensed by the Central Bank of Nigeria as a national microfinance bank to promote enterprise and financial inclusion. The MFB provides loans and savings products to underbanked Nigerians and micro, small and medium-sized enterprises. As at 31 December 2025, Accion MFB's gross loans and advances stood at ₦24.6 billion, accounting for the bulk (83.1%) of total assets and representing a 44% year-on-year increase. The MFB's loan growth was driven by stronger origination following the resolution of the core banking migration issues experienced in the prior year as well as the geographical expansion into Kaduna and Ilorin, and increased digital lending activities. However, the loan book growth in 2025 outpaced the 20.8% average inflation rate reflecting an aggressive expansion strategy. As at 31 March 2026, the gross loan portfolio stood at ₦23.1 billion, a 6% decline from the 2025FYE, reflecting seasonally weaker Q1 disbursements. Nonetheless, we expect near-term loan book growth to resume, supported by the planned up to ₦5 billion commercial paper issuance in 2026, higher credit approval thresholds, and improved lending models.

As at the 2025 FYE, Accion MFB reported Stage 3 loans (non-performing loans) of ₦1.2 billion, representing a 16% year-on-year decline, largely attributable to improved collections and recoveries amid a relatively stable, albeit still fragile, macroeconomic environment. Thus, as at the 2025 FYE, the MFB recorded an NPL-to-gross loan ratio of 5% (2024 FYE: 8.6%), which was aligned with the 5% benchmark for microfinance banks. However, we note that this performance was partly supported by the significant 44% growth in the loan book. Without the sharp growth in the loan book, Accion MFB's NPL ratio would have still been high at 7.2%, which is above our benchmark. We also note that written-off loans, typically NPLs overdue by more than 450 days, totalled ₦601.1 million, representing 2.9% of the average loan portfolio in 2025 – above our 1% benchmark.

Nevertheless, as at the 2025FYE, loan loss coverage stood at 67.3%, with unprovided impaired loans at circa 5% of core capital, which we view as acceptable. Based on the unaudited accounts as at 31 March 2026, Accion MFB reported NPLs of ₦1.4 billion, representing an 11% increase from the 2025 FYE. As at the same

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date, NPL ratio increased to 5.9%, above the 5% benchmark, driven by macroeconomic pressures and portfolio contraction. Overall, we view asset quality as acceptable but under pressure from the challenging operating environment affecting MSME borrowers.

Accion MFB is well capitalised for business risks. The MFB had a Basel II capital adequacy ratio (CAR) of 28% (2024: 37%) as at the 2025 FYE, which was above the minimum regulatory requirement of 10% for microfinance banks. Accion MFB also has low leverage, with a debt-to-equity ratio of 2.8x (2024: 1.7x), which is better than our threshold of 5x for microfinance banks and compared favourably to peer AB Microfinance Bank Nigeria Limited's ("AB MFB") 4.5x in the review period.

Accion MFB generates most of its income from MSME lending. In 2025, the MFB posted ₦1.8 billion in profit before tax, which reflected a 128% year-on-year increase largely due to the significant loan book growth. Consequently, return on average assets (ROA) and return on average equity (ROE) improved to 7.4% (2024: 4.7%) and 24.5% (2024: 11.5%) respectively. However, these metrics did not outperform peer – AB MFB's ROA and ROE of 9.8% and 57.3% respectively. For the three months ending 31 March 2026, pre-tax profit was ₦622.8 million with improved annualised ROA and ROE of 8.2% and 30.6% respectively. We expect Accion MFB's good profitability profile to be sustained in the near term mainly by increased lending activities and prevailing high interest rates.

As at 31 December 2025, the MFB's funding structure comprised customer deposits (38%), domestic DFI borrowings (28%), shareholders' equity (26%), and other liabilities (8%), reflecting a diversified funding base supported by both retail and institutional sources. As at the same date, total liabilities of ₦21.8 billion funded 74% of total assets, indicating a leveraged structure typical of microfinance banks and broadly in line with peer AB MFB (82%). Funding costs varied across the borrowing sources, ranging from 14.1% to 28% in 2025 and overall, Accion MFB reported a weighted average cost of funds of 15.8%, consistent with the high-interest rate environment, with near-term stabilisation expected following the retention of the monetary policy rate (MPR) by the CBN at 26.5% in May 2026.

As at the 2025 FYE, Accion MFB had liquid assets of ₦3.4 billion which represented 11.6% of total assets and comprised investment-grade exposures. The MFB thus had a liquid assets to lcy deposits ratio ("liquidity ratio") of 30.4% (2024: 20.5%), which was above the regulatory minimum of 20% for microfinance banks. Based on the unaudited accounts as at 31 March 2026, the liquidity ratio improved to 51.1% driven by the higher level of collections versus disbursements in Q1'2026. We expect the MFB's liquidity ratio to remain above the CBN minimum in the near term. In addition, Accion MFB maintained an undrawn committed contingency line of ₦5 billion from a domestic financial institution, which provides an additional liquidity buffer. In our opinion, the MFB's liquidity and funding profile is good.

Based on the aforementioned, we assign a "stable" outlook to the rating of Accion MFB.

Strengths

- Shareholders with significant global institutional backing
- Leading position in the microfinance banking segment
- Low leverage
- Good liquidity and funding profile
- Experienced management team
- Strong support from an international microfinance group

Weaknesses

- High cost to income ratio
- High write off to average loan portfolio ratio

Challenges

- Sustaining asset quality in the face of the weak macroeconomic environment
- Enhancing performance amid the adverse business climate
- Competition from Fintechs and digital loan operators

Table 1: Financial Data for Accion MFB

	31 Dec 2024	31 Dec 2025
Total Assets	₦19.4 billion	₦29.5 billion
Gross Earnings	₦7.6 billion	₦11.6 billion
Pre-tax return on average assets	4.7%	7.4%
Pre-tax return on average equity	11.5%	24.5%

Source: Accion MFB

COMPANY PROFILE

Accion Microfinance Bank Limited ("Accion MFB" or "the MFB") was incorporated in May 2006 and subsequently received its microfinance banking licence from the Central Bank of Nigeria (CBN). The MFB commenced operations in May 2007. In December 2014, Accion MFB obtained a national microfinance banking licence, enabling it to establish branches across Nigeria's 36 states and the Federal Capital Territory (FCT). The MFB is affiliated to Accion Africa-Asia Investment Company's global network of more than 30 microfinance institutions, which provides an ecosystem with extensive industry expertise and international experience. Accion MFB is also affiliated to Citibank Nigeria Limited and Ecobank Nigeria Limited.

The MFB is one of the fourteen national microfinance banks in Nigeria. Accion MFB provides loans and savings products to individuals and micro, small and medium-sized enterprises (MSMEs). The MFB has 75 branches spread across five of the six geopolitical zones of Nigeria, with the head office situated at 154 Ikorodu Road, Shomolu, Lagos State.

Business Structure

Accion MFB is organised into 11 major functional units: Operations, Information Technology, Human Resources, Learning & Development, Commercial, Company Secretariat/Legal, Information Security, Finance, Internal Audit, Risk Management, Compliance & Internal Control, and Strategy, Business Transformation & Innovation. All unit heads report directly to the Managing Director/CEO, except for the Head of Internal Audit, who reports functionally to the Board of Directors ("the Board") and maintains a dotted-line reporting relationship with the Managing Director/CEO.

Business Strategy

Accion MFB's business strategy is focused on providing microfinance banking services to small businesses in key sectors of the Nigerian economy. The MFB targets entrepreneurs and MSMEs in business hubs and market communities through direct marketing, enhanced customer experience, operational efficiency, and geographic expansion to ensure a high-quality loan book. Accion MFB plans to strengthen its market position by expanding the branch network into new states including Adamawa, Kwara, Kaduna, Imo, and Enugu to boost market share and align with regulatory expectations. The MFB also leverages digital platforms and digital growth officers to accelerate customer acquisition and deposit mobilisation. In the near term, Accion MFB intends to introduce new products such as invoice discounting, value chain financing (mainly for agribusinesses) and distribution scheme financing to further deepen market penetration. The MFB's strategic initiatives will be financed via borrowings, deposits, on-lending facilities from DFIs and commercial paper issuances in 2026. Accion MFB monitors service quality by engaging an independent third-party to conduct annual customer surveys that are benchmarked against microfinance banks globally.

Information Technology

Accion MFB uses the Temenos T-24 platform as its core banking application for the processing and recording of transactions. In addition, the MFB equips its loan officers with handheld devices integrated with a digital field application that enables the real-time capture and transmission of customer information to the central database. Accion MFB upgraded its mobile application and revived its USSD platform in the 2025 FY to improve accessibility and efficiency. By the 2026 FYE, the MFB plans to introduce an online loan platform to onboard clients and enhance the credit appraisal process. Accion MFB's data is stored locally on servers located at the head office, while its disaster recovery facilities are situated at MainOne. The MFB conducts biannual disaster recovery tests to ensure seamless replication and functionality of its online real-time system.

ANALYSTS' COMMENTS

OWNERSHIP, MANAGEMENT & STAFF

Accion Africa-Asia Investment Company, Accion MFB's largest shareholder, controlled 35.74% of the equity as at 31 December 2025. Four other financial institutions: Ecobank Nigeria Limited (21.71%), Citibank Nigeria Limited (19.88%), International Finance Corporation (12.58%) and Zenith Bank Plc (7.33%), also held significant equity stakes in the MFB as at the same date. We consider the shareholder base to be moderately diversified, with no shareholder having a majority control over Accion MFB's affairs. We also note positively that the MFB's shareholder base comprises institutions with strong international and domestic brands and affiliations. The shareholders support Accion MFB in the area of governance, with representatives serving as non-executive directors.

We understand that IFC plans to divest its stake in the near to medium term as part of its broader portfolio optimisation strategy across Africa. While such a divestment would alter the shareholder composition, we do not expect the MFB's governance or ownership profile to be weakened materially, given the strength of the franchise and stability of the other established shareholders.

Table 2: Board of Directors

Directors	Position
Mr. Christian Ruehmer	Chairman
Mr. Taiwo Joda	Managing Director/Chief Executive Officer
Alhaji Yusufu Modibbo	Independent Non-Executive Director
Professor Olayinka David-West	Independent Non-Executive Director
Mrs. Joy Ojakovo	Independent Non-Executive Director
Mr. Mark Adogah	Non-Executive Director
Mr. Gift Mahubo	Non-Executive Director
Mr. Edwin Ogbogu	Non-Executive Director
Dr. Adeola Ogunyemi*	Non-Executive Director

**Appointed 15 May 2025*
Source: Accion MFB

Accion MFB is governed by a nine-member Board, which is chaired by Mr. Christian Ruehmer while Mr. Taiwo Joda is the Managing Director/CEO. The Board comprises the Managing Director/CEO and eight non-executive directors including three independent members. During the review year, Dr. Adeola Ogunyemi was appointed as a non-executive director following the resignation of Mr. Brian Kuwik in May 2025. The members of the Board have broad competencies in our view, and we consider the mix of independent and non-independent directors to be in line with corporate governance best practice. The Board's oversight functions are executed through four standing committees: the Board Risk, Credit & Investment Committee, Board Audit & Compliance Committee, Board Ethics & Governance Committee and Board Channels & Technology Committee. All board committees are chaired by non-executive directors, with the Board Risk, Credit & Investment Committee, Board Audit & Compliance Committee and Board Ethics & Governance Committee chaired by independent directors, which is good in our view.

Management Team

Mr. Taiwo Joda is the Managing Director/CEO of Accion MFB. He has over 33 years of experience in the financial services industry. Prior to joining the MFB in 2017, Mr. Joda worked at Fidelity Bank Plc, serving in various capacities including as head of corporate banking and the regional head of the commercial, consumer and retail banking units. He also served as a group head of the corporate banking unit at the erstwhile Diamond Bank Plc.

Mr. Joda holds both Bachelor's and Master's degrees in Finance and Banking from the University of Lagos, Akoka. He is an alumnus of Saïd Business School, University of Oxford, and a certified Microfinance Certified Practitioner (MCP). Mr. Joda is also a Fellow of the Chartered Institute of Bankers of Nigeria (FCIB) and the Nigerian Institute of Management (FNIM). He is also a Member of the Institute of Directors (IoD).

Mr. Joda serves on the boards of the African Fellowship on Financial Inclusion and the Business Process Management Institute of Nigeria. In addition, he is a member of the Governing Council of the Chartered Institute of Bankers of Nigeria (CIBN).

Table 3: Accion MFB's Senior Management Team

Staff Names	Position
Adeola Adebisi	Chief Finance Officer
Stephen Olalere	Chief Commercial Officer
Paul Ehiagbonare	Chief Digital Officer
Kazeem Bisiriyu	Chief Risk and Compliance Officer
Moses Idehen	Chief Technology Officer
Oluwatosin Aoko	Head Legal/Company Secretary
Ayodeji Mebude	Group Head, Operations
Daniel Ofoleta	Head, Information Technology
Ugochi Okafor	Head, Human Resources
Oluwole Oyedele	Head, Internal Audit
Afolasade Odunlami	Head, Financial & Regulatory Reporting
Omoyeni Melia	Head, Learning & Development
Bridget Abhulimen	Chief Security Information Officer
Yewande Faleyimu	Regional Bank Head, Lagos 1
Amaechi Madu	Regional Bank Head, SS/SE
Adeoye Adeniyi	Regional Bank Head, South West

Mr. Taiwo Joda, the Managing Director/CEO, is supported by 16 other senior management personnel, who have on average 23 years of experience in fields including finance, information technology, risk management, compliance, internal control, marketing communications and internal audit. The MFB plans to strengthen its succession planning and organisation and management structure through the appointment of two Executive Directors ahead of the expiration of the Chief Executive Officer's tenure in August 2027. We view this initiative positively, as it should support management continuity, deepen leadership capacity, and facilitate a smooth transition process.

As at 31 December 2025, the MFB's workforce stood at 816 employees, representing a 7% decline from the previous year following the colocation of branches around Obalende, Lagos State, as well as performance-based exits and the rising adoption of digital channels. Thus, in the 2025 FY, Accion MFB's staff productivity, measured by the number of times net earnings covered staff costs, increased slightly to 2.3x (2024: 2.2x), which was below our benchmark of 3x and peer AB Microfinance Bank Nigeria Limited's ("AB MFB") 2.6x. Overall, in our view, the MFB's management team is well qualified and experienced, but staff productivity can be improved upon.

ASSET QUALITY

Accion MFB's assets primarily comprised loans to MSMEs and underbanked Nigerians. As at 31 December 2025, the MFB's gross loans and advances of ₦24.6 billion accounted for the bulk (83.1%) of total assets. This represented a significant 44% growth year-on-year driven by increases in retained earnings, borrowings, and customer deposits. We consider Accion MFB's loan portfolio growth to be aggressive relative to the average inflation rate of 20.8% recorded in 2025 and peer, AB MFB's loan book growth of 28% in the same year. However, we note that the MFB experienced operational challenges in 2024 arising from the migration of its core banking platform from Temenos T24 R16 to R22, which constrained loan disbursements and portfolio growth. Thus, the significant growth in the loan book in 2025 was partly attributable to a return to optimal origination levels following the resolution of the technology challenges. The growth was also supported by the opening of new branches in Kaduna and Ilorin and the introduction of digital top-up loans targeted at internally scored, investment-grade obligors, typically in the fifth to seventh loan cycle that have demonstrated consistent and timely repayment behaviour.

Based on the unaudited accounts as at 31 March 2026, the MFB's gross loan portfolio stood at ₦23.1 billion, representing a 6% decline from 2025 due to the typically slower lending activities recorded in the first quarter of the year. Nonetheless, we expect moderate growth in the loan portfolio in the near term as Accion MFB issues up to ₦5 billion in commercial papers and disbursements peak in second half of 2026 during the high season of commercial activities. The anticipated portfolio growth will also be supported by the MFB's increased loan approval thresholds and refined credit risk algorithms to better reflect prevailing economic conditions and improve repayment performance.

As at 31 December 2025, Accion MFB's micro loans accounted for the largest share of the portfolio at 74% while SME loans made up a smaller balance of 26%. Nevertheless, the MFB was in breach of the regulatory requirement for an 80:20 micro to SME split of the loan book. We expect Accion MFB plans to ramp up disbursements of micro loans in the near term via the digital app to realign the portfolio with CBN's requirements. The MFB's loans also showed concentration by sector, with obligors in trade & commerce constituting the bulk (71%) of the portfolio while borrowers in the manufacturing (10%), education (8%), real estate (5%), transport & communication (4%) and other (2%) sectors made up smaller balances. In our view, the loan portfolio's concentration to traders leaves Accion MFB highly exposed to the sector's vulnerabilities including the pressures of inflation and naira depreciation, which have negatively impacted consumer purchasing power.

As at the 2025 FYE, the MFB's loan book showed some geographical concentration as exposures to obligors domiciled in the South West constituted a significant 63% share of the portfolio, while borrowers in the South South (17%), South East (12%), North West (7%) and North Central (1%) regions accounted for relatively small balances. The concentration of the loan portfolio to South-Western Nigeria is typical given that the region contains the country's most economically active areas and the major commercial hub. In the near to medium term, we anticipate a moderate dilution in the geographical concentration of the loan book as Accion MFB

expands to new states and continues to deploy the digital lending platform for top up loans. Nonetheless, we note positively that the MFB's loans were well diversified by obligors in the review year, with the top 20 borrowers constituting less than 1% of the portfolio, which was in line with our expectation for a microfinance bank. As at the 2025 FYE, Accion MFB had 397 loan officers, who were responsible for managing a total of 22,232 active borrowers. This translated to a borrower-to-loan officer ratio of 56:1, which is acceptable in our view and should support efficient collections.

As at 31 December 2025, Accion MFB had stage 3 or non-performing loans (NPLs) of ₦1.2 billion, a 16% decline from the prior year attributable to higher collections amid the reducing risk in the macro environment. Thus, as at the 2025 FYE, Accion MFB recorded an NPL-to-gross loan ratio of 5% (2024 FYE: 8.6%), which was higher than AB MFB's 4.3% but aligned with the 5% benchmark for microfinance banks. However, we note that this performance was partly supported by the significant 44% growth in the loan book. Without the sharp growth in the loan book, the MFB's NPL ratio would have been higher at 7.2%, which is above our benchmark. We also note that written-off loans, typically NPLs overdue by more than 450 days, totalled ₦601.1 million, representing 2.9% of the average loan portfolio in 2025 – above our 1% benchmark.

As at 31 December 2025, cumulative loan loss provision and regulatory risk reserves covered 67.3% of the NPLs, with impaired loans not provided for equating to 5% of the MFB's core capital, which is acceptable in our view. We note that the coverage ratio was significantly lower than peer, AB MFB's 98.1% as at the 2025 FYE. Based on the unaudited accounts as at 31 March 2026, Accion MFB reported NPLs of ₦1.4 billion, representing an 11% increase from the 2025 financial year-end following the sharp growth in the loan book in the previous year. Consequently, the MFB's NPL-to-gross loans ratio increased to 5.9% as at 31 March 2026, exceeding our benchmark as the gross loan portfolio contracted by 6% subsequent to the year end. We expect asset quality metrics to remain under pressure over the near term amid persistent macroeconomic headwinds, although Accion MFB's ongoing recovery and collection efforts should provide some mitigation.

As at the 2025 FYE, Accion MFB had liquid assets of ₦3.4 billion, primarily (72%) comprising money market placements with financial institutions that we consider to be of investment-grade credit quality, while FGN treasury bills (16%) and cash balances (12%) made up smaller shares. The MFB's money market placements showed some concentration, with exposures to two financial institutions accounting for 71% of the portfolio. Thus, in our view, Accion MFB is significantly exposed to deterioration in the financial conditions of these institutions, with the top two placements amounting to a sizeable 22% of shareholders' funds. Nevertheless, overall, in our opinion, Accion MFB's asset quality is acceptable but remains threatened by the volatile operating environment which adversely impacts MSMEs and the underbanked.

RISK MANAGEMENT

Accion's Board of Directors has the overall responsibility for setting risk management policies and defining the organisation's risk appetite. It carries out this responsibility through the Board Risk, Credit & Investment Committee (BRCIC), while the Managing Director, supported by the Risk Management, Compliance & Internal Control unit, ensures that approved policies are properly implemented and adhered to. The MFB operates the three lines of defence model for risk management, comprising the business and support units, the risk management, compliance & internal control unit, and the internal audit function.

Accion MFB is primarily exposed to credit risk arising from its lending activities. Loans are originated by relationship/loan officers at the branch level, while final approval is handled centrally at the head office, except for facilities of ₦2 million and below. When a customer submits a loan request, the relationship officer conducts a field visit to the customer's business premises and collects relevant information using a tablet connected to the core banking system. Based on the information gathered, the officer prepares simplified financials, including statements of financial position, profit or loss, and cash flow to assess the borrower's repayment capacity. In addition, the loan officer performs credit checks on the applicant and guarantors using credit bureau agencies and verifies key customer information such as identity details and Bank Verification Number (BVN). Customers are also required to provide an equity contribution of 10% of the requested loan amount as part of the application process. After the initial assessment, the loan request is reviewed by the Branch Manager and subsequently by the Area Manager, before proceeding through the established hierarchy of approval limits as outlined in the matrix below.

Table 4: Accion MFB's Loan Approval Limit

S/N	Approving Authority	Limits
1.	Board Risk and Investment Committee	Above ₦40 million
2.	Management Credit Committee	Up to ₦40 million
3.	Chief Commercial Officer (together with approval from Chief Risk Officer)	Up to ₦10 million
4.	Regional Branch Head (subject to approval from Regional Controller)	Up to ₦5 million
5.	Area Managers	₦2 million and below

Source: Accion MFB

For returning customers, loan evaluations are based on their historical repayment performance, which informs decisions to increase, reduce, or maintain existing loan amounts. Accion MFB, in partnership with Accion International, has also developed a risk-scoring algorithm to assess digital loan applications. To qualify for a top-up loan, repeat borrowers are required to maintain tangible collateral coverage of at least 100%, excluding inventory. Applicants must typically be around their seventh loan cycle and possess an internal credit rating of "AA". Furthermore, eligibility is subject to a satisfactory repayment record, with no history of delinquency or involvement in the MFB's recovery processes.

Branch Control Officers (BCOs), who are responsible for monitoring, carry out post-disbursement visits to confirm that funds are used for the intended purpose. BCOs also make periodic visits to obligors and submit

weekly reports on loan performance. Loan officers are expected to contact borrowers in advance of repayment dates to issue reminders. Where payments are not made on the due date, the loan officer follows up with the client by telephone. In addition, the MFB's contact centre supports recovery efforts by calling and sending text messages to customers with overdue obligations. If an account remains past due for 10 days, cash collateral deposits are applied to offset the outstanding balance. Where repayment is 30 days overdue, guarantors' post-dated cheques are presented for payment. In cases where the cheques are dishonoured, legal action is initiated against the guarantor, and the account is transferred to the recovery unit. The recovery team, which typically becomes involved when loans are more than 60 days past due, issues up to three demand letters to delinquent customers and may proceed to repossess and sell pledged collateral to recover outstanding amounts.

In 2024, the MFB experienced operational challenges arising from the migration of its core banking platform from Temenos T24 R16 to R22, which included the transition of its database environment from jBASE to Oracle Database. The implementation process was negatively impacted by capacity constraints at Accion MFB's local technology partner due to significant staff attrition. As a result, loan origination and disbursement activities were severely disrupted in the first quarter of 2024. To resolve these challenges, the MFB engaged external technology consultants to support the migration, implementation, and stabilisation processes. Subsequently, Accion MFB established a dedicated internal team to proactively manage future core banking system upgrades and implementations. In our opinion, the challenges experienced during the core banking system migration highlight weaknesses in project execution and a third-party dependency risk. Nevertheless, the management team's corrective actions, including the engagement of specialised consultants and the creation of an internal implementation team should mitigate future migration issues. We therefore view the incident as a temporary setback rather than a structural weakness, although the effectiveness of the enhanced IT framework remains to be demonstrated over time. Overall, we consider Accion MFB's risk management framework as satisfactory.

EARNINGS AND PERFORMANCE

Accion MFB generates earnings primarily from the interest income and fees & commission on loans advanced to MSMEs. During the 2025 financial year, the MFB recorded net earnings of ₦8.9 billion, representing a 41% year-on-year increase, driven by higher loan disbursements and the introduction of digital top-up loans for internally scored, investment-grade existing obligors. Accion MFB's core lending business contributed the bulk of net earnings, with net interest income accounting for 91% while fees, commission and other income jointly constituted the balance of 9%. Given the substantial contribution of core lending activities to net earnings, we view the MFB's income generation as sustainable, supported by the considerable demand for MSME loans in Nigeria.

In 2025, Accion MFB recorded a net interest spread (NIS) of 80.6%, down from 85.5% in 2024, primarily due to the increased reliance on term deposits and borrowings in the funding mix, as well as the decision not to reprice loans to support customer retention. Nevertheless, the MFB's NIS was significantly better than peer AB MFB's 67.2% in 2025. Thus, we consider Accion MFB's NIS as good in the review period. We expect the strong

margin profile to remain supported by the MFB's capital base, the growing proportion of low-cost deposits driven by the compulsory 10% equity contribution from obligors, and access to targeted low-cost borrowings from local development finance institutions (DFIs).

Based on the unaudited accounts as of 31 March 2026, the MFB reported net earnings of ₦2.4 billion, which translated to a relatively modest annualised growth of 7% given the typical slowdown in lending activities in the early part of the year. We expect net earnings to increase moderately in the near to medium term as the peak commercial season approaches and Accion MFB continues to grow the loan book leveraging its agency banking network and digitalisation to expand coverage across Nigeria.

In the 2025 FY, the MFB recorded a loan loss expense of ₦546.5 million, an 89.9% growth from the prior year. Thus, Accion MFB's loan loss expense to interest income ratio was weaker at 5.1% (2024: 4.1%) in the review year and worse than our 2% benchmark and that of peer, AB MFB's 3.2%. In 2025, the MFB incurred operating expenses (OPEX) of ₦7.1 billion, representing an increase of 28% from the prior year due largely to the higher personnel expenses following an upward review of compensation and the considerable inflationary pressures in the macro environment. Notwithstanding, the cost-to-income ratio (CIR) improved to 79.6% from 87.4% in the prior year as net earnings also rose markedly. However, the CIR was above our maximum 75% benchmark, higher than Accion MFB's internal target of 67% and the CIR of peer, AB MFB's 69.9%. Based on the unaudited accounts for the three months ended 31 March 2026, the MFB's CIR improved slightly to 74.1% due largely to the enhanced net earnings. We expect the CIR to improve further but remain above 70% in 2026 as a ramp up in loan disbursements drives a notable increase in earnings in the latter half of the year.

Accion MFB's profitability improved markedly in the review year, with pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) of 7.4% (2024: 4.7%) and 24.5% (2024: 11.5%) respectively. The MFB's profitability ratios were lower than peer AB MFB's 9.8% ROA and 57.3% ROE. Nevertheless, Accion MFB's ROE was higher than the 12-month average inflation rate of 20.8% in 2025. Based on the unaudited accounts for the three months to 31 March 2026, the MFB recorded pre-tax profit of ₦622.8 million, which represented a significant 121% of the budget for Q1'2026 and translated to higher annualised ROA and ROE ratios of 8.2% and 30.6% respectively. We expect Accion MFB's profitability ratios to improve moderately in the near term as earnings are buoyed by increased lending activities. In our view, the MFB's profitability is good, upheld by a high net interest spread and reflective of its MSME-lending business model.

CAPITAL & LEVERAGE

Accion MFB's capital has increased significantly over the years, driven primarily by the accumulation of retained earnings, which accounted for the largest share of shareholders' funds at 52% as at 31 December 2025 while reserves and share capital also contributed sizeable 32% and 16% shares, respectively. We view this capital composition positively, as the predominance of internally generated capital reflects the MFB's strong earnings generation capacity and prudent profit retention practices.

As at 31 December 2025, Accion MFB had shareholders' funds of ₦7.8 billion, which exceeded the minimum capital requirement of ₦5 billion for national microfinance banks. Core capital remains adequate, funding 26.3% of the MFB's total assets, which was in line with our expectation. In the same vein, Accion MFB's Basel II capital adequacy ratio (CAR) was good at 28% (2024: 37%) as at the 2025 FYE, better than the minimum regulatory requirement of 10% for microfinance banks, Agusto & Co.'s benchmark of 15% and peer - AB MFB's 22%.

The MFB had a debt-to-equity (DTE) ratio of 2.8x (2024: 1.7x), which was better than our threshold of 5x for microfinance banks and peer – AB MFB with 4.5x as at the 2025 FYE. Accion MFB's DTE ratio remained in line with our expectation at 2.7x as at 31 March 2026. Thus, overall, we believe that the MFB's capitalisation is good for business risks while leverage is low.

LIQUIDITY AND FUNDING

Accion MFB's funding structure as at 31 December 2025 indicates a reliance on customer deposits (38%), borrowings from domestic DFIs (28%) and shareholders' equity (26%) while other liabilities made up a fraction (8%). Nonetheless, this structure, in our view, reflects a relatively diversified funding base supported by both customer confidence and institutional funding sources. The MFB's total liabilities of ₦21.8 billion as at the 2025 FYE funded 74% of total assets, reflecting a leveraged balance sheet structure typical of a microfinance bank and broadly comparable to peer institution, AB MFB, with 82% of total assets funded by liabilities as at the same date.

As at 31 December 2025, Accion MFB's customer deposits stood at ₦11.3 billion, representing a 76% growth from 2024, mainly driven by the minimum (10%) equity contribution requirement for loans. Consequently, growth in loan disbursements typically translates to increased customer deposits, highlighting the positive correlation between the MFB's lending activities and its deposit mobilisation efforts. This, in our view, supports Accion MFB's funding stability by providing a relatively low-cost and recurring source of funds to sustain lending operations and business growth. As at the 2025 FYE, the MFB's deposit base exhibited some concentration, with the top 20 customers accounting for 28% of total deposits. While this level may be considered elevated for a microfinance bank, we note that the deposit mix remained anchored by savings and demand deposits (59% of total deposits), limiting reliance on more expensive term funding. Accordingly, we view the funding profile as reasonably stable, albeit with some concentration risk.

Based on the unaudited accounts as at 31 March 2026, customer deposits stood at ₦12.3 billion, representing a moderate 9% growth from the end of the review period. This was reflective of the slowdown in lending activities in Q1'2026, which in turn resulted in a muted growth in the minimum 10% equity contributions tied to disbursements. We expect to see a moderate rise in customer deposits in the near term, particularly low-cost funds as the loan book grows and the MFB intensifies marketing efforts through partnership with agents to deploy POSs to capture float from customer transactions.

As at 31 December 2025, Accion MFB had total borrowings of ₦8.2 billion, representing an 85% growth from 2024 due to funding from two domestic DFIs (the Nigerian Consumer Credit Corporation and the Development Bank of Nigeria), a merchant bank, and a commercial paper issuance. As at the 2025 FYE, borrowings from DFIs accounted for the largest share of total borrowings at 54%, while the borrowings from the merchant bank and commercial paper issuances represented smaller shares at 24% and 22% respectively. Funding costs varied across the MFB's borrowing sources, ranging from 14.1% to 28% in 2025. Based on the unaudited accounts as at 31 March 2026, borrowings stood at ₦7.8 billion, representing a decline of 5% from 2025 as Accion MFB paid down on maturing DFI borrowings. However, we anticipate a moderate increase in borrowings, given the MFB's plan to issue ₦5 billion in commercial papers in 2026 to fund disbursements. Overall, we view Accion MFB's borrowing profile as moderately diversified, which, in our view, reduces concentration risk and enhances funding flexibility.

Overall, Accion MFB reported a weighted average cost of funds (WACF) of 15.8%, which was in line with our expectation given the elevated interest rate environment. In the near term, we expect a stabilisation of the WACF as the CBN maintained the monetary policy rate (MPR) at 26.5% in May 2026.

As at the 2025 FYE, Accion MFB had liquid assets of ₦3.4 billion which represented 11.6% of total assets and comprised investment-grade quality exposures. The MFB thus had a liquid assets to lcy deposits ratio ("liquidity ratio") of 30.4% (2024: 20.5%), which was better than the regulatory minimum of 20% for microfinance banks and higher than peer's AB MFB's 27%. Based on the unaudited accounts as at 31 March 2026, the liquidity ratio improved to 51.1% driven by the higher level of collections versus disbursements in the slower earlier part of the year for micro lenders. Thus, we expect the MFB's liquidity ratio to remain above the CBN minimum in the near term. In addition, Accion MFB maintained an undrawn committed contingency line of ₦5 billion from a domestic financial institution, which provides an additional liquidity buffer.

In our opinion, Accion MFB's liquidity and funding profile is good.

OUTLOOK

The microfinance industry continues to serve as a vital source of funding for small businesses and underbanked individuals, with credit demand stimulated by weaker purchasing power driven by the persistent inflationary pressures. However, the industry's growth continues to be constrained by several challenges, including high funding costs, intense competition from well-capitalized fintech companies that are heavily investing in technology and targeting merchants and small businesses, as well as regulatory limitations.

Accion MFB's growth strategy in the near term focuses primarily on digitalisation and the use of the agency banking operating model. The MFB also plans to leverage branch network expansion where feasible to drive business growth. We expect Accion MFB's asset quality to remain acceptable but pressured by the weak economic climate while earnings and profitability will improve moderately upheld by higher lending activities and stable margins. We expect capitalisation to remain good with significant accretion to retained earnings while leverage remains low. We also believe that Accion MFB's liquidity and funding profile will remain good in the near term, supported by enhanced borrowings and deposit bases.

Based on the aforementioned, we hereby attach a "**stable**" outlook to the rating.

FINANCIAL SUMMARY

ACCION MICROFINANCE BANK LIMITED						
STATEMENT OF FINANCIAL POSITION AS AT	**31-Dec-23**		**31-Dec-24**		**31-Dec-25**	
	N'Mn		**N'Mn**		**N'Mn**	
Assets						
Cash & Equivalents	881	5.9%	962	5.0%	416	1.4%
Government Securities	-	0.0%	352	1.8%	552	1.9%
Quoted Investments	290	2.0%	-	0.0%	-	0.0%
Liquid Assets	1,171	7.9%	1,314	6.8%	968	3.3%
Total Placements	-	0.0%	-	0.0%	2,457	8.3%
Total Loans - Net	11,687	78.6%	16,015	82.5%	23,727	80.3%
Total Other Assets	633	4.3%	863	4.4%	1,033	3.5%
Fixed Assets Under Operating Leases	156	1.0%	111	0.6%	214	0.7%
Property, Plant & Equipment - For Own Use	781	5.3%	777	4.0%	863	2.9%
Goodwill & Other Intangible Assets	438	2.9%	338	1.7%	281	1.0%
Total Fixed Assets & Intangibles	1,375	9.2%	1,226	6.3%	1,358	4.6%
Total Assets	**14,865**	**100.0%**	**19,419**	**100.0%**	**29,544**	**100.0%**
Capital & Liabilities						
Share Capital	1,206	8.1%	1,206	6.2%	1,206	4.1%
Share Premium	8	0.1%	8	0.0%	8	0.0%
Statutory Reserve	1,790	12.0%	1,862	9.6%	1,990	6.7%
Other Non-Distributable Reserves	646	4.3%	674	3.5%	519	1.8%
Revenue Reserve	3,119	21.0%	3,353	17.3%	4,044	13.7%
Tier 1 Capital (Core Capital)	6,769	**45.5%**	7,103	**36.6%**	7,768	**26.3%**
	-		-		-	
Total Deposit Liabilities	4,304	**29.0%**	6,413	**33.0%**	11,270	**38.1%**
Other Long-Term Borrowings	1,925	12.9%	4,447	22.9%	8,245	27.9%
Taxation Payable - Deferred	18	0.1%	86	0.4%	36	0.1%
Taxation Payable - Current	227	1.5%	241	1.2%	934	3.2%
Other Accounts Payable	1,623	10.9%	1,129	5.8%	1,291	4.4%
Total Other Liabilities	3,792	**25.5%**	5,902	**30.4%**	10,507	**35.6%**
Total Capital & Liabilities	14,865	**100.0%**	19,419	**100.0%**	29,544	**100.0%**

ACCION MICROFINANCE BANK LIMITED						
INCOME STATEMENT FOR THE YEAR ENDED	**31-Dec-23**		**31-Dec-24**		**31-Dec-25**	
	N'Mn		**N'Mn**		**N'Mn**	
Interest income	5,535	89.7%	6,936	90.7%	10,757	92.9%
Interest expense	(504)	-8.2%	(1,004)	-13.1%	(2,084)	-18.0%
Loan loss expense	(685)	-11.1%	(288)	-3.8%	(546)	-4.7%
Net Revenue from Funds	4,346	70.4%	5,644	73.8%	8,127	70.2%
Commissions	435	7.1%	445	5.8%	654	5.6%
Fees & Other Income	199	3.2%	268	3.5%	167	1.4%
Net Earnings	4,980	80.7%	6,357	83.1%	8,948	77.3%
Staff Costs	(2,448)	-39.7%	(2,925)	-38.2%	(3,923)	-33.9%
Depreciation Expense	(225)	-3.6%	(366)	-4.8%	(428)	-3.7%
Other Operating Expenses	(1,804)	-29.2%	(2,267)	-29.6%	(2,774)	-24.0%
Operating Expenses	(4,476)	-72.6%	(5,557)	-72.7%	(7,126)	-61.5%
Profit (Loss) Before Taxation	504	8.2%	800	10.5%	1,821	15.7%
Tax (Expense) Benefit	(36)	-0.6%	(225)	-2.9%	(794)	-6.9%
Profit (Loss) After Taxation	467	7.6%	576	7.5%	1,027	8.9%
Gross Earnings	**6,169**	**100.0%**	**7,649**	**100.0%**	**11,578**	**100.0%**
Auditors	**KPMG**		**KPMG**		**KPMG**	
Opinion	Clean		Clean		Clean	

KEY RATIOS	31-Dec-23	31-Dec-24	31-Dec-25
PROFITABILITY RATIOS			
Net interest margin	90.9%	85.5%	80.6%
Loan loss expense/Interest income	12.4%	4.1%	5.1%
Operating expenses/Net earnings	89.9%	87.4%	79.6%
Staff expense/net earnings	49.2%	46.0%	43.8%
Return on average assets (pre-tax)	3.4%	4.7%	7.4%
Return on risk weighted assets (average)	3.6%	5.1%	7.9%
Return on average equity (pre-tax)	7.4%	11.5%	24.5%
Gross earnings/Total assets & contingents (average)	41.1%	44.6%	47.3%
EFFICIENCY INDICATORS			
Operating expenses/average loan portfolio (Cost-per-loan)	37%	40%	36%
Adjusted operating expenses/average loan portfolio	35%	37%	34%
Personnel expenses/average loan portfolio	20%	21%	20%
LIQUIDITY RATIOS	101%	93%	89%
Direct & indirect loans/Total assets & contingents	78.6%	82.5%	80.3%
Total loans - net/Total lcy deposits	146.2%	158.1%	153.7%
Liquid assets/Total lcy deposits	27.2%	20.5%	30.4%
Cost of Funds Ratio (Interest expense /Total lcy deposits)	11.7%	15.7%	18.5%
ASSET QUALITY RATIOS			
Performing Loans (In N'mn)	10,076	15,542	23,326
Total Portfolio at Risk (Par)- In N'mn	1,610	1,461	1,227
Total Loans (In N'mn)	11,687	17,003	24,553
PAR/Total loans - Gross	13.8%	8.6%	5.0%
CAPITAL ADEQUACY RATIOS			
Risk-weighted assets/Total assets & contingents	90.2%	91.5%	95.8%
Adjusted capital/risk weighted assets	47.2%	38.1%	26.5%
Total loans - net/Adjusted capital	1.85	2.37	3.17
Debt-to-Equity	1.20	1.73	2.80

LONG TERM RATING DEFINITIONS

Aaa	A financial institution of the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A financial institution of good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A financial institution of satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A financial institution with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A financial institution with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A financial institution with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

SHORT TERM RATING DEFINITIONS

A1+	A financial institution/company with the strongest capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country.
A1	A financial institution/company with a strong capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country.
A2	A financial institution/company with adequate capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country.
A3	A financial institution/company with limited capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country.
B	A financial institution/company with weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country.
C	A financial institution/company with very weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country.
D	A financial institution/company in default.

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