FSDH Merchant Bank Limited

Annual Report for the year ended 31 December 2021

FSDH MERCHANT BANK LIMITED

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for the year ended 31 December 2021

Note

Note

DIRECTORS REPORT

The Directors present the consolidated and separate financial statements of FSDH Merchant Bank Limited ("the Bank") for the year ended 31 December 2021.

(a) Legal form

The Bank was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act (CAMA). It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. It was granted an approval to convert to a merchant bank on 22 November 2012 and officially changed its name to FSDH Merchant Bank Limited from First Securities Discount House Limited on 31 December 2012. The Bank commenced banking and financial services on 15 January 2013.

(b) Principal activity

The Bank's principal activity during the period was the provision of merchant banking services to its customers. The services principally involve transactional products and structuring of finance, money market activities including trading and holding of marketable securities such as treasury bills, government bonds, commercial bills and other eligible instruments.

The Bank has 100% controlling interest in FSDH Funding SPV Plc, a special-purpose entity incorporated in Nigeria. The SPV was set up to issue bonds to the public in order to provide funding to the Bank. The Bank issued Naira denominated unsecured senior debt and Naira denominated subordinated debt in the current year through FSDH Funding SPV Plc, while no transaction was recorded in prior year. The Bank did not give any financial support to the entity during the year (2020 : Nil).

The Bank is a subsidiary of FSDH Holding Company Limited, a non-operating legal entity domiciled in Nigeria, and regulated by the Central Bank of Nigeria as an "other financial institution".

(c) Operating results:

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

	Group		Bank	
	31 December 2021 (N'000)	31 December 2020 (N'000)	**31 December 2021 (N'000)**	31 December 2020 (N'000)
Profit before tax	**1,007,013**	3,645,064	**1,007,013**	3,645,064
Income tax expense	**(120,272)**	(367,229)	**(120,272)**	(367,229)
Profit after tax	**886,741**	3,277,835	**886,741**	3,277,835
Other comprehensive (loss)/Income for the year, net of tax	**(4,133,722)**	2,767,119	**(4,133,722)**	2,767,119
Total Comprehensive (loss)/Income for the year	**(3,246,981)**	6,044,954	**(3,246,981)**	6,044,954
Profit after tax attributable to equity holder of the holding company	**886,741**	3,277,835	**886,741**	3,277,835
Total comprehensive (loss)/income attributable to equity holders of the holding compa	**(3,246,981)**	6,044,954	**(3,246,981)**	6,044,954

(d) Proposed dividend

The Board of Directors recommend, for the approval of the shareholders, the payment of a final dividend of ₦406 million representing ₦0.22 per share (December 2020: N0.32) for the year ended December 31, 2021. The dividend is subject to deduction of withholding tax of 10%.

(e) Directors and their interests

The following directors of the Bank held office during the period as at December 31, 2021:

Mr. Olufemi Agbaje	Chairman
Mrs. Hamda Ambah	Managing Director (Retired in April 2021)
Mrs. Bukola Smith	Managing Director (Appointed in April 2021)
Ms. Olufunsho Olusanya	Executive Director (Resigned in April 2021)
Mr. Taiwo Otiti	Executive Director
Alhaji Bello Garba	Non-Executive Director (Exited the Board in April 2021)
Mr Tosayee Ogbomo	Non-Executive Director
Mr Patrice Backer	Non-Executive Director
Mr. Godwin Ize-Iyamu	Independent Director
Mr. Kelechi Okoro	Non-Executive Director
Prof. Isabella Okagbue	Non-Executive Director (Appointed in April 2021)
Mr. Musa Ali Baba	Independent Director (Appointed in October 2021)

All non-executive directors except the independent directors are representatives of companies which have interests in the share capital of the Bank.

The proportion of women on the board of directors of FSDH Merchant Bank Limited as at December 31, 2021 was 22.22% (December 2020: 22.22%) broken down as below:

December 2021	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	1	2	50.00%
Non-executive directorship	1	7	14.29%
Total	**2**	**9**	**22.22%**

December 2020	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	2	3	66.67%
Non-executive directorship	0	6	0.00
Total	**2**	**9**	**22.22**

(f) Directors’ interests in contracts

In accordance with Section 303 of the Companies and Allied Matters Act (CAMA), none of the directors has notified the Bank of any declarable interests in contracts with the Bank.

(g) Composition of top management

The Bank’s top management is defined from the positions of Assistant General Manager (AGM) and above. As at 31 December 2021, the Bank had 12 staff members in this category (Dec 2020: 13).

The proportion of women in the Bank’s top management positions as at 31 December 2021 was 25.00% (December 2020: 30.77%) broken down as below:

December 2021	**Female**	**Total**	**Percentage of Female**
Assistant General Manager - General Manager	2	10	20.00%
Executive Director - Managing Director	1	2	50.00%
Total	**1**	**12**	**25.00%**

December 2020	**Female**	**Total**	**Percentage of Female**
Assistant General Manager - General Manager	2	10	20.00%
Executive Director - Managing Director	2	3	66.67%
Total	**4**	**13**	**30.77%**

(h) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2021 shows that the Bank is owned 99.99% by FSDH Holding Company Limited.

(i) Substantial interest in shares

According to the register of members as at 31 December 2021, the Bank is owned substantially by FSDH Holding Company Limited.

(j) Property and equipment

Information relating to changes in the property and equipment of the Bank is disclosed in Note 25 to the financial statements. In the directors' opinion, the market value of the Bank's property and equipment is not less than the value shown in the financial statements.

(k) Customer Complaints

It is the policy of the Bank to respond to customer complaints, disputes and issues swiftly and to take each complaint seriously. We diligently track complaint information for continuous improvement of our processes and services. An independent review of the root cause of complaints made is carried out and lessons learnt are fed back to the relevant business units to avoid future repetition. Customer complaint metrics are analysed and reports presented to Executive Management and the Risk Management Committee. Reports on customer complaints are also sent to the Central Bank as required.

In line with the Central Bank of Nigeria circular reference FPR/DIR/CIR/GEN/01/020, the activities of customer complaints management desk for the period is summarized below.

	Number		Amount Claimed		Amount refunded	
Financial Period	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20
Pending Complaints at start of the period	-	-	-	-	-	-
Customer Complaints received	2	-		-		-
Customer Complaints resolved	1	-		-		-
Unresolved Complaints escalated to the CBN for intervention	1	-	32,508,000	-	27,823,526	-
Unresolved Complaints pending with the Bank as at end of the period	-	-		-		-

(l) Report/Statement on Frauds and Forgeries

In the 2021 financial year, there were no cases of fraud and forgeries detected or reported through any channel including the whistle blowing line. Accordingly, nil monthly return on fraud and forgeries was rendered to the Central Bank of Nigeria (CBN) during the year ended 31st December 2021 (December 2020: Nil).

(m) Events after reporting date

The Finance Act was signed into Law on 31 December, 2021, with an effective date of 1 January, 2022. The signing into law of the Finance bill on 31 December 2021 qualifies as an adjusting event as the bill had been in existence at the end of the financial year. In view of this development, the Bank has reviewed the provisions of the Act and have made appropriate adjustments to the financial estimates disclosed in the Financial statement in line with the relevant provisions of the Finance Act.

(n) Human resources

Employee consultation and training

The Bank places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and the various factors affecting the performance of the Bank. This is achieved through regular and informal meetings between management and staff.

The Bank places a high premium on training and development of its manpower and sponsors employees for various training courses as appropriate.

Health, safety and welfare at work

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy operating conditions of its employees and customers alike. Employees are adequately insured against occupational hazards. In addition, medical facilities are provided to employees and their immediate families at the Bank’s expense.

Equal opportunity

The Bank's policy is that the highest qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's gender, state of origin, ethnicity, religion or physical condition. During the year, the proportion of women in the employment of the Bank was 42 out of a total staff strength of 130, which represents 32.31% (December 2020: 41 out of a total staff strength of 122, which is 33.61%) of the workforce.

Employment of physically challenged persons

The Bank continues to maintain a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitude. The Bank's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that, as far as possible, their employment with the Bank continues and appropriate training is arranged to ensure that they fit into the Bank's working environment. Currently, the Bank has no person on its staff list with a physical disability.

(a) Donations

In order to identify with the aspirations of the community and the environment within which the Bank operates, a total sum of ₦359,828,393 (31 December 2020: ₦121,043,310) was incurred in respect of donations during the period. Details of the donations and charitable contributions include:

Breakdown of Donations	Dec-20	Dec-21
UUBO private equity summit	1,500,000	-
Rajasthan Samaj Society Annual Sports program	500,000	-
Beth Torrey Homes	3,000,000	-
Child Lifeline	2,500,000	2,500,000
Children's development centre	2,500,000	2,500,000
Nigeria Society for the blind	3,500,000	3,500,000
Financial Literacy awareness campaign	1,043,310	5,500,000
Dominican Sisters' college	2,000,000	-
Annual Bankers Dinner	2,500,000	10,000,000
Cerebral Palsy Center	2,000,000	2,000,000
Covid-relief fund of the CBN	100,000,000	-
Renovation of Police Stations Damaged During Endsars	-	79,828,393
Support To Nigerian Police for Equipment	-	250,000,000
Olashore International School	-	1,500,000
Opekete Foundation/Florence Fund	-	2,500,000
	121,043,310	359,828,393

(b) Auditors

During the year, Messrs. Pricewaterhouse Coopers (PwC) resigned as auditors of the Bank having acted as auditors for ten years. In accordance with section 401 (1) of the Companies and Allied Matters Act (CAMA) 2020, a new auditor Messrs. KPMG Professional Services (KPMG) was appointed as auditors at the last Annual General Meeting of the Bank. Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditor to the Bank. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA) 2020, therefore, the auditor will be re-appointed at the next annual general meeting of the Bank without any resolution being passed.

1-5 Odunlami Street,
UAC House, 5th floor
Lagos, Nigeria

BY ORDER OF THE BOARD,

Bolanle Meshida
Company Secretary
FRC/2019/002/00000020171
23 March 2022

CORPORATE GOVERNANCE IN FSDH

Corporate governance in FSDH is based on the philosophy of building a structured organization, anchored on core values, with well-defined systems and processes that are adaptive to changes in the environment and resilient enough to cope with succession at all levels. This philosophy has been the guidepost in navigating the organization through its various phases of growth. It has ensured stability for the Bank, even as the economy as a whole and the financial services industry, in particular, went through various cycles of boom and bust.

At FSDH, corporate governance is not just about adopting national and international codes of best practices - it is rooted in shared values and a culture that aims to bring out the best in our staff members. This culture is well articulated in a "**Culture Wheel"** and well known to all members of staff. The culture wheel defines who the FSDH person is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars – High Performance, Customer Orientation, Learning, Collaboration, and Image Building. The interplay of these five pillars defines who we are and our way of doing business. It is reinforced by the Bank's Code of Conduct, the policies and procedures in place in the Bank, the examples set at the top by the Board and senior management, and the reward system.

The FSDH culture serves as a powerful tool in shaping the Bank's control and risk management environment and has continued to play an important role in improving the governance systems in the organization. It is the glue that binds all the stakeholders together and has resulted in the alignment of the external and the internal environment towards a common objective – that of meeting and exceeding the needs of our customers. Our unique ownership structure has combined with a responsive Board to produce a highly empowered management and staff, resulting in a governance structure that promotes accountability and transparency throughout the whole organization.

Over the years, we have taken deliberate steps towards improving our governance structures. We have put in place all the structures and processes stipulated in the CBN's Code of Corporate Governance. The position of the Managing Director/Chief Executive Officer of the Bank is separate from the position of the Chairman. Both positions are occupied by different people who are not related in any way. We have two independent directors and the number of Non-Executive Directors is more than the number of Executive Directors. We have also institutionalized the processes for the performance appraisal of directors (both executive and non-executive directors) and have revised the processes for setting goals for directors.

Directors and members of staff are regularly trained and we have continued to increase capacity in the key departments involved in the governance process. The Bank's Enterprise-wide Risk Management Framework (ERM) provides the platform for the management of risks in the organization. The ERM is regularly reviewed and updated in line with changing business and operational circumstances. In addition, the Bank has a code of professional conduct for directors and members of staff. The code of conduct specifies the Bank's expectations from its directors and members of staff.

Furthermore, the Bank has set up a robust whistle-blowing process as an added measure to ensure that the Board and members of staff of the Bank conform to the Bank's expectation in the performance of their duties. Whistle blowing provides a confidential channel for stakeholders to report wrong-doing, through hotlines and confidential email. Our whistle-blowing process was reviewed in 2014 to give it more teeth. This resulted in the outsourcing of the process to an independent party - Deloitte Professional Services - a reputable professional services and advisory firm. Outsourcing the whistle-blowing process ensures that no member of staff in FSDH is in a position to access the whistle-blowing reports. All reports are processed by Deloitte and a summary sent to FSDH for investigation. Details are contained in the Bank's website: www.fsdhgroup.com.

In 2013, the Bank adopted a framework for the management of environmental and social risks as stipulated in the sustainable banking guidelines of the CBN. The aim is to ensure that FSDH carries on its banking activities in a manner that will ensure the protection of our environment, enhance social harmony and ensure sustainable development. Our sustainable banking practices are based on the principles of meeting the needs of today without compromising the needs of future generations. Our policies and processes for on-boarding of clients (customers, vendors and suppliers) are very sensitive to environmental and social issues. The results of some of the measures we have taken in this regard are evident in the bio-friendly work environment that we maintain and the positive changes from our clients' environmental and social practices. We will continue to seek every opportunity to strengthen the processes to ensure that we contribute our own quota towards ensuring sustainable banking practices in Nigeria.

OWNERSHIP

FSDH has continued to be the result of a successful partnership between local banks and non-bank financial institutions on the one hand and offshore financial institutions on the other hand. This ownership structure makes FSDH unique in the country's financial services industry. FSDH Merchant Bank Limited is one of the subsidiaries of FSDH Holding Company Limited. While the ownership has gone through a number of changes, the quality has remained the same. The Bank intends to continue to explore the opportunity of the changing ownership structure to establish key relationships necessary for the advancement of its strategic objectives.

THE BOARD

FSDH's Board is composed of experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The Board is headed by a Chairman. The position of the Chairman of the Board is separate from the position of the Chief Executive Officer and therefore both positions are not occupied by the same person. At least once a year, an evaluation of the effectiveness of the Board is performed by an external consultant, in line with the requirements of the CBN's Code of Corporate Governance. An external consultant is engaged to conduct the Board performance appraisals. The Board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has four standing committees – the Board Audit Committee, the Board Risk Committee, the Governance and Nominations Committee and the Board Finance and Strategy Committee. Together with the four committees, the Board provides effective oversight over the operations of the Bank. The duties of the Board are spelt out in the Board Charter. They include:

- Determination of the Bank's strategic direction and business objectives necessary to ensure long-term growth and sustained creation of value for customers
- Ensuring the existence of plans and policies for the achievement of the Bank's strategic business objectives
- The establishment of effective risk management framework to identify, measure, and manage risks in the Bank
- The establishment of a good system of internal controls to ensure the integrity of financial reporting and compliance with laws and regulations
- Fostering a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values

- Selection, compensation and monitoring of senior management staff and ensuring the existence of a good system of succession planning
- Approval of major capital expenditure, changes to the Bank’s capital structure, annual budgets, changes to accounting policies and dividend policy

The Board Committees

The CBN’s Code of Corporate Governance (2014) requires every Bank to have at least three Standing Committees namely: the Audit Committee, the Risk Management Committee, and the Governance and Nominations Committee. FSDH has all the three Board Committees in compliance with the Code of Corporate Governance. In addition to the three Standing Committees, FSDH also has the Finance and Strategy Committee as a fourth Committee. Each Board Committee has a charter approved by the CBN.

The duties and responsibilities of the Board Committees are **summarized** below.

The Board Audit Committee

- Ensuring the establishment of effective systems and processes for the preparation of the Bank’s financial statements.
- Ensuring the existence of good system of internal controls in the Bank
- Ensuring the existence of a good internal audit function to monitor the activities of the Bank to ensure that the Bank’s governance process is working properly, that risks are properly managed and that applicable laws are being complied with.
- Reviewing and monitoring the performance of external auditors and recommending to the Board on the appointment and discharge of external auditors
- Ensuring that there is an effective system of monitoring compliance with laws and regulations and all licensing requirements and the results of management's investigation and follow-up (including disciplinary action) of any instance of non-compliance

The Audit Committee is expected to have a minimum of 3 members and meets at least once every quarter. The Internal Audit Department, which is independent of management, reports directly to the Audit Committee.

The Board Risk Committee

The Committee comprises a minimum of 6 members and its duties are:

- To approve and review the Enterprise Wide Risk Management Framework
- The management of market risk in the Bank covering price risk, interest rate risk in the banking book and foreign exchange risk
- The management of credit risk covering:
    - Credit risk strategy and policy formulation
    - Credit approval
    - Loan review and credit performance monitoring
    - Credit risk compliance

- Management of operational risk
- Management of the Internal Capital Adequacy Process
- Management of other risks which includes:
    - liquidity risk
    - reputational risk
    - regulatory compliance risk
    - concentration risk
    - downgrade risk
    - business risk

The Risk Management Department, which is independent of the operating departments, presents regular reports to the Risk Management Committee.

The Governance and Nominations Committee

The Governance and Nominations Committee is made of 3 members. The Committee's duties include:

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its present position and make recommendations to the Board on any changes the Committee may deem necessary.
- Give full consideration to succession planning for directors and top management in the course of its work, taking into account the challenges and opportunities facing the Bank, and what skills and expertise are needed on the Board in the future.
- Be responsible, subject to the Bank's Memart, for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Make recommendations to the Board on matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Bank subject to the provisions of the law and their service contract.
- Make recommendations to the Chairman on the membership of other Board Committees, taking into consideration the skills, knowledge and experience required to function effectively in those Committees.
- Make recommendations to the Board for appointments and promotions of staff from the position of Assistant General Manager and above.
- Determine and agree with the Board the framework or broad policy for the remuneration of the Bank's Executive Directors and Chairman. (To avoid conflict of interest, the remuneration for non-executive Directors shall be determined by the Chairman and the Executive Directors).
- Determine and agree with the Board the policy for the terms of employment of the Executive Directors.
- Reviewing and approving the remuneration structure for the Bank.
- Review the ongoing appropriateness and relevance of the Bank's Remuneration policies.
- Review annually the remuneration trends across the Bank and the industry in which the Bank operates with a view to ensuring that the Bank remains competitive in order to retain and attract the right talents
- Determine and agree policy for the reimbursement of the expenses of the Chairman and the Executive Directors.

- Ensure that the disclosures in the audited accounts regarding directors' remuneration are adequate and consistent with the requirements of the law.
- Review and approve the design and structure of all retirement benefit schemes.

The Head of the HR Department presents reports at every sitting of the Committee.

The Board Finance and Strategy Committee

The Committee comprises a minimum of 3 members and its duties include:

- Understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Bank's strategy.
- Ensure that a proper strategic planning process is implemented. This can be done by setting the parameters within which management develops the strategy – ensure that the strategy is aligned to the business objectives and prevailing operating environment, ensure that an annual strategy retreat is organized for the Board and management to provide input into management's assumptions and planning, etc.
- Review the information made available by management, including business plans and financial, operational and personnel requirements to implement the agreed strategy.
- Critically evaluate and make recommendations to the Board for the approval of the Bank's business strategy.
- Oversee the Bank's Investment planning, execution and monitoring process.
- Oversee the long-term financing strategy and options for the Bank's projects.
- Review annually, the Bank's financial projections, as well as capital and operating budgets.
- Review on a quarterly basis with management, the progress of key initiatives, including actual financial results against targets and projections.
- Review and recommend for Board approval, the Bank's capital structure, including, but not limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure.
- Oversee the process of capital raising and any listing of the Bank's shares.
- Review the Bank's strategy and financial objectives and monitor implementation of those strategies and objectives.
- Review and approve all operating expenses not in the approved budget that are above N10 million, but not exceeding N50 million. Operating expenses above N50 million, not in the approved budget, are to be recommended to the Board for approval.
- Review and approve capital expenditure above N10 million but not exceeding N50 million not included in approved budget.
- Review and make appropriate recommendations to the Board on any capital expenditure not included in the approved budget that is above N50 million.
- The Committee shall report all expenditure approvals by the Committee to the subsequent meeting of the Board.

CORPORATE GOVERNANCE REPORT

Board and Board Committee Meetings

The record of attendance at meetings of Board and Board Committees is stated below:

			BOARD MEETING					
S/N	NAME	DIRECTORSHIP	25-Mar-21	29-Apr-21	27-Jul-21	28-Oct-21	09-Dec-21	Total Attendance
1	Mr. Femi Agbaje	Chairman	ü	ü	ü	ü	ü	5
2	Alhaji Bello Garba	Non-executive Director	ü	ü	R	R	R	2
3	Mr.Godwin Ize - Iyamu	Independent Director	ü	ü	ü	ü	ü	5
4	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	ü	ü	5
5	Mr. Patrice Backer	Non-executive Director	ü	ü	ü	ü	ü	5
6	Mr. Kelechi Okoro	Non-executive Director	ü	ü	ü	ü	ü	5
7	Mrs.Hamda Ambah	MD/CEO	ü	ü	R	R	R	2
8	Ms. Olufunsho Olusanya	Executive Director	ü	ü	R	R	R	2
9	Mr.Taiwo Otiti	Executive Director	ü	ü	ü	ü	ü	5
10	Mrs. Bukola Smith	MD/CEO	N/A	ü	ü	ü	ü	4
11	Prof. Isabella Okagbue	Non-Executive Director	N/A	ü	ü	ü	ü	4
12	Mr. Musa Ali Baba	Independent Director	N/A	N/A	N/A	N/A	ü	1

	GOVERNANCE AND NOMINATIONS COMMITTEE									
S/N	Name	Directorship	26-Jan-21	01-Apr-21	06-Apr-21	10-Jun-21	29-Jun-21	06-Jul-21	05-Oct-21	18-Nov-21	Total Attendance
1	Mr. Patrice Backer	Chairman	ü	ü	ü	ü	ü	ü	ü	ü	8
2	Alhaji Bello Garba	Non-executive Director	ü	ü	ü	R	R	R	R	R	3
3	Prof. Isabella Okagbue	Non-executive Director	N/A	N/A	N/A	ü	ü	ü	ü	ü	5
4	Mr.Godwin Ize - Iyamu	Independent Director	ü	ü	ü	ü	ü	ü	ü	ü	8

BOARD RISK COMMITTEE											
S/N	Name	Directorship	05-Feb-21	23-Feb-21	08-Apr-21	20-Apr-21	24-Jun-21	22—Jul-21	21-Sept-21	23-Nov-21	Total Attendance
1	Alhaji Bello Garba	Chairman	ü	ü	ü	ü	R	R	R	R	4
2	Mr.Godwin Ize - Iyamu	Chairman	N/A	N/A	N/A	N/A	ü	ü	ü	ü	4
3	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	ü	ü	ü	ü	ü	8
4	Mr. Kelechi Okoro	Non-executive Director	ü	ü	ü	ü	ü	ü	ü	ü	8
5	Mrs.Hamda Ambah	MD/CEO	ü	ü	ü	ü	R	R	R	R	4
6	Ms. Olufunsho Olusanya	Executive Director	ü	ü	ü	ü	R	R	R	R	4
7	Mrs Bukola Smith	MD/CEO	N/A	N/A	N/A	N/A	ü	ü	ü	ü	4
8	Mr.Taiwo Otiti	Executive Director	ü	ü	ü	ü	ü	ü	ü	ü	8
9	Prof. Isabella Okagbue	Non-executive Director	N/A	N/A	N/A	N/A	ü	ü	ü	ü	4

BOARD AUDIT COMMITTEE

S/N	NAME	DIRECTORSHIP	11-Mar-21	23-Mar-21	15-Apr-21	15-Jul-21	25-Nov-21	Total Attendance
1	Mr. Godwin Ize-Iyamu	Chairman	ü	ü	ü	ü	ü	5
2	Mr. Patrice Backer	Non-executive Director	ü	ü	ü	N/A	N/A	3
3	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	ü	ü	5
4	Mr. Kelechi Okoro	Non-executive Director	N/A	N/A	N/A	ü	ü	2

BOARD FINANCE AND STRATEGYCOMMITTEE

S/N	NAME	DIRECTORSHIP	01-Jul-21	19-Jul-21	08-Oct-21	13-Dec-21	Total Attendance
1	Mr. Patrice Backer	Chairman	ü	ü	ü	ü	4
2	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	ü	4
3	Mrs. Bukola Smith	MD/CEO	ü	ü	ü	ü	4
4	Mr. Taiwo Otiti	Executive Director	ü	ü	ü	ü	4
5	Mr. Musa Ali Baba	Independent Director	N/A	N/A	N/A	ü	1

Keys

Ü	Present at Meeting
X	Absent
N/A	Not Yet Appointed
R	Resigned

REMUNERATION POLICY

Introduction:

The purpose of this section is to provide stakeholders with an understanding of the remuneration policy applied by the Bank for its employees and Directors (executive and non-executive).

The Bank's remuneration philosophy describes its approach to pay and pay peer group and a market anchor point within the Bank. It also indicates the extent of usage of variable pay or other strategic components for driving desired behaviour and strategic objectives.

The Bank recognises that its employees and Directors are key to executing its business strategy. In line with this realisation, the Bank is committed to developing and continuously refining its Value Proposition for its employees and Directors with a view to optimising business results and ensuring sustainability. Given the important role of remuneration in driving performance, the Bank has put in place a Remuneration Policy that defines the underlying principles and framework for setting and managing remuneration in a way that aligns with business objectives. The Policy follows leading practices, leveraging key principles from the corporate governance code issued by the Central Bank of Nigeria (CBN) and defines a framework for managing remuneration at the Bank.

The Governance & Nominations Committee ("GNC'') of the Bank, on behalf of the Board of Directors ("the Board"), is responsible for putting in place and reviewing the Policy. This is in line with the Committee's primary responsibility of advising the Board on remuneration and all other human resource matters affecting Directors and employees of the Bank.

Directors (Executive and Non-Executive)

The Director's Remuneration Policy defines a framework for managing Directors' remuneration at the Bank, which covers the following categories:

I. Executive Directors (EDs): Managing Director (MD) and Executive Directors (Executives)

II. Non-Executive Directors (NEDs): Chairman and Other Non-Executive Directors.

The Policy sets forth the Bank's remuneration philosophy, remuneration structure, the various pay components, the rules for administering each remuneration component, remuneration review process, disclosure, reporting requirements and persons responsible as custodians of the Policy.

The objectives of the Policy are as follows:

1. To provide remuneration capable of attracting, retaining, and rewarding well qualified Directors.

2. To ensure that Directors are adequately rewarded and motivated by a remuneration strategy that adequately reflects individual efforts and contributions to the success of the Bank.

3. Align Directors' remuneration with the Bank's performance, Shareholders' interests, and a prudent approach to risk management.

4. Provide a fair, equitable and transparent framework for setting and managing Directors' remuneration at the Bank.

5. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability.

6. Incentivise Directors to deliver sustained performance consistent with strategic goals and appropriate risk management, and to reward success based on the value created.

Executive management and employees

The goal of the policy is to attract the best hands, meet the needs of all current employees and encourage well performing employees to stay with the Bank, while optimizing the wage bill of the Bank. With this, the compensation structure is built to balance both the needs of the employees and the Bank. It is the goal of the Bank to pay members of staff salaries that are competitive with other players in the industry segment in a way that will be motivational, fair and equitable. Total compensation may, however, vary depending upon the performance of the individual staff and their contribution to the global performance of the Bank. In setting the compensation of members of staff in the Bank, the HR Unit, with the approval of the GNC of the Board will employ industry best practices and existing compensation surveys in determining the appropriate compensation for all members of staff.

MANAGEMENT

The management is charged with the day-to-day running of the Bank. It is headed by the Managing Director, who is also the Chief Executive Officer (CEO). She is supported by two Executive Directors and heads of departments. In addition, the Bank makes use of standing committees in the performance of certain key functions whose processes cut across different departments. The standing committees are:

The Executive Committee

The Executive Committee is made up of the Managing Director, the Executive Director and the Heads of Departments. This is the principal decision-making organ of Management and the committee meets on a monthly basis.

The Asset and Liability Management Committee (ALCO)

The ALCO meets monthly and is composed of heads of departments and key officers of the Business Units, Fincon and Risk Management. The Committee makes decision on the structure and composition of the Bank's assets and liabilities and also sets the guidelines on interest rates.

The Management Risk Committee

The Management Risk Committee is responsible for identifying, quantifying and managing the risks inherent in the Bank's operations. The membership of the Committee is constituted by heads of departments and key officers in the business units. The Committee is also responsible for approving new credits and reviewing existing credits for performance and classification.

The IT Steering Committee

The IT Steering Committee is responsible for making recommendations to Executive Management on the formulation of IT strategies and the identification of systems needed to support the Bank's business. It is also in charge of implementing these systems. The Committee is constituted by the CEO and Heads of Departments.

The Sustainable Banking Committee

The Committee is charged with the responsibility of ensuring that the Bank conducts its operations in a way that will ensure protection for the environment, enhance social harmony and ensure sustainable development. The Committee ensures that social and environmental risks in all areas of the Bank's operations are identified and dimensioned; and develops policies and controls to ensure that the risks are properly managed.

Deloitte.

Deloitte & Touche
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21 March 2022

The Chairman
FSDH Merchant Bank Limited
UAC House (5th – 8th Floors)
1/5 Odunlami Street
Lagos Island
Lagos State, Nigeria.

Dear Sir,

<u>Report of the Independent Consultants on the Review of the Corporate Governance Framework and Performance of the Board of Directors of FSDH Merchant Bank Limited</u>

Deloitte & Touche has performed the annual review of the corporate governance framework and evaluation of the performance of the Board of Directors of FSDH Merchant Bank Limited ("FSDH Merchant Bank") for the year ended 31 December 2021. The scope of the review included an assessment of the structure, mandate and performance of the Board, Board Committees and Management as it relates to the overall strategic direction of the company, stakeholder engagement, disclosures, and transparency.

The review was performed in compliance with Section 2.8.3 of the Code of Corporate Governance for Banks and Discount Houses ("CBN Code") issued by the Central Bank of Nigeria ("CBN") and the Nigerian Code of Corporate Governance ("NCCG"). The scope of the review included an assessment of key areas of FSDH Merchant Bank's corporate governance framework, including the framework of the Board structure and composition, Board operations and effectiveness, assurance functions, corporate disclosures, and relationship with stakeholders. The report of our evaluation was premised on desk review of relevant governance documents, policies, and procedures, interview sessions with Directors and select members of executive management and survey responses received from the Directors.

The result of our evaluation has shown that the Board and Corporate Governance framework and practices in FSDH Merchant Bank comply with the provisions of the extant Codes of Corporate Governance. We also ascertained that the key Board functionaries (Board and Board Committee Chairpersons) and the Board Committees met their responsibilities under the Codes and governance charters in FSDH Merchant Bank. The report further highlights details of our review activities, observations and some recommendations for the Board and Executive Management's action for sustained improvement to the performance of the Board, Corporate Governance and Secretarial functions of FSDH Merchant Bank.

It should be noted that the matters raised in this report are only those that came to our attention during the course of our review. The evaluation is limited in nature and does not necessarily disclose all significant matters about the company or reveal any irregularities. As such, we do not express any opinion on the activities reported. The report should be read in conjunction with the Corporate Governance Section of the Annual Report.

Yours faithfully,
For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The directors accept responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, Financial Reporting Council of Nigeria Act, 2011, the Pension Reform Act 2014 and relevant National Pension Commission (PENCOM) guidelines.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of condensed financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company ability to continue as a going concern and have no reason to believe the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Femi Agbaje
Chairman
FRC/2014/ICAN/00000010052
23 March 2022

Bukola Smith
Managing Director
FRC/2015/ICAN/00000011192
23 March 2022

REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act (CAMA), the members of the Audit Committee of FSDH Merchant Bank Limited hereby report as follows:

- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act (CAMA) and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- We are of the opinion that the accounting and reporting policies of the Bank is in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2021 were satisfactory and reinforce the Bank's internal control systems.
- We have deliberated with the external auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Bank's system of accounting and internal control.

Musa Ali Baba
Chairman, Audit Committee
FRC/2015/CIBN/00000013151
10 March 2022

Members of the Audit Committee are:

1. **Musa Ali Baba - Chairman**
2. **Tosayee Ogbomo**
3. **Kelechi Okoro**

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/Chief Executive Officer and Chief financial Officer, hereby certify the financial statements of FSDH Merchant Bank Limited for the year ended 31 December 2021 as follows:-

i. That we have reviewed the audited financial statements of the Bank for the year ended 31 December 2021.
ii. That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
iii. That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for, the year ended 31 December 2021.
iv. That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Bank is made known to us by other officers of the companies, during the year ended 31 December 2021.
v. That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
vi. That we have disclosed the following information to the Bank's Auditors and Audit Committee:

i. There are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and
ii. there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.

Oluwaseun Omole	**Bukola Smith**
Chief Financial Officer	**Managing Director**
FRC/2017/ICAN/00000017693	**FRC/2015/ICAN/00000011192**
23 March 2022	**23 March 2022**

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KPMG Tower
Bishop Aboyade Cole Street
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Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FSDH Merchant Bank Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FSDH Merchant Bank Limited (the Bank), and its subsidiary (together, "the group"), which comprise:

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment allowance for loans and advances to customers

The Bank's determination of impairment losses on loans and advances to customers is inherently a significant area for the Bank as significant judgments and assumptions are made by the Bank over the estimation of the size of the impairment allowance.

The Bank uses an Expected Credit Loss (ECL) model to determine the size of the impairment allowance for loans and advances. The ECL methodology incorporates the expected future credit losses due to macro-economic variables including the impact of COVID-19.

The Bank's ECL model includes certain judgements and assumptions such as:

- the determination of the probability of a loan becoming past due and subsequently defaulting;
- the determination of the Bank's definition of default;
- the criteria for assessing significant increase in credit risk (SICR);
- the credit conversion factors applied in the ECL model;
- the rate of recovery on the loans that are past due and in default;
- the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collaterals;
- the incorporation of forward-looking information related to the expected outlook on the country's inflation rates, exchange rates and the Gross Domestic Product (GDP) rates used in determining the expected credit losses in the loans and advances portfolios; and
- the determination of the impact of COVID-19 on the Bank’s ECL estimation.

We focused on the impairment allowance for loans and advances to customers due to the significant judgements, estimates and assumptions made by the Bank in determining the impairment allowance required.

How the matter was addressed in our audit

Our procedures included the following:

- we evaluated the design and implementation and tested the operating effectiveness of the controls relating to the Bank's review of credit risk gradings for the Bank's corporate loans and advances. The Bank's review includes details of data inputted into the risk grading system as well as timing of the reviews of the credit risk grades allocated to counterparties.
- we evaluated the design and implementation and tested the operating effectiveness of the controls relating to the Bank's monitoring and identification of loans displaying indicators of impairment.
- we checked that the Bank's definition of default is consistent with the requirements of the relevant accounting standard.
- we assessed the appropriateness of the Bank's determination of significant increase in credit risk (SICR) and the resultant classification of loans into various stages of credit risk for reasonableness.
- with the assistance of our Financial Risk Management specialists, we:

  - assessed the appropriateness of the Bank's ECL methodology by considering whether it reflects probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;
  - tested the accuracy and appropriateness of the data used in determining the Exposure at Default, including the credit conversion factor and outstanding loan balance;
  - assessed the reasonableness of the Loss Given Default (LGD) used by the Bank in the ECL model and other evidence of future cash flows by evaluating the valuation reports and assessing haircuts applied by the Bank on the recoverability of collateral considering the current economic conditions;
  - challenged the appropriateness of the Bank's forward-looking assumptions comprising the inflation rates, exchange rates and GDP growth rates used in the ECL calculations using publicly available information from external sources;

- tested the accuracy of the Bank's impairment model by independently re- performing the calculations of impairment allowance for loans and advances.
- obtained and assessed information provided by the Bank to determine if and how the impact of COVID-19 has been considered on a portfolio/product/sector basis.

The Bank's accounting policy on impairment allowance for loans and advance and disclosure on critical judgements and estimates are shown in Notes 2.9 and 3.6 respectively in the annual financial statements for the year ended 31 December 2021.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Audit Committee, Statement of Responsibility for Financial Statements, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011 the Banks and Other Financial Institutions Act, 2020, and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

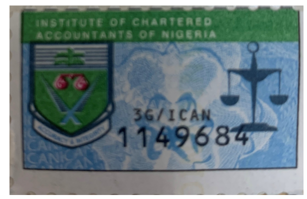
i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

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

i. The Bank paid penalty following the Central Bank of Nigeria's Anti-money laundering examination carried out on the Bank during the year ended 31 December 2021. Details of penalties paid are disclosed in note 45 to the financial statements.

ii. Related party transactions and balances are disclosed in note 41 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Adegoke Oyelami FCA
FRC/2012/ICAN/00000000444
For: KPMG Professional Services
Chartered Accountants
28 April 2022
Lagos, Nigeria



FSDH MERCHANT BANK LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2021

		Group		Bank	
	Notes	**31 December 2021 N '000**	**31 December 2020 N '000**	**31 December 2021 N '000**	**31 December 2020 N '000**
Interest income on financial assets at fair value through profit or loss	5(a)	511,486	752,931	511,486	752,931
Interest income on financial assets at fair value through other comprehensive income	5(b)	3,693,409	4,722,241	3,693,409	4,722,241
Interest income on financial assets at amortised cost	5(c)	6,863,859	5,098,931	6,863,859	5,098,931
		11,068,754	10,574,103	11,068,754	10,574,103
Interest expense	6	(7,562,722)	(6,814,365)	(7,562,722)	(6,814,365)
Net interest income		3,506,032	3,759,738	3,506,032	3,759,738
Impairment charge for credit losses	8	(146,411)	(1,026,940)	(146,411)	(1,026,940)
Net interest income after impairment charge for credit losses		3,359,621	2,732,798	3,359,621	2,732,798
Fee and commission income	7	1,144,379	484,504	1,144,379	484,504
Net gains on financial instruments held at fair value through profit or loss	9	619,549	973,263	619,549	973,263
Net gains on financial instruments classified as fair value through OCI	10	468,552	3,706,219	468,552	3,706,219
Other income	11	485,726	575,646	485,726	575,646
Staff Cost	12(a)	(2,226,913)	(2,137,172)	(2,226,913)	(2,137,172)
Other operating expenses	12(b)	(2,843,901)	(2,690,194)	(2,843,901)	(2,690,194)
Profit before tax		**1,007,013**	**3,645,064**	**1,007,013**	**3,645,064**
Income tax expense	13	(120,272)	(367,229)	(120,272)	(367,229)
Profit after tax		**886,741**	**3,277,835**	**886,741**	**3,277,835**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value on FVOCI financial assets		(4,133,722)	2,767,119	(4,133,722)	2,767,119
Total comprehensive income for the year		**(3,246,981)**	**6,044,954**	**(3,246,981)**	**6,044,954**
Profit after tax attributable to:					
Equity holders of the Bank		886,741	3,277,835	886,741	3,277,835
Non-controlling interest		-	-	-	-
		886,741	**3,277,835**	**886,741**	**3,277,835**
Total comprehensive income attributable to:					
Equity holders of the Bank		(3,246,981)	6,044,954	(3,246,981)	6,044,954
Non-controlling interest		-	-	-	-
		(3,246,981)	**6,044,954**	**(3,246,981)**	**6,044,954**
Earnings per share per profit attributable to equity holders of the Bank					
Earnings per share - basic (kobo)	43	48	179	48	179
Earnings per share - diluted (kobo)	43	48	179	48	179

FSDH MERCHANT BANK LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Bank	
	Note	31 December 2021 N '000	December 2020 N '000	31 December 2021 N '000	December 2020 N '000
ASSETS					
Cash and cash equivalents	14	44,199,479	49,945,000	44,199,479	49,945,000
Placements to banks and other financial institutions	15	7,783,220	4,003,401	7,783,220	4,003,401
Financial instruments held at fair value through profit or loss	16	600,142	3,217,781	600,142	3,217,781
Derivative assets held for risk management	17	821,873	238,691	821,873	238,691
Loans and advances to customers	18	76,626,902	38,072,402	76,626,902	38,072,402
Investment securities	19	38,327,639	42,573,216	38,327,639	42,573,216
Pledged assets	20	12,757,565	16,551,088	12,757,565	16,551,088
Right of use assets	22	70,721	70,621	70,721	70,621
Current income tax asset	13	123,029	116,119	123,029	116,119
Property and equipment	25	714,901	585,534	714,901	585,534
Intangible assets	24	275,118	423,953	275,118	423,953
Deferred tax asset	23	2,526,515	2,599,335	2,526,515	2,599,335
Other assets	21	3,885,898	1,051,589	3,885,898	1,051,589
Total assets		**188,713,003**	**159,448,730**	**188,713,003**	**159,448,730**
Liabilities					
Trading liabilities	30	5,576,479	-	5,576,479	-
Derivative liabilities held for risk management	17	796,046	228,557	796,046	228,557
Due to banks and other financial institutions	26	26,147,903	19,621,072	26,147,903	19,621,072
Due to customers	27	71,794,882	80,213,989	71,794,882	80,213,989
Lease liabilities	22	66,810	38,836	66,810	38,836
Debt securities issued	31	29,148,871	23,050,499	29,148,871	23,050,499
Other borrowed funds	32	17,298,216	-	17,298,216	-
Other liabilities	28	10,999,772	5,435,071	10,999,772	5,435,071
Provision	29	35,922	46,576	35,922	46,576
Total liabilities		**161,864,902**	**128,634,600**	**161,864,902**	**128,634,600**
Share capital	33	1,833,417	1,833,417	1,833,417	1,833,417
Share premium	34	539,587	539,587	539,587	539,587
Retained earnings	34	15,350,818	17,455,379	15,350,818	17,455,379
Statutory reserve	34	7,458,240	7,325,229	7,458,240	7,325,229
Fair value (loss)/reserve	34	(1,364,993)	2,768,729	(1,364,993)	2,768,729
AGSMEIS reserve	34	936,126	891,789	936,126	891,789
Credit risk reserve	35	2,094,906	-	2,094,906	-
		26,848,101	30,814,130	26,848,101	30,814,130
Total equity		**26,848,101**	**30,814,130**	**26,848,101**	**30,814,130**
Total equity and liabilities		**188,713,003**	**159,448,730**	**188,713,003**	**159,448,730**

The accompanying notes form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2022 and were signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Femi Agbaje - Chairman
FRC/2014/ICAN/00000010052

Bukola Smith - Managing Director
FRC/2015/ICAN/00000011192

Additional certification:

Oluwaseun Omole - Chief Financial Officer
FRC/2017/ICAN/00000017693

FSDH MERCHANT BANK LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Attributable to equity holders N'000							
Group & Bank	**Share capital N'000**	**Share premium N'000**	**Retained earnings N'000**	**Statutory reserve N'000**	**Fair Value reserve N'000**	**Credit risk reserve N'000**	**AGSMEIS reserve N'000**	**Total equity N'000**
At 1 January 2021	1,833,417	539,587	17,455,379	7,325,229	2,768,729	-	891,789	30,814,130
Total comprehensive income:								-
Profit after tax for the year	-	-	886,741	-	-	-	-	886,741
Net change in Fair Value on FVOCI financial assets	-	-	-	-	(4,133,722)	-	-	(4,133,722)
	1,833,417	539,587	18,342,120	7,325,229	(1,364,993)	-	891,789	27,567,149
Transaction with owners:								
Dividends provided for during the year	-	-	(126,960)	-	-	-	-	(126,960)
Dividends Paid	-	-	(592,088)	-	-	-	-	(592,088)
Transfer to statutory reserves	-	-	(133,011)	133,011	-	-	-	-
Transfer to credit risk reserves	-	-	(2,094,906)	-	-	2,094,906	-	-
Transfer to AGSMEIS reserves	-	-	(44,337)		-	-	44,337	-
	-	-	(2,991,303)	133,011	-	2,094,906	936,126	(719,048)
At 31 December 2021	**1,833,417**	**539,587**	**15,350,818**	**7,458,240**	**(1,364,993)**	**2,094,906**	**936,126**	**26,848,101**

Group & Bank	**Share capital N'000**	**Share premium N'000**	**Retained earnings N'000**	**Statutory reserve N'000**	**Fair Value reserve N'000**	**Credit risk reserve N'000**	**AGSMEIS reserve N'000**	**Total equity N'000**
At 1 January 2020	1,833,417	539,587	17,561,796	6,833,552	1,610	-	-	26,769,962
								-
Total comprehensive income:								-
Profit after tax for the year	-	-	3,277,835	-		-	-	3,277,835
Net change in Fair Value on FVOCI financial assets	-	-	-	-	2,767,119	-	-	2,767,119
	-	-	3,277,835	-	2,767,119	-	-	6,044,954
Transaction with owners:								
Dividends provided for during the year	-	-	(1,374,613)	-	-	-	-	(1,374,613)
Dividends Paid			(626,174)					(626,174)
Transfer to statutory reserves	-	-	(491,675)	491,675	-	-	-	-
Transfer to AGSMEIS reserves	-	-	(891,789)	-	-	-	891,789	-
	-	-	(3,384,252)	491,675	-	-	891,789	(2,000,787)
At 31 December 2020	**1,833,417**	**539,587**	**17,455,380**	**7,325,228**	**2,768,729**	**-**	**891,789**	**30,814,130**

FSDH MERCHANT BANK LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Bank	
	Notes	**31 December 2021 N '000**	**31 December 2020 N '000**	**31 December 2021 N '000**	**31 December 2020 N '000**
Cash flows from operating activities					
Cash generated from operations	37	(30,281,987)	14,391,849	(30,281,987)	14,391,849
Interest received	38.01	9,647,200	10,714,895	9,647,200	10,714,895
interest paid	38.01	(6,514,549)	(6,077,872)	(6,514,549)	(6,077,872)
Income taxes paid	13	(43,942)	(591,357)	(43,942)	(591,357)
Net cash (used in)/ generated from operating activities		(27,193,278)	18,437,515	(27,193,278)	18,437,515
Cash flows from investing activities					
Redemption/Disposal of investment securities	38.01	4,245,577	3,321,394	4,245,577	3,321,394
Additions to property, plant and equipment	25	(517,925)	(292,177)	(517,925)	(292,177)
Additions to intangible assets	24	(66,733)	(189,919)	(66,733)	(189,919)
Proceeds from sale of property, plant and equipment	38.02	115,593	61,272	115,593	61,272
Dividends received	37	7	95	7	95
Net cash generated from investing activities		3,776,520	2,900,665	3,776,520	2,900,665
Cash flows from financing activities					
Dividends paid to owners	38.01	(592,088)	(2,166,242)	(592,088)	(2,166,242)
Principal elements of lease payments	22	(26,797)	(20,973)	(26,797)	(20,973)
Long term borrowing	32	17,227,671	-	17,227,671	-
Repayment of long term borrowing	32	-	(18,261,832)	-	(18,261,832)
Proceeds from debt instrument issued	31	29,521,325	45,118,540	29,521,325	45,118,540
Repayment of debt instrument	31	(25,886,550)	(37,873,325)	(25,886,550)	(37,873,325)
Net cash generated from/(used) in financing activities		20,243,561	(13,203,832)	20,243,561	(13,203,832)
Cash and cash equivalents at start of the year		23,761,244	14,160,981	23,761,244	14,160,981
Exchange difference on cash held	38.03	523,646	1,136,132	523,646	1,136,132
Net increase in cash and cash equivalents		(3,173,197)	8,464,130	(3,173,197)	8,464,130
Cash and cash equivalents at end of the year		21,111,692	23,761,243	21,111,692	23,761,243
Cash and cash equivalents	39	21,158,365	23,761,243	21,158,365	23,761,243

1. General information

FSDH Merchant Bank Limited ("the Bank") was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act (1990). It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. The Bank commenced operations as a Merchant B on 15 January 2013.

The Bank has interest in FSDH Funding SPV Plc, a special-purpose entity incorporated in Nigeria. The SPV was set up to issue bonds to the public in order to provide funding to the Bank.

2. Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following accounting policies newly adopted as described in note 2.1.1

2.1 Basis of preparation

The financial statements are the separate and consolidated financial statements of FSDH Merchant Bank Limited ("the Bank"), and its SPV (herein collectively referred to "the Group"). The Bank issued Naira denominated unsecured senior debt and Naira denominated subordinated debt in the current year through FSDH Funding SPV Plc, while no transaction was recorded in prior year.

The financial statements for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets held at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly.

The statement of financial position are presented in order of liquidity and analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months (non-current) are presented in the respective related notes in the financial statements. The accounting policies adopted are consistent with those of the previous financial period.

a. Functional and presentation currency

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

b. Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following:

- Financial assets measured at fair value through other comprehensive income (FVOCI) are measured at fair value through equity
- Financial assets and liabilities at fair value through profit or loss are measured at fair value.
- Loans and receivables are measured at amortised cost
- Derivative financial instruments which are measured at fair value.

c. Use of Estimates and Judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant estimates and judgements are in relation to the following as they affect the 2021 financial statements:

i. Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
ii. recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.
iii. determination of the fair value of financial instruments with unobservable inputs.

More details are provided in note 3.6.

2.1.1 Standards and interpretations effective during the reporting period

Amendments to the following standard(s) became effective in the annual period starting from 1st January 2021. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

Interest rate benchmark reform (IBOR)

Phase 2 Amendment to IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments) IFRS 4 Insurance contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 16 Leases: requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced. The Group is currently assessing the impact of the phase 2 IBOR reform. Group treasury will manage the group's IBOR transition plan. The greatest change is expected to be amendments to the contractual terms of the IBOR-referenced floating-rate instruments. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having accounting implications.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.
In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.2 Revised Conceptual Framework for Financial Reporting (effective for annual reporting periods beginning on or after 1 January 2020)

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

IFRS 9, IAS 39 & IFRS 7 on Interest rate benchmark reform

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the Interbank Offered Rate (IBOR) reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.
The International Accounting Standards Board (IASB) identified two groups of accounting issues that could impact financial reporting namely

1) Pre replacement issues i.e. issues affecting financial reporting in the period before terms of financial instruments are modified
2) Replacement issues i.e. issues that might affect financial reporting when existing interest rate benchmark is reformed or replaced.

IASB considered the pre-replacement issues to be more urgent, and on 26 September 2019 published “Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)” as a first response to the potential effects the IBOR reform could have on financial reporting.
The amendments are mandatory and effective for annual periods beginning on or after 1 January 2020 .
These amendments do not lead to a change in any of the Group's accounting policies as it does not have any interest rate hedge relationship.

IFRS 16 - Covid 19 related rent concessions

In May 2020, the IASB issued amendment to IFRS 16 on Leases to address the accounting and reporting issues arising from Covid 19-Related Rent Concessions such as rent holidays, temporary rent reductions and rent waivers granted to Lessees. The amendment applies to annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The amendment provide relief to lessee in accounting for rent concessions arising as direct consequence of the Covid-19 pandemic. A lessee that applies the optional practical expedient may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The Practical expedient will only be applied if the following conditions are met:
• The revised consideration is substantially the same or less than the original consideration.
• The reduction in lease payments relates to payments originally due on or before 30 June 2021.
• There is no substantive changes to other terms and conditions of the lease.

No practical expedient is provided for Lessors. Lessors are required to apply the existing requirements of IFRS 16. This amendment has no impact on the Group.

The Group is not impacted as it did not rely on the framework in determining the accounting policies for transactions.

2.1.3 Standards and interpretations issued/amended but not yet effective

Certain accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods hand have not been early adopted by the Group. These standards are not expected to have a material impact on our current or future reporting periods and on foreseeable future transactions.

Pronouncement	
Title	**Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)**
	The amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined.
Effective date	1 January 2023 earlier application permitted

Pronouncement	
Title	**IFRS 17 Insurance Contracts**
	This standard replaces IFRS 4 Insurance Contracts which provided entities with dispensation to account for insurance contracts (particularly measurement) using local actuarial practice, resulting in a multitude of different approaches. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. The standard requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. A general measurement model (GMM) will be applied to long-term insurance contracts and is based on a fulfilment objective (risk-adjusted present value of best estimate future cash flows) and uses current estimates, informed by actual trends and investment markets. IFRS 17 establishes what is called a contractual service margin (CSM) in the initial measurement of the liability which represents the unearned profit on the contract and results in no gain on initial recognition. The CSM is released over the life of the contract, but interest on the CSM is locked in at inception rates. The CSM will be utilised as a “shock absorber” in the event of changes to best estimate cash flows. On loss making (onerous) contracts, no CSM is set up and the full loss is recognised at the point of contract inception. The GMM is modified for contracts which have participation features. An optional simplified premium allocation approach (PAA) is available for all contracts that are less than 12 months at inception. The PAA is similar to the current unearned premium reserve profile over time. The requirement to eliminate all treasury shares has been amended such that treasury shares held for a group of direct participating contracts or investment funds are not required to be eliminated and can be accounted for as financial assets. These requirements will provide transparent reporting about an entities’ financial position and risk and will provide metrics that can be used to evaluate the performance of insurers and how that performance changes over time. An entity may re-assess its classification and designation of financial instruments under IFRS 9, on adoption of IFRS 17. The amendment will be applied retrospectively and is not expected to have a material impact on the group.
Effective date	1 January 2023 earlier application permitted
Title	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)**
	The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be applied prospectively and are not expected to have a material impact on the group’s financial statements.
Effective date	Available for optional adoption/effective date deferred indefinitely

2.2 Segment reporting

An operating segment is a component of the Group engaged in business activities from which it can earn revenues, whose operating results are regularly reviewed by the Group's Executive [Management/Board] in order to make decisions about resources to be allocated to segments and assessing segment performance. The Group’s identification of segments and the measurement of segment results are based on the Group’s internal reporting to management.

2.3 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group’s activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
It is also the Group’s policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is recognised when control of goods or services

have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.

The following are the income lines of the Group and how income is recognised:

- **Credit related fees:** This includes fees charged for servicing loans, issuance fees on guarantees, commitment fee when it is unlikely that a specific lending arrangement will be entered into. These fees are not integral to the loan, therefore, they are not considered in determining the effective interest rate. The fees noted here are based on negotiation. The fees are either earned at point in time or over time dependent on the terms of the contract.

- **Commission on trade related transactions:** These are commission earned on trade-related transactions. The rates are agreed ahead and income is based on the value of the transactions and thus are satisfied at a point in time.

- **Financial advisory and issuing house activities fees**: These are agreed upfront and based on financial advisory services rendered to clients. These include capital market service related fees, brokerage and advisory fees. The fees are either earned at point in time or over time dependent on the terms of the contract.

- **Other commissions**: This includes electronic Grouping charges, account transaction fee, custody fees among others. The fees are earned at a point in time.

2.4 Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The counterparty liability received is recognised in the statement of financial position as a liability and classified as due to Group or from customers with an obligation to return it, including accrued interest. The financial assets are used as collateral on securities lent and repurchase agreement, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to 'pledged assets" as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as due from Group and measured at amortised cost. The securities pledged under such agreements are not included in the statement of financial position.

Securities repossessed under a reverse repo transaction are recognised in the books of the Group. The instruments are classified in the financial statements according to their nature and purpose.

2.5 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date basis.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 2.10, which results in an accounting loss being recognised in the income statement when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

The Group applies IFRS 9 and classified its financial assets in the following measurement categories:

• Fair value through profit or loss (FVPL);
• Fair value through other comprehensive income (FVOCI); or
• Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

a) Financial assets measured at amortised cost
b) These represent assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

c) **Financial assets measured at FVOCI**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through Other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in income. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial assets measured at FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and presented in the income statement within 'Net gains on financial instruments held for trading' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in income. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment

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

SPPI Test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

d) **Equity Instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the "Net gains on financial instruments held for trading' line in the income statement.

2.6 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in fair values are recognised immediately in the income statement. The Group's derivative transactions consist of foreign exchange forward transactions as at the balance sheet date.

2.7 Modifications of financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that
- substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either

(i) the Group transfers substantially all the risks and rewards of ownership, or
(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

2.8 Financial liabilities

Classification and measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in the income statement;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Category (as defined by IFRS 9)		Classes as determined by the Group	Subclasses
Financial assets	Financial assets held for trading	Debt Securities	Treasury Bills
			Federal Government of Nigeria Bonds
			Promissory Notes
		Derivative financial instruments	Foreign exchange forward contracts
			Convertible loans
		Equity Securities	Quoted Equity Securities
		Mutual funds	Listed mutual funds
	Financial assets fair valued through other comprehensive income (FVOCI)	Debt securities	Treasury Bills
			Federal Government of Nigeria Bonds
			Corporate Bonds
			Promissory Notes
			Unquoted equities
	Amortised Cost	Investment Securities	Treasury bills
		Cash and Group balances	Cash
			Operating balances with Central Group of Nigeria
			Balances with Groups in Nigeria
			Balances with Groups outside Nigeria
		Loans and advances to Groups	Placements with Groups and discount houses
			Placements with other financial institutions

		Loans and advances to customers	Term loans, overdrafts and commercial bills
			Margin facilities
			Promissory notes
Financial liabilities	Financial liabilities at fair value through profit or loss	Derivative financial instrument liabilities	Foreign exchange forward contracts
	Financial liabilities at amortised cost	Due to Groups	Call borrowings
			Secured borrowings and liabilities under repurchase agreement
		Due to Customers	Liabilities under repurchase agreement
			Demand deposits
			Term deposits
			Customer accounts for foreign trade
		Other liabilities	Account Payable
			Sundry accounts
		Short term debt instruments	FSDH Commercial Papers
		Other Borrowed funds	Trade and credit lines

2.9 Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by:

- identifying the rating classification at initial recognition i.e. investment grade or speculative grade
- comparing the initial rating as at initial recognition with the current rating
- four notches downward movement in a twenty-five notches scale is considered significant
- for loans initially recognized as investment grade, a drop to speculative grade is considered significant
- for corporate debt issue, two notches downgrade of the issuer rating is considered significant
- for all facilities an upward reclassification of rating to the rating captured at its initial recognition or higher is considered a significant reduction in credit risk and a probationary period of 30 days is triggered.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. Using its expert credit judgement and where possible relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Group has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition. The number of days past due is determined by counting the number of days since the date the full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria:
For large portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information. In relation to corporate and treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level. The criteria used to identify SICR are monitored and reviewed annually for appropriateness by the Risk Management Team.

Backstop
A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2020.

Definition of default and credit-impaired assets

The Group defines default as the failure of counterparties to meet the financial and legal obligations including a deviation from the conditions associated with the transaction.

Credit risk default arises from the failure of an obligor of the Group to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk).

This definition is fully aligned with the definition of credit-impaired and is triggered when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default, the Group considers indicators that are:

✓ qualitative – e.g. breaches of covenant;

- ✓ quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- ✓ based on data developed internally and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and the significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. This is based on advice from the Group's Risk Management Department.

The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, some international organizations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. On an annual basis, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The factors the Group considers are as shown below:

Stages	Applicable ECL	Criteria (Quantitative)	Criteria (Qualitative)
Stage 1	12 Month ECL	• Less than 30 days past due	• All loans upon initial recognition
Stage 2	Lifetime ECL - Loans that have witnessed significant increase in credit risk	• Internal / external rating downgrade of loans from investment grade to non-investment grade • four notches downward movement in a twenty-five notches scale in rating. • One notch internal / external rating downgrade of loans for non-investment grade loans	• Forbearance by CBN • Negative modification / restructure to the original loan agreement e.g. for easing the cash-flow burden on the obligor • Verified poor credit risk status from the credit bureau • Changes in regulatory, economic, or business of

Stages	Applicable ECL	Criteria (Quantitative)	Criteria (Qualitative)
		• Obligation with past due exceeding 30 days • Increase of more than 300bps in yield spread over corresponding Federal Government instrument for corporate debt issue • For corporate debt issue, three notches downgrade of the issuer rating	the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology) • Overdue status and non-payment on another obligation of the same issuer to the Group
Stage 3	Lifetime ECL - Loans that have objective evidence of impairment or in default	• Obligation with past due exceeding 90 days • Internal and external rating downgrade to "C" rating	• Force majeure leading to loss of borrower's primary asset

The days past due default definition used by the Group as criteria in the credit classification for loan loss provisioning is consistent with the nature and observable trends in the credit of the Group.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.
These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's economic and research team on a quarterly basis and provide the best estimate view of the economy over the next five years..

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Research team also provide other possible scenarios along with scenario weightings. Three other scenarios were used to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded.

Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Estimation of multi-year exposure at default

Exposure at Default (EAD) is an estimate of the Group's exposure to its counterparty at the time of default. This estimation (EAD) relates to payment terms, tenure of exposure and the point in time at which default is expected, or actually occurs. For defaulted accounts, the Group uses the principal amount outstanding and the accrued interest at the point of default as the EAD.
Prepayment is primarily an option to borrower to make bulk payment (full or partial) for the availed facility ahead of its scheduled time.

EAD Estimation for certain exposure facilities
Under this category, future exposure to the facility is known, as the counterparty cannot increase its exposure beyond contractual drawdown schedule. All forms of term loans including amortizing loans, step-up/step-down loans, bullet loans fall under this category, provided there is no prepayment option.

Periodic and Daily amortization schedule are generated using both contractual and computed effective interest rate (EIR).

Estimation of multi-year loss given default

Definition of LGD Parameters
Loss Given Default (LGD) parameter is defined as a percentage of exposure that the Group expects not to collect if default occurs on the contract. It is the complement of the Recovery Rate which is the percentage of exposure that the Group expects to recover in the event that there is a default.

Collateral: This is a property or other asset that a borrower offers as a way for a lender to secure the loan. Since collateral offers some security to the lender should the borrower fail to pay back the loan, loans that are secured by collateral typically have lower credit risk spreads than unsecured loans.

Haircut: The amount of the haircut reflects the lender's perceived risk of loss from the asset falling in value or being sold in a forced sale. Haircut is expressed as a percentage of the collateral's market value.

Discount Rate: This is the rate used to discount all estimated recovered cash flows from the period of collection to the period of default. The contractual interest rate is used as EIR for stage 3 facilities, while the EIR is used for other stages. Effective interest rate (EIR) is defined as the rate that exactly discounts future contractual cash payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- **T**he PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

• For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

• For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

• For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

• For unsecured products, LGD's are typically set at 45% as proposed by BASEL III.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

Qualitative Criteria

PDs are assigned by grouping facilities based on a shared risk characteristic, i.e. homogeneous group. The FSDH internal rating of the obligor was used as the relevant shared characteristic for the purpose of this grouping.

CREDIT RATING	DESCRIPTION	INVESTMENT DECISION
AAA	Exceptional Credit Quality	Investment Grade
AA+	Very High Credit Quality	
AA		
AA-		
A+	High Credit Quality	
A		
A-		
BBB+	Good Asset Quality	
BBB		
BBB-		
BB+	Satisfactory Asset Quality	Speculative Grade
BB		
BB-		
B+	Asset Quality with limited capacity	
B		
B-		
CCC+	Asset Quality with signs of deterioration	

CCC		
CCC-		
CC+	Asset Quality with probability of partial loss	
CC		
CC-		
C+	Default	Default Grade
C		
C-		

The Top-Down Approach
The impact of macro-economic variables on non-performance is determined by the model and applied on ECL level. Factors considered include:

- Crude oil price
- S&P corporate default rates

Data consideration included values from 2010 to 2019 and forecast for 2021 to 2025.

PROBABILITY-WEIGHTED ECL COMPUTATION

A key aspect of IFRS 9 is the introduction of forward-looking estimates into the impairment calculation.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. This is based on advise from the Bank's Risk Management and Research Departments which have been equipped with relevant tools.

The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, some international organizations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. On an annual basis, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

2.10 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to Groups, financial institutions and others on behalf of customers to secure loans, overdrafts and other Grouping facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.11 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

2.12 Offsetting financial instruments

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

The financial assets and liabilities are presented on a gross basis.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a Group of similar transactions such as in the Group's trading activity.

2.13 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

2.14 Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the se or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.15 Dividend income

Dividend income is recognised in the consolidated statement of comprehensive income when the entity's right to receive payment is established.

2.16 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Property and equipment

(i) Recognition and measurement

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the income statement during the reporting period in which they are incurred.

An asset's net book value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with net book values. These are included in the income statement.

(ii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods are as follows:
Leasehold improvements over the shorter of the useful life of the item or lease term. Land is not depreciated.

-Leasehold improvements	-	25% or over the lease period
-Office equipment	-	20%
-Computer equipment	-	33%
-Office Furniture and fittings	-	12.5% - 25%
-Motor vehicles	-	25%
-Work in progress	-	0%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iii) De-recognition

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

2.19 Intangible assets

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

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

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

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. The Group chooses to use the cost model for the measurement after initial recognition. Prior to deployment for usage, such assets are classified under work in progress and are not subjected to amortization.

Amortisation is calculated over 3 years on a straight line basis.

2.20 Income tax

(a) Current income tax

Income tax payable is calculated on the basis of the tax law in Nigeria and is recognised as an expense (income) for the period except to the extent that the current tax relates to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

Current tax for the current and prior periods is recognized as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due. Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) tax authorities, using the rates/laws that has been enacted at the balance sheet date.

The Group does not offset current income tax liabilities and current income tax assets.

(b) Deferred income tax

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

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for gratuity and carry-forwards. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available for sale instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

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 tax assets and liabilities relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

2.21 Employee benefits

The Group in addition to its defined contribution scheme under the Pension Reform Act, also sponsors a post-employment plan under which entities within the Group contribute a percentage of employees' basic salary to a fund manager in favour of the employees. The amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the company to the post-employment benefit plan, together with investment returns arising from the contributions. Thus, actuarial risk (that benefits will be less than expected) and investment risk fall on the employee.

(a) Post-employment benefits

The Company operates a defined contribution scheme in line with the subsisting Pension Act 2014 where employees are entitled to join the scheme on confirmation of their employment. The employee and the Company contribute 6% and 12% respectively of the employee's basic salary, transport and rent allowances. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post-employment defined contribution plan

The group sponsors a post-employment defined contribution plan under which entities within the group contribute a percentage of employees' basic salary to a fund manager in favour of the employees. The amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the company to the post-employment benefit plan, together with investment returns arising from the contributions. Thus, actuarial risk (that benefits will be less than expected) and investment risk fall on the employee.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured at 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 or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.22 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from a past event 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 Group or the Group has a present obligation as a result of a past event. It is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

A 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 Group.
Contingent assets are not recognised as assets in the consolidated statement of financial position but is disclosed if they are likely to eventuate.

2.23 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act 2020 (CAMA).

(c) Statutory Reserve

Nigerian Banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16 (1) of the Banks and Other Financial Institutions Act of 2020 (Amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

(d) Credit 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 classified 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	Basis	Percentage provided
Substandard	Interest and/or principal overdue by 90 days but less than 180 days.	10%
Doubtful	Interest and/or principal overdue by more than 180 days but less than 365 days.	50%
Lost	Interest and/or principal overdue by more than 365 days.	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 IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Credit Risk Reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in the Statement of Comprehensive Income.

All provisions determined under Prudential Guidelines are compared with that of IFRS in line with the CBN guidelines.

2.24 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period excluding treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

2.25 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current year.
Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands of naira unless otherwise stated.

Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands of naira unless otherwise stated.

3.0 Enterprise Risk Management Review

Management is fully aware that every financial, operational or strategic decision made may either adversely affect or strengthen our ability to meet the Bank's organizational objectives. Management is also aware of the need to balance the contradictory pressures of greater entrepreneurialism with losses from downside risks. Thus, risk is seen as the level of exposure – opportunity, threat, and uncertainty that must be identified, understood, measured and effectively managed, as the Bank's executes its strategies to achieve its business objectives and create value.

The risks associated with the Bank's businesses include - financial risks (which consist of credit, market, and liquidity risk), operational risk, concentration risk, reputational risk, interest rate risk, downgrade risk, business risk, regulatory compliance risk and environment and social risk.

For the Bank to achieve long term success, it must manage all chosen opportunities and identified threats effectively within the Bank's risk appetite.

The risk management philosophy and culture are the set of shared beliefs, values, attitudes and practices that govern how Management considers the risks inherent in the Bank's business activities, from strategy development and implementation to day-to-day activities.

Management's risk philosophy is conservative. We believe that a sound risk management system is the foundation for building a vibrant and viable financial institution. Therefore, an enterprise-wide approach to risk management has been adopted, wherein key risks, financial and non- financial, from all areas of the business are managed within the context of the Bank's risk appetite.

Consequent upon its risk management philosophy, the Bank strives to embed the following guiding principles of its risk culture into its daily practices:

a. The Bank insists on a robust risk management governance structure that enables it to manage all major aspects of its activities through an integrated planning and review process that includes strategic, financial, customer and risk planning.

b. Our Board and Senior Management insists on and promotes a strong culture of adherence to limits in managing risk exposure.

c. Risk management in the Bank is governed by formally documented and defined policies and procedures, which are clearly communicated to all.

d. The Bank avoids products, businesses and markets that it does not fully understand or for which management cannot reasonably and objectively measure and manage the associated risks.

e. The Bank strives to maintain a balance between risk/opportunity and revenue consideration with its risk appetite. Thus, risk-related issues are considered in all our business decisions.

f. The Bank creates and evaluates business units and enterprise risk profiles to consider what is best for its individual Bank's units and the Bank as a whole.

g. The Bank’s risk officers are empowered to perform their duties professionally and independently within clearly defined authorities.

h. Staff are encouraged to disclose inherent risks and actual losses openly, fully, honestly and quickly.

i. The Bank creates a process for institutionalising the lessons learned from risk events and penalises negligent recurrence.

j. The Bank has zero tolerance for breach of laws and regulations.

k. The Bank has zero appetite for associating with disreputable individuals and organisations

Our risk management objectives are as follows:

a. To identify our material risks and ensure that our business plans are consistent with our risk appetite.

b. To ensure that our business growth plans are properly supported by an effective and efficient risk management function.

c. To manage our risk profile, ensuring that specific financial deliverables remain possible under a range of possible business conditions.

d. To optimise our risk and return trade-off by ensuring that our business units act as primary risk managers while establishing strong and independent review and challenge structures.

e. To protect the Bank against unexpected losses and reduce the volatility of our earnings.

f. To maximise risk-adjusted opportunities, earnings potential and ultimately our stakeholder value.

g. To help Management improve the control and coordination of risk-taking across the Bank.

h. To build a risk-smart workforce and environment that allows for innovation and responsible risk-taking by our staff while ensuring cost-effective and legitimate precautions are taken to protect the shareholders’ interest.

The Bank's risk appetite articulates the quantum of residual risk it is prepared to accept or tolerate in pursuit of its strategic business objectives.

The Risk Management department periodically recommends specific measures relating to these parameters to the Board for approval. The risk appetite guides in setting the parameters listed below:

Financial

a. Financial and prudential ratios are set to meet the minimum statutory requirements

b. Capital-at-risk driven by the Bank's shareholder value creation objectives.

c. Capital adequacy is set to exceed the minimum regulatory limits.

Credit

a. Asset quality, measured by the ratio of non-performing loans to total loans.

b. Maximum credit exposure per industry, product, obligor.

c. Zero tolerance for undisciplined lending.

Reputational

a. Favourable reports from external auditors and rating agencies.

b. Zero tolerance for any utterance (by directors or employees) that may impact negatively on the Bank’s operations.

c. Zero appetite for association with disreputable individuals and organisations.

d. Zero appetite for unethical or illegal and/or unprofessional conduct by our directors, executive management and staff.

Ratings

The Bank aims to achieve consistently good ratings issued by domestic or internationally recognised rating agencies. The ratings must reflect sound financial asset quality, strong liquidity position, strong capital adequacy level, strategic positioning in the fundamentals, excellent economy and potential for superior earnings.

Customer Service

a. Acceptable customer attrition level as defined by the Board.

b. Minimum acceptable percentage of satisfied customers from feedback surveys.

c. Acceptable complaints volume.

Regulatory

a. Zero amount or number of sanctions by the CBN and other regulatory agencies.

b. Zero tolerance for infractions and non-compliance with laws.

Market Risk

The following are the objectives for managing market risk in the Bank:

• Maintaining market risk within limits in line with the Bank’s risk appetite;
• Identifying and accurately measuring our market risk exposure to aid efficient decision making; and
• Mitigating and monitoring our market risk exposures effectively.

The Bank in managing market risk tracks the following limits:

a. Trading limit

b. Stop loss limits

c. Interest rate gap limits

Liquidity Risk

The Bank tracks the following limits in compliance with regulatory requirements and/or to conform to leading practices in liquidity risk management:

a. Liquidity ratio set to exceed minimum regulatory limits
b. Total deposits to total assets
c. Duration of liquid assets
d. Large fund provider to total deposits
e. Capital adequacy
f. Total loans to total deposits
g. Total earning assets to total assets
h. Aggregate large credit to shareholders funds

Senior management proposes a well articulated risk appetite framework and recommends it to the Board for approval annually. It also establishes a process for allocating the appetite among the business units and subsidiaries and reporting against these limits.

FSDH MERCHANT BANK LIMITED
NOTES TO THE ANNUAL REPORT
At 31 December 2021

3.1 Financial Instruments

The groups financial instruments are categorised as follows:

31 December 2021		Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	Notes	At fair value through profit or loss	FVOCI	Amortised Cost	At fair value through profit or loss	Amortised cost
Financial assets:						
Cash	14	-	-	56	-	-
Balances with other banks	14					
- Operating balance with Central Bank of Nigeria	14	-	-	114,034	-	-
- Operating balance with Central Bank of Nigeria - E-NAIRA Funding	14	-	-	1,000		
- Balances with banks in Nigeria	14	-	-	585,086	-	-
- Balances with banks outside Nigeria	14	-	-	12,653,435	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	14	-	-	30,845,869	-	-
Loans to banks						
- Placements with banks	15	-	-	7,804,755	-	-
Financial instruments Held For Trading						
- Nigerian Treasury Bills	16	600,142	-	-	-	-
- Federal Government of Nigeria Bonds		-	-	-		
- Corporate Bonds			-	-	-	-
Loans and advances						
- Loans and advances (net of impairment)	18	-	-	76,626,901	-	-
Investment securities						
- State Bonds	19	-	2,051,853	-	-	-
- Nigerian Treasury Bills	19	-	872,615		-	-
- Promissory notes	19	-	22,957,321	-	-	-
- Federal Government of Nigeria bonds	19	-	1,682,387	-	-	-
- Corporate bonds	19	-	10,747,725	-	-	-
- Unquoted equity securities	19	-	15,666	-	-	-
Derivative financial instruments	17	821,873	-	-		
Pledged assets						
- Nigerian Treasury Bills	20	347,175	-	-	-	-
- Federal Government of Nigeria bonds	20	-	1,419,780	-	-	-
- Corporate bonds		-	-	-	-	-
- Promissory notes	20	-	10,990,610	-		
Other assets						
- Receivables (net impairment)	20	-	-	3,098,554	-	-
Financial liabilities:						
Due to banks						
- Other Foreign balances	26	-	-	-	-	43,519
- Other Local balances	26	-	-	-	-	55
- Secured borrowings	26	-	-	-	-	17,298,216
- Trade Related Obligations to local banks	26	-	-	-	-	26,104,328
- Other Balances						
Derivatives						
- FX forward contracts	17	-	-	-	796,046	-
Due to customers						
- Demand	27	-	-	-	-	26,761,193
- Term	27	-	-	-	-	34,805,822
- Client investments under repurchase	27	-	-	-	-	10,227,866
Other liabilities						
- Customers' deposit for foreign trade	28	-	-	-	-	3,586,970
- Amounts held on behalf of third parties	28	-	-	-	-	6,219,054
- Unclaimed third party deposits	28	-	-	-	-	12,324
- Sundry creditors	28	-	-	-	-	61,965
- Accruals	28	-	-	-		238,031
- Stale cheques and other payable	28	-	-	-	-	885,548
- VAT payable	28	-	-	-	-	6,756
- WHT payable	28	-	-	-	-	20,867
Provision						
- Financial guarantee contracts issued	29	-	-	-	-	35,922
Debt securities						
- FSDH Commercial Papers	31	-	-	-	-	16,772,585
- Senior unsecured debt	31	-	-	-	-	5,099,721
- Subordinated fixed rate notes	31	-	-	-	-	7,276,566
		1,769,190	**50,737,957**	**131,729,690**	**796,046**	**155,457,308**

					Financial Liabilities	
31 December 2020			**Financial Assets**		At fair value through profit or loss	Amortised cost
In thousands of Nigerian Naira		At fair value through profit or loss	FVOCI	Amortised Cost		
Financial assets:						
Cash and bank balances						
Cash	14	-	-	56	-	-
Balances with other banks		-	-		-	-
- Operating balance with Central Bank of Nigeria	14	-	-	2,001,264	-	-
- Balances with banks in Nigeria	14	-	-	397,368	-	-
- Balances with banks outside Nigeria	14	-	-	20,484,753	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	14			27,061,559		
Loans to banks	15	-	-	-	-	-
- Placements with banks	15	-	-	4,003,401	-	-
- Placements with other financial institutions						
Financial instruments held for trading		-	-	-	-	-
- Nigerian Treasury Bills	16	2,284,241	-	-		
- Corporate bonds	16	933,540	-	-	-	-
		-	-	-	-	-
Loans and advances		-	-	-	-	-
- Loans and advances (net of impairment)	18	-	-	38,072,402		
		-	-	-	-	-
Investment securities		-	-		-	-
- Nigerian Treasury Bills	19	-	1,860,114	-	-	-
- Promissory notes	19	-	31,071,872	-	-	-
- Federal Government of Nigeria bonds	19	-	664,176			
- Corporate bonds	19	-	8,233,491	-		
- unquoted equity	19	-	743,563	-		
Derivative financial instruments	17	238,691				
		-	-	-	-	-
Pledged assets		-	-	-	-	-
- Nigerian Treasury Bills	20	6,481,578	3,262,776	-	-	-
- Federal Government of Nigeria bonds	20	-	532,350	-		
- Corporate bonds	20		2,200,280			
- Promissory Notes	20	-	4,074,104	-	-	-
		-	-	-	-	-
Other assets		-	-	-	-	-
- Receivables (net impairment)	21			738,376		
Financial liabilities:						
Due to banks		-	-	-	-	-
- Current account - local	26	-	-	-	-	2,415
- Current account - foreign	26	-	-	-	-	3,143
- Secured borrowings	26	-	-	-	-	12,725,474
- Trade Related Obligations to local banks						
- Other balances						
Derivatives		-	-	-		-
- FX forward contracts	17				228,557	-
Due to customers		-	-	-	-	
- Liabilities under repurchase agreements	27	-	-	-	-	25,572,200
- Demand	27	-	-	-	-	29,977,275
- Term	27	-	-	-	-	24,664,514
- Client investments under repurchase						
Other liabilities		-	-	-	-	3,125,599
- Customers' deposit for foreign trade	28	-	-	-	-	195,765
- Amounts held on behalf of third parties	28	-	-	-	-	30,103
- Unclaimed third party deposits	28	-	-	-	-	49,523
- Sundry creditors	28	-	-	-		247,509
- Accruals	28	-	-	-	-	1,757,374
- Stale cheques and other payable						
Lease Liabilities						
Provision						
- Financial guarantee contracts issued	29	-	-	-	-	46,576
					-	
Debt securities						
- FSDH Commercial Papers	31	-	-	-	-	23,050,499
Other borrowed funds		-	-	-		
- Due to AfDB		-	-	-		-
		9,938,050	**53,386,289**	**92,759,179**	**228,557**	**128,338,009**

3.1.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's loans and advances to customers and other Groups, and investment in debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor risk, country risk and sector risk).

3.1.2 Settlement Risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The FSDH Merchant Bank's Enterprise Risk Management (ERM) Framework and Credit Policy Manual define the overall principles under which FSDH Merchant Bank is prepared to assume credit risk. The standard sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in FSDH.

These policies provide a comprehensive framework within which all credit risk emanating from the operations of FSDH are legally executed, properly monitored and controlled to minimise the risk of financial loss; and assure consistency of approach in the treatment of regulatory compliance requirements.

The Management Risk Committee is mandated to provide high level centralized management of credit risk for the Bank. The purpose of the Management Risk Committee is to assist the Board Risk Committee in fulfilling its oversight responsibility in exercising diligence, due care and skill to oversee, direct and review the management of credit risk within the Bank. Specifically, the roles and responsibilities of the Committee include the following:

- Credit strategy and policy formulation
- Credit approval
- Credit monitoring
- Credit risk compliance

3.1.3 Principal Credit Policies

The principal credit policies guiding the Bank shields the Bank against inherent and concentration risks through all the credit levels of selection, underwriting, administration and control. Some of the policies are:

- Credit will only be extended to suitable and well identified customers

- Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.

- Credit will not be extended to customers where the source of repayment is unknown or speculative and also where the destination of the funds is unknown. There must be a clear and verifiable purpose for the use of funds.

 - Corporate bonds

- The primary source of repayment for all credits must be from identifiable cash flows from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option.

- A pricing model that reflects variations in the risk profile of various credit facilities to ensure that higher risks are compensated with higher returns.
- All conflict of interest situations must be avoided.

3.1.4 Credit Risk Measurement

Over the years, the Group has expanded its operational scope and enhanced its suite of financial advisory services to its clientele. The product offerings of the Group include buying and selling of securities, term loans, invoice discounting, overdraft, commercial facilities, asset backed notes, LPO/Contract financing, trade finance, foreign exchange, bonds and guarantees, loan syndications, project finance, structured finance, corporate finance and financial advisory services (debt & equity).

Credit risk represents the loss that the Group would incur if a counterparty (such as a Group, corporate, individual or sovereign) or an issuer of securities (or other instruments the Group holds) fails to perform its contractual obligations or upon deterioration in the credit quality of third parties whose securities or other instruments it holds.

Over the years, the Group has devoted resources and harnessed its credit data into developing models to improve the determination of economic and financial threats due to credit risk. As a result, some key factors are considered in credit risk measurement:

1) Adherence to strict credit selection criteria which includes a defined target market, credit history, capacity and character of the customers.
2) The possibility of failure to pay over the period stipulated in the contract.
3) The size of the facility in case default occurs
4) Estimated rate of recovery which is a measure of the portion of debt that can be regained through freezing of assets and collateral should default transpire.

Methodology for Risk Rating

For loans & receivables and placement with banks, the Bank utilises Obligor Risk Rating and Facility Risk Rating models to assign ratings to obligor and facilities in line with the Bank's Credit Policy. The Obligor Risk Rating models include the Bank Risk Rating and Corporates Risk Rating models. The Bank utilises the Bank Rating model and the Corporate Rating model to rate Bank and corporate organisations respectively. Each rating model considers qualitative and quantitative conditions of the obligor. For the quantitative analysis, a three year history of financial position is required to adequately appraise the customer and the financial performance is benchmarked against industry averages. The qualitative section covers corporate governance issues, industry and business considerations to give a perception of the customer.

In summary, the key factors considered while doing an appraisal of the customer include:

· A measure of the financial and non financial risks of the borrower. In order to properly evaluate the non financial risks of the borrower, a thorough industry analysis is carried out by a dedicated team in Risk Management. This is used as a benchmark for the obligor

· Obligor rating considers the financial condition, management and ownership structure, industry and other qualitative factors of the customer.
· Facility rating recognises the risk mitigation and facility structuring as features of the credit facility. Considerations here include the nature and quality of collateral, the structure of the loan, and the nature and purpose of the loan, among others.

Ratings are assigned to customer for a period of one year. The exception to the foregoing is if the facility is project finance. Project finance facilities are monitored after the initial rating for any sign(s) of distress.

All ratings are reviewed annually. More frequent reviews are occasioned by unexpected developments such as policy and market changes. Changes to the obligor’s status and/or capability will also trigger a review. The Bank generally avoids high risk obligors that will warrant frequent reviews and management.

The Group maintains the under listed rating grade which is applicable to both new and existing customers. A self explanatory rating grid showing how ratings are assigned is illustrated below:

S/N	Credit Rating
1	Aaa+
2	Aa+
3	Aa
4	Aa-
5	A+
6	A
7	A-
8	Bbb+
9	Bbb
10	Bbb-
11	Bb+
12	Bb
13	Bb-
14	B+
15	B
16	B-
17	Ccc+
18	Ccc
19	Ccc-
20	Cc+
21	Cc
22	Cc-
23	C+
24	C
25	C-

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.

3.1.5 Risk limit and control mitigation policies

The medium by which limits for banks and issuers are created is the credit appraisal (CA). A signed CA must evidence all types of credit lines being considered for the client. The Board of Directors of the Bank set up a Board Risk Committee (BRC) with the authority to approve credit facilities on behalf of the Board. The Board also gave the authority to grant credit approval to the Management Risk Committee (MRC).

All credits in the Group are rated using the Group's internal rating model. As part of the credit appraisal process, such rating is compared and evaluated against published ratings of external rating agencies.

These ratings, apart from determining values of credit to be advanced to an obligor, also guides Management and the Board on authorisation limits for approving credit facilities.

This laid down authority governs credit extension. The limits set by the Board are as indicated below:

Approving Authorities	Approved Volume	Ratings
*Management Risk Committee	Up to N10.5bn	Aa - Aaa
Board Risk Committee (BRC)	Up to N6bn	Aa - Aaa
Board Risk Committee (BRC)	Up to N3.7bn	Bbb- - A
Full Board	Up to N1.26bn	Bb+ - B-
Full Board	Up to N0.75bn	C

***** The Management Risk Committee shall comprise the officers specified below, signing jointly:

- Chief Risk Officer
- Executive Directors
- Managing Director/CEO

It is pertinent to state that these limits are reviewed from time to time as the circumstances demand.

Economic variable assumptions

The most significant period-end assumption used for the ECL estimate as at 31 December 2021 and 31 December 2020 is Crude Oil Price using Brent as the benchmark considering its ability to be forecasted into the future.

31 December 2021		2021	2022	2023	2024	2025
Brent Crude Price - Year on Year	Base Case	64.56	65.02	67.16	69.56	75.24
	Optimistic Case	70.05	72.01	75.53	79.24	85.16
	Pessimistic Case	52.00	60.00	60.95	59.43	70.21

31 December 2021			2020	2021	2022	2023
Real GDP Growth Rate - Year on Year	Base Case	3.40%	3.12%	3.33%	2.80%	2.67%
	Optimistic Case	3.06%	3.08%	3.33%	2.46%	2.58%
	Pessimistic Case	2.80%	3.00%	3.33%	2.20%	2.40%
Exchange Rate (N/US$)	Base Case	424.11	519.43	547.84	577.07	607.83
	Optimistic Case	445.36	514.62	540.50	566.46	594.01
	Pessimistic Case	484.35	521.41	550.87	581.76	614.68
Inflation Rate	Base Case	15.63%	12.18%	11.50%	11.00%	10.80%
	Optimistic Case	15.27%	11.10%	10.50%	9.80%	9.80%
	Pessimistic Case	17.00%	13.50%	12.00%	11.70%	11.50%

SENSITIVITY ANALYSIS

The most significant assumptions affecting the ECL allowance are as follows:

(i) Crude oil price, given the significant impact on companies' performance and collateral valuations; and

Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonable possible changes in this the EAD from the actual assumptions used in the bank's economic variable assumptions (for example, the impact on ECL of increasing the estimated crude oil price by 10%).

December 2021	10%	No change	-10%
Brent Crude Price	2,506,031	2,417,816	2,594,245

December 2020	-2.3%	No change	-3.3%
GDP	1,364,057	1,316,041	1,412,073

3.1.6 Collateral Policies

To minimise the risk of loss by the Group in the event of a decline in quality or delinquency, the Group ensures that credit exposures have appropriate collateral. Security documents are reviewed to ensure their continuous enforceability. Also, securities held against exposures are reviewed regularly to ensure realisability and value. Where diminution in value has occurred, appropriate steps are taken to shore up such positions.

This is done throughout the life of the credit exposure.

Collateral securities pledged to the Group must be in negotiable form and its types include the following:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law
- Collateral consisting of inventory, account receivables, floating debenture, etc, which have to be registered and, must be enforceable in Nigeria and under Nigerian law.
- Stocks and shares of publicly quoted companies
- Domiciliation of payment on contracts
- Letters of Lien

Currently, the various types of collateral held are against our Commercial Bills and Margin facilities. They consist of stocks and shares of publicly quoted companies, real estate, letters of lien, domiciliation of payment contracts and charge on assets.

FSDH shall track, value and give or receive collateral during the eligible or applicable life of every credit transaction. General tasks on a day to day basis shall include:

- Managing collateral movement – record details of collateral, monitor customer exposure and collateral received or posted.
- Mark-to-market situation or position where applicable and call for margins as may be required.
- Deal with disagreements and disputes over exposure calculations and collateral valuations.
- Provide custody, clearing and settlement (depending on how the legal relationship is structured)
- Manage collateral inflows and outflows
- Do regular valuations (quarterly at the minimum) of all securities. Depending on security type (equity or fixed income), valuation can be done on an end of day (EOD) basis
- Deal with requests for collateral substitution where required

To ensure ease of realisation of collateral in the event of non-performance, all credit documentation requirements shall be met before a credit facility is availed and where there are waivers, relationship officers and Risk Management Department must ensure that such waivers are resolved within the approved period.

As a matter of good business practice, adequate security ought to be taken from a customer, whose financial standing and track record do not justify lending on a clean basis.

Clean lending situations may arise where it makes economic sense to do so based on perceived client's credit risk.

Therefore, depending on counterparty obligor/facility rating, collateral security may be waived as a pre-condition for granting the facility. Consequently, obligors with ratings below investment grade must, as a necessity, provide acceptable security before approval can be granted. Obligors with Investment Grade credit ratings may be allowed clean facility, depending on their financial standing. Accordingly, such decisions shall be taken by Management and/or the Board Risk Committee where necessary.

For placements with financial institutions which consist of mainly banks, the amount of credit extended is based on the strength of the institution as shown by the Bank's internal rating model.

The Group’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

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3.1.7 Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure of financial assets to credit risk as of the balance sheet date;

	Notes	Dec-21 ₦'000	Dec-20 ₦'000
Cash and bank balances	14	56	-
Balances with other banks			
- Operating balance with Central Bank of Nigeria	14	114,034	2,001,264
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	14	1,000	-
- Balances with banks in Nigeria	14	585,086	397,368
- Balances with banks outside Nigeria	14	12,653,435	20,484,753
- Mandatory reserve deposit with Central Bank of Nigeria	14	30,845,869	27,061,559
Loans to banks			
- Placements with banks	15	7,804,755	4,003,401
Financial instruments held for trading/fair value through profit or loss			
- Nigerian Treasury Bills	16	600,142	2,284,241
- Federal Government of Nigeria Bonds		-	933,540
Derivative financial instruments			
- Foreign exchange forward contract	17	821,873	238,691
Loans and advances to customers			
- Loans and advances (net of impairment)	18	76,626,901	38,072,402
Investment securities through FVOCI			
- Nigerian Treasury Bills	19	872,615	2,603,677
- Federal Government of Nigeria bonds	19	1,682,387	664,176
- Corporate bonds	19	10,747,725	8,233,491
- Promissory notes	19	22,957,321	31,071,872
- State Bonds	19	2,051,853	-
- Unquoted equity securities	19	15,666	738,376
Pledged assets			
- Nigerian Treasury Bills	20	347,175	3,262,776
- Federal Government of Nigeria bonds	20	1,419,780	2,200,280
- Corporate bonds	20	-	4,074,104
Other assets			
- Receivables	21	3,098,554	738,376
			-
		173,246,226	149,064,347
Credit related commitments			
- Letters of Credit	40	18,389,465	11,516,711
- Performance bonds and guarantees	40	6,671,861	4,249,293
- Loan commitments	40	37,959,761	10,297,432
		63,021,086	26,063,436

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The table below shows the financial instruements in accordance with their various sectors as at 31 December 2021.

In thousands of Nigerian Naira	Agro Services	Government	Finance & Insurance	Conglomerate	Oil & Gas - Upstream	Oil & Gas - Services	Insurance Companies	Logistics	Others	Other Financial Institutions	Personal Care	Plastic	Pharmaceuticals	Power Generation/ Plants	Real Estate/Home Developers	Telecommunication	Food Manufacturing	Steel Rolling Mills	Chemical & Allied Products	Beverages	**Total**
Financial assets:																					
Cash in hand																					
Balances with other banks																					
- Operating balance with Central Bank of Nigeria	-	114,034	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	**114,034**
- Operating balance with Central Bank of Nigeria-e	-	1,000	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	**1,000**
NAIRA FUNDING																					
- Balances with banks in Nigeria	-	-	585.086	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	**585.086**
- Balances with banks outside Nigeria	-	-	12,653,435	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	**12,653,435**
- Mandatory reserve deposit with Central Bank of Nigeria	-	30,845,869	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	**30,845,869**
																					-
Loans to banks											-										**-**
- Placements with banks	-	700,086	7,104,668			-	-	-		-	-	-	-	-	-	-	-	-	-	-	**7,804,754**
											-										**-**
Financial instruments held as fair value through profit or loss											-										**-**
- Nigerian Treasury Bills	-	600,142				-	-	-		-	-	-	-	-	-	-	-	-	-	-	**600,142**
- Federal Government of Nigeria bonds																					**-**
																					-
Derivative financial instruments	-																				**-**
- Foreign exchange forward contract		821,873																		-	**821,873**
																					-
Loans and advances																					**-**
- Loans and advances (net of impairment)	11.690.386	-		4.203.372	14.284.904	289.048	2.001.095	3.123.583	10.802.351	1.187.626	29.002	1.714.923	188.390	1.142.771	4.005.260	5.985.395	3.136.691	4.087.908	6.374.847	4.797.162	**79.044.714**
																			-		**-**
Investment securities																			-		**-**
- Nigerian Treasury Bills	-	872.615											-	-	-	-	-		-	-	**872.615**
- Federal Government of Nigeria bonds	-	1.682.387											-	-	-	-	-		-	-	**1.682.387**
- Corporate bonds	-	2.705.181	5.538.142					2.101.497					-	-	-	-	-	402.904	-	-	**10.747.724**
- Promissory notes	-	22.957.321																	-	-	**22.957.321**
- Unquoted equities	-	15.666											-	-	-	-	-	-	-	-	**15.666**
- State Bonds	-	2.051.853																			**2.051.853**
Pledged assets																					**-**
- Nigerian Treasury Bills	-	347.175					-												-		**347.175**
- Federal Government of Nigeria bonds	-	1.419.780	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-			**1.419.780**
- Corporate bonds	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-			**-**
- Promissory notes	-	10.990.610	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	**10.990.610**
																					-
Other assets																					**-**
- Receivables	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	3.098.554			**3.098.554**
Total	**11.690.386**	**76.125.592**	**25.881.330**	**4.203.372**	**14.284.904**	**289.048**	**2.001.095**	**5.225.080**	**10.802.351**	**1.187.626**	**29.002**	**1.714.923**	**188.390**	**1.142.771**	**4.005.260**	**5.985.395**	**3.136.691**	**7.589.366**	**6.374.847**	**4.797.162**	**186.654.591**

	Chemical and Allied Product	Agro Services	Home Developers	Oil & Gas Downstream	Oil & Gas Services	Plastics	Flourmills	Beverages		Steel Rolling	Power Generation/ Plants	Logistics	Pharmaceuticals	Miscellaneuos Manufacturing	Domestic Trade	Food Manufacturing	Personal Care	Finance& Insurance	Conglomerates	Others	Total
- Letters of Credit	3,582,983	211,798	-	-	-	1,574,225	4,361,283	2,974,671		1,574,225	2,051,216	230,977	229,897	295,897	499,465	451,917	350,911	-	-	-	**18,389,465**
- Performance bonds and guarantees	-	-	7,796	5,390,733	39,187	-	-	-		-	1,234,145	-	-	-	-	-	-	-	-	-	**6,671,861**
- Loan commitments		221,497										11,893,074			287,698	5,251,319		17,118,240	2,670,519	517,414	**37,959,761**
Total	**3,582,983**	**433,295**	**7,796**	**5,390,733**	**39,187**	**1,574,225**	**4,361,283**	**2,974,671**		**1,574,225**	**3,285,361**	**12,124,051**	**229,897**	**295,897**	**787,163**	**5,703,236**	**350,911**	**17,118,240**	**2,670,519**	**517,414**	**63,021,086**

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31 December 2020
The table below shows the financial instruements in accordance with their various sectors as at 31 December 2020.

In thousands of Nigerian Naira	Agro Services	Government	Finance & Insurance	Conglomerate	Oil & Gas - Upstream	Oil & Gas - Services	Insurance Activities	Logistics		Other Financial Activities	Personal Care	Plastic	Pharmaceuticals	Power Generation/ Plants	Information Services Activities	Telecommunication	Food Manufacturing	Others			**Total**
Financial assets:																					
Cash and bank balances		-	-																		**-**
Balances with other banks		-																			**-**
- Operating balance with Central Bank of Nigeria	-	2,001,264	-	-	-	-	-	-		-	-	-			-			-			**2,001,264**
- Balances with banks in Nigeria	-	-	397.368	-	-	-	-	-		-	-	-			-			-			**397.368**
- Balances with banks outside Nigeria	-	-	20.484.753	-	-	-	-	-		-	-	-			-			-			**20.484.753**
- Mandatory reserve deposit with Central Bank of Nigeria	-	27,061,559		-	-	-	-	-		-	-	-			-			-			**27,061,559**
																					-
Loans to banks																					**-**
- Placements with banks	-	2.000.290	2.003.111	-	-	-	-	-		-	-	-			-			-			**4,003,401**
																					-
Financial instruments held as fair value through profit or loss		-																			**-**
- Nigerian Treasury Bills	-	2,284,241	-	-	-	-	-	-		-	-	-			-			-			**2,284,241**
- Federal Government of Nigeria Bonds	-	-	-		-	-	-	-		-	-	-			-			-			**-**
- Corporate Bonds		933.540	-																		**933.540**
																					-
Derivative financial instruments																					**-**
- Foreign exchange forward contract	518	238,173						-		-	-	-									**238,691**
		-																			**-**
Loans and advances		-																			**-**
- Loans and advances (net of impairment)	1.527.485	-	1.733.406	861.292	15.780.606	411.432	2.000.767	1.381.102	2.694.067	1.421	977.806	270.122	104.396	1.225.106	5.719.537	3.107.473	276.384	-			**38.072.402**
																					-
Investment securities																					**-**
- Nigerian Treasury Bills		1.860.114	-	-	-	-	-	-		-	-	-	-	-	-	-	-				**1.860.114**
- Federal Government of Nigeria bonds		664.176	-	-	-	-	-	-		-	-	-	-	-	-	-	-				**664.176**
- Corporate bonds		2.981.352	-	-	-	-	-	-		-	-	-	-	-	-	-	-	5.109.007			**8,090,359**
- Promissory Notes & Commercial Bills		31,071,872	-	-	-	-	-	-		-	-	-	-	-	-	-	-				**31,071,872**
Pledged assets			-	-	-	-	-	-		-	-	-	-	-	-	-	-				**-**
- Nigerian Treasury Bills		9.744.354	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-			**9.744.354**
- Federal Government of Nigeria bonds		532.350	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-			**532.350**
- Corporate bonds	-	-	2.200.280	-	-	-	-	-		-	-	-	-	-	-	-	-	-			**2.200.280**
- Promissory notes and Commercial Bills		4,074,104	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-			**4,074,104**
Other assets																		-			**-**
- Receivables	-	-		-	-	-	-	-		-	-	-						738,376			**738,376**
Total	**1,528,003**	**85,447,389**	**26,818,917**	**861,292**	**15,780,606**	**411,432**	**2,000,767**	**1,381,102**		**1,421**	**977,806**	**270,122**	**104,396**	**1,225,106**	**5,719,537**	**3,107,473**		**5,847,383**	**-**	**-**	**154,453,204**
Credit related commitments	Chemical and Allied Product	Beverages	Telecommunications	Conglomerate	Crop Production	Oil and Gas Downstream	Real Estate	Automotive Parts		Plastics	Flour Mills and Bakeries	Food Products	Pharmaceuticals	Power Generation/ Plants	General - Logistics	Textiles and Apparel	Oil and Gas upstream	Information	Insurance companies	Others	**Total**
- Letters of Credit	872.120	-	-	-	-	144.015	2.666.766	1.646.190		122.818	1.191.097	1.781.646	226.165	1.284.685	64.472	1.489.465	3.042	1.235	-	22.996	**11,516,711**
- Performance bonds and guarantees	-	2.120.200	673.200		112.561	70.000	-	-		-	1.273.332	-	-	-	-	-	-	-	-	-	**4,249,293**
- Loan commitments	123,085	-	3,770,360	1,200,000	110,821	19,125	1,381,198	383,609		-	97,188	1,377,409	-	-	-	104,935	-	531,526	1,060,000	138,176	**10,297,432**
Total	**995,205**	**2,120,200**	**4,443,560**	**1,200,000**	**223,383**	**233,140**	**4,047,964**	**2,029,799**		**122,818**	**2,561,617**	**3,159,054**	**226,165**	**1,284,685**	**64,472**	**1,594,400**	**3,042**	**532,761**	**1,060,000**	**161,172**	**26,063,436**

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The table below shows the financial instruements in accordance with their geographical spread as at 31 December 2021.

In thousands of Nigerian Naira	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
Financial assets:					
Cash and bank balances	56				**56**
Balances with other banks					
- Operating balance with Central Bank of Nigeria	-	-	114,034	-	**114,034**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	-	-	1,000	-	**1,000**
- Balances with banks in Nigeria	585,086	-	-	-	**585,086**
- Balances with banks outside Nigeria	-	-	-	12,653,435	**12,653,435**
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	30,845,869	-	**30,845,869**
					-
Loans to banks					**-**
- Placements with banks	7,804,755	-	-	-	**7,804,755**
					-
Financial instruments held as fair value through profit or loss					**-**
- Nigerian Treasury Bills	600,142	-	-	-	**600,142**
- Federal Government of Nigeria Bonds	-	-	-	-	**-**
					-
Derivative financial instruments					**-**
- Foreign exchange forward contract	821,873	-	-	-	**821,873**
					-
Loans and advances					**-**
- Loans and advances (net of impairment)	77,060,713	627,554	1,356,450		**79,044,717**
- Margin facilities (net of impairment)					**-**
					-
Investment securities					**-**
- Nigerian Treasury Bills	872,615	-	-	-	**872,615**
- Federal Government of Nigeria bonds	1,682,387	-	-	-	**1,682,387**
- Corporate bonds	10,747,725	-	-	-	**10,747,725**
- Promissory Notes & Commercial Bills	22,957,321	-	-	-	**22,957,321**
- State Bonds	2,051,853				**2,051,853**
- Unquoted equity securities	15,666				**15,666**
					-
Pledged assets					**-**
- Nigerian Treasury Bills	347,175	-	-	-	**347,175**
- Federal Government of Nigeria bonds	1,419,780	-	-	-	**1,419,780**
- Corporate bonds	-	-	-	-	**-**
- Promissory notes	10,990,610	-	-	-	**10,990,610**
					-
Other assets					**-**
- Receivables	3,098,554	-	-	-	**3,098,554**
		-	-	-	**-**
Total	**141,056,311**	**627,554**	**32,317,353**	**12,653,435**	**186,654,596**

	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
- Letters of Credit	18,389,465	-	-	-	**18,389,465**
- Performance bonds and guarantees	6,671,861	-	-	-	**6,671,861**
- Loan commitments	37,959,761	-	-	-	**37,959,761**
Total	**63,021,086**	-	-	-	**63,021,086**

The table below shows the financial instruements in accordance with their geographical spread as at 31 December 2020.

In thousands of Nigerian Naira	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
Financial assets:					
Cash and bank balances	56				**56**
Balances with other banks					
- Operating balance with Central Bank of Nigeria	-	-	2,001,264	-	**2,001,264**
- Balances with banks in Nigeria	397,368	-	-	-	**397,368**
- Balances with banks outside Nigeria	-	-	-	20,484,753	**20,484,753**
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	27,061,559	-	**27,061,559**
					-
Loans to banks					**-**
- Placements with banks	4,003,401	-	-	-	**4,003,401**
- Placements with other financial institutions	-	-	-	-	**-**
					-
Financial instruments held as fair value through profit or loss					**-**
- Nigerian Treasury Bills	2,284,241	-	-	-	**2,284,241**
- Federal Government of Nigeria Bonds	933,540	-	-	-	**933,540**
					-
Derivative financial instruments					**-**
- Foreign exchange forward contract	238,691	-	-	-	**238,691**
					-
Loans and advances					**-**
- Loans and advances (net of impairment)	36,934,010	556,714	581,678		**38,072,402**
					-
Investment securities					**-**
- Nigerian Treasury Bills	1,860,114	-	-	-	**1,860,114**
- Federal Government of Nigeria bonds	664,176	-	-	-	**664,176**
- Corporate bonds	8,233,491	-	-	-	**8,233,491**
- Promissory Notes & Commercial Bills	31,071,872	-	-	-	**31,071,872**
Unquoted equity	743,563	-	-	-	**743,563**
					-
Pledged assets					**-**
- Nigerian Treasury Bills	9,744,354	-	-	-	**9,744,354**
- Federal Government of Nigeria bonds	532,350	-	-	-	**532,350**
- Corporate bonds	2,200,280	-	-	-	**2,200,280**
- Promissory notes	4,074,104	-	-	-	**4,074,104**
					-
Other assets					**-**
- Receivables	738,375	-	-	-	**738,375**
		-	-	-	**-**
Total	**104,653,986**	**556,714**	**29,644,501**	**20,484,753**	**155,339,897**

	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
- Letters of Credit	11,516,711	-	-	-	**11,516,711**
- Performance bonds and guarantees	4,249,293	-	-	-	**4,249,293**
- Loan commitments	10,297,432	-	-	-	**10,297,432**
Total	**26,063,436**	-	-	-	**26,063,436**

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3.1.9 Credit Quality

The following table breaks down the group's credit exposure and their carrying amounts (without taking into account any collateral held or other credit support) categorised by credit quality:-

31 December 2021

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Cash	56	-	-	56	-	56
Balances with other banks						-
- Operating balance with Central Bank of Nigeria	114,034	-	-	114,034	-	114,034
- Balances with banks in Nigeria	585,086	-	-	585,086	57	585,029
- Balances with banks outside Nigeria	12,653,435	-	-	12,653,435	1,691	12,651,744
- Mandatory reserve deposit with Central Bank of Nigeria	30,845,869	-	-	30,845,869	-	30,845,869
	-			-	-	
Loans to banks	-			-	-	
- Placements with banks	7,804,755	-	-	7,804,755	19,726	7,785,029
- Placements with other financial institutions	-	-	-	-	-	-
Loans and advances						
- Loans and advances	75,327,368		3,717,349	79,044,717	2,417,817	76,626,900
Investment securities						
- Nigerian Treasury Bills	872,615	-	-	872,615	-	872,615
- Federal Government of Nigeria bonds	1,682,387	-	-	1,682,387	-	1,682,387
- Corporate bonds	10,747,725	-	-	10,747,725	-	10,747,725
- Promissory Notes	22,957,321	-	-	22,957,321	-	22,957,321
- Unquoted equity securities	15,666			15,666		15,666
- State Bonds	2,051,853			2,051,853		2,051,853
Pledged assets						
- Nigerian Treasury Bills	347,175	-	-	347,175	-	347,175
- Federal Government of Nigeria bonds	1,419,780	-	-	1,419,780	-	1,419,780
- Corporate bonds	-	-	-	-	-	-
- Promissory Note	10,990,610	-	-	10,990,610	-	10,990,610
Other assets						
- Receivables	3,098,554	-	-	3,098,554	-	3,098,554
Total	**181,514,289**	**-**	**3,717,349**	**185,231,638**	**2,439,291**	**182,792,347**
Off balance sheet financial assets						
- Letters of Credit	18,389,465	-	-	18,389,465	17,175	18,372,290
- Performance bonds and guarantees	6,671,861	-	-	6,671,861	3,839	6,668,022
- Loan commitments	37,959,761	-	-	37,959,761	14,908	37,944,853
Total	**63,021,086**	**-**	**-**	**63,021,086**	**35,922**	**62,985,164**

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In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Cash						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,001,264	-	-	2,001,264	-	2,001,264
- Balances with banks in Nigeria	397,368	-	-	397,368	-	397,368
- Balances with banks outside Nigeria	20,484,753	-	-	20,484,753	-	20,484,753
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	-	-	27,061,559	-	27,061,559
	-			-		-
Loans to banks	-			-		-
- Placements with banks	4,003,401	-	-	4,003,401	-	4,003,401
- Placements with other financial institutions	-	-	-	-	-	-
	-			-		-
	-			-		-
Loans and advances	-			-		-
- Loans and advances	38,038,544		2,275,538	40,314,082	2,241,681	38,072,401
	-			-		-
Investment securities	-			-		-
- Nigerian Treasury Bills	1,860,114	-	-	1,860,114	-	1,860,114
- Federal Government of Nigeria bonds	664,176	-	-	664,176	-	664,176
- Corporate bonds	8,233,491	-	-	8,233,491	-	8,233,491
	31,071,872			31,071,872		31,071,872
Pledged assets	-			-		-
- Nigerian Treasury Bills	9,744,354	-	-	9,744,354	-	9,744,354
- Federal Government of Nigeria bonds	532,350	-	-	532,350	-	532,350
- Corporate bonds	2,200,280	-	-	2,200,280	-	2,200,280
- Promissory notes	4,074,104			4,074,104	-	4,074,104
Other assets						
- Receivables	738,175	-	-	738,175	-	738,175
Total	**151,105,804**	**-**	**2,275,538**	**153,381,342**	**2,241,681**	**151,139,661**
Off balance sheet financial assets						
- Letters of Credit	11,516,711	-	-	11,516,711	22,996	11,493,715
- Performance bonds and guarantees	4,249,293	-	-	4,249,293	6,213	4,243,080
- Loan commitments	10,297,432	-	-	10,297,432	33,489	10,263,943
Total	**26,063,436**	**-**	**-**	**26,063,436**	**62,698**	**26,000,738**

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3.1.10 Collaterals

The bank holds collateral and other credit enhancements against certain of its credit exposures.

3.1.11 RATINGS

The credit quality of the portfolio of financial assets in stages 1 and stages 2 per IFRS 9 based on the internal rating system or rating agency adopted by the bank are as follows:

31 December 2021						
In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Financial assets:						
Cash	-	-	-	-	56	**56**
Balances with other banks						
- Operating balance with Central Bank of Nigeria	114,034	-	-	-	-	**114,034**
- Operating balance with Central Bank of Nigeria-e NAIRA	1,000	-	-	-	-	**1,000**
FUNDING						
- Balances with banks in Nigeria	-	473,394	111,692	-	-	**585,086**
- Balances with banks outside Nigeria	8,635,564	606,663	1,292,853	2,118,263	31	**12,653,435**
- Mandatory reserve deposit with Central Bank of Nigeria	30,845,869					**30,845,869**
Loans to banks						
- Placements with banks	700,086		7,104,668	-	-	**7,804,754**
Financial instruments held for trading						
- Nigerian Treasury Bills	600,142	-	-	-	-	**600,142**
- Federal Government of Nigeria Bonds	-					**-**
Loans and advances						
- Loans and advances	19,698,106	24,791,090	33,287,230	1,268,290	-	**79,044,717**
Derivative financial instruments						
- Foreign exchange forward contract	821,873					**821,873**
Investment securities						
- Federal Government of Nigeria bonds	872,615	-	-	-	-	**872,615**
- Nigerian Treasury Bills	1,682,387	-	-	-	-	**1,682,387**
- Corporate bonds	2,481,333	402,902	7,638,150	225,339		**10,747,724**
- Promissory notes	22,957,321	-	-	-	-	**22,957,321**
- Unquoted equity securities	15,666	-	-	-	-	**15,666**
- State Bonds	2,051,853	-	-	-	-	**2,051,853**
Pledged assets						
- Nigerian Treasury Bills	347,175	-	-	-	-	**347,175**
- Federal Government of Nigeria bonds	1,419,780	-	-	-	-	**1,419,780**
- Corporate bonds	-	-	-		-	**-**
- Promissory notes	10,990,610	-	-		-	**10,990,610**
Other assets						
- Receivables	**-**	-	-	-	754,678	**754,678**
	104,235,414	**26,274,049**	**49,434,593**	**3,611,892**	**754,709**	**184,310,718**
- Letters of Credit	3,684,835	5,686,316	9,018,314	-	-	**18,389,465**
- Performance bonds and guarantees	5,398,529	1,273,332	-	-	-	**6,671,860**
- Loan commitments	17,578,240	12,813,245	7,568,276	-	-	**37,959,761**
Total	26,661,604	19,772,893	16,586,590	-	-	**63,021,086**

31 December 2020

The table below shows financial instruments in accordance with their respective ratings as at 31 December 2020.

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Financial assets:						
Cash	-	-	-	-	56	**56**
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,001,264	-	-	-	-	**2,001,264**
- Balances with banks in Nigeria	339,103	-	-	58,250	15	**397,368**
- Balances with banks outside Nigeria	18,078,059	-	236,718	1,882,936	287,041	**20,484,754**
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	-	-	-	-	**27,061,559**
Loans to banks						
- Placements with banks	2,000,250	-	2,003,151	-	-	**4,003,401**
Financial instruments held for trading						
- Nigerian Treasury Bills	2,284,241	-	-	-	-	**2,284,241**
- Federal Government of Nigeria Bonds	933,540	-	-	-	-	**933,540**
- Corporate Bonds	-	-	-	-	-	**-**
Loans and advances						
- Loans and advances	18,213,590	680,039	21,420,453	-	-	**40,314,082**
Derivative financial instruments						
- Foreign exchange forward contract	226,202	-	-	-	12,489	**238,691**
Investment securities						
- Federal Government of Nigeria bonds	664,176	-	-	-	-	**664,176**
- Nigerian Treasury Bills	1,860,114	-	-	-	-	**1,860,114**
- Corporate bonds	-	2,548,266	-	436,227	5,248,998	**8,233,491**
- Promissory Notes	31,071,872	-	-	-	-	**31,071,872**
Pledged assets						
- Nigerian Treasury Bills	9,744,354	-	-	-	-	**9,744,354**
- Federal Government of Nigeria bonds	532,350	-	-	-	-	**532,350**
- Corporate bonds	-	-	-	2,200,280	-	**2,200,280**
- Promissory Notes	4,074,104	-	-	-	-	**4,074,104**
- Unquoted equity	743,563	-	-	-	-	**743,563**
Other assets						
- Receivables	-	-	-	-	738,375	**738,375**
Total	**119,828,341**	**3,228,305**	**23,660,322**	**4,577,693**	**6,286,974**	**157,581,635**

- Letters of Credit	2,833,416	5,113,696	3,569,599	-	-	**11,516,711**
- Performance bonds and guarantees	2,905,961	1,343,331	-	-	-	**4,249,292**
- Loan commitments	4,963,190	4,296,625	1,037,617	-	-	**10,297,432**
Total	**10,702,567**	**10,753,652**	**4,607,216**	-	-	**26,063,435**

3.1.12 Financial Assets Individually Impaired

significant loans are examined for any sign of impairment triggers. The triggers for impairments include:

1. significant financial difficulty of the issuer or obligor;
2. a breach of contract (such as a default or delinquency in interest or principal payments);
3. granting to the borrower a concession that FSDH would not otherwise consider, due to the borrower's financial difficulties;
4. becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
5. the disappearance of an active market for that financial asset because of financial difficulties;

IFRS 9 requires an entity to test a financial instrument for impairment at the end of each reporting period.
If there is objective evidence that an impairment loss on individually significant loans 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 loan's effective interest rate computed at initial recognition.

At 31 Dec 2021	Loans to customers at amortised cost N'000
Gross amount	2,417,817
Stage III impairment	2,112,206
Net amount	305,611
Fair value of collateral	-

At 31 Dec 2020	Loans to customers at amortised cost N'000
Gross amount	2,275,536
Stage III impairment	1,941,228
Net amount	334,310
Fair value of collateral	-

Estimate of the value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Loans and Advances To Customers		Loans and Advances To Banks	
In thousands of Naira	December 2021	December 2020	December 2021	December 2020
Property	-	-	-	-
Bank Guarantees	2,897,032	-	-	-
Cash	14,243,634	9,023,699	-	-
Pledged goods/receivables	103,336	-	-	-
FGN Securities	3,304,209	8,434,000	-	2,003,151
All Asset Debenture	69,443,800	21,629,003	-	-
Corporate guarantee	8,794,699	1,523,332	-	-
Total	**98,786,710**	**40,610,034**	**0.00**	**2,003,151**

3.1.13 - Disclosure on significant changes in Gross Amount

The following table explain the changes in the gross carrying amount between the beginning and the end of the annual period due to the factors mentioned in the table.

31 December 2021

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Purchased Credit - Impaired	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL		
Gross Carrying Amount As At 1 January 2021	38,038,544	-	2,275,538	-	40,314,082
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(1,472,592)	-	1,441,811	(30,781)	(61,562)
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-			-	-
Financial Assets derecognised during the period other than write-offs	-	-	-	-	-
New Financial Assets originated or purchased	37,288,824	-	-	-	37,288,824
FX and other movements	1,503,373		-		1,503,373
Gross Carrying Amount As At 31 December 2021	**75,358,149**	**-**	**3,717,349 -**	**30,781**	**79,044,717**

3.1.14 - Disclosure on changes in Loss Allowance

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to the factors mentioned there-in.

31 December 2021

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Purchased Credit - Impaired	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL		
Loss Allowance As At 1 January 2021	300,453	-	1,941,228	-	2,241,681
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	- -	163,699	206,604	42,905	85,809
Transfer from Stage 2 to Stage 3	-	-		-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-			-	-
Modification of contractual cashflows of financial assets	-	-	-	-	-
New Financial Assets originated or purchased	63,228	-	-	-	63,228
FX and other movements	27,098				27,098
Loss Allowance As At 31 December 2021	**390,779 -**	**163,699**	**2,147,832**	**42,905**	**2,417,816**

3.1.15 - Disclosure on significant changes in Gross Amount

The following table explain the changes in the gross carrying amount between the beginning and the end of the annual period due to the factors mentioned in the table.

31 December 2020

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Purchased Credit - Impaired	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL		
Gross Carrying Amount As At 1 January 2020	44,512,784	-	2,240,831	-	46,753,615
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(34,707)	-	34,707	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-			-	-
Financial Assets derecognised during the period other than write-offs	(40,150,159)	-	-	-	(40,150,159)
New Financial Assets originated or purchased	33,255,531	-	-	-	33,255,531
FX and other movements	455,095		-		455,095
Gross Carrying Amount As At 31 December 2020	**38,038,544**	**-**	**2,275,538**	**-**	**40,314,082**

3.1.16 - Disclosure on changes in Loss Allowance

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to the factors mentioned there-in.

31 December 2020

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Purchased Credit - Impaired	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL		
Loss Allowance As At 1 January 2020	247,365	-	1,009,910	-	1,257,275
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	(14,085)	-	14,085	-	-
Transfer from Stage 2 to Stage 3	-	-		-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-			-	-
Financial Assets derecognised during the period other than write-offs	(162,006)	-	-	-	(162,006)
New Financial Assets originated or purchased	221,704	-	-	-	221,704
FX and other movements	7,472	-	917,236	-	924,708
Loss Allowance As At 31 December 2020	**314,535**	**-**	**1,927,146**	**-**	**2,241,681**

3.2 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises both currency risk and price risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, and equity and commodity prices. Price risk arises in non-trading portfolios, as well as in trading portfolios. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

3.2.1 Management of market risk

The Risk Management unit is mandated to assess, monitor and manage market risk for the Bank. The primary objective of the Risk Management unit is to establish a comprehensive and independent market risk control framework.

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

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

3.2.2 Market risk measurement

The Group currently applies Non-Value at Risk measures in the measurement and management of market risks. The techniques currently used to measure and control market risk include:

Position Limit

The Board of Directors with the input of Risk Management unit sets limits on the aggregate trading portfolio for overnight positions. This limit, which is a product of our model tracking factor sensitivity, is reviewed frequently depending on market volatility

Trading Limit

Risk Management unit has put in place trading limit for all securities traders. Limits have been set based on experience and hierarchy, as it would be risky for traders to have equal ability to commit the Bank. Limits are reviewed annually.

Mark-to-Market

The Risk management unit, independent of the Treasury Unit., does the mark-to-market process. Daily market quotes are obtained transparently, and the unrealized profit or losses are computed. The results are presented to management daily.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, issuer limits, maximum tenor and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

Pricing models and risk metrics used in production systems, whether these systems are off-the-shelf or in-house developed, are independently validated by the Risk Management unit before their use and periodically thereafter to confirm the continued applicability of the models. In addition, the Risk Management unit assesses the daily liquid closing price inputs (used to value instruments) and performs a review of less liquid prices from a reasonableness perspective at least monthly. Where differences are significant, mark-to-market adjustments are made.

Annual net interest income at risk

A dynamic forward-looking annual net interest income forecast is used to quantify the Bank's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenario, to determine the effect these changes may have on future earnings. The analysis is completed under both normal market conditions as well as stressed market conditions.

Stress tests

Stress testing provides an indication of the potential losses that could occur in extreme market conditions and is carried out to augment other risk measures that are used by the Group, such as market risk factor sensitivities. These stress scenarios are typically used to highlight exposures that may not be explicitly incorporated by specific sensitivity calculations (such as basis, price and correlation) that can be the source of large losses when abnormally large market movements occur. Stress testing also attempts to indicate the size of the loss provoked by any of a number of unlikely but possible shock events given current positions held.

The stress tests carried out include individual market risk factor testing and combinations of market factors on individual asset classes and across different asset classes. Stress tests include a combination of historical and hypothetical simulations.

3.2.3 Foreign Exchange Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows, primarily with respect to the US dollar. The bank is exposed to foreign exchange risk primarily through its assets, managing customers' deposits and through acting as an intermediary in foreign exchange transactions.

The Group has a robust risk management system that identifies, measures and mitigates the foreign currency exchange rate risk on its financial position and cash flows. Apart from regulatory imposed limits such as the net open position limit (OPL) which is set at 0.5% of Shareholders' funds that helps to limit these exposures, the bank has market risk limits such as:

- Daily mark-to-market mechanism that revalues all currency positions daily, ensuring that foreign currency positions are valued at current market price and not at cost.
- An Open Position Limit that is more stringent than the regulatory limit.
- A Bank wide limit on the maximum volume of foreign currency denominated securities to invest in.
- Aggregate position limits for individual currency positions, which limits exchange rate risk in all currencies that the bank has exposures.

The Group mitigates the changes in fair value attributable to foreign-exchange rate movements in certain transactions. Typically, entering into a forward foreign-exchange contract is used as a preferred hedging mechanism. In addition, the Group enters into currency swaps to hedge against foreign exchange risk.

In the year 2014, the CBN issued a policy stating that the Net Open Position (long or short) of the overall foreign currency assets and liabilities taking into cognizance both those on and off balance sheet should not exceed 10% of shareholders' funds unimpaired by losses using the Gross Aggregate Method.

The Group does a daily monitoring of its foreign currency balance sheet to ensure that Open positions do not exceed regulatory prescribed limit.

The table below shows a breakdown of financial assets and financial liabilities by currency.

Group and Bank	31 December 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2021	31 December 2021
	NGN	USD	GBP	EUR	CNY	ZAR	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
ASSETS							
Cash and cash equivalents	31,414,381	11,694,638	220,764	759,672	96,907	13,117	44,199,479
Placements to banks and other financial institutions	7,783,220	-	-	-	-	-	7,783,220
Financial instruments held at fair value through profit	600,142	-	-	-	-	-	600,142
Derivative assets held for risk management	-	820,675	-	-	1,198	-	821,873
Loans and advances to customers	47,125,295	29,003,495	-	498,111.57	-	-	76,626,902
Investment securities	37,902,489	425,150	-	-	-	-	38,327,639
Pledged assets	10,590,779	2,166,786	-	-	-	-	12,757,565
Right of use assets	70,721	-	-	-	-	-	70,721
Other assets	2,787,701	310,853	-	-	-	-	3,098,554
Total assets	138,274,727	44,421,598	220,764	1,257,784	98,105	13,117	184,286,096
LIABILITIES							
Due to banks	55	25,480,229	-	654,507	-	13,112	26,147,903
Due to customers	53,875,015	17,707,280	198,965.73	13,620	-	-	71,794,882
Derivative financial instruments	-	794,976			1,070	-	796,046
Trading liabilities	5,576,479	-	-	-	-	-	5,576,479
Lease liabilities	66,810	-	-	-	-	-	66,810
Other liabilities	4,996,012	5,395,948	-	546,827	96,907		11,035,694
Debt securities issued	29,148,871	-	-	-	-	-	29,148,871
Other borrowed funds	17,298,216	-	-	-	-	-	17,298,216
Total liabilities	110,961,459	49,378,434	198,966	1,214,954	97,977	13,112	161,864,901
Net on balance sheet financial position	27,313,269	(4,956,836)	21,798	42,830	128	5	22,421,194
Credit Commitments							
- Letters of Credit	-	16,825,315	36,563	510,086	53,213.22	964,287.39	18,389,464
- Performance bonds and guarantees	6,671,860	-	-	-	-	-	6,671,860
- Loan commitments	37,959,761	-	-	-	-	-	37,959,761
	44,631,621	16,825,315	36,563	510,086	53,213.22	964,287	63,021,086
Shareholders' Funds as at Dec 2021		26,848,101	26,848,101	26,848,101	26,848,101	26,848,101	26,848,101
Net Balance sheet Position Limit / SHF		18.46%	0.08%	0.16%	0.00%	0.00%	18.70%

	31 December 2020 NGN N'000	31 December 2020 USD N'000	31 December 2020 GBP N'000	31 December 2020 EUR N'000	31 December 2020 CNY N'000	31 December 2020 ZAR N'000	31 December 2020 Total N'000
ASSETS							
Cash and bank balances	29,223,948	20,233,419	36,294	451,305	-	34	49,945,000
Loans and receivables to banks	2,000,250	2,003,151	-	-	-	-	4,003,401
Financial assets held for trading	3,217,781	-	-	-	-	-	3,217,781
Derivative financial instruments	-	238,691	-	-	-	-	238,691
Loans and receivables to customers	21,941,529	16,130,873	-	-	-	-	38,072,402
Investment securities	42,136,952	436,264	-	-	-	-	42,573,216
Pledged assets	14,350,808	2,200,280	-	-	-	-	16,551,088
Other assets	738,375	-	-	-	-	-	738,375
Total assets	113,609,643	41,242,678	36,294	451,305	-	34	155,339,954
LIABILITIES							
Due to banks	2,805,560	16,815,512	-	-	-	-	19,621,072
Due to customers	61,034,019	18,959,753	201,464	18,753	-	-	80,213,989
Derivative financial instruments	-	228,557			-	-	228,557
Lease liabilities	38,836	-	-	-	-	-	38,836
Other liabilities	2,168,672	3,046,009	15,386	175,806	-	-	5,405,873
Debt securities issued	23,050,499	-	-	-	-	-	23,050,499
Other borrowed funds	-	-	-	-	-	-	-
Total liabilities	89,097,586	39,049,831	216,850	194,559	-	-	128,558,825
Net on balance sheet financial position	**24,512,057**	**2,192,847**	**-180,556**	**256,746**	**-**	**34**	**26,781,128**
Credit Commitments							
- Letters of Credit	-	10,978,209	124,102	325,279	-	89,122	11,516,711
- Performance bonds and guarantees	4,249,293	-	-	-	-	-	4,249,293
- Loan commitments	10,297,432	-	-	-	-	-	10,297,432
	14,546,725	**10,978,209**	**124,102**	**325,279**	**-**	**89,122**	**26,063,437**
Shareholders' Funds as at Dec 2020		30,814,130	30,814,130	30,814,130	30,814,130	30,814,130	30,814,130
Net Balance sheet Position Limit / SHF		7.12%	0.59%	0.83%	0.00%	0.00%	8.54%

The table below shows the impact on the Group's profit before tax of a 20% depreciation of the Naira against foreign exchange rates on financial instruments held at amortised cost or at fair value, with all other variables held constant.

Effect of 20% of the Naira on foreign exchange assets

Effect of 2000 basis points movement on foreign exchange assets (N'000)		31 December 2021	31 December 2020
	Assets	16,100,208	13,786,407
	Liabilities	17,323,227	13,320,144
	Impact on profit/loss	(1,223,019)	466,263

At 31 December 2021, if the local currency had weakened by 20% against the US dollar, GB pound and Euro with all other variables held constant, this would have translated to a revaluation gain to the tune of the amounts indicated above. It is however pertinent to note that losses sustained on the assets are offset by the gain on the liabilities and vice versa. The gains and losses do not exactly match because of the funding gap in that currency.

3.2.4 Interest rate risk

The Group is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rate risk. One of the Group's primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customers' requirements with regard to tenor, and rate type. Net Interest Income (NII) is the difference between the yield earned on portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or wholesale borrowings). NII is affected by changes in the level of interest rates.

Movements in interest rate on the Group's core activities affect its reported earnings and book capital by affecting the Net Interest Income (NII). The value of the Group's assets, liabilities, and interest-rate-related, off-balance-sheet items is affected by a change in rates because the present value of future cash flows, and in some cases the cash flows themselves, is changed.

The Group's primary strategy for managing interest rate risk is to match interest rate sensitivities of both sides of its Balance sheet. In this respect, the Group separately identifies and classifies its assets and liabilities based on their sensitivities i.e. floating vs. fixed rates. All floating rate components of the Balance sheet are managed against a defined benchmark rate. All fixed rate components are managed against a re-pricing profile benchmark to be determined by the ALM desk and approved by the ALCO.

The table below summarises the Group's interest rate gap position:

Group and Bank 31 December 2021	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	44,199,479	-	-	44,199,479
Loans and receivables to banks	7,783,220	-	7,783,220	-
Financial assets held for trading	600,142	-	600,142	-
Derivative financial instruments	821,873	-	-	821,873
Loans and receivables to customers	76,626,902	5,104,547	69,736,099	1,786,255
Investment securities	38,327,639	-	37,584,076	743,563
Pledged assets	12,757,565	-	12,757,565	-
Right of use assets	70,721	-	-	70,721
Other assets	3,098,554	-	-	3,098,554
	184,286,096	5,104,547	128,461,102	50,720,446
Liabilities				
Due to banks	26,147,903	-	26,104,330	43,573
Due to customers	71,794,882	-	71,794,882	-
Derivative financial instruments	796,046	-	-	796,046
Lease liabilities	66,810	-	-	66,810
Other liabilities	11,035,694	-	-	11,035,694
Debt securities issued	29,148,871	-	29,148,871	-
Other borrowed funds	17,298,216	-	17,298,216	-
	156,288,422	-	144,346,299	11,942,123

31 December 2020	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	49,945,000	-	-	49,945,000
Loans and receivables to banks	4,003,401	-	4,003,401	-
Financial assets held for trading	3,217,781	-	3,217,781	-
Derivative financial instruments	238,691	-	-	238,691
Loans and receivables to customers	38,072,402	20,648,069	17,424,333	-
Investment securities	42,573,216	-	41,829,653	743,563
Pledged assets	16,551,088	-	16,551,088	-
Other assets	738,375	-	-	738,375
	155,339,954	20,648,069	83,026,256	51,665,629
Liabilities				
Due to banks	19,621,072	-	19,621,072	-
Due to customers	80,213,989	-	54,641,789	25,572,200
Derivative financial instruments	228,557	-	-	228,557
Other liabilities	5,405,873	-	-	5,405,873
Debt securities issued	23,050,499	-	23,050,499	-
Other borrowed funds	-	-	-	-
	128,519,990	-	97,313,360	31,206,630

In monitoring and measuring its Interest Rate Risk exposure, the Group monitors set gap limits and measures the potential impact on net interest revenue over a specified period, for the accrual positions, from a defined parallel shift in the yield curve. It is a forward-looking measure, analogous to factor sensitivity on the trading portfolios. We measure the potential change of interest rate margin of the Group for 100 basis points parallel change of interest rate curve in the horizon.

In order to manage these risks effectively, the Group may modify pricing on new customer loans and deposits, enter into transactions with other institutions or enter into forward exchange contracts that have the opposite risk exposures. Therefore, the Group regularly assesses the viability of strategies to reduce unacceptable risks to earnings and implements such strategies when the bank believes those actions are prudent.

The Group employs additional measurements, including stress testing on the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration, volatility and the potential impact of the change in the spread between different market indices

The table below indicates the earliest time the Group can vary the terms of the underlying financial asset or liabilities. The bank’s interest rate risk exposure on assets and liabilities are categorised by the re–pricing dates

Group and Bank

At 31 December 2021 (N'000)	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	44,199,479	44,199,479
Loans and receivables to banks	700,086	-	7,083,134	-	-	-	-	7,783,220
Financial assets held for trading	238,277	-	-	361,865	-	-	-	600,142
Derivative financial instruments	171,879	289,862	359,767	364	-	-	-	821,873
Loans and receivables to customers	15,358,280	15,680,715	12,477,961	4,249,072	20,317,486	8,466,740	76,649	76,626,902
Investment securities	2,689,762	2,878,653	2,546,014	6,952,678	14,327,219	8,917,576	15,666	38,327,567
Pledged assets	798,880	1,735,135	8,803,770	-	-	1,419,780	-	12,757,565
Right of use assets	-	19,699	-	8,643	42,380	-	-	70,721
Other assets	-	-	-	-	-	-	3,098,554	3,098,554
Total financial assets (contractual maturity)	19,957,165	20,604,063	31,270,646	11,572,622	34,687,085	18,804,096	47,390,348	184,286,024

	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	4,868,229	1,811,480	13,549,583	5,323,044	-	-	595,568	26,147,904
Due to customers	18,905,415	8,618,886	11,380,252	1,957,839	-	-	30,932,488	71,794,881
Derivative financial instruments	167,820	277,168	350,699	359	-	-	-	796,046
Lease liabilities	-	-	-	-	-	-	66,810	66,810
Other liabilities	-	-	-	-	-	-	11,035,694	11,035,694
Debt securities issued	1,780,095	-	14,992,490	-	12,376,286	-	-	29,148,871
Other borrowed funds	-	-	-	7,932,479	9,365,737	-	-	17,298,216
Total financial liabilities (contractual maturity)	25,721,559	10,707,534	40,273,024	15,213,722	21,742,023.29	-	42,630,560	156,288,422
Liabilities Commitments								
- Letters of Credit	2,946,136.27	6,590,231.81	6,289,087	2,564,009.39	-	-	-	18,389,464
- Performance bonds and guarantees	-	1,007,796.31	-	5,390,732.41	273,331.67	-	-	6,671,860
- Loan commitments	5,251,320	13,382,116	8,008,486	11,317,840	-	-	-	37,959,761
Total	**8,197,456**	**20,980,144**	**14,297,573**	**19,272,582**	**273,332**	**-**	**-**	**63,021,086**
Interest Rate GAP	**(5,764,395)**	**9,896,529**	**(9,002,378)**	**(3,641,100)**	**12,945,062**	**18,804,096**	**4,759,789**	**27,997,602**

At 31 December 2020 (N'000)	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	49,945,000	49,945,000
Loans and receivables to banks	4,003,401	-	-	-	-	-	-	4,003,401
Financial assets held for trading	349,985	5,553	48,860	1,879,887	30,727	902,772	-	3,217,784
Derivative financial instruments					-	-	238,691	238,691
Loans and receivables to customers	10,107,763	2,359,647	15,634,735	3,240,883	6,247,026	482,348	-	38,072,402
Investment securities	1,499,934	13,114,278	5,251,959	1,322,177	16,995,595	3,645,708	743,563	42,573,215
Pledged assets	2,399,672	5,123,526	2,495,100	3,800,161	2,200,280	532,349	-	16,551,088
Other assets	-	-	-	-	-	-	738,375	738,375
Total financial assets (contractual maturity)	18,360,755	20,603,004	23,430,654	10,243,108	25,473,628	5,563,177	51,665,629	155,339,955
	Up to 1 months	**1 - 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 Years**	**Above 5 years**	**Non Interest Bearing**	**Total**
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks and other financial liabilities	2,812,819	23,759	312,141	16,472,516	-	-	-	19,621,236
Due to customers	9,637,335	36,673,363	6,483,755	1,847,336	-	-	25,572,200	80,213,989
Derivative financial instruments	-	-	-	-	-	-	228,557	228,557
Other liabilities	-	-	-	-	-	-	5,405,873	5,405,873
Debt securities issued	-	-	-	23,050,499	-	-	-	23,050,499
Other borrowed funds	-	-	-	-	-	-	-	-
Total financial liabilities (contractual maturity)	12,450,154	36,697,122	6,795,896	41,370,351	-	-	31,206,630	128,520,154
Liabilities Commitments								
- Letters of Credit	-	-	11,516,711	-	-	-	-	11,516,711
- Performance bonds and guarantees	-	-	-	-	-	-	4,249,293	4,249,293
- Loan commitments	1,621,873	1,894,330	43,665	5,877,565	860,000	-	-	10,297,432
Total	**1,621,873**	**1,894,330**	**11,560,376**	**5,877,565**	**860,000**	**-**	**4,249,293**	**26,063,437**
Interest Rate GAP	**5,910,601**	**(16,094,119)**	**16,634,758**	**(31,127,243)**	**25,473,628**	**5,563,177**	**20,458,999**	**26,819,802**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group 's financial assets and liabilities to specific interest rate scenarios. The sensitivity analysis is the effect of the assumed changes in interest rates on the profit or loss for the period, based on the floating rate non-trading financial assets & liabilities and trading financial assets held as at 31 December 2021. The sensitivity analysis on the non-trading portfolio measures the change in value of the non-trading accrual portfolio due to a 100 basis point parallel move in the interest rates.

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments held at amortised cost and at fair value through other comprehensive income had increased by 100 basis points, with all other variables held constant.

	31 December 2021	31 December 2020
	N'000	N'000
Effect of 100 basis points movement on profit before tax & equity	(126,236)	(60,120)

3.2.5 Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Group assess the potential impact that fluctuations of identified market risk factors would have on the bank income and the value of its holdings of financial instruments.

The Group employs additional measurements, including stress testing on the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration, volatility and the potential impact of the change in the spread between different market indices.

The Group is exposed to price risk from holdings in its FVTPL portfolio and investment in FMDQ OTC exchange and investment in the Nigeria Inter-bank Settlement Scheme (NIBSS). These investments were made based on regulatory directives rather than with a view to profit on a subsequent sale. The securities are all unquoted.

Given the nature of the investments, the bank estimates that the exposure to price risk is low.

Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. The level of price risk exposure at any given point in time depends on the market environment and expectations of future price and market movements, which will vary from period to period.

3.2.6 Liquidity Risk

Liquidity risk is one of the key risks we contend with at the Bank. This is the risk that securities or assets held by the Bank cannot be traded quickly enough to meet obligations as they become due. It occurs when the cushion provided by liquid assets is not sufficient to meet outstanding obligations. Liquidity risk does not occur in isolation; it is often triggered by consequences of other financial risks like credit risk and market risks such as interest rate risk, foreign exchange risk and security price risk.

For Merchant Banks, the regulatory liquidity requirement is 20% while the regulatory minimum for Commercial Banks is 30%. As at 31 December 2021, the bank's liquidity ratio stood at 74% (December 2020: 136.30%)

The CBN in its drive to boost lending to the real sector mandated all banks to maintain a minimum Loan to Deposit Ratio of 65%. As at 31 December 2021, the bank's LDR ratio stood at 82% (December 2020: 84.90%)

3.2.6.1 Managing Liquidity Risk

The board of directors sets the strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to the Assets & Liability Committee (ALCO). ALCO approves the Group's liquidity policies and procedures. The ALM Desk manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Bank and Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits and wholesale market deposits and maintaining contingency facilities.
- Carrying a portfolio of liquid assets, diversified by currency and maturity.
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.
- Carrying out stress testing of the Group's liquidity position.

Liquidity limits establish boundaries for market access in business-as-usual conditions and are monitored against the liquidity position on a daily basis. The survival horizon of the Group has been set to 14 days. To ensure this is the case, the Group intends to hold enough liquid assets to cover for any negative GAP over the next 14 days.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Bank specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced flexibility of currencies, natural disasters or other catastrophes).The Bank has in place contingency funding lines to the tune of N6 billion with Nigerian financial institutions.

The bank engages the services of rating agencies to perform a credit rating assessment on the bank. A rating downgrade could have a negative impact on the bank's funding and liquidity due to reduced funding capacity and increased funding cost.

	31 December 2021		**31 December 2020**	
Rating agency	Agusto & Co.	GCR	Agusto & Co.	GCR
Rating assigned	A	A-	A	A-
Outlook	Stable	Stable	Stable	Stable
Issue date	27-May-21	28-Oct-21	30-Jun-20	30-Sep-20
Expiry date	30-Jun-22	31-Oct-22	30-Jun-21	30-Sep-21

3.2.6.2 Funding approach

Our sources of liquidity are regularly reviewed by ALCO and ALM Desk in order to avoid undue reliance on large individual investors and ensure that a satisfactory overall funding mix is maintained at all times. The funding strategy is geared towards ensuring effective diversification in sources and tenor of funding.

The tables below analyse the Group's financial assets and liabilities into relevant maturity bankings based on their contractual maturities for:

a) all non-derivative financial assets and liabilities, and
b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Bank

At 31 December 2021	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and cash equivalents	44,199,479	-	-	-	-	-	-	44,199,479
Placements to banks and other financial institutions	-	700,086	-	7,083,134	-	-	-	7,783,220
Financial instruments held at fair value through profit or lo	-	238,277			361,865			600,142
Derivative assets held for risk management		171,879	289,862	359,767	364	-	-	821,873
Loans and receivables to customers	76,649	15,358,280	15,680,715	12,477,961	4,249,072	20,317,486	8,466,739	76,626,902
Investment securities	15,666	2,689,762	2,878,653	2,546,014	6,952,678	14,327,219	8,917,576	38,327,567
Pledged assets	-	798,880	1,735,135	8,803,770	-	-	1,419,780	12,757,565
Right of use assets	-	-	19,699	-	8,643	42,380	-	70,721
Other assets	3,098,554	-	-	-	-	-	-	3,098,554
Total financial assets (contractual maturity)	47,390,348	19,957,165	20,604,063	31,270,646	11,572,622	34,687,085	18,804,095	184,286,024

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks and other financial institutions	595,568	4,868,282	1,811,480	13,549,583	5,323,044	-	-	26,147,957
Due to customers	30,932,488	18,905,415	8,618,886	11,380,252	1,957,839	-	-	71,794,881
Derivative liabilities held for risk management	-	167,820	277,168	350,699	359	-	-	796,046
Lease liabilities	66,810	-	-	-	-	-	-	66,810
Other liabilities	11,035,694	-	-	-	-	-	-	11,035,694
Debt securities issued	-	1,780,095	-	14,992,490	-	12,376,286	-	29,148,871
Other borrowed funds	-	-	-	-	7,932,479	9,365,737	-	17,298,216
Total financial liabilities (contractual maturity)	42,630,560	25,721,612	10,707,534	40,273,024	15,213,722	21,742,023	-	156,288,475
Liabilities Commitments								
Letters of Credit	-	2,946,136	6,590,232	6,289,087	2,564,010	-	-	18,389,465
Performance bonds and guarantees	-	-	1,007,796	-	5,390,732	273,332	-	6,671,860
Loan Commitments	-	5,251,320	13,382,116	8,008,486	11,317,840	-	-	37,959,761
Total	**-**	**8,197,456**	**20,980,144**	**14,297,573**	**19,272,582**	**273,332**	**-**	**63,021,086**
GAP	4,759,789	-5,764,448	9,896,529	-9,002,378	-3,641,100	12,945,062	18,804,095	27,997,548

At 31 December 2020	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	49,945,000							49,945,000
Loans and receivables to banks	-	4,015,780	-	-	-	-	-	4,015,780
Financial assets held for trading	-	371,949	14,409	57,039	1,936,069	404,107	1,460,449	4,244,022
Derivative financial instruments		144,141	42,107	42,309	-	-	-	228,557
Loans and receivables to customers	-	10,648,970	2,326,363	3,156,149	5,596,128	21,003,210	787,087	43,517,907
Investment securities	743,563	1,622,500	13,148,661	5,323,312	1,804,914	21,434,141	4,199,671	48,276,762
Pledged assets	-	2,400,000	5,130,000	2,612,571	3,937,571	2,954,719	455,000	17,489,861
Other assets	738,375	-	-	-	-	-	-	738,375
Total financial assets (contractual maturity)	51,426,938	19,203,341	20,661,540	11,191,380	13,274,682	45,796,176	6,902,207	168,456,263

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks and other financial liabilities	-	2,813,551	23,859	316,582	16,752,894	-	-	19,906,886
Due to customers	25,572,200	9,638,165	36,749,264	6,535,750	1,891,978	-	-	80,387,357
Derivative financial instruments	-	144,141	42,107	42,309		-	-	228,557
Lease liabilities			11,886	-	26,949	-	-	38,836
Other liabilities	5,405,873				-	-	-	5,405,873
Debt securities issued	-				23,602,650	-	-	23,602,650
Total financial liabilities (contractual maturity)	30,978,073	12,595,857	36,827,117	6,894,641	42,274,471	-	-	129,570,159
Liabilities Commitments								
Letters of Credit	-	-	-	11,516,711	-	-	-	11,516,711
Performance bonds and guarantees	5,740,382	-	-	-	-	-	-	5,740,382
Loan Commitments	-	2,717,777	4,064,634	-	3,346,346	168,675	-	10,297,432
Total	**5,740,382**	**2,717,777**	**4,064,634**	**11,516,711**	**3,346,346**	**168,675**	**-**	**27,554,526**
GAP	**20,448,865**	**6,607,483**	**(16,165,577)**	**4,296,739**	**(28,999,790)**	**45,796,176**	**6,902,207**	**38,886,104**

3.3 Fair Value

Financial instruments measured at fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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 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 significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the observable inputs 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 the difference between the instruments.

The Group uses the following procedures to determine the fair value of financial assets and liabilities:

Trading / Investment securities

Where available, the Group uses the quoted market prices to determine the fair value of trading assets and such items are classified as Level 1 of the fair value hierarchy. Quoted market prices are gotten from the website of the Financial Market Dealers Quotations (FMDQ).

Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available and therefore are classified as Level 1

Where there are securities that are not actively traded, the Group uses internal valuation techniques which are based on observable inputs obtained from the quoted market prices of similar actively traded securities. In this instance, these are classified as level 2

Derivatives Instruments

The fair value of financial instruments including forward foreign exchange contracts traded in active markets is based on quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments.

The Group bases the calculation on existing market conditions at each closing date. Financial instruments used in FSDH are standardised products that are either cleared via exchanges or widely traded in the market. Forward foreign exchange contracts are entered into with creditworthy financial institutions and with corporates.

Unquoted equity

If quoted market prices are not available, the fair values are estimated based on internal valuation techniques or the last traded price on an OTC exchange. The key inputs depend upon the type of equity and the nature of inputs to the valuation technique. The item is placed in either Level 2 or Level 3 depending on the type of investment and valuation technique used.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

There was no transfer within fair value hierarchies during the period.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2021:

Group and Bank

At 31 December 2021	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Financial assets				
Fair Value Through Profit or Loss				
-Treasury bills	600,142	-	-	600,142
-Federal Government of Nigeria Bonds	-	-	-	-
	600,142	-	-	600,142
Derivative financial instruments				
- Convertible loan	-	-	-	-
- FX forward contract	-	821,873	-	821,873
	-	821,873	-	821,873
Investment securities classified as as fair value through other comprehensive income				
-Treasury bills	872,615	-	-	872,615
-Federal Government of Nigeria Bonds	1,682,386	-	-	1,682,386
-Corporate bonds	-	10,747,725	-	10,747,725
-State Bonds	2,051,853		-	2,051,853
-Promissory notes and Commercial bills	-	22,957,394	-	22,957,394
-Unquoted Equity	-	15,666	-	15,666
	4,606,854	33,720,785	-	38,327,639
Pledged Securities				
Fair Value Through Profit or Loss				
-Treasury bills	-	-	-	-
Fair value through OCI				
-Treasury bills	347,175	-	-	347,175
-Federal Government of Nigeria Bonds	1,419,780	-	-	1,419,780
-Corporate bonds	-	-	-	-
-Promissory notes and Commercial bills	-	10,990,610	-	10,990,610
	1,766,955	10,990,610	-	12,757,565

Group and Bank

At 31 December 2020	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Financial assets				
Held for Trading				
-Treasury bills	2,284,241	-	-	2,284,241
-Federal Government of Nigeria Bonds	933,540	-	-	933,540
	3,217,781	-	-	3,217,781
Derivative financial instruments				
- FX forward contract	-	238,691	-	238,691
	-	238,691	-	238,691
Investment securities classified as at fair value through other comprehensive income				
-Treasury bills	1,860,114	-	-	1,860,114
-Federal Government of Nigeria Bonds	664,176	-	-	664,176
-Corporate bonds	2,984,984	5,248,507	-	8,233,491
-Promissory notes and Commercial bills	-	31,071,872	-	31,071,872
-Unquoted Equity	-		743,563	743,563
	5,509,274	36,320,379	743,563	42,573,216
Pledged Securities				
Held for Trading				
-Treasury bills	6,481,578	-	-	6,481,578
Fair value through OCI				
-Treasury bills	3,262,776	-	-	3,262,776
-Federal Government of Nigeria Bonds	532,350	-	-	532,350
-Corporate bonds	2,200,280		-	2,200,280
-Promissory notes and Commercial bills	-	4,074,104	-	4,074,104
	12,476,984	4,074,104	-	16,551,088

Reconciliation of Level 3 items	**N'000**
At 1 January 2021	15,666
Addition	0
As at 31 December 2021	15,666
Addition	0
As at 31 December 2021	15,666

3.4 Fair value of financial assets and liabilities not measured at fair value

Investment securities have been fair valued using market prices and is within level 1 of the fair value hierarchy.

The carrying value of the following financial assets and liabilities for the bank approximate their fair values: - cash and bank balances, loans and advances to banks and other assets.

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

Group and Bank	At 31 December 2021		At 31 December 2020	
	Carrying value N'000	Fair value N'000	Carrying value N'000	Fair value N'000
Financial assets				
Cash and bank balances	44,199,479	44,199,479	49,945,000	49,945,000
Loans and advances to banks	7,783,220	7,783,220	4,003,401	4,003,401
Loans and advances to customers	76,626,902	76,626,902	38,072,402	38,072,402
Other assets	3,098,554	3,098,554	738,375	738,375
	131,778,877	131,778,877	92,829,799	92,829,799
Financial liabilities				
Due to banks	26,147,903	26,147,903	19,621,072	19,621,072
Due to customers	71,794,882	71,794,882	80,213,989	80,213,989
Other liabilities	11,035,694	11,035,694	5,405,873	5,405,873
Debt securities issued	29,148,871	23,112,798	23,050,499	23,112,798
Other borrowed funds	17,298,216	17,298,216	-	-
	155,492,376	149,456,303	128,330,268	128,392,567

Fair Value Hierarchy for Financial Assets not measured at fair value
Bank

At 31 December 2021 (N'000)	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Financial Assets				
Cash and bank balances	-	-	44,199,479	44,199,479
Loans and advances to banks	-	-	7,783,220	7,783,220
Loans and advances to customers	-	-	76,626,902	76,626,902
Investment securities	-	-	-	-
Pledged Assets	-	-	-	-
Other assets	-	-	3,098,554	3,098,554
	-	-	131,778,877	131,778,877
Financial liabilities				
Due to banks	-	-	26,147,903	26,147,903
Due to customers	-	-	71,794,882	71,794,882
	-	-	66,810	66,810
Other liabilities	-	-	11,067,437	11,067,437
Debt securities issued	-	23,112,798	-	23,112,798
Other borrowed funds	-	-	17,298,216	17,298,216
	-	23,112,798	126,375,248	149,488,046

At 31 December 2020 (N'000)	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Financial Assets				
Cash and bank balances	-	-	49,945,000	49,945,000
Loans and advances to banks	-	-	4,003,401	4,003,401
Loans and advances to customers	-	-	38,072,402	38,072,402
Investment securities	-	-	-	-
Pledged Assets	-	-	-	-
	-	-	70,621	70,621
Other assets	-	-	738,375	738,375
	-	-	92,829,799	92,829,799
Financial liabilities				
Due to banks	-	-	19,621,072	19,621,072
Due to customers	-	-	80,213,989	80,213,989
	-	-	38,836	38,836
Other liabilities	-	-	5,405,873	5,405,873
Debt securities issued	-	23,112,798	-	23,112,798
Other borrowed funds	-	-	-	-
	-	23,112,798	105,279,769	128,392,567

3.5 Capital Management

The Group's objectives in managing Capital are:

- To comply with the regulatory requirements of the Central Bank of Nigeria
- To ensure that the Bank continues as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders by ensuring that capital deployed meets our RAAC (Risk Asset Acceptance Criteria)

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes.

In line with the CBN circular BSD/DIR/GR/GEN/LAB/06/053 regarding Regulatory Capital Measurement for the Nigerian Banking System for the implementation of Basel II/III in Nigeria, Capital adequacy is measured daily and reported monthly to the Central Bank of Nigeria in line with Basel II set principles, which measures Credit, Market and Operational Risks.

The ratios below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2021. Over this review period, the Bank complied with all the externally imposed capital requirements to which it was and is subject.

CONSTITUENTS OF ELIGIBLE CAPITAL		
	31 December 2021	**31 December 2020**
Paid-up ordinary shares	1,833,417	1,833,417
Share premium	539,587	539,587
Retained profits	15,350,818	18,347,168
IFRS 9 Transitional Adjustment 2	-	345,237
Statutory Reserve	7,458,240	7,325,229
AGSMEIS reserve	936,252	-
SMEEIS Reserve	-	-
TIER 1 SUB-TOTAL	**26,118,314**	**28,390,638**

LESS		
Increase in equity capital resulting from a securitization	-	-
Investment in own shares (treasury stock), including cross holding of related companies' equity	-	-
Losses for the current financial year	-	-
Goodwill	-	-
Deferred Tax Assets	2,525,515	2,599,335
Other intangible assets 2	275,118	423,953
Other reserves	-	-
Under-impairment	-	-
50% of investments in unconsolidated banking and financial subsidiary/associate companies 3		
50% of investments in unconsolidated banking and financial subsidiary/associate companies	-	-
Exposures to own financial holding company		
Retirement benefit asset		
NET-TOTAL TIER 1 CAPITAL	**23,316,680.37**	**24,145,047**
Excess exposure over single obligor without CBN approval)	1,144,,253.58	
NET-TOTAL TIER 1 CAPITAL	**22,172,427**	
Eligible subordinated term debt (limited to 25% of total Tier 1 capital)	7,050,000	
Other Comprehensive Income (OCI)	-1,364,993	399,723
TIER 2 SUB-TOTAL	**5,685,007**	**2,768,729**
50% of investments in unconsolidated banking and financial subsidiary/associate companies	-	-
NET-TOTAL TIER 2 CAPITAL	**5,685,007**	**399,723**
TOTAL QUALIFYING CAPITAL	**27,857,434**	**24,544,770**
Total Risk-weighted Amount for Credit Risk	122,459,882	74,004,068
Risk-weighted Amount for Operational Risk	12,262,669	13,558,235
Risk-weighted Amount for Market Risk	4,226,899	3,147,008
AGGREGATE RISK-WEIGHTED ASSETS	139,949,450	90,709,311
TOTAL RISK-WEIGHTED CAPITAL RATIO	20.05%	31.02%
TIER 1 RISK-BASED CAPITAL RATIO	15.96%	27.97%

As, a Merchant Bank, the Central Bank of Nigeria's regulatory requirements are as follows

a. Hold the minimum level of the regulatory capital of N15 billion and
b. Maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.
c. Maintain a liquidity ratio minimum of 20%.

As at 31 December 2021, the Bank had eligible risk capital of N32.72billion, which was in excess of the regulatory minimum. In addition, liquidity ratio stood at 74% and our capital adequacy ratio stood at 20.05%. The risk-weighted assets are measured using the Central Bank of Nigeria's interpretation and ranking of the risk assets.

Currently the Bank's capital and regulatory ratios are in excess of the CBN regulatory minimum.

3.6 Critical accounting estimates and judgements

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Impairment losses on financial assets

The Group reviews its loan portfolio to assess impairment on a quarterly basis. Sequel to the implementation of IFRS 9 1 January 2018, the Group has updated its credit assessment methodology in line with the standard.

IFRS 9 replaces the existing ‘incurred loss’ impairment approach with an Expected Credit Loss (‘ECL’) model, resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions.

The Group has set policies to guide staging criteria in determining significant increase in credit risk. The Group has also developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process

The methodology and assumptions used for estimating probability of default, loss given default, discount factor, exposure at default, forward looking macro-economic factors and timing of future cash flows are reviewed regularly as the Bank builds historical data in computation of its expected credit loss.

(b) Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Fair valuation techniques and assumptions

1. Bonds

The fair values for illiquid bonds are gotten from an independent source. The source's bond prices are model prices derived from a modelled yield. The modelled yield is calculated by adding a risk premium to the valuation yield (corresponding Tenor To Maturity (TTM) yield interpolated off the FGN bond theoretical spot rate curve). This is used to calculate the bond bid price.

Risk premiums are derived by 2 methods described below;

i. Apply risk spread on latest acceptable trade for the respective bonds i.e. determine the spread between the bond yield on the latest acceptable trade and the FGN bond spot rate of comparable TTM.

ii. Apply risk spread at issuance i.e. determine the spread between the bond yield at issuance and the FGN bond spot rate of comparable TTM. However, where the risk spread at issuance is less than 1% (100 basis points), a base risk premium of 100 basis points is applied.

The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) from the Nigerian Stock Exchange.

However, fair value of unquoted equity investments have been derived from the last OTC (over the counter) transaction.

2. Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are presented as financial assets or financial liabilities. Derivative assets and liabilities are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle on a net basis.

The fair value of financial instruments is based on quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date.

(c) Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized by the Group is dependent on the availability of taxable profit in the foreseeable future to utilize the deferred tax. The Group reviews the carrying amount of the deferred tax at the end of each reporting period and recognizes an amount such that it is probable that sufficient taxable profit will be available which the Group can use the benefit therefrom.

In determining the deferred tax assets recognized in the financial statements, the Group has applied judgement in estimating the deferred tax recoverable in the foreseeable future. This involves the estimation of future income and expenses, and the consideration of non-taxable income and disallowable expenses in order to arrive at the future taxable profit / loss.

(d) Leases

Lease term - In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Interest rate - In determining the interest rate used in discounting the lease payments, the interest rate implicit in the lease is used. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

4. Segment

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments. The Group operates only one line of business, which is merchant banking business in Nigeria and operates in only one geographical location (Nigeria) The Group does not consider it necessary to report its operations by both business and geographical segment.

		Group		Bank	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		N'000	N'000	N'000	N'000
5.	**Interest income**				
5(a)	Financial assets measured at fair value through profit or loss				
	- Debt securities	511,486	752,931	511,486	752,931
		511,486	752,931	511,486	752,931
5(b)	Financial assets measured at fair value through other comprehensive income				
	- Debt securities	3,693,409	4,722,241	3,693,409	4,722,241
		3,693,409	4,722,241	3,693,409	4,722,241
5(c)	Financial assets measured at amortised cost				
	- Loans to banks and other financial institutions	440,811	529,856	440,811	529,856
	- Loans and advances to customers	6,178,614	4,212,563	6,178,614	4,212,563
	- Correspondent credit lines	244,434	356,512	244,434	356,512
		6,863,859	5,098,931	6,863,859	5,098,931

Interest income on stage III impaired loans for the period ended 31 December 2021 was N175 million (December 2020: Nil).

		Group 2021	Group 2020	Bank 2021	Bank 2020
6	**Interest and similar expense**				
	Customer deposits	1,426,679	1,770,515	1,426,679	1,770,515
	Interbank call borrowings	370,170	1,149,569	370,170	1,149,569
	Discount on issued commercial papers	1,565,281	1,719,275	1,565,281	1,719,275
	Interest on other borrowed funds	1,754,807	486,254	1,754,807	486,254
	Correspondent credit lines	952,438	687,892	952,438	687,892
	Clients' investment fund	1,485,349	995,560	1,485,349	995,560
	Interest on leases (note 22)	7,998	5,300	7,998	5,300
		7,562,722	6,814,365	7,562,722	6,814,365

Interest expense reported above is on financial liabilities measured at amortized cost. Included in interest on other borrowed funds is interest expense on bond issued N639m (Dec 2020:Nill)

		Group 2021	Group 2020	Bank 2021	Bank 2020
7	**Fee and commission income**				
	Credit related fees	433,120	257,766	433,120	257,766
	Commission on trade related transactions	371,548	133,084	371,548	133,084
	Other commissions, fees and charges	339,711	93,654	339,711	93,654
		1,144,379	484,504	1,144,379	484,504

Other commissions, fees and charges includes brokerage commission, current account maintenance charge, funds transfer charge, penalties and charges.

The fees and commission income can be further analysed as below in line with IFRS 15

	Group 2021	Group 2020	Bank 2021	Bank 2020
Point in time	711,259	226,738	711,259	226,738
Over time fees	433,120	257,766	433,120	257,766
	1,144,379	484,504	1,144,379	484,504

		Group 2021	Group 2020	Bank 2021	Bank 2020
8	**Impairment charge for credit losses**				
	Impairment charge for credit loss on loans and advances (note 18)	176,135	987,924	176,135	987,924
	Impairment charge on credit loss on placements and bank balances (note 15)	21,535	39,016	21,535	39,016
	Impairments write-back for credit loss on financial instruments (note 19)	(40,605)	-	(40,605)	-
	Impairments write-back for credit loss on off balance sheets (note 29)	(10,654)	-	(10,654)	-
		146,411	1,026,940	146,411	1,026,940

		Group 2021	Group 2020	Bank 2021	Bank 2020
9	**Net gains on financial instruments classified as Fair Value Through Profit or Loss**				
	Bonds	844,765	635,352	844,765	635,352
	Treasury bills	(197,249)	636,676	(197,249)	636,676
	Foreign exchange	(43,659)	(291,617)	(43,659)	(291,617)
	Derivatives	15,693	(7,148)	15,693	(7,148)
		619,549	973,263	619,549	973,263

The Bank's total trading gains on financial instruments at FVTPL for the year is N1.2 billion (2020: N1.7 billion) comprising of N511.5 million (2020: N752.9 million) on Interest income on financial assets at fair value through profit or loss (see Note 5a) and N619.5 million (2020: N973.3 million) on Net gains on financial instruments held at fair value through profit or loss (See Note 9).

		Group 2021	Group 2020	Bank 2021	Bank 2020
10	**Net gains on financial instruments classified as fair value through other comprehensive income**				
	Bonds	336,249	712,790	336,249	712,790
	Treasury bills	100,363	2,161,679	100,363	2,161,679
	Promissory notes	31,939	831,750	31,939	831,750
		468,552	3,706,219	468,552	3,706,219

		Group		Bank	
		31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
11	**Other income**				
	Profit on disposal of property and equipment	8,232	2,356	8,232	2,356
	Dividend income	7	95	7	95
	Foreign currency translation	403,008	358,640	403,008	358,640
	Other sundry income	74,479	214,555	74,479	214,555
		485,726	575,646	485,726	575,646
	Other sundry income includes mainly administrative charges and commissions on non-banking transactions.				
12	**Operating expenses**				
12(a)	Staff related expenses (Note (i) below)	2,226,913	2,137,172	2,226,913	2,137,172
(i)	Staff related costs, excluding executive directors, during the period amounted to:				
	Wages, salaries and staff costs	2,054,771	1,952,863	2,054,771	1,952,863
	Pension costs - Defined contribution plan	145,332	138,419	145,332	138,419
	Post employment costs - Defined contribution plan	26,810	45,890	26,810	45,890
		2,226,913	2,137,172	2,226,913	2,137,172
	The average number of persons employed by the bank during the period was as follows -				
	Executive	2	3	2	3
	Management staff	16	24	16	24
	Non management staff	117	97	117	97
		135	124	135	124
	The number of employees of the bank, who received emoluments (excluding pension contributions and other benefits) in the following ranges were -				
	Below N3,000,000	10	14	10	14
	N3,000,001 - N5,000,000	29	14	29	14
	N5,000,001 - N7,000,000	17	19	17	19
	Above N7,000,000	79	77	79	77
		135	124	135	124
12(b)	**Other operating expenses**				
	Depreciation on assets	234,523	284,221	234,523	284,221
	Depreciation on leased assets	46,673	49,343	46,673	49,343
	Amortisation	163,208	191,595	163,208	191,595
	Auditors' remuneration	49,550	60,000	49,550	60,000
	Directors' fees and sitting allowance	268,072	220,346	268,072	220,346
	Other directors' expenses	5,817	142,092	5,817	142,092
	Deposit Insurance	275,868	147,343	275,868	147,343
	Occupancy costs	55,137	53,360	55,137	53,360
	Information technology and related expenses	655,573	646,967	655,573	646,967
	Other insurance premium	87,822	65,042	87,822	65,042
	Provision for doubtful receivables	3,773	6,205	3,773	6,205
	Professional fees	105,603	178,784	105,603	178,784
	Travel and entertainment	46,885	24,669	46,885	24,669
	Legal costs	50,621	46,409	50,621	46,409
	Bank Charges	36,771	52,139	36,771	52,139
	License fee	100,000	100,000	100,000	100,000
	Donations	359,828	121,043	359,828	121,043
	Operating expenses (Note (ii) below)	298,177	300,636	298,177	300,636
		2,843,901	2,690,194	2,843,901	2,690,194
	Directors' remuneration paid during the period:				
	Fees and sitting allowances	268,072	220,346	268,072	220,346
	Retirement benefit expense	45,250	52,016	45,250	52,016
	Executive compensation	210,429	230,001	210,429	230,001
		523,751	502,365	523,751	502,365
	The directors' remuneration shown above (excluding pension and other benefits) includes:				
	Chairman	42,000	41,500	42,000	41,500
	Highest paid director	86,323	100,000	86,323	100,000

(ii) Included in the administrative expenses is the sum of N11.27m (2020: N8.18m paid to Messr. PricewaterhouseCoopers) paid to KPMG Professionals for non-audit services provided during the period.

The breakdown of the non-audit services for the period are as follows:

	N'000	N'000	N'000	N'000
ICAAP review	4,300	4,500	4,300	4,500
Review of FSDH Commercial paper	-	3,675	-	3,675
Ethics Line	538	-	538	-
Board appraisal	5,520	-	5,520	-
Renumeration Survey	806	-	806	-
Stamp duty training	107	-	107	-
	11,271	**8,175**	**11,271**	**8,175**

The Bank paid the auditors professional fees for non-audit services. These services, in the Bank's opinion, did not impair the independence and objectivity of the external auditor.

13 Income tax expense

	Group		Bank	
	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Tax charge for the year comprises:				
a) Income Tax Charge				
Income tax	34,515	40,784	34,515	40,784
Education tax	-	37,630	-	37,630
NITDA Expense	10,368	-	10,368	-
Police Trust Fund	52	-	52	-
NASENI Levy	2,517	-	2,517	-
Total current tax charge	47,452	78,414	47,452	78,414
b) Deferred tax				
Recognised in income statement:				
Reversal of deferred tax credit	72,820	288,815	72,820	288,815
Total deferred tax charge	72,820	288,815	72,820	288,815
Income tax expense	120,272	367,229	120,272	367,229

(ii) Reconciliation of effective tax	Rates		Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit before income tax			1,007,013	3,645,064	1,007,013	3,645,064
	%	%				
Effective tax as per accounts:						
Income tax using the companies income tax rate at 30%	30	30	302,104	1,093,519	302,104	1,093,519
Non-deductible expenses	48	86	487,545	3,128,066	487,545	3,128,066
Tax exempt income	(27)	(109)	(275,249)	(3,968,306)	(275,249)	(3,968,306)
Education tax	-	0.01	-	33,110	-	33,110
Income tax	3	5	34,515	187,852	34,515	187,852
Derecognition of previously recognised deductible temporary differences	7	8	72,820	288,815	72,820	288,815
Income tax expense	12	14	120,272	509,777	120,272	509,777
Effective tax rate			11.94%	13.99%	11.94%	13.99%

The movement in the current income tax asset is as follows:

	Group 2021	Group 2020	Bank 2021	Bank 2020
At start of the year	(116,119)	461,942	(116,119)	461,942
Tax paid	(43,942)	(591,356)	(43,942)	(591,356)
Witholding credit note utilised	-	(65,119)	-	(65,119)
Education tax	-	37,630	-	37,630
NASENI Levy	2,517	-	2,517	-
Income tax charge	34,515	40,784	34,515	40,784
At end of the year	(123,029)	(116,119)	(123,029)	(116,119)
Current	(123,029)	(116,119)	(123,029)	(116,119)
Non-Current	-	-	-	-
	(123,029)	(116,119)	(123,029)	(116,119)

The current tax asset represents tax credit arising from prior period payment that will be utilised to offset future tax liabilities.

14 Cash and cash equivalents

	Group 2021	Group 2020	Bank 2021	Bank 2020
Cash in hand	56	56	56	56
Balances held with other banks:				
- Operating balance with Central Bank of Nigeria	114,034	2,001,264	114,034	2,001,264
- Operating balance with Central Bank of Nigeria - E-NAIRA Funding	1,000	-	1,000	-
- Balances with banks in Nigeria	585,086	397,368	585,086	397,368
- Balances with banks outside Nigeria	12,653,435	20,484,753	12,653,435	20,484,753
Cash on hand and balances with banks	13,353,610	22,883,441	13,353,610	22,883,441
Mandatory reserve deposit with Central Bank of Nigeria	30,845,869	27,061,559	30,845,869	27,061,559
	44,199,479	49,945,000	44,199,479	49,945,000
Current	13,353,610	22,883,441	13,353,610	22,883,441
Non-Current	30,845,869	27,061,559	30,845,869	27,061,559
	44,199,479	49,945,000	44,199,479	49,945,000

Included in cash on hand and balances with banks is an amount of N3.59billion (31 Dec 2020: N3.13billion) representing the Naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability is reported as customers' deposit for foreign trade under other liabilities (see Note 28).
Mandatory reserve deposits with the Central Bank of Nigeria represents a percentage of customers' deposits (prescribed from time to time by the Central Bank) which is not available for daily use.
For purpose of statement of cashflows, these mandatory reserve deposits are excluded from cash and cash equivalents.

	Group		Bank	
	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
15 Placements to banks and other financial institutions				
Placements with banks	7,804,755	4,003,401	7,804,755	4,003,401
	7,804,755	4,003,401	7,804,755	4,003,401
Impairment on placements and bank balances held at amortised cost				
Stage 1 ECL provision	(21,535)	-	(21,535)	-
	(21,535)	-	(21,535)	-
Loans to banks and other financial institutions net of impairment	7,783,220	4,003,401	7,783,220	4,003,401
Current	7,783,220	4,003,401	7,783,220	4,003,401
	7,783,220	4,003,401	7,783,220	4,003,401
16 Financial instruments held at fair value through profit and loss				
Nigerian Treasury Bills	600,142	2,284,241	600,142	2,284,241
Federal Government of Nigeria Bonds	-	933,540	-	933,540
	600,142	3,217,781	600,142	3,217,781
Current	600,142	2,284,241	600,142	2,284,241
Non-current	-	933,540	-	933,540
	600,142	3,217,781	600,142	3,217,781

Assets under this class are all held for trading. Gains or losses are recognised in the income statement under net gains on financial instruments held at fair value through profit or loss.

	Group 31 December 2021 N'000	Group 31 December 2020 N'000	Bank 31 December 2021 N'000	Bank 31 December 2020 N'000
17 Derivative assets held for risk management				
Assets				
- FX forward contracts	821,873	238,691	821,873	238,691
	821,873	238,691	821,873	238,691
Liabilities				
- FX forward contracts	796,046	228,557	796,046	228,557
	796,046	228,557	796,046	228,557
Notional amounts				
- FX forward contracts (Assets)	17,314,901	3,413,398	17,314,901	3,413,398
Notional amounts				
- FX forward contracts (Liabilitie	17,314,901	3,413,398	17,314,901	3,413,398

(i) This represents the notional principal amounts, the positive (assets) and negative (liabilities) fair values of the Group's FX forward contracts. Fair value changes are recognised in the statement of comprehensive income (see note 9). All derivative financial instruments are current.

		Group		Bank	
18	**Loans and advances to customers**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
	Loans and advances at amortised cost	79,044,718	40,314,083	79,044,718	40,314,083
	Allowance for impairment	(2,417,816)	(2,241,681)	(2,417,816)	(2,241,681)
		76,626,902	38,072,402	76,626,902	38,072,402
	Current	53,488,680	31,343,400	53,488,680	31,343,400
	Non-current	23,138,222	6,729,002	23,138,222	6,729,002
		76,626,902	38,072,402	76,626,902	38,072,402

All loans and advances to customers are corporate loans except employee loans. The reconciliation of the allowance account for losses on loans and advances to customers:

	N'000	**N'000**	**N'000**	**N'000**
Balance at beginning of the year	2,241,681	1,257,275	2,241,681	1,257,275
Increase in loan allowance for the period (see note 8)	176,135	984,406	176,135	984,406
Balance as at period end	2,417,816	2,241,681	2,417,816	2,241,681
Analysis of impairment as at period end:				
Stage 1 impairment on loans and advances	305,610	300,453	305,610	300,453
Stage 3 impairment on loans and advances	2,112,206	1,941,228	2,112,206	1,941,228
	2,417,816	2,241,681	2,417,816	2,241,681

19	**Investment securities**				
	Analysis of investment securities				
	Debt securities (Note (i))	38,311,973	41,829,653	38,311,973	41,829,653
	Equity securities (Note (ii))	15,666	743,563	15,666	743,563
		38,327,639	42,573,216	38,327,639	42,573,216
	Current	6,732,546	21,187,306	6,732,546	21,187,306
	Non-current	31,595,093	21,385,910	31,595,093	21,385,910
		38,327,639	42,573,216	38,327,639	42,573,216
(i)	**Debt securities**				
	Classified as fair value through other comprehensive income				
	Nigerian Treasury Bills	872,615	1,860,114	872,615	1,860,114
	Federal Government of Nigeria bonds	1,682,386	664,176	1,682,386	664,176
	Corporate bonds	10,747,725	8,233,491	10,747,725	8,233,491
	State Bond	2,051,853	-	2,051,853	-
	Promissory notes and Commercial bills	22,957,394	31,071,872	22,957,394	31,071,872
	Debt securities at FVOCI	38,311,973	41,829,653	38,311,973	41,829,653
	Total debt securities	38,311,973	41,829,653	38,311,973	41,829,653
	The reconciliation of the impairment allowance on debt securities is as below:				
	Balance as at beginning of the period	171,449	109,750	171,449	109,750
	Increase in impairment allowance for the period (see note 8)	(40,605)	61,699	(40,605)	61,699
	Balance as at period end	130,844	171,449	130,844	171,449
(ii)	**Equity securities**				
	Classified as fair value through other comprehensive income				
	Unquoted equity securities	15,666	15,666	15,666	15,666
		15,666	15,666	15,666	15,666

i. The N15.66M investment in equity securities represents N15M investment in FMDQ OTC exchange and N0.67M investment in the Nigeria Inter-bank Settlement Scheme (NIBSS). Total dividend of N0.07M was received as dividend from NIBSS during the year (2020: N0.8M). The Bank chose this alternative presentation because these investments were made based on regulatory directives rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

ii. The Bank has made an irrevocable election to classify all its unquoted equity investment at FVOCI.

		Group		Bank	
		31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
20	**Pledged assets**				
	Financial instruments at fair value through profit or loss	-	6,481,578	-	6,481,578
	Nigerian treasury bills	-	6,481,578	-	6,481,578
	Classified as fair value through other comprehensive income				
	Nigerian treasury bills	347,175	3,262,776	347,175	3,262,776
	Federal Government of Nigeria bonds	1,419,780	532,350	1,419,780	532,350
	Corporate bonds	-	2,200,280	-	2,200,280
	Promissory notes and Commercial bills	10,990,610	4,074,104	10,990,610	4,074,104
		12,757,565	10,069,510	12,757,565	10,069,510
	Total pledged assets	12,757,565	16,551,088	12,757,565	16,551,088
	Current	12,757,565	13,817,586	12,757,565	13,817,586
	Non-current	-	2,733,502	-	2,733,502
		12,757,565	16,551,088	12,757,565	16,551,088

Debt securities are pledged for purpose of providing collateral to secure liabilities with counterparties. The disclosure above includes any transferred assets associated with secured borrowing as disclosed in Notes 26.

		Group 31 December 2021 N'000	Group 31 December 2020 N'000	Bank 31 December 2021 N'000	Bank 31 December 2020 N'000
21	**Other assets**				
	Financial assets				
	Intercompany receivables	754,678	738,376	754,678	738,376
	Deposits for Investments(see (i) below)	889,289	-	889,289	-
	Others receivables	1,454,587	-	1,454,587	-
	Gross other financial assets	3,098,554	738,376	3,098,554	738,376
	Impairment allowance on financial assets (see note 12)	(3,543)	-	(3,543)	-
	Net other financial assets	3,095,011	738,376	3,095,011	738,376
	Non financial assets				
	Prepayments	733,264	305,644	733,264	305,644
	Withholding tax receivable (WHT)	23,295	23,295	23,295	23,295
	Others	57,623	14	57,623	14
	Gross non-financial assets	814,182	328,953	814,182	328,953
	Impairment allowance on non-financial assets	(23,295)	(15,740)	(23,295)	(15,740)
		790,887	313,213	790,887	313,213
		3,885,898	1,051,589	3,885,898	1,051,589
	Current	3,452,773	948,464	3,452,773	948,464
	Non-current	433,125	103,125	433,125	103,125
		3,885,898	1,051,589	3,885,898	1,051,589
	Movements in expected credit loss for doubtful receivables				
	At start of year	15,740	-	15,740	-
	Additions	7,555	15,740	7,555	15,740
	At end of the year	23,295	15,740	23,295	15,740

Deposit for investment relates to FSDH Merchant Bank Limited annual commitment towards Agri-Business Small and Medium Enterprises Investment Scheme(AGSMEIS) based on CBN guidelines. The investment scheme represents 5% of annual profit after tax appropriated from reserve. The amount reported under unquoted equity in prior year.

i

22 Leases

i Right-of-use assets

	Group		Bank	
	31 December 2021 N'000	**31 December 2020 N'000**	**31 December 2021 N'000**	**31 December 2020 N'000**
Opening balance	167,697	167,697	167,697	167,697
Additions during the year	46,773	-	46,773	-
Closing balance	**214,470**	**167,697**	**214,470**	**167,697**
Depreciation				
Opening balance	97,076	47,733	97,076	47,733
Charge for the year	46,673	49,343	46,673	49,343
Closing balance	**143,749**	**97,076**	**143,749**	**97,076**
Net book value	**70,721**	**70,621**	**70,721**	**70,621**

ii Lease liabilities

	Group		Bank	
	31 December 2021 N'000	**31 December 2020 N'000**	**31 December 2021 N'000**	**31 December 2020 N'000**
Opening balance	38,836	54,509	38,836	54,509
Additions	46,773	-	46,773	-
Interest expense	7,998	5,300	7,998	5,300
Payments made during the period	(26,797)	(20,973)	(26,797)	(20,973)
Closing balance	**66,810**	**38,836**	**66,810**	**38,836**
Current lease liabilities	-	-	-	-
Non-current lease liabilities	66,810	38,836	66,810	38,836
	66,810	**38,836**	**66,810**	**38,836**

iii Amounts recognised in the statement of profit or loss

Depreciation charge of right-of-use assets (note 12)	46,673	49,343	46,673	49,343
Interest expense (note 6)	7,998	5,300	7,998	5,300

iv) Liquidity risk (maturity analysis of lease liabilities)

31 December 2021	**0-3 months**	**3-12 months**	**1-2 years**	**Total**
Lease liability	32,532	31,284	27,919	**59,203**

31 December 2020	**0-3 months**	**3-12 months**	**1-2 years**	**Total**
Lease liability	12,330	30,049	-	**30,049**

Lease represents the company's lease of building in the following locations: Lagos, Abuja and Port-Harcourt.

23 Deferred tax

Group and Bank

Deferred income tax is calculated on all temporary differences under the liability method using a statutory tax rate of 30% (2020: 30%).

Movements in temporary differences during the year:

	1 January 2021 N'000	**Recognised in P&L N'000**	**31 December 2021 N'000**
Accelerated tax depreciation	(94,386)		(94,386)
Tax loss carry forward	2,693,721	(72,820)	2,620,901
	2,599,335	(72,820)	2,526,515

	1 January 2020 N'000	**Recognised in P&L N'000**	**31 December 2020 N'000**
Accelerated tax depreciation	(104,584)	10,198	(94,386)
Foreign exchange translation	(24,942)	24,942	-
Tax loss carry forward	3,017,676	(323,955)	2,693,721
	2,888,150	(288,815)	2,599,335

Deferred tax assets have not been recognised in respect of unutilized tax losses of N34.2bn (Dec 2020: 28.7bn), with tax effect of N10.3bn (Dec 2020: N8.60bn) because it is not probable that future taxable profit will be available against which the Bank can use the benefits therefrom. Unutilized tax losses are carried forward indefinitely under the Nigerian tax laws.

24 Intangible asset

Group and Bank

Cost	**Computer Software N'000**	**Work in progress N'000**	**Total N'000**
At 1 January 2021	1,422,006	119,162	1,541,168
Additions	-	66,733	66,733
Reclassifications	(4,101)	(48,259)	(52,360)
Transfers	111,417	(111,417)	-
At 31 December 2021	1,529,321	26,219	1,555,540
Accumulated amortisation			
At 1 January 2021	(1,117,214)	-	(1,117,214)
Charge for the period (see note 12b)	(163,208)	-	(163,208)
At 31 December 2021	(1,280,422)	-	(1,280,422)
Net book amount at 1 January 2021	304,792	119,162	423,954
Net book amount at 31 December 2021	248,899	26,219	275,118

Cost	**Computer Software N'000**	**Work in progress N'000**	**Total N'000**
At 1 January 2020	1,076,289	274,959	1,351,248
Additions	89,132	100,787	189,919
Transfers	256,584	(256,584)	-
At 31 December 2020	1,422,006	119,162	1,541,167
Accumulated amortisation			
At 1 January 2020	(925,619)	-	(925,619)
Charge for the year	(191,595)	-	(191,595)
At 31 December 2020	(1,117,214)	-	(1,117,214)
Net book amount at 1 January 2020	150,670	274,959	425,629
Net book amount at 31 December 2020	304,792	119,162	423,953

The software was not internally generated. The amortisation charge for the year is included within operating expenses.

(i) There were no authorised or contracted capital commitments as at the reporting date (2020: nil).
(ii) There were no impairment losses on any class of intangible assets during the year (2020: nil).
(ii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (2020: nil).

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
At 31 December 2021

25 **Property and equipment**

	Leasehold improvement N'000	Office equipment N'000	Computer Equipment N'000	Furniture, fittings & equipment N'000	Motor vehicles N'000	Work in progress N'000	Total N'000
Cost							
At 1 January 2021	160,730	119,343	414,247	45,443	838,796	50,537	1,629,096
Additions	-	843.87	46,048	510	400,490	70,034	517,925
Transfer	-	-	537	-	50,000	(50,537)	-
Disposals	-	(4,939)	(1,811)	(3,983)	(340,015)		(350,748)
At 31 December 2021	160,730	115,248	459,021	41,970	949,271	70,034	1,796,274
Accumulated depreciation							
At 1 January 2021	(160,730)	(85,706)	(346,722)	(21,252)	(429,153)	-	(1,043,563)
Charge for the year (see note 12)	-	(14,492)	(51,253)	(5,077)	(210,375)	-	(281,196)
Disposals	-	4,601	527	1,377	236,882	-	243,386
At 31 December 2021	(160,730)	(95,597)	(397,448)	(24,952)	(402,646)	-	(1,081,373)
Net book amount at 1 January 2021	-	33,637	67,525	24,191	409,643	50,537	585,534
Net book amount at 31 December 2021	-	19,651	61,573	17,018	546,625	70,034	714,901
Cost							
At 1 January 2020	160,819	118,171	392,296	41,834	819,906	25,000	1,558,026
Additions	-	2,709	22,067	5,204	211,660	50,537	292,177
Reclassifications	(88)	(1,537)	(116)	(1,595)	-	-	(3,336)
Transfer	-	-	-	-	25,000	(25,000)	-
Disposals	-	-	-	-	(217,770)	-	(217,770)
At 31 December 2020	160,730	119,343	414,247	45,443	838,796	50,537	1,629,096
Accumulated depreciation							
At 1 January 2020	(160,818)	(72,345)	(273,975)	(16,715)	(397,679)	-	(921,532)
Charge for the year (see note 12)	-	(14,601)	(72,863)	(5,613)	(191,144)	-	(284,222)
Reclassifications	88	1,240	116	1,076	-	-	2,521
Disposals	-	-	-	-	159,670	-	159,670
At 31 December 2020	(160,730)	(85,706)	(346,722)	(21,252)	(429,153)	-	(1,043,563)
Net book amount at 1 January 2020	1	45,826	118,321	25,119	422,227	25,000	636,494
Net book amount at 31 December 2020	-	33,637	67,525	24,191	409,643	50,537	585,534

(i) There were no authorised or contracted capital commitments as at the reporting date (2021: nil). All property and equipment are non-current.
(ii) There were no impairment losses on any class of property and equipment or intangible assets during the year (2021: nil).
(iii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (2021: nil).

		Group		Bank	
		31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
26	**Due to banks and other financial institution**				
	Secured borrowings	-	6,890,040	-	6,890,040
	Trade related obligations to foreign banks	26,104,330	12,725,474	26,104,330	12,725,474
	Other local balances	55	3,143	55	3,143
	Other foreign balances	43,519	2,415	43,519	2,415
		26,147,903	19,621,072	26,147,903	19,621,072
	Current	26,147,903	19,621,072	26,147,903	19,621,072
		26,147,903	19,621,072	26,147,903	19,621,072
27	**Due to customers**				
	Demand	26,761,193	25,572,200	26,761,193	25,572,200
	Term	34,805,823	29,977,275	34,805,823	29,977,275
	Client investments accounts	10,227,866	24,664,514	10,227,866	24,664,514
		71,794,882	80,213,989	71,794,882	80,213,989
	Current	71,794,882	80,213,989	71,794,882	80,213,989
		71,794,882	80,213,989	71,794,882	80,213,989
28	**Other liabilities**				
	Financial liabilities:				
	Customers' deposit for foreign trade (Note (i))	3,586,970	3,125,599	3,586,970	3,125,599
	Amounts held on behalf of third parties	6,219,054	195,765	6,219,054	195,765
	Unclaimed third party deposits	12,324	30,103	12,324	30,103
	Sundry creditors	61,965	49,523	61,965	49,523
	Accruals	238,031	247,509	238,031	247,509
	Stale cheques and other payables	853,805	1,757,373	853,805	1,757,373
		10,972,149	5,405,872	10,972,149	5,405,872
	Non Financial liabilities:				
	VAT payable	6,756	9,650	6,756	9,650
	WHT payable	20,867	19,549	20,867	19,549
		27,623	29,199	27,623	29,199
	Current	10,999,772	5,435,071	10,999,772	5,435,071
		10,999,772	5,435,071	10,999,772	5,435,071

(i) This represents the naira value of foreign currencies held on behalf of customer(s) to cover letters of credit transactions.

		Group 31 December 2021 N'000	Group 31 December 2020 N'000	Bank 31 December 2021 N'000	Bank 31 December 2020 N'000
29	**Provisions**				
	Off Balance sheet exposures impairment (i)	35,922	46,576	35,922	46,576
		35,922	46,576	35,922	46,576
	The reconciliation of the impairment allowance on financial guanrantee contracts is as				
	Balance at the beginning of the year	46,576	41,850	46,576	41,850
	Increase in impairment allowance for the year	(10,654)	4,726	(10,654)	4,726
	Balance as at end of the year	35,922	46,576	35,922	46,576

(i) This represents IFRS 9 ECL impairment provisions on off-balance sheet financial assets such as loan commitments and financial guarantee contracts - letters of credits. The corresponding numbers for prior year reported under "impairment on off balance sheet financials assets (Note (iii))

		Group		Bank	
		31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
30	**Investment securities trading liabilities**				
	CBN special bill (short position)	5,576,479	-	5,576,479	-
		5,576,479	-	5,576,479	-

		2021 N'000	2020 N'000	2021 N'000	2020 N'000
31	**Debt instruments issued**				
	Debt instrument at amortised cost:				
	FSDH Commercial Papers (i)	16,772,584	23,050,499	16,772,584	23,050,499
	Senior unsecured debt Naira (see (ii) below)	5,099,721	-	5,099,721	-
	Subordinated fixed rate notes- Naira (see (iii) below)	7,276,566	-	7,276,566	-
		29,148,871	23,050,499	29,148,871	23,050,499
	Current	16,772,584	23,050,499	16,772,584	23,050,499
	Non-current	12,376,287	-	12,376,287	-
		29,148,871	23,050,499	29,148,871	23,050,499

(i) This represent the outstanding FSDH CP Notes that were issued during the year. The face value of the CP Notes as at the 31 December 2021 was N17.32billion and listed on the FMDQ OTC Securities Exchange. The discount rate on the N17.32b holding was an average of 11.35%.

(ii) This represents Naira denominated unsecured senior debt issued on 16 February 2021 at a fixed interest rate of 8.00% per annum payable semi-annually. It has a tenor of 5 years. The debt is unsecured.

(iii) This represents Naira denominated surbodinated debt issued on 16 February 2021 at a fixed interest rate of 8.50% per annum payable semi-annually. It has a tenor of 5 years. The debt is unsecured.

The Bank has not had any default of principal, interest or any other convenants with respect to its debt securities during the year. (Dec. 2020: Nil).

Movement in debt securities for the year:				
Opening position	23,050,499	14,086,009	23,050,499	14,086,009
Net discounted value of notes issued	29,521,325	45,118,540	29,521,325	45,118,540
Redemptions during the year	(25,886,550)	(37,873,325)	(25,886,550)	(37,873,325)
Interest expense	2,463,597	1,719,275	2,463,597	1,719,275
Closing position	29,148,871	23,050,499	29,148,871	23,050,499

32	**Other borrowed funds**				
	Due to Nexim (see (i) below)	1,927,671	-	1,927,671	-
	Due to Development Bank Nigeria (see (ii) below)	15,370,545	-	15,370,545	-
		17,298,216	-	17,298,216	-
	Current	1,927,671	-	1,927,671	-
	Non-current	15,370,545	-	15,370,545	-
		17,298,216	-	17,298,216	-

(i) This represents a N2bn on-lending facility obtained in August 2021 from Nigeria Export Import Bank (NEXIM) at the rate of 6% for one year. Total interest on the borrowing was paid upfront. The debt is unsecured.

(ii) This represents N9.3bn on-lending facility obtained in June 2021 from the Developments Bank of Nigeria at the rate of at a fixed interest rate of 10.75%. Interest is payable monthly. The debt is unsecured.

The Group has not had any default of principal, interest or any other convenants with respect to its debt securities during the year. (Dec. 2020: Nil).

Movement in other borrowed funds for the year:				
Opening position	-	18,737,312	-	18,737,312
Additions	17,227,671	-	17,227,671	-
Interest expense	619,872	370,010	619,872	370,010
Interest paid	(549,327)	(845,490)	(549,327)	(845,490)
Repayments	-	(18,779,250)	-	(18,779,250)
Exchange valuation	-	517,419	-	517,419
Closing position	17,298,216	-	17,298,216	-

33	**Share capital**				
	Authorised				
	2,138,623,000 Ordinary shares of N1 each	2,138,623	3,100,000	2,138,623	3,100,000
	Issued and fully paid				
	1,833,416,681 (Dec 2020 : 1,833,416,681) Ordinary shares of N1 each	1,833,417	1,833,417	1,833,417	1,833,417

The holders of ordinary shares are entitled to receive dividends, which are declared from time to time, also each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally with regards to the Group's residual assets.

The Board and Shareholders of the Bank approved that the unissued shares of the Bank be issued through a Bonus Issue to the existing shareholders. The approval of the CBN has been obtained. As at 31st December 2021, the Bank was in the process of filing with the Corporate Affairs Commission.

34 Share premium and reserves

The nature and purpose of the reserves in equity are as follows:

(a) Share premium: Premiums from the issue of shares are reported in share premium.

(b) Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

(c) Statutory reserve: In accordance with the Banks and Other Financial Institutions Act of 1991 (Amended), 15% of profit after taxation has been transferred to statutory reserve.

(d) Fair value reserve: The fair reserve shows the effects from the fair value measurement of financial instruments of the FVOCI category. Any gains or losses on this class of financial instruments are not recognised in the consolidated income statement until the financial asset has been sold or impaired. The net change in fair value on FVOCI financial assets recorded in other comprehensive income has no tax effect because the financial instruments that gave rise to the changes are tax exempt.

(e) AGSMEIS reserve: In 2017, the Central Bank of Nigeria (CBN) issued guidelines to govern the operations of the Agricultural, Small and Medium Enterprises Scheme (AGSMEIS), which was established to support the Federal Government's efforts at achieving sustainable economic development and employment generation.

An appropriation totalling N891.79M was done from retained earnings into the AGSMEIS reserve in the current year.

35 Credit risk reserve

The credit (regulatory) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the Central Bank of Nigeria compared with the expected loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

Movement in credit risk reserve

	Group		Bank	
	31 December 2021 N '000	31 December 2020 N '000	31 December 2021 N '000	31 December 2020 N '000
Balance as at 1st January	-	-	-	-
Transfer from/(to) retained earnings	2,094,906	-	2,094,906	-
Balance as at 31 December	2,094,906	-	2,094,906	-

36 Prudential adjustment

	Group		Bank	
	31 December 2021 N '000	31 December 2020 N '000	31 December 2021 N '000	31 December 2020 N '000
Prudential guideline provision on loans & advances and off balance sheet exposure:				
- Specific provisions	3,001,674	51,936	3,001,674	51,936
- General provisions	1,511,049	1,417,954	1,511,049	1,417,954
- Impairment allowance on off balance sheet	35,922	46,576	35,922	46,576
- Impairment allowance on loans to Banks	21,535	-	21,535	-
- Impairment allowance on debt securities	130,844	171,449	130,844	171,449
	4,701,023	1,687,915	4,701,023	1,687,915
IFRS impairment provisions:				
- Impairment allowance on financial assets: loans & advances	2,417,816	2,241,681	2,417,816	2,241,681
- Impairment allowance on off balance sheet (see note 29)	35,922	46,576	35,922	46,576
- Impairment allowance on loans to Banks (see note 15)	21,535	-	21,535	-
- Impairment allowance on debt securities (see note 19)	130,844	171,449	130,844	171,449
	2,606,117	2,459,706	2,606,117	2,459,706
Difference in IFRS impairment over prudential guidelines accounted for in credit risk reserve	2,094,906	-	2,094,906	-

37 Reconciliation of profit before tax to cash generated from operations

	Group		Bank	
	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Profit before income tax	1,007,013	3,645,064	1,007,013	3,645,064
Adjustments for:				
– Amortisation (note 24)	163,208	191,595	163,208	191,595
– Depreciation (note 25)	234,523	284,221	234,523	284,221
– Depreciation on leased assets (Note 21)	46,673	49,343	46,673	49,343
– Foreign exchange revaluation	(403,008)	(358,640)	(403,008)	(358,640)
– Profit on disposal of property and equipment (note 11)	(8,232)	(2,356)	(8,232)	(2,356)
– Net interest income	(3,506,032)	(3,759,738)	(3,506,032)	(3,759,738)
– Dividend income	(7)	(95)	(7)	(95)
– Unrealised loss/(gain)		349,759		349,759
– Fair value gain on derivative instruments held for trading	15,693	(7,148)	15,693	(7,148)
– Impairment /charge on loans and advances (Note 10)	176,135	987,924	176,135	987,924
– Provision for doubtful receivables	3,773	6,205	3,773	6,205
– Impairment charge on other financial assets	21,535	39,016	21,535	39,016
Changes in working capital:				
– Balances with Central Bank (restricted cash)	(3,784,310)	(19,850,619)	(3,784,310)	(19,850,619)
– Customers deposits for foreign trade	(461,371)	1,481,266	(461,371)	1,481,266
– Loans and advances to customers	(37,132,946)	8,404,516	(37,132,946)	8,404,516
– Financial instruments held for trading	2,617,639	(309,311)	2,617,639	(309,311)
– Derivatives financial assets	(583,182)	183,308	(583,182)	183,308
– Pledged assets	3,793,523	16,554,664	3,793,523	16,554,664
– Other assets	(2,834,309)	(346,115)	(2,834,309)	(346,115)
– Due to banks	6,526,832	(9,556,017)	6,526,832	(9,556,017)
– Due to customers	(8,256,016)	22,732,536	(8,256,016)	22,732,536
– Derivatives financial liabilities	6,526,832	(496,508)	6,526,832	(496,508)
– Other liabilities and provision	5,554,047	(5,831,021)	5,554,047	(5,831,021)
Cash generated/(used) from operations	(30,281,987)	14,391,850	(30,281,987)	14,391,850

		Group		Bank	
38	**Statement of cashflow notes**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
38.01	– Interest received	9,647,200	10,714,895	9,647,200	10,714,895
	– Interest paid	(6,514,549)	(6,077,872)	(6,514,549)	(6,077,872)
	– Dividend paid to owners	(592,088)	(2,166,242)	(592,088)	(2,166,242)
	– Purchase/Redemption/Disposal of investment securities	4,245,577	3,321,394	4,245,577	3,321,394
38.02	**Proceeds from sale of property, plant and equipment**				
	Cost (see note 25)	350,748	217,770	350,748	217,770
	Accumulated depreciation (see note 25)	(243,386)	(158,854)	(243,386)	(158,854)
	Profit on disposal of property and equipment (see note 11)	8,232	2,356	8,232	2,356
		115,593	61,272	115,593	61,272
38.03	**Effect of foreign exchange rate changes on cash and cash equivalents**				
	Currency				
	USD	525,054	1,119,134	525,054	1,119,134
	EUR	(4,756)	(3,270)	(4,756)	(3,270)
	GBP	2,417	19,899	2,417	19,899
	Other currency	931	369	931	369
	Effect of exhange rate	523,646	1,136,132	523,646	1,136,132

39 Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less from when the group became a party to the instrument.

	Group		Bank	
	31 December 2021 N'000	**31 December 2020 N'000**	**31 December 2021 N'000**	**31 December 2020 N'000**
Cash and cash equivalents (Note 14)	44,199,479	49,945,000	44,199,479	49,945,000
Mandatory reserve with the Central bank	(30,845,869)	(30,187,158)	(30,845,869)	(30,187,158)
Cash and bank balances included in the statement of cash flows	13,353,610	19,757,842	13,353,610	19,757,842
Placements with banks and discount houses in Nigeria (Note 15)	7,804,755	4,003,401	7,804,755	4,003,401
	21,158,365	23,761,243	21,158,365	23,761,243

40 Contingent liabilities and commitments

(a) Legal proceedings

The bank has litigation and claims which arose in the normal course of business and they are being contested by the bank. The directors, having sought professional legal counsel, are of the opinion that no loss will eventuate, hence no provision has been made for them in these financial statements. There was a total of 4 legal proceedings outstanding as at 31 December 2021 (Dec 2020: 3). Of these, three claims (Dec 2020: one) against the Bank amounted to N49.12million (Dec 2020: N34.6million), while one claim instituted by the Bank (Dec 2020: two amounting to N655million).

(b) Credit related commitments

In the normal course of business, the bank is party to financial instruments with off-balance sheet risk. The instruments are used to meet credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	Group		Bank	
	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Letters of Credit	18,389,465	11,516,711	18,389,465	11,516,711
Performance bonds and guarantees	6,671,860	4,249,293	6,671,860	4,249,293
Loan Commitments	37,959,761	10,297,432	37,959,761	10,297,432
	63,021,086	26,063,436	63,021,086	26,063,436

The total outstanding contractual amount of the undrawn credit lines which represents loan commitments does not necessarily represent future cash outflows, as these lines may expire or terminate without being drawn. Likewise, there are varying conditions to be met before such commitments can be drawn upon.

41 Related party transactions

The Group is controlled by FSDH Holding Company Limited, incorporated in Nigeria, which owns **99.99%** of the ordinary shares.

FSDH Holding Company Limited is the immediate parent company of FSDH Merchant Bank Limited as well as the ultimate controlling party .

(i) Key management personnel and their related entities

	Group		Bank	
(a) Compensation	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Wages and salaries	620,644	587,716	620,644	587,716
Pension costs	61,155	43,033	61,155	43,033
	681,799	630,749	681,799	630,749

	Group & Bank	Group & Bank	Group & Bank	Group & Bank
(b) Loans and advances	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Loans outstanding	246,208	65,798	246,208	65,798

	Group		Bank	
	31 December 2021 N'000	31 September 2020 N'000	31 December 2021 N'000	31 September 2020 N'000
Interest income	4,529	2,634	4,529	2,634

Loans to key management personnel as disclosed above represent staff loans which are payable between 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employ of the Bank for over 5 years. Mortgage loans are collateralised by the underlying property. None of the loans were classified as stage 3.

No loan was granted to any key management staff or employee outside their employment scheme of service.

	Group		Bank	
(c) Deposits	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Due to customers	1,543,838	169,718	1,543,838	169,718
(c) Deposits				
Interest expense	13	10,916	13	10,916

Key management staff has been defined as members of the management executive committee of the bank.

(ii) Directors and their related entities

(a) Deposits				
Interest expense	50,168	17,857	50,168	17,857

(b) Transactions

The aggregate value of transactions of services rendered to directors and their related entities over which they have control or significant influence were as follows:

Income earned	-	-	-	-
Expense paid*	81,380	93,218	81,380	93,218

*The bank engaged the legal services of the law firm of Udo Udoma & Belo-Osagie on a retainership basis and paid the sum of N43 million (2020: N48.5 million). During the period, the bank also paid the sum of N42.3 million (N44.7 million) to FSDH Capital Limited as arranger's fee for the issuance of the Bank's commercial paper. These fees are included in the expense paid disclosed.

This represents balance outstanding on credits advanced to directors and directors' related entities. Specific credit impairment has been recognised in respect of one of the loans granted to the related party.

(iii) Shareholders and related entities

	Group		Bank	
(a) Receivables	**31 December 2021 N'000**	**31 December 2020 N'000**	**31 December 2021 N'000**	**31 December 2020 N'000**
FSDH Holding	400,659	583,699	400,659	583,699
FSDH NewCo	354,008	65,481	354,008	65,481
FSDH Securities Limited(Now FSDH Capital Limited)	10	-	10	-
	754,677	649,180	754,677	649,180

This includes reimburseable expenses due from the related entities as at period end. The bank became a subsidiary of the FSDH Holding Company.

Interest expense	5,264	17,857	5,264	17,857
(b) Cash and bank balances				
Bank balances	25,501	17,472	25,501	17,472

(iv) Subsidiaries of a common parent

	Group		Bank	
(a) Deposits	**31 December 2021 N'000**	**31 December 2020 N'000**	**31 December 2021 N'000**	**31 December 2020 N'000**
Deposit from FSDH Asset Management Limited	45,297	568,373	45,297	568,373
Deposit from FSDH Securities Limited	243,265	689,995	243,265	689,995
Deposit from Pensions Alliance Limited	829,795	33	829,795	33
Total deposits from related entities	1,118,357	1,258,401	1,118,357	1,258,401

(a) Deposits				
Interest expense	44,512	17,857	44,512	17,857

This represents deposit balances of entities within the FSDH Group.

(b) Loans and advances to customer				
Loan to customers	132,834	-	132,834	-
Interest income	13,969	3,736	13,969	3,736

This represents short term bridge loan to FSDH Capital Limited as at 31st December 2021. The income earned is included in interest income in the statement of comprehensive income.

42 Insider related credits

In line with the Central Bank of Nigeria circular BSD/1/2004, banks in Nigeria are required to disclose insider related credits. As at 31 December 2021, there were no insider-related credits in the books of the bank (December 2020: Nil).

Insider-related credits include transactions involving shareholders, employees, directors and their related interests; the term director being as defined in section 20(5) of BOFIA 1991 (as amended). Under the circular, credits to employees under their employment scheme of service and shareholders' whose shareholding and related interest are less than 5% of the bank's paid up capital, are excluded.

43 Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the net profit after tax attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit after tax attributable to equity holders of the parent bank (N'000)	886,741	3,277,835	886,741	3,277,835
Weighted average number of ordinary shares ('000)	1,833,417	1,833,417	1,833,417	1,833,417
Weighted average number of ordinary shares excluding treasury shares ('000)	1,833,417	1,833,417	1,833,417	1,833,417
Basic earnings per share (in kobo per share)	48	179	48	179

(ii) Diluted

The Bank does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders (31 December 2020: Nil).

44 Dividends

	Group		Bank	
	31 December 2021 N'000	31 December 2020 N'000	31 December 2021 N'000	31 December 2020 N'000
Final dividend N0.22 (2020: N0.32)	406,595	592,088	406,595	592,088
Interim dividend N0.07 (2020: N0.75)	126,960	1,374,613	126,960	1,374,613
	533,555	1,966,701	533,555	1,966,701

During the year, the directors proposed an interim dividend of N0.07 per share amounting to a total of N126.9m. A final dividend of N0.22 per share was proposed at year end.

These financial statements do not reflect this resolution which will be acounted as an appropriation of retained earnings.

45 Compliance with banking regulations

During the year, the bank paid AML Penalty of N2M (Dec 2020: Nill) arising from infraction noted in June 2020 CBN AML Examination for failure to carry out status check on dud cheque issuance from at least 2 credit bureau before onboarding customers to which the bank is in full compliance as at November 2020.

The Bank paid penalty of N90K to the Securities and Exchange Commission for late notification of resignation of a sponsored individual.

46 Events after statement of financial position date

The Finance Act was signed into Law on 31 December, 2021, with an effective date of 1 January, 2022. The signing into law of the Finance bill on 31 December 2021 qualifies as an adjusting event as the bill had been in existence at the end of the financial year. In view of this development, the Bank has reviewed the provisions of the Act and have made appropriate adjustments to the financial estimates disclosed in the Financial statement in line with the relevant provisions of the Finance Act.

47 Reclassification

Certain comparative figures have been reclassified in line with current year's presentation.

OTHER NATIONAL DISCLOSURES

VALUE ADDED STATEMENT

	Group			Bank		
Group and Bank	**Dec 2021**	**Dec 2020**		**Dec 2021**	**Dec 2020**	
	₦'000	₦'000	%	**₦'000**	₦'000	**%**
Gross earnings	**13,786,960**	16,313,735		**13,786,960**	16,313,735	
Interest and similar expenses	**(7,562,722)**	(6,814,365)		**(7,562,722)**	(6,814,365)	
	6,224,238	9,499,370		**6,224,238**	9,499,370	
Impairment allowance on risk assets	**(146,411)**	(1,026,940)		**(146,411)**	(1,026,940)	
Administrative Overheads- local	**(2,078,936)**	(1,802,596)		**(2,078,936)**	(1,802,596)	
Value added	**3,998,890**	6,669,834	100	**3,998,890**	6,669,834	100
Distribution of value added						
To employees and directors:						
Salaries and benefits	**2,500,802**	2,499,610	63	**2,500,802**	2,499,610	37
To government:						
Tax	**120,272**	367,229	3	**120,272**	367,229	6
The future to pay proposed dividend:						
For replacement of property and equipment (depreciation)	**327,868**	333,564	8	**327,868**	333,564	5
For replacement of intangible assets (amortisation)	**163,208**	191,595	4	**163,208**	191,595	3
To reserves	**886,741**	3,277,835	22	**886,741**	3,277,835	49
	3,998,890	6,669,834	100	**3,998,890**	6,669,834	100

These statements shows the distribution of the wealth created by the Group during the periods.

FSDH MERCHANT BANK LIMITED

OTHER NATIONAL DISCLOSURES

FIVE YEAR FINANCIAL SUMMARY

	Group	Group	Group	Group	Group	Bank	Bank	Bank	Bank	Bank
	Dec 2021	**Dec 2020**	Dec 2019	Dec 2018	Dec 2017	**Dec 2021**	**Dec 2020**	Dec 2019	Dec 2018	Dec 2017
	₦'000	₦'000	₦'000	₦'000	₦'000	**₦'000**	₦'000	₦'000	₦'000	₦'000
Gross earnings	**13,786,960**	16,313,734	20,822,341	18,525,590	23,548,191	**13,786,960**	16,313,734	20,822,341	18,525,590	23,548,191
Interest and similar expenses	**(7,562,722)**	(6,814,365)	(11,009,079)	(10,320,248)	(12,946,751)	**(7,562,722)**	(6,814,365)	(11,009,079)	(10,320,248)	(12,946,751)
Operating income	**6,224,238**	9,499,369	9,813,262	8,205,342	10,601,440	**6,224,238**	9,499,369	9,813,262	8,205,342	10,601,440
Profit before tax	**1,007,013**	3,645,064	5,182,829	5,186,445	3,860,326	**1,007,013**	3,645,064	5,182,829	5,186,445	3,860,326
Tax	**(120,272)**	(367,229)	(1,572,426)	(775,053)	(174,085)	**(120,272)**	(367,229)	(1,572,426)	(775,053)	(174,085)
Profit after tax	**886,741**	3,277,835	3,610,403	4,411,392	3,686,241	**886,741**	3,277,835	3,610,403	4,411,392	3,686,241
Earnings per share (Kobo)	**48**	179	197	158	132	**48**	179	197	158	132

	Group	Group	Group	Group	Group	Bank	Bank	Bank	Bank	Bank
	Dec 2021	**Dec 2020**	Dec 2019	Dec 2018	Dec 2017	**Dec 2021**	**Dec 2020**	Dec 2019	Dec 2018	Dec 2017
	₦'000	₦'000	₦'000	₦'000	₦'000	**₦'000**	₦'000	₦'000	₦'000	₦'000
ASSETS										
Cash and cash equivalents	**44,199,479**	49,945,000	16,161,374	11,186,984	15,536,837	**44,199,479**	49,945,000	16,161,374	11,186,984	15,536,837
Placements to banks and other financial institutions	**7,783,220**	4,003,401	9,817,336	17,057,637	16,793,701	**7,783,220**	4,003,401	9,817,336	17,057,637	16,793,701
Financial instruments held for trading	**600,142**	3,217,781	2,704,105	1,473,271	7,653,645	**600,142**	3,217,781	2,704,105	1,473,271	7,653,645
Derivative assets held for risk management	**821,873**	238,691	414,929	607,076	70,037	**821,873**	238,691	414,929	607,076	70,037
Loans and advances to customers	**76,626,902**	38,072,402	45,496,340	40,536,858	37,376,991	**76,626,902**	38,072,402	45,496,340	40,536,858	37,376,991
Investment securities	**38,327,639**	42,573,216	43,447,218	34,026,860	51,787,647	**38,327,639**	42,573,216	43,447,218	34,026,860	51,787,647
Pledged assets	**12,757,565**	16,551,088	33,105,752	8,894,229	10,201,862	**12,757,565**	16,551,088	33,105,752	8,894,229	10,201,862
Right of use assets	**70,721**	70,621	119,964	-	-	**70,721**	70,621	119,964	-	-
Investment in subsidiaries	**-**	-	-	961,377	961,377	**-**	-	-	961,377	961,377
Current income tax asset	**123,029**	116,119	-	-	-	**123,029**	116,119	-	-	-
Property and equipment	**714,901**	585,534	636,494	604,044	528,239	**714,901**	585,534	636,494	604,044	528,239
Intangible assets	**275,118**	423,953	425,629	212,588	217,263	**275,118**	423,953	425,629	212,588	217,263
Deferred tax assets	**2,526,515**	2,599,335	2,888,150	3,223,982	3,551,132	**2,526,515**	2,599,335	2,888,150	3,223,982	3,551,132
Other assets	**3,885,898**	1,051,589	776,778	852,999	622,233	**3,885,898**	1,051,589	776,778	852,999	622,233
Total assets	**188,713,003**	159,448,730	155,994,069	119,637,906	145,300,964	**188,713,003**	**159,448,730**	**155,994,069**	**119,637,906**	**145,300,964**
Assets classified as held for sale	**-**	-	-	-	48,450					**48,450**
	188,713,003	159,448,730	155,994,069	119,637,906	145,349,414	**188,713,003**	**159,448,730**	**155,994,069**	**119,637,906**	**145,349,414**
LIABILITIES										
Trading Liabilities	**5,576,479**	-	-	-	-	**5,576,479**	-	-	-	-
Due to banks	**26,147,903**	19,621,072	27,684,828	4,744,992	19,877,963	**26,147,903**	19,621,072	27,684,828	4,744,992	19,877,963
Due to customers	**71,794,882**	80,213,989	56,340,436	46,719,361	55,186,445	**71,794,882**	80,213,989	56,340,436	46,719,361	55,186,445
Derivative liabilities held for risk managemen	**796,046**	228,557	395,283	590,903	54,106	**796,046**	228,557	395,283	590,903	54,106
Current income tax liability	**-**	-	461,942	241,710	413,161	**-**	-	461,942	241,710	413,161
Lease liabilities	**66,810**	38,836	54,509	-	-	**66,810**	38,836	54,509	-	-
Debt securities issued	**29,148,871**	23,050,499	14,086,009	14,524,709	12,077,787	**29,148,871**	23,050,499	14,086,009	14,524,709	12,077,787
Other borrowed funds	**17,298,216**	-	18,737,312	18,725,951	20,201,819	**17,298,216**	-	18,737,312	18,725,951	20,201,819
Other liabilities	**10,999,772**	5,435,072	11,463,788	4,754,722	8,583,434	**10,999,772**	5,435,072	11,463,788	4,754,722	8,583,434
Provision	**35,922**	46,577	-	-	-	**35,922**	46,577	-	-	-
	161,864,901	128,634,601	129,224,107	90,302,348	116,394,715	**161,864,901**	128,634,601	129,224,107	90,302,348	116,394,715
NET ASSETS	**26,848,101**	30,814,129	26,769,962	29,335,557	28,954,699	**26,848,101**	30,814,129	26,769,962	29,335,557	28,954,699
SHAREHOLDERS' FUNDS:										
Share capital	**1,833,417**	1,833,417	1,833,417	2,794,794	2,794,794	**1,833,417**	1,833,417	1,833,417	2,794,794	2,794,794
Share premium	**539,587**	539,587	539,587	1,539,587	1,539,587	**539,587**	539,587	539,587	1,539,587	1,539,587
Retained earnings	**15,350,818**	17,455,379	17,561,796	18,950,259	19,291,688	**15,350,818**	17,455,379	17,561,796	18,950,259	19,291,688
Statutory reserve	**7,458,240**	7,325,229	6,833,552	6,291,991	5,630,282	**7,458,240**	7,325,229	6,833,552	6,291,991	5,630,282
Fair value reserve	**(1,364,993)**	2,768,729	1,610	(398,113)	(301,652)	**(1,364,993)**	2,768,729	1,610	(398,113)	(301,652)
AGSMEIS reserve	**936,126**	891,789	-	157,039	-	**936,126**	891,789	-	157,039	-
Credit reserve	**2,094,906**	-	-	-	-	**2,094,906**	-	-	-	-
	26,848,101	30,814,129	26,769,962	29,335,557	28,954,699	**26,848,101**	30,814,129	26,769,963	29,335,557	28,954,699