WEMA BANK PLC.

AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2020

Corporate Information

Wema Bank Plc
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FOREIGN CORRESPONDENT BANKS
London, UK - Standard Chartered Bank, Union Bank Plc, Bank of Beirut, United National Bank, Access Bank Plc
New York, USA - Standard Chartered Bank, United Bank for Africa (UBA)
Frankfurt, Germany - BHF Bank, Commerzbank, Deutsche Bank AG

AUDITORS
Deloitte & Touche (Chartered Accountant)

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OVERVIEW

Our History

Regarded as Nigerian's most resilient bank and the longest surviving indigenous Financial Institution in Nigeria, Wema Bank Plc has over the years, diligently offered a range of value-adding banking and financial advisory services to the Nigerian public for 75 years.

Incorporated in 1945 as a Private Limited Liability Company under the old name of Agbonmagbe Bank Limited, it commenced banking operations in Nigeria in the same year. Wema Bank subsequently transformed into a Public Limited Liability Company (PLC) in April 1987 and was listed on the floor of the Nigerian Stock Exchange (NSE) in January 1990. On February 5, 2001, Wema Bank Plc was granted a universal banking license by the Central Bank of Nigeria (CBN), thus allowing the Bank to provide the Nigerian public with a diverse portfolio of financial and business advisory services.

In 2009, the Bank underwent a strategic repositioning exercise which culminated in a decision to operate as a commercial bank with regional authorisation. Upon a successful turnaround, the Bank applied to the Central Bank of Nigeria (CBN) for and was granted a national banking license in 2015.

Wema Bank offers retail banking, SME banking, corporate banking, treasury, trade services and financial advisory to its ever-expanding clientele. Operating a network of over 150 business offices backed by a robust ICT platform across Nigeria, we are committed to long-term sustainability in our business whilst maintaining the highest standards of social responsibility, corporate governance and diversity in our operations.

Our Brand

The Wema Bank Brand reinforces our unique proposition which is Value Driven Relationship Banking. This is a single concept which drives the understanding of the new direction of the Wema Bank Brand. This personifies the behavior and solutions we provide.

Our Brand is driven by a desire to develop an intimate relationship with our customers, putting us in a position to recognize their requirements and priorities. Our approach is hinged on mutual respect, service, innovation and efficiency. We seek to understand our customers' businesses and objectives, such that we can anticipate and meet their needs as they fulfil their financial goals and aspirations.

- We believe in people and societal values.
- We believe in the common good and sustainable success.
- We measure success not only by what is gained, but by the reciprocal value added to lives and businesses.
- We strive to create value that endures and uplifts human dignity and collective welfare.
- Success to us implies succeeding along with all our stakeholders; all moving forward and creating value.

Our Corporate Philosophy

Vision

To be the financial institution of choice in service delivery and superior returns.

Mission

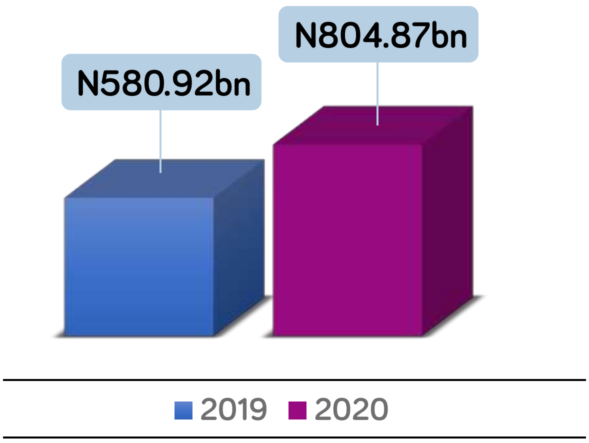
To give every customer a delightful and memorable service experience.

Values

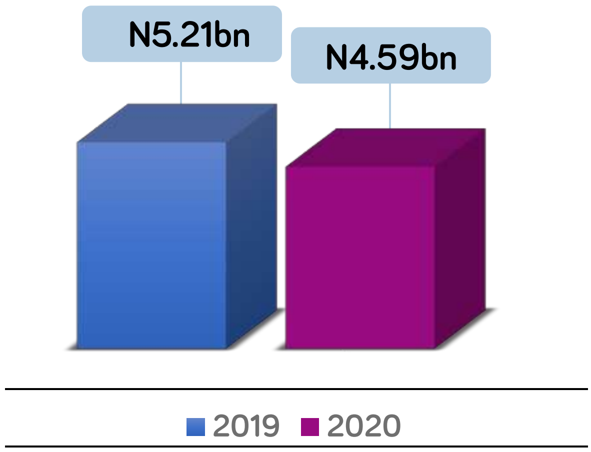
- Mutual Respect
- Teamwork
- Performance Driven
- Innovation
- Professionalism

Financial Highlights

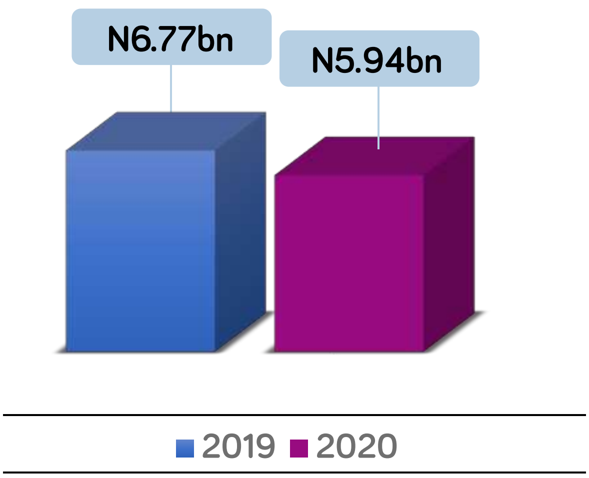
Total Deposit



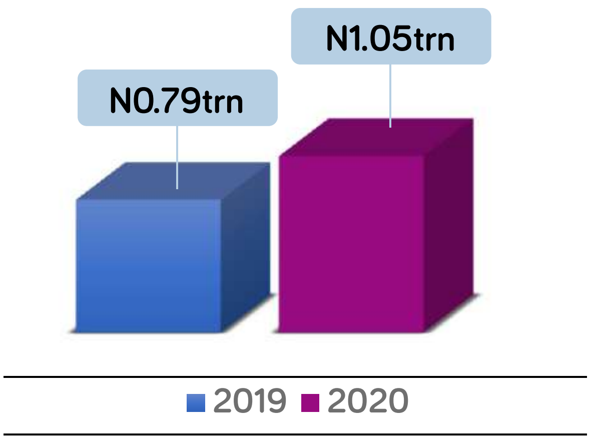
Profit After Tax



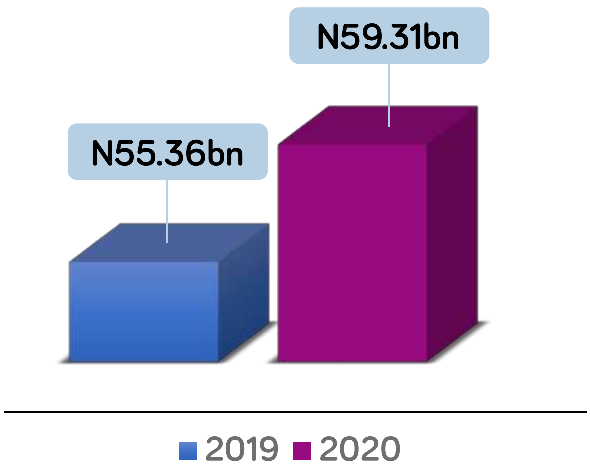
Profit Before Tax



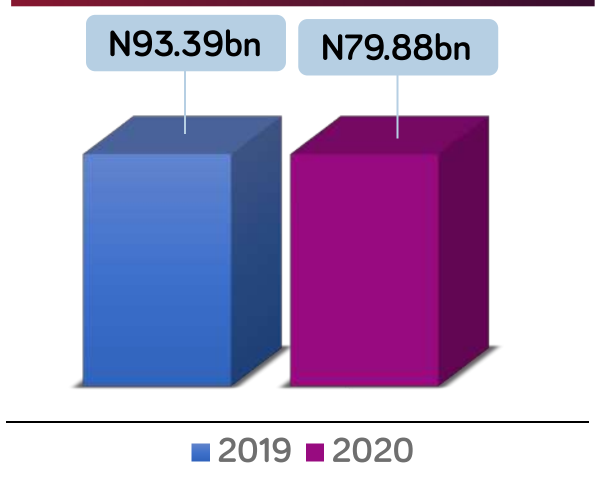
Total Assets & Contingents



Shareholders Funds



Gross Earnings



Corporate Governance

Wema Bank Plc. is committed to the highest standards of Corporate Governance and proactively integrates sound corporate governance practices across its operations, ensuring compliance with the requirements of the Corporate Governance Codes of the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC) and the Nigerian Code of Corporate Governance (NCCG).

The Bank emphasises the cardinal values of fairness, independence, credibility, transparency and accountability for performance at all levels, thereby enhancing its shareholders' value and protecting the interest of all stakeholders.

At Wema Bank, we consider ourselves trustees of our shareholders and acknowledge our responsibility towards them, to maintain their trust and confidence and safeguard their investment. The Bank's performance on corporate governance is regularly being monitored and reported. Every year the Bank obtains an independent report on the effectiveness of its Board members and the Board. The Board engaged KPMG Advisory Services to conduct an independent evaluation of the Board's performance in year 2020 and the result of the evaluation was presented to the Board at the meeting held on March 8, 2021. The report which confirmed the transparency and competence of the Board and its members is contained in this Annual Report and Accounts for year 2020.

The Bank will continue to entrench the principles of Corporate Governance into every aspect of its business as we are committed to aligning with global best practices.

Governance Structure

Size and Composition of the Board

Our Board has a proper mix of executive and non-executive directors to maintain its independence and separate its functions of governance from management.

The Board is comprised of 12 Directors as stated below:

Executive Directors	5
Non-Executive Directors	7 (inclusive of 2 Independent Directors)

Four (4) out of the twelve (12) Board members, or one-third of the Board are women, which is in compliance with the provisions of the Central Bank of Nigeria's Code of Corporate Governance.

Changes on the Board

During the financial year ended 31 December, 2020, Ms Tina Vukor-Quarshie retired from the Board on 16 August, 2020 after the completion of her eight (8) year tenure as an Independent Non-Executive Director. Subsequently, Mrs. Ibiye Ekong joined the Board as an Independent Non-Executive Director on 7 September, 2020. The Board also appointed a new Executive Director, Mr. Oluwole Ajimisinmi on 1 July, 2020.
In the course of the year 2021, Mrs. Folake Sanu retired and the Board of Directors appointed a new Executive Director, Mr. Emeka Obiagwu.

Role of the Board

The primary role of the Board is to provide strategic direction for the Bank to deliver long term value to shareholders.

Other functions of the Board include:

- To review and provide guidance for the Bank's corporate and business strategy;
- To review Management's succession plan and determine their compensation;
- To ensure that the Bank's operations are ethical and comply with applicable laws and regulations;
- To approve capital projects and investments;
- To consider and approve the annual budget of the Bank, monitor its performance and ensure that the Bank remains a going concern;
- To ensure that adequate system of internal control, financial reporting and compliance are in place;

- To ensure that an effective risk management process exists and is sustained;
- To constitute Board Committees and determine their terms of reference and procedures; including reviewing and approving the reports of these Committees.

Role of Chairman and the Managing Director/Chief Executive Officer

The roles of the Chairman and the Managing Director/CEO are clearly separated and are not held by the same individual. The Chairman is solely responsible for the running of the Board, whilst the Managing Director/CEO in conjunction with the Executive Management team is responsible for the day to day management of the Bank's business and ensure the implementation of the Board's decisions. The Managing Director executes the powers delegated to him in accordance with guidelines as approved by the Board of Directors.

Selection of Directors

The Board Nomination and Governance Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.

In identifying suitable candidates, the Committee considers candidates on their merit, using objective criteria, including the Board's skill needs with due regard for the benefit of diversity on the Board. The Committee then recommends nominated directors to the Board and thereafter, to the shareholders for election at the Annual General Meeting.

Tenure of Directors

Pursuant to the Bank's drive to continually imbibe best Corporate Governance practices, Non-Executive Directors are appointed for a maximum period of three terms of four (4) years each, while Executive Directors are appointed for a maximum period of 10 years subject to retirement age of 60years. Thus, the maximum tenure of a Non-Executive director is twelve (12) years, subject to retirement age of 70 years, statutory provisions and regulatory directives. The tenure of Independent Non-Executive Directors is eight (8) years.

Board Evaluation

In compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance and the Nigerian Code of Corporate Governance(NCCG)KPMG Advisory Services was engaged to carry out a Board Evaluation for the Financial Year ended 31 December 2020. The evaluation was based primarily on bench marking the bank's current governance structures and practices against the CBN Code, SEC Code and other global practices, using the four (4) pillars of Board responsibility which underpin effective corporate governance.

1. Board Leadership and Strategy - the Board's ability to manage its own activities and oversee the planning and implementation of the Bank's strategy.
2. Accountability and Audit – the Board's role in delegating authority to management and monitoring Management's activities.
3. Monitoring and Evaluation - The Board's ability to define a framework for measuring and monitoring performance of the Board, its Committees and individual Directors against defined goals.
4. Stewardship - The Board's responsibility towards shareholders and other stakeholders and accountability for their interests.

The independent advisory firm evaluated the performance of the Board and adjudged the Board's compliance culture to corporate governance as positive and largely consistent with the standard contained in the CBN and SEC Codes of Corporate Governance.

Induction and Continuous Training

On appointment to the Board, all newly appointed Directors receive formal orientation and training to enable them familiarise themselves with the Bank's operations, policies, and other members of staff. This is done through induction courses organized by the Company Secretary. We conducted 2 induction programmes for the newly appointed directors in 2020.

Also, the Bank has institutionalized regular training (both local and foreign) of Board members on issues pertaining to their oversight functions to update their skills and knowledge on new developments in the industry in line with Section 18.2 of the Central Bank of Nigeria Code of Corporate Governance. All the Directors underwent training on Anti Money-Laundering & Combating the Financing of Terrorism and Digital Transformation, while some Non-Executive Directors attended the FITC Cybersecurity programme.

The Company Secretary

The Company Secretary is responsible for, among other things, the implementation of the Codes of Corporate Governance in the Bank, ensuring that the Board's Charters and Memorandum and Articles of Association are observed, assisting the Chairman and the Managing Director to formulate an annual Board Plan, organising Board meetings and ensuring that the Minutes of the Board clearly and properly captures the Board's discussions and decisions. The Company secretary also acts as a Corporate Communication Officer by being the centre of communication among the Directors, Management and other stakeholders and administers the shareholders' meetings in line with legal requirements.

Also, the Company Secretary liaises with regulatory agencies to ensure adequate compliance with the recommended corporate governance practices.

The Company Secretary reports functionally to the Chairman of the Board of Directors and operationally to the Managing Director and enjoys the full support of the Board for the efficient performance of his duties.

Board Meetings

In compliance with the CBN Code, the Board meets quarterly. Additional meetings are convened as the need arises. In the year ended 31 December, 2020, the Board held four (4) meetings, details of attendance thereof are provided below:

Meetings Held	1	2	3	4
Names of Directors	9 March, 2020	5 May, 2020	12 August, 2020	17 November, 2020
Babatunde Kasali	●	●	●	●
Ademola Adebise	●	●	●	●
Moruf Oseni	●	●	●	●
Wole Akinleye	●	●	●	●
Folake Sanu	●	●	●	●
Abubakar Lawal	●	●	●	●
Abolanle Matel-Okoh	●	●	●	●
Adebode Adefioye	●	●	●	●
Samuel Durojaye	●	●	●	●
Tina Vukor-Quarshie*	●	●	●	○
Omobosola Ojo	●	●	●	●
Oluwole Ajimisinmi*	○	○	●	●
Ibiye Ekong*	○	○	○	●

*Ms. Vukor-Quarshie retired from the Board on 16 August , 2020, while Mr. Ajimisinmi and Mrs. Ekong joined the Board on 1 July , 2020 and 7 September , 2020, respectively.

Board Committees

The Board carries out its oversight functions through its five (5) Committees, as well as the Statutory Audit Committee. Each of these Committees has a Charter that clearly defines its roles, responsibilities, functions, composition, structure, frequency of meetings and reporting procedures to the Board.

Through these Committees, the Board effectively deals with complex and specialized issues and fully utilizes its expertise to formulate strategies for the Bank. The Board Committees in operation during the year under review are:

The Board Committees in operation during the year under review are:

- Board Risk Management Committee
- Board Credit Committee
- Board Finance and General-Purpose Committee
- Board Nomination & Governance Committee
- Board Audit Committee
- Statutory Audit Committee

The Committees meet at least once in each quarter. However, additional meetings may be convened as required. The roles and responsibilities of these Committees are detailed below.

Board Risk Management Committee

The Committee's major responsibilities are to:

1. Review and assess the integrity and adequacy of the overall risk management structure of the Bank.
2. Oversee the establishment of a formal Risk Management Framework for the Bank and monitor Management's implementation and integration of the framework into the day-to-day operations of the Bank.
3. Establish a robust contingency plan and continuity of business imperatives with in-built capabilities for disruption minimization in the event that mission critical threats crystallize.
4. Ensure the Bank has a comprehensive compliance framework for regulations and guidelines on money laundering and financial crimes.
5. Ensure the establishment of an Information Technology (IT) Data Governance Framework for the Bank and monitor Management's implementation of the Framework.
6. Review significant pronouncements and changes to key regulatory requirements relating to the risk management area to the extent that they apply to the Bank.
7. Report to the Board on material matters arising at the Risk Management Committee meetings following each meeting of the Committee and notify the Audit Committee of relevant issues worth considering.
8. Monitor changes anticipated for the economic and business environment, including consideration of emerging trends and other factors considered relevant to the Bank's risk profile and risk appetite.
9. Assure appropriate independence and authority of the risk management function.
10. Monitor the Bank's capital adequacy levels and capital management process, ensuring compliance with global best-practice standards, such as recommended by the Central Bank of Nigeria (CBN) and Basel II/III.
11. Advise the Board on risk management procedures and controls for new products, markets and services.

The Committee comprised the following members during the year under review:

1. Samuel Durojaye - Chairman
2. Wole Akinleye - Member
3. Folake Sanu - Member
4. Abubakar Lawal - Member
5. Abolanle Matel-Okoh - Member
6. Adebode Adefioye - Member
7. Ademola Adebise - Member
8. Tina Vukor-Quarshie - Member

The Committee held four (4) meetings during the year ended 31 December 2020. The attendance details of the Committee's meetings are as follows:

Meetings Held	1	2	3	4
Names of Directors	5 February, 2020	21 April, 2020	22 July, 2020	30 October, 2020
Tina Vukor-Quarshie*	●	○	○	○
Ademola Adebise	●	●	●	●
Wole Akinleye	●	●	●	●
Folake Sanu *	●	●	●	●
Abubakar Lawal *	●	●	●	●
Abolanle Matel-Okoh	●	●	●	●
Adebode Adefioye	●	●	●	●
Samuel Durojaye	○	●	●	●

*Ms. Vukor-Quarshie left the Committee on February 5, 2020.

Board Credit Committee

This Committee is made up of individuals who are knowledgeable in credit analysis. The responsibilities of the Committee include:

1. Oversee the establishment of credit policies and guidelines, to be adopted by the Board, articulating the Bank's tolerances with respect to credit risk, and oversee management's administration of, and compliance with, these policies and guidelines.
2. Review and recommend for Board approval, on an annual basis, policies on credit philosophy, risk appetite, risk tolerance, credit rating methodology and other material credit risk policies for the Bank.
3. Approve credit guidelines for strategic plans and approving the Bank's credit policy, which includes defining levels and limits of lending authority.
4. Review and approve loan applications above the limits delegated to the Management Credit Committee or Managing Director as may be defined by the Board from time to time.
5. Approve write-offs in excess of Management limits and within the Committee's limits as set by the Board.
6. Receive and review reports from senior management (and appropriate management committees and credit review) regarding compliance with applicable credit risk related policies, procedures and tolerances.
7. Monitor the performance and quality of the Bank's credit portfolio through the review of selected measures of credit quality and trends.
8. Review and assess the adequacy of the allowance for credit losses.

The Committee comprised the following members during the year under review:

1.	Adebode Adefioye	-	Chairman
2.	Tina Vukor-Quarshie	-	Member
3.	Samuel Durojaye	-	Member
4.	Abubakar Lawal	-	Member
5.	Omobosola Ojo	-	Member
6.	Ademola Adebise	-	Member
7.	Moruf Oseni	-	Member
8.	Wole Akinleye	-	Member
9.	Folake Sanu	-	Member
10.	Ibiye Ekong	-	Member

The Committee held eight (8) meetings during the year ended 31 December, 2020. The attendance details of the Committee's meetings are as follows:

Meetings Held	1	2	3	4	5	6	7	8
Names of Directors	16 Jan, 2020	17 March, 2020	27 April, 2020	29 April, 2020	31 July, 2020	28 Sept., 2020	19 Oct, 2020	11 Dec., 2020
Adebode Adefioye	●	●	●	●	●	●	●	●
Tina Vukor-Quarshie*	●	●	●	●	●	○	○	○
Samuel Durojaye	●	●	●	●	●	●	●	●
Abubakar Lawal	●	●	●	●	●	●	●	●
Omobosola Ojo	●	●	●	●	●	●	●	●
Ademola Adebise	●	●	●	●	●	●	●	●
Moruf Oseni	●	●	●	●	●	●	●	●
Wole Akinleye	●	●	●	●	●	●	●	●
Folake Sanu	●	●	●	●	●	●	●	●
Ibiye Ekong*	○	○	○	○	○	●	●	●

*Note that Ms. Vukor-Quarshie retired from the Board on 16 August, 2020, while Mrs. Ekong joined the Board on 7 September, 2020.

Board Nomination and Governance Committee

This Committee was initiated by the Board in furtherance of its desire to comply with best practice in Corporate Governance. The responsibilities of the Committee include:

1. Overseeing the nomination, remuneration, performance management and succession planning processes of the Board;
2. Overseeing the induction of new Directors and continuing training programme for Directors.
3. Overseeing the annual performance appraisal of the Board, its Committees, the Chairman and individual directors by an independent professional.
4. The Committee shall periodically review the Charter, composition and performance of each committee of the Board and make recommendations to the Board for the creation of additional committees or the elimination of a committee of the Board.
5. Developing and adopting a Code of Business Conduct and Ethics for employees, directors and officers of the Bank.
6. Monitoring compliance with and periodically reviewing corporate governance guidelines.

The Committee is composed entirely of Non-Executive Directors as follows:

1.	Omobosola Ojo	-	Chairman
2.	Adebode Adefioye	-	Member
3.	Samuel Durojaye	-	Member
4.	Tina Vukor-Quarshie	-	Member
5.	Abolanle Matel-Okoh	-	Member
6.	Ibiye Ekong	-	Member

The Committee held five (5) meetings during the year ended 31 December 2020. The attendance details of the Committee's meetings are as follows:

Meetings Held	1	2	3	4	5
Names of Directors	11 Feb., 2020	20 April, 2020	20 July, 2020	12 Oct, 2020	10 Nov, 2020
Omobosola Ojo	●	●	●	●	●
Adebode Adefioye	●	●	●	●	●
Samuel Durojaye	●	●	●	●	●
Tina Vukor-Quarshie*	●	●	●	○	○
Abolanle Matel-Okoh	●	●	●	●	●
Ibiye Ekong*	○	○	○	●	●

*Ms. Vukor-Quarshie retired from the Board on 16 August , 2020, while Mrs. Ekong joined the Board on 7 September, 2020.

Board Finance and General-Purpose Committee

This Committee handles all staff matters and is responsible for the oversight of strategic people issues, employee retention, equality and diversity as well as other significant employee related matters and administrative issues.

Other functions of this Committee include:

1. Defining the strategic business focus and plans of the Bank and ensure effective implementation of approved strategy.
2. Monitor the performance of the bank against budget.
3. Defining capital and operating expenditure limits and approve all capital expenditure on behalf of the Board.
4. Review the Bank's investment portfolio and investment strategy annually.
5. Oversee Supporting Management business development efforts.

The Committee was comprised of the following members during the year under review:

1.	Abubakar Lawal	-	Chairman
2.	Omobosola Ojo	-	Member
3.	Abolanle Matel-Okoh	-	Member
4.	Tina Vukor-Quarshie	-	Member
5.	Ademola Adebise	-	Member
6.	Moruf Oseni	-	Member
7.	Ibiye Ekong	-	Member

The Committee held four (4) meetings during the year ended 31 December 2020. The attendance details of the Committee's meetings are as follows:

Meetings Held	1	2	3	4
Names of Directors	3 February, 2020	22 April, 2020	23 July, 2020	28 October, 2020
Abubakar Lawal	●	●	●	●
Omobosola Ojo	●	●	●	●
Abolanle Matel-Okoh	●	●	●	●
Tina Vukor-Quarshie*	●	●	●	○
Ademola Adebise	●	●	●	●
Moruf Oseni	●	●	●	●
Ibiye Ekong*	○	○	○	●

*Ms. Vukor-Quarshie retired from the Board on 16 August , 2020, while Mrs. Ekong joined the Board 7 September, 2020.

Board Audit Committee

This Committee was established to protect the interests of the Bank's shareholders and other stakeholders and to act on behalf of the Board by:

1. Overseeing the integrity of financial reporting.
2. Overseeing the adequacy of the control environment.
3. Overseeing the internal and external audit function.
4. Ascertaining the independence of external auditors.
5. Ensuring compliance with established policy through periodic review of reports provided by Management, internal and external auditors and the supervisory authorities.
6. Overseeing the identification and monitoring of significant fraud risks across the Bank and ensuring that adequate prevention, detection and reporting mechanisms are in place.

The Committee comprised the following members during the year under review:

1. Tina Vukor-Quarshie - Chairman
2. Abolanle Matel-Okoh - Member
3. Omobosola Ojo - Member
4. Samuel Durojaye - Member
5. Ibiye Ekong - Member

The Board Audit Committee held four (4) meetings during the 2020 financial year. Details of the members' attendance are as follows:

Meetings Held	1	2	3	4
Names of Directors	6 February, 2020	24 April, 2020	24 July, 2020	29 October, 2020
Samuel Durojaye	●	●	●	●
Abolanle Matel-Okoh	●	●	●	●
Omobosola Ojo	●	●	●	●
Tina Vukor-Quashie*	●	●	●	○
Ibiye Ekong	○	○	○	●

*Ms. Vukor-Quarshie retired from the Board on 16 August, 2020, while Mrs. Ekong joined the Board 7 September, 2020.

Statutory Audit Committee

This Committee was established in compliance with Section 404(2) of the Companies and Allied Matters Act, 2020. The Committee is made up of three (3) Non-Executive Directors and three (3) Shareholders' of the Bank appointed at Annual General Meetings (AGM). The Bank's Company Secretary/Legal Adviser serves as the secretary to the Committee, while one of the Shareholders serves as the Chairman of the Committee. However, given the provisions of the new Companies and Allied Matters Act, 2020, which was issued after our 2019 AGM; the composition of the Committee will be reviewed to two (2) Non-Executive Directors and three (3) Shareholders in 2020 AGM.

The Committee is responsible for:

1. Ascertaining whether the accounting and reporting policies of the Bank are in accordance with the legal requirements and agreed ethical practices.
2. Reviewing the scope and planning of audit requirements.
3. Reviewing the findings on management matters as reported by the external auditors and departmental responses thereon.
4. Reviewing the effectiveness of the Bank's system of accounting and internal control.
5. Making recommendations to the Board about the appointment, removal and remuneration of the external auditor of the Bank.
6. Authorizing the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee.
7. Reviewing the Bank's annual and interim financial statements, including reviewing the effectiveness of the Bank's disclosure, controls and systems of internal control, the integrity of the Bank's financial reporting and the independence and objectivity of the external auditors.

The Committee comprised the following financially literate members who are knowledgeable in internal control processes during the period under review:

Names	Role	Status	Educational Qualification
Prince Adekunle Olodun	Chairman	Shareholders' Representative	STAGE II Accounting/auditing, FED. Treasury School, Lagos. Executive Management Accountancy, UNILAG. Associate, NIM ICPAN
Mr. Kashimawo Akanji Taiwo	Member	Shareholders' Representative	BSC, Surveying, UNILAG Registered Surveyor, REG. NO. 785 Fellow, NIS Accounting For Non-accountants, Lagos Business School.
Mr. Joe Anosike Ogbonna	Member	Shareholders' Representative	FCA, ACIT
Mr. Abubakar Lawal	Member	Non-Executive Director	HND, MBA, FCS, ACIP, ANIMN
Mr. Adebode Adefioye	Member	Non-Executive Director	MSC, Analytical Chemistry BSC, Chemistry Member, Institute Of Public Analysts Of Nigeria.
Mr. Samuel Durojaye	Member	Non-Executive Director	FCIB, FCA, ACS, ACIB

The Statutory Audit Committee held four (4) meetings during the 2020 financial year. Details of members' attendance are as follows:

Meetings Held	1	2	3	4
Names of Members	5 March, 2020	1 June, 2020	27 July, 2020	5 November, 2020
Prince Adekunle Olodun	●	●	●	●
Mr. Joe Anosike Ogbonna	●	●	●	●
Mr. Kashimawo Akanji Taiwo	●	●	●	●
Mr. Abubakar Lawal	●	●	●	●
Mr. Adebode Adefioye	●	●	●	●
Mr. Samuel Durojaye	●	●	●	●

Management Committees

The Committees comprises of Senior Management Officers of the Bank. These Committees are risk driven as they are set up to identify, analyse, synthesize and make recommendations on risks arising from the day to day activities of the Bank.

These Committees also ensure that risk limits as contained in the Board and Regulatory Policies are always complied with. In addition, they provide inputs for the respective Board Committees of the Bank and ensure that recommendations of the Board Committees are effectively and efficiently implemented.

They frequently meet to take actions and decisions within the confines of their limits.
The following are the standing Management Committees in the Bank:

- Executive Committee
- Management Credit Committee
- Watchlist Committee
- Assets and Liability Committee
- Management Risk Committee
- IT Steering Committee

Executive Committee

The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Bank.
The responsibilities of the Committee include:

1. Review the strategic operations of the Bank:
    - Review audit and inspection reports
    - Review adequacy and sufficiency of Branch tools
    - Review manning level in branches and head office departments
2. Consideration and approval of proposed new branches.
3. Review the asset and liability profile of the Bank.
4. Consider and approve capital and recurrent expenses.
5. Review the activities of subsidiaries and associated companies.
6. Monitor and give strategic direction on regulatory issues.

The Committee comprises of the Managing Director/Chief Executive Officer, all other Executive Directors, the Company Secretary/Legal Adviser and any other member as may be appointed from time to time. The Committee meets monthly. However, additional meetings are convened as required. The Company Secretary serves as the Secretary to the Committee.

Management Credit Committee

This Committee is responsible for ensuring that the Bank is in total compliance with the Credit Policy Manual as approved by the Board of Directors. Other functions include:

- Provide inputs for the Board Credit Committee.
- Review and approve credit facilities to individual obligors not exceeding an aggregate sum as determined by the Board from time to time.
- Review and approve all credits that are above the approval limit of the Managing Director/CEO, as determined by the Board of Directors.
- Review the entire credit portfolio of the Bank and conduct periodic checks of the quality of risk assets in the Bank.
- Ensure adequate monitoring of credits granted by the Bank.

The Committee meets monthly depending on the number of credit applications to be appraised and considered. The Committee comprises of the Managing Director/Chief Executive Officer, all other Executive Directors, the Company Secretary/Legal Adviser and any other member as may be appointed from time to time. The Secretary to the Committee is the Head of Credit Risk Department of the Bank.

Watchlist Committee

The purpose of this Committee is to assess the risk asset portfolio of the Bank. Other functions include:

- Highlighting the status of the Bank's assets in line with internal and external regulatory frameworks.
- Determines and approves actions to take in respect of delinquent assets.
- Ensures that adequate provisions are made in line with the regulatory guidelines.

Membership of the Committee includes, the Managing Director, all other Executive Directors, Head of Enterprise Risk Management, Head of Remedial Assets Management and other relevant Senior Management Staff of the Bank. The Secretary to the Committee is the Head of Credit Monitoring Unit.

Assets and Liabilities Committee

This is the Committee that is responsible for the management of a variety of risks arising from the Bank's business which include:

- Market and liquidity risk management;
- Loan to deposit ratio analysis;
- Cost of funds analysis;
- Establishing guidelines for pricing on deposit and credit facilities;
- Exchange rate risks analysis;
- Balance sheet structuring;
- Regulatory considerations and monitoring of the status of implemented assets and liability strategies.

Membership of the Committee includes the Managing Director/CEO, all other Executive Directors, the Treasurer, the Chief Financial Officer, the Chief Risk Officer and other relevant Senior Management Staff.

Management Risk Committee

In line with global best practices and the Code of Corporate Governance, the Committee was constituted to, amongst other things:

- Review the effectiveness of the Bank's overall risk management strategy at the enterprise level.
- Identify and evaluate new strategic risks and agree on suitable mitigating factors.
- Review the enterprise risk scorecard and determine the risk to be reported to the Board on a quarterly basis.

Membership of the Committee includes the Managing Director/Chief Executive Officer, all other Executive Directors, the Chief Risk Officer, the Chief Audit Executive, Head of Internal Control, representatives of Operations, Information Technology and Legal departments.

IT Steering Committee

Information Technology (IT) has become crucial in the support, sustainability and growth of the bank's business. This makes it imperative for Management to pay more attention to IT investments, IT risk management and data governance.

This Committee's responsibilities are as follows:

- Oversees the development and maintenance of the IT strategic plan.
- Approves vendors used by the Bank and monitor their financial condition.
- Approves and monitors major projects, IT budgets, priorities, standards, procedures, and overall IT performance.
- Coordinates priorities between the IT department and users' departments.
- Reviews the adequacy and allocation of IT resources in terms of funding, personnel, equipment, and service levels.
- Provides use and business perspective on IT investments, priorities and utilization.
- Monitors the implementation of the various initiatives and ensures that deliverables and expected outcomes/business value are realized.
- Ensures increased utilization of technology and adequate returns on all IT investments;
- Makes recommendations and/or decisions in the best interests of the Bank, following review by IT department on such items as procurement of desktops and equipment, service standards, and networking requirements, including benchmarks.
- Evaluates progress toward the established goals and present a report to the Executive Committee as and when necessary.
- Acts in a supervisory capacity, in implementing the Bank's IT strategy.

Monitoring Compliance with Corporate Governance

The Chief Compliance Officer of the Bank monitors compliance with money laundering requirements and the implementation of the CBN Code of Corporate Governance and Nigerian Code of Corporate Governance.

The Bank transmits returns on all whistle-blowing reports and corporate governance breaches to the Central Bank of Nigeria monthly.

Whistle blowing Procedures

In compliance with the CBN mandate on whistle blowing and in line with the Bank's commitment to instil the best corporate governance practices, the bank formulated a Whistle – Blowing Policy, which guarantees anonymity. The Policy covers both the external and internal whistle blowers and extend to conducts of stakeholders including employees, customers and vendors.

The Bank has a dedicated e-mail address for whistle blowing and the whistleblowing policy is permanently available on the Bank's website and intranet. There is a direct link on the Bank's intranet for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance.

The Bank's Chief Audit Executive is responsible for monitoring and reporting on Whistle-Blowing. The Chief Audit Executive also presents a report on Whistle-Blowing to the Board Audit Committee on a regular basis.

Code of Professional Conduct for Employees and Directors

The Bank has an internal code of professional conduct for staff and directors which is strictly adhered to and executed upon assumption of duties.

Shareholders

The Annual General Meeting of the Bank is the highest decision-making body. General Meetings are duly convened and held in line with existing statutory provisions in a transparent and fair manner.

Shareholders are opportune to express their opinions on the Bank's financials and other business-related issues. Other attendees of the meetings are Regulators such as Central Bank of Nigeria, Securities and Exchange Commission, The Nigerian Stock Exchange, Corporate Affairs Commission, professional consultants, and representatives of Shareholders' Associations.

The Board places considerable importance on effective communication with shareholders on developments in the Bank. Accordingly, the Bank has established an Investors Relations Unit which deals directly with enquiries from shareholders and investors to promote and improve shareholders' access to information and enhance effective communication with shareholders.

Protection of Shareholders' Rights

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

Shareholder's Complaint Management Policy

The Bank has developed a Complaint Management Policy for shareholders to foster an efficient and timely resolution of Shareholders' complaints. The Policy can be accessed through the Bank's website.

Insider Trading Policy

The Bank has an Insider Trading Policy which prohibits Directors, insiders and their related persons in possession of confidential price sensitive information from dealing with the securities of the Bank during the closed period.

Note: In the year under review, there was no record of infraction of this policy.

Succession Planning

The Board has a robust Selection Criteria and Succession Policy in place and the Nomination and Governance Committee has been assigned by the Board, the responsibility of ensuring that the Bank has a suitable succession plan in place at every point in time for the Board and in particular, positions of the Managing Director/Chief Executive Officer, Executive Directors, Company Secretary and other Senior Management roles and to make recommendations to the Board for approval.

Directors' Report

The directors present their annual report on the affairs of Wema Bank Plc (the "Bank"), the audited financial statements and the independent auditor's report for the financial year ended 31 December, 2020.

Legal Form

The Bank was incorporated in Nigeria under the 1922 Companies Act of Nigeria as a private limited liability company on 2 May, 1945 and was converted to a public company in April 1987. The Bank's shares, which are currently quoted on the Nigerian Stock Exchange, were first listed in February 1991. The Bank was issued a universal banking license by the Central Bank of Nigeria on January 2001. Arising from the consolidation in the banking industry, Wema Bank Plc. acquired National Bank of Nigeria Plc. in December 2005. Currently, the Bank is a commercial bank with national banking authorization to operate in Nigeria, under the new Central Bank of Nigeria licensing regime.

Reporting Entity

Wema Bank Plc (the Bank) is a company domiciled in Nigeria. The Bank's registered office is 54, Marina, Lagos, Nigeria. The Bank is primarily involved in Corporate, Commercial, Retail Banking and Financial Advisory Services. The Bank has Deloitte and Touche as Auditors, Greenwich Registrar & Data Solutions Limited and Johnson Lebile as Registrars and Company Secretary respectively.

Wema Bank Funding SPV was established for the purpose of issuing bonds to fund working capital, enhance liquidity and capital base.

Principal Activity

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and other banking services.

The Bank has a wholly owned subsidiary, WEMA Bank Funding SPV Plc. which was established for the purpose of issuing bonds to fund the Bank's working capital, enhance liquidity and capital base.

Operating Results

Highlights of the Bank's operating results for the period under review are as follows:

	Group	Bank	Group	Bank
In thousands of Nigerian Naira	**31-Dec-20**	**31-Dec-20**	**31-Dec-19**	**31-Dec-19**
Gross earnings	81,382,795	79, 876,995	94,890,127	93,389,811
Profit on ordinary activities before taxation	5,931,687	5,946,523	6,760,021	6,770,828
Profit on ordinary activities after taxation	4,577,381	4,592,217	5,199,940	5,210,748
Profit attributable to equity holders	4,577, 381	4,592,217	5,199,940	5,210,748
Appropriation:				
Transfer to statutory reserve	1,377,664	1,377,665	1,563,224	1,563,224
Transfer to general reserve	3,953,938	3,968,773	4,974,416	4,974,416
Basic earnings per share (Kobo)	11.90	1 1.90	13.50	13.50
NPL Ratio	4.69%	4.69%	7.38%	7.38%

Proposed Dividend

The Board of Directors recommends the payment of Dividend from the current year earnings based on the Bank's improved performance, subject to approval at the Annual General Meeting. The payment will be made from the audited earnings of 2020 and not from the accumulated reserves in line with the regulatory policy. The payment of dividend is in line with the Bank's dividend policy and will go a long way in providing support to our shareholders.

The Directors, pursuant to the powers vested in them by the provisions of section 426 of the Companies and Allied Matters Act (CAMA) 2020, shall propose a dividend of 4k per share (2019: 4k per share) from the retained earnings account as at 31 December, 2020 for ratification by the shareholders at the Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at 31 December, 2020.

Payment of dividends is subject to withholding tax at a rate of 10% in the hand of qualified recipients.

Compliance with the CBN Circular on Dividend Payment

The proposed dividend payment is in line with the requirements of the CBN circular on Internal Capital generation and dividend payout ratio. The Central Bank circular dated 8 October, 2014 requires the following conditions to be met before dividend payment can be made.

S/N	Condition	Wema Position
1	The DMB must meet minimum capital adequacy ratio	The Banks Audited Capital Adequacy ratio is 15.01%
2	The Composite Risk Ratio CRR should not be High and the NPL should be lower than 10%	The Banks CRR is Moderate and NPL is 4.69%
3	Where CRR is Above average and NPL between 5% & 10%, payout must not be more than 30%	
4	There shall be no regulatory restriction on dividend payouts for DMB that meet minimum capital adequacy ratio, has a CRR of "low" to "moderate" and NPL ratio of not more than 5%. However, it is expected that the Board of such institutions will recommend payouts based on effective risk assessment and economic realities	The Proposed dividend payout is 33% of PAT and the Bank has set aside additional reserves to ensure that Capital adequacy is significantly above regulatory threshold of 10%
4	No Dividend should be paid from reserves	Dividend not being paid from reserves
5	Banks shall submit board approved dividend payout policy to CBN	Dividend policy has been sent to the CBN

The Directors seek to pay dividend based on the justification listed below:

- The Bank has largely met all the requirements of the CBN circular on dividend payout and is not in contravention.
- The payment of dividend will not impact negatively on any of the bank's ratios
- The payment of dividend as proposed has been ratified by the Board of Directors of the bank based on effective risk assessment and economic realities

Fraud and Forgeries

Item	Count
No. of Cases	1,201
Amount Involved (N)	237,508,868.97
Actual loss (N)	105,461,973.88
Amount Involved ($)	NIL
Actual los s ($)	NIL

Fraud Type/Channel	Amount Involved (N'000)	Amount Lost by The Bank (N'000)	Amount Involved ($)	Amount Lost by The Bank ($)	Percentage of Amount Involved	Perpetrators	
						Internal %	External %
Internet Fraud	163,892	93,964	0	0	69.00%	0%	100%
Mobile Banking	20,445	-	0	0	8.61%	0%	100%
POS	10,487	-	0	0	4.42%	0%	100%
Atm	10,863	-	0	0	4.57%	0%	100%
Operations & Others	31,822	11,497	0	0	13.40%	57%	43%
Total	237,509	105,462	0	0	100%	11%	89%

Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2020 is as stated below:

Share Range	Number of Shareholders	Shareholders %	Number of Holdings	Shareholding %
1-1,000	31,171	12.73	15,556,381	0.04
1,001-5,000	145,992	59.64	303,388,871	0.79
5,001-10,000	28,394	11.60	197,304,093	0.51
10,001-50,000	30,158	12.32	606,005,433	1.57
50,001-100,000	4,425	1.81	317,458,846	0.82
100,001-500,000	3,792	1.55	728,425,549	1.89
500,001-1,000,000	398	0.16	297,437,864	0.77
1,000,001-5,000,000	375	0.15	741,391,281	1.92
5,000,001-10,000,000	38	0.02	262,569,916	0.68
10,000,001 - 500,000,000	39	0.02	2,655,471,574	6.88
500,000,001 - 1,000,000,000	6	0.00	3,748,816,433	9.72
1,000,000,000 and Above	8	0.00	28,700,639,840	74.40
TOTAL: -	244,796	100.00	38,574,466,081	100.00

The shareholding pattern of the Bank as at 31 December, 2019 is as stated below:

Share Range	Number of Shareholders	Shareholders %	Number of Holdings	Shareholding %
1 -1,000	30,572	12.50	15,451,101	0.04
1,001 -5,000	146,130	59.76	303,707,123	0.79
5,001 -10,000	28,471	11.64	197,735,754	0.51
10,001 -50,000	30,263	12.38	607,571,512	1.58
50,001 -100,000	4,449	1.82	319,112,099	0.83
100,001 -500,000	3,7 87	1.55	726,999,861	1.88
500,001-1,000,000	387	0.16	285,440,080	0.74
1,000,001 - 5,000,000	372	0.15	720,615,458	1.87
5,000,001 -10,000,000	40	0.02	280,178,732	0.73
10,000,001 - 500,000,000	37	0.02	2,655,493,713	6.88
500,000,001-1,000,000,000	6	0.00	3,858, 419,339	10.00
1,000,000,000 and Above	8	0.00	28,603,741,309	74.15
TOTAL:	244,522	100.00	38,574,466,081	100.00

Substantial Interests in Shares

According to the Register of Members, as at 31 December, 2020, the following shareholders held more than 5% of the issued share capital of the Bank:

S/N	NAME	HOLDING	% HOLDING	Representative on the Board
1.	NEEMTREE LIMITED	10,835,506,943	28.09	Babatunde Kasali & Abolanle Matel-Okoh
2.	SW8 INVESTMENT LTD	5,745,816,867	14.90	Adebode Adefioye
3.	PETROTRAB LIMITED	3,295,880,000	8.54	-
4.	ODU'A INVESTMENT COY.	3,191,190,608	8.27	Samuel Durojaye

According to the Register of Members as at 31 December, 2019, the following shareholders held more than 5% of the issued share capital of the Bank:

S/N	NAME	HOLDING	% HOLDING	Representative on the Board
1	NEEMTREE LIMITED	10,695,688,150	27.73	Babatunde Kasali & Abolanle Matel - Okoh
2	SW8 INVESTMENT LTD	5,745,816,867	14.90	Adebode Adefioye
3	PETROTRAB LIMITED	3,295,880,000	8.54	-
4	ODU'A INVESTMENT COY.	3,191,190,608	8.27	Samuel Durojaye

Aside from the above-named substantial shareholders, no other person(s) holds more than 5% of the issued and fully paid up shares of the Bank.

Directors' Shareholding

Below are details of direct and indirect interests of directors of the bank who held office as at 31 December, 2020.:

S/N	Director's Name	Direct Holdings in 2020	Indirect Holdings in 2020	Direct Holdings in 2019	Indirect Holdings in 2019
1	Mr. Babatunde Kasali	-	10,835,506,943	-	10,738,608,412
2	Mr. Ademola Adebise	10,265	2,243,208	10,265	2,243,208
3	Mr. Adebode Adefioye	6,988	3,145,825,726	6,988	3,145,825,726
4	Mr. Samuel Durojaye	-	3,191,190,608		3,191,206,045
5	Mr Oluwole Albert Ajimisinmi	6,170,996	-	6,170,996	-
6	Mrs. Omobosola Ojo	-	-	-	-
7	Mr. Moruf Oseni	-	-	-	-
8	Mr. Abubakar Lawal	1,000,000	567,917,143	1,000,000	693,874,014
9	Mrs. Abolanle Matel-Okoh	1,750,000,000	10,835,506,943	1,750,000,000	10,738,608,412
10	Mrs. Ibiye Asime Ekong		-		-
11	Mr. Akinleye Oluwole Stephen	1,641,800	-	1,641,800	-
12	Mrs. Folake Sanu	12,677	-	12,677	-

- Babatunde Kasali and Abolanle Matel-Okoh have indirect holdings with Neemtree Limited
- Ademola Adebise has indirect holdings with AIICO Insurance
- Samuel Durojaye has indirect holdings with Odu'a Investment Company Ltd
- Adebode Adefioye has indirect holdings with SW8 Investment Limited
- Abubakar Lawal has indirect holdings with L.A. Proshares Limited

Shareholdings of Top Management Staff

S/N	Name	Shareholding
1.	Tunde Mabawonku	1,000,000
2.	Olukayode Bakare	1,001,209
3.	Rotimi Badiru	1,399
4.	Oluwatoyin Karieren	8,333
5.	Tajudeen Bakare	1,050

Directors' Interests in Contracts

For the purpose of Section 303 of the Companies and Allied Matters Act 2020, none of the Directors had direct or indirect interest in any contract with the Bank in the year under review.

Property and Equipment

Information relating to changes in property and equipment is given in Note 20 to the financial statements. In the Directors' opinion, the net realizable value of the Bank's properties is not less than the carrying value in the financial statements.

Donations

The Bank made contributions to charitable and non-political organizations amounting to N221.02m (31 December 2019: N58.96m) during the year, as listed below:

Donation And Charitable Gifts	=N='000
Contribution To CBN Covid 19 Relief Fund	100,000,000
CSR-Covid-19 Relief To Various States	69,517,000
CSR To Lagos State Universal Basic Education	25,000,000
CIBN Sponsorship 13th Annual Conference	10,000,000
Abule Ado Explosion Relief Fund	10,000,000
CSR To Ajeromi Ifelodun LGA	5,000,000
ANWBN Sponsorship-Nigeria Businesswomen Summit	1,000,000
Donation To Unilag	500,000

Several other humanitarian services were rendered during the year under review, for example, One Day Salary for Love Campaign donated by members of staff, which amounted to N7m. The money was used to purchase and donate face masks, preventive kits, groceries and other relief materials to 12 communities during the year, in a bid to minimize the impact of the pandemic on their welfare.

Remuneration Policy

Mandate & Terms of Reference

The Remuneration Policy is a product of the Nomination & Governance Committee of the Board of Directors ("the Board") of the Bank. The Committee is set out in compliance with various Corporate Governance Codes.

Objectives

This policy sets out the criteria and mechanism for determining the levels of remuneration of the Directors of the Bank and the frequency for review of same. It further defines the process for determining Directors' compensation and reward for corporate and individual performance and outlines grounds for clawback of undeserved remuneration.

Purpose

Amongst others, this policy attempts to:

i. Ensure remuneration is provided in a form that will attract, retain and motivate qualified industry professionals as Directors of a reputable bank.
ii. Balance and align the remuneration of the Directors with the short-term and long-term elements of their tasks.
iii. Align the interests of the Executive and Non-Executive Directors with the interests of the Shareholders and other stakeholders of the Bank; and
iv. Ensure that remuneration reflects performance.

Executive Directors' Remuneration Components

i. **Fixed Remuneration**
The fixed remuneration shall be determined on the basis of the role of the individual director, including responsibility, skill and experience, job complexity, performance and the specific needs of the Bank at the material time.

ii. **Performance-Based Remuneration**
The Nomination & Governance Committee shall determine a maximum percentage of performance-based remuneration relative to the fixed remuneration in line with the KPIs as defined by Executive Contract of the Executives.

iii. **Pension Schemes**
Executive Directors are covered by defined pension contribution plans and the Bank remits both its percentage of the pension contributions and that of the Executive Director to the nominated Pension Managers every month.

iv. **Severance Pay**
Executive Directors are entitled to Severance Pay as determined in their contracts of employment.

v. **Other Benefits**
Other benefits which may include medical insurance etc. are awarded on the basis of individual employment contracts and industry practice.

Non-Executive Directors Remuneration Components

The remuneration of Non-Executive Directors is fixed by the Board on the recommendation of Executive Management and approved by Shareholders in a General Meeting. However, the fees and allowances paid to Non-Executive Directors shall not be at a level that can compromise their independence.

The components of Non-Executive Directors' fees include: Annual Fee, Sitting Allowance and Reimbursable Expenses properly incurred in the performance of their duties to the Bank.

Directors' annual fees are paid in arrears. The fees for 2019 was N6,000,000.00 (Six Million Naira Only) for the Chairman and N4,500,000.00 (Four Million, Five Hundred Thousand Naira Only) for other Directors, gross per annum. The annual fee for 2020 shall be presented for approval at the 2020 Annual General Meeting.

The sitting allowance for each meeting attended is N150,000.00 for members and N200,000.00 for Chairmen of Board Committees. A review of this allowance will also be presented at the 2020 Annual General Meeting.

Human Resources

i. Employment of Physically Challenged Persons
The Bank continues to maintain a policy of giving fair consideration to application for employment made by physically challenged persons with due regard to their abilities and aptitudes. The Bank's policies prohibit discrimination against physically challenged persons in the recruitment, training and career development of employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment with the Bank continues and appropriate training arranged to ensure that they fit into the Bank's working environment.

ii. Health, Safety and Welfare at Work
The Bank enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. In addition, medical facilities are provided for staff and their immediate families at the Bank's expense.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.

The Bank operates both Group Personal Accident and Workmen's Compensation Insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2004.

iii. Employee Involvement and Training
The Bank ensures, through various fora, that employees are informed of matters concerning them. Formal and informal channels are also employed to communicate with employees with an appropriate two-way feedback mechanism.

In accordance with the Bank's policy of continuous development, the Bank draws up annual training programmes. The programmes include on the job training, classroom sessions and web-based training programmes which are available to all staff.

Additionally, in line with Section 18.2 of the Central Bank of Nigeria Code of Corporate Governance, the Directors were enrolled for some training programmes for enhanced expertise and to update their knowledge in view of the Bank's strategic direction. All the Directors underwent training on Anti Money-Laundering & Combating the Financing of Terrorism and Digital Transformation.

iv. Code of Conduct and Business Ethics
Employees and Directors are bound by the CBN Code of Conduct and the Bank's Code of Business Conduct and Ethics.

v. Employee Gender Analysis
The number and percentage of women in the bank during the 2020 financial year vis-a-vis the total workforce is as follows:

Total Employees	Gender			Proportion	
	M	F	TOTAL	M	F
Employee -Bank	690	542	1232	56%	44%
Board & Top Management	M	F	TOTAL	M	F
Assistant General Manager	6	3	9	67%	33%
Deputy General Manager	8	1	9	89%	11%
General Manager	2	0	2	100%	0%
Executive Director	2	1	3	67%	33%
Deputy Managing Director	1	0	1	100%	0%
Managing Director	1	0	1	100%	0%
Non-Executive Director	4	3	7	57%	43%
Total	24	8	32	75%	25%

Events after Reporting Date

There were no significant or material events that occurred after the end of the reporting year and before the financial statements were authorised for issue by the Management of the Bank.

Customer Complaints Management and Feedback

The Bank recognizes the importance of customer patronage to the growth of its business and thus considers customer complaints and feedback as valuable information to improve its service delivery.

Wema Bank has continued to improve on its feedback channels to ensure timely and satisfactory resolution of complaints. In view of this, in addition to the Bank's fully equipped state of the art Contact Centre – Purple Connect, a Consumer Protection Unit was also created at the Head Office to resolve service issues as raised, without further delay. The available feedback channels in the Bank are listed below:

Hotlines:	08039003700, 01-2777700
Email:	purpleconnect@wemabank.com
SMS/WhatsApp:	07051112111
Live Chat:	www.wemabank.com
Letters:	Consumer Protection Unit, Customer Experience Management Department, 54 Marina, Lagos.

Shareholder Complaint Management Channels

Shareholders can make complaints or enquiries and access relevant information about their shareholding through various channels made available by the bank. However, shareholders shall in the first instance contact the Bank's Registrars. The Registrars manage all the registered information relating to all shareholdings e.g. shareholders name, address, shareholding units, dividend payment instruction, etc. The various available channels and relevant contact details are:

i. Greenwich Registrars: Shareholders who wish to make complaints or enquiries about their shareholding may contact the bank's Registrars. Please find below the Registrars contact:

   Greenwich Registrars and Data Solutions Ltd
   274, Murtala Mohammed Way, Alagomeji, Yaba
   Lagos.
   Telephone:+234 1 2793160-2; 8131925-2
   Email Address: Info@gtlregistrars.com
   Website: www.gtlregistrars.com

ii. Company Secretary: If the Registrar is unable to satisfactorily address shareholders' enquiries and resolve their complaints, the shareholder can contact the office of the Company Secretary via the contact details below:

   Company Secretary
   Wema Towers
   54, Marina
   Lagos.
   Email: CompanySecretariat@Wemabank.com
   Telephone: +234 1 2778959

iii. Investor Relations Desk: Shareholders can also contact the Investors Relations unit of the bank via the contact details below:

Investor Relations Department
Wema Towers
54, Marina
Lagos.
Email: Investor.relations@wemabank.com
Telephone: +234 1 2779786

Shareholders and Investors may access the investor relations portal on the bank's website for more details on the bank's Shareholder and Stakeholder Management Policy, Communication Policy and Engagement Policy.

Auditors

The Bank's current External Auditors, Deloitte and Touche will be completing their tenure at the conclusion of this Annual General Meeting and a new External Auditor will come in effective 2021 in accordance with Section 401 (1) of the Companies and Allied Matters Act 2020. Accordingly, a resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

By Order of The Board

Johnson Lebile
FRC/2018/NBA/00000019017
Company Secretary
Wema Towers
54 Marina

Report of the Audit Committee

To the Members of Wema Bank Plc

In accordance with the provisions of Section 404(7) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Wema Bank Plc hereby report as follows:

- We have exercised our statutory functions under section 404(7) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperation of Management and Staff in the conduct of these responsibilities.

- We are of the opinion that the accounting and reporting policies of the Group are in agreement 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 2020 were satisfactory and reinforce the Group's internal control systems.

- We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Insider Related Credits in the financial statements of Banks". We hereby confirm that an aggregate amount of N2.82billion (31 December 2019: N5.275billion) was outstanding as at 31 December 2020 of which Nil (31 December 2019: Nil) was non- performing.

- We have deliberated on the findings of 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 Group's system of accounting and internal control.

Prince Adekunle Olodun
FRC/2013/NIM/00000003105
Chairman, Audit Committee
3, March, 2021

Members of the Audit Committee are:

1.	Prince Adekunle Olodun	-	Shareholder (Chairman)
2.	Mr. Anosikeh Joe Ogbonna	-	Member
3.	Mr. Kashimawo Akanji Taiwo	-	Member
4.	Mr. Samuel Durojaye	-	Member
5.	Mr. Adebode Adefioye	-	Member
6.	Mr. Abubakar Lawal	-	Member

In attendance:

Mr. Johnson Lebile - Secretary

Statement of Directors' Responsibilities

For the preparation and approval of the Consolidated and Separate Financial Statements

The Directors of WEMA Bank Plc accept responsibility for the preparation of the [consolidated and separate] financial statements that give a true and fair view of the financial position of the group's and the bank's as at 31 December, 2020, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

Going Concern:

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

Certification of financial statements

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the :

(i) 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, and
(ii) 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 periods covered by the audited financial statements;

We state that management and directors:

(i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Bank and its subsidiary is made known to the officer by other officers of the group's and the bank's, particularly during the period in which the audited financial statement report is being prepared,
(ii) has evaluated the effectiveness of the group's and the bank's internal controls within 90 days prior to the date of its audited financial statements, and
(iii) certifies that the group's and the bank's internal controls are effective as of that date;

We have disclosed:

(i) all significant deficiencies in the design or operation of internal controls which could adversely affect the group and the bank's ability to record, process, summarise and report financial data, and has identified for the [group's /]company's auditors any material weaknesses in internal controls, and
(ii) whether or not, there is any fraud that involves management or other employees who have a significant role in the group's and bank 's internal control; and
(d) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Group and Bank for the year ended 31 December, 2020 were approved by the directors on 8 March, 2021.

On behalf of the Directors of the Group.

Babatunde Kasali
Chairman
FRC/2017/ICAN/00000016973

Ademola Adebise
Managing Director/CEO
FRC/2013/ICAN/00000002115

Tunde Mabawonku
Chief Financial Officer
FRC/2013/ICAN/00000002097

KPMG

Report Of The Independent Consultant To The Board Of Directors Of Wema Bank Plc On Their Appraisal For The Year Ended 31 December 2020

In compliance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code"), the Securities and Exchange Commission (SEC) Corporate Governance Guidelines ("SEC Guidelines") as well as Sections 14 and 15 of the Nigerian Code of Corporate Governance 2018 ("NCCG"), Wema Bank Plc. ("Wema Bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2020. The NCCG, SEC Guidelines and CBN Code mandate the Board of Directors to carry out a formal and rigorous evaluation of its own performance, that of its committees, the Chairman and individual Directors as well as an annual corporate governance evaluation to ascertain the extent of application of the codes of corporate governance.

We have performed the procedures agreed with Wema Bank in respect of the appraisal of the Board and evaluation of its compliance with corporate governance requirements in accordance with the provisions of the NCCG, SEC Guidelines and CBN Code. These procedures, which are limited in scope but sufficient for the Board's objectives in line with the Codes, are different in scope from an external audit. Consequently, no opinion is expressed by us on the activities reported upon.

Our approach to the appraisal of the Board and evaluation of the Board's corporate governance practices involved a review of the Bank's board papers and minutes, key corporate governance structures, policies and practices as well as the Bank's compliance with applicable codes and guidelines of corporate governance. This included the review of the corporate governance framework and representations obtained from questionnaires, interviews with the members of the Board and senior management.

On the basis of our review, the Bank's corporate governance practices are largely in compliance with the key provisions of the NCCG, SEC Guidelines and CBN Code. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations on the continuous oversight on the regulatory limits.

Tomi Adepoju
Partner, KPMG Advisory Services
FRC/2013/1CAN/00000001185
8 March 2021

Deloitte.

Independent Auditor's Report
To the members of WEMA Bank Plc

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of WEMA Bank Plc and its subsidiary (the Group and Company) set out on pages 80 to 117, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of WEMA Bank Plc as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Companies and Allied Matters Act (CAMA), Banks and Other Financial Institutions Act Cap B3 LFN 2004, and Financial Reporting Council Act, 2011.

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 in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Loans and advances make up a significant portion of the total assets At 31 December 2020, gross loans and advances was N375 billion (2019: 301billion) against which total loan impairment of N15billion (2019: N12billion) was recorded, thus leaving a net lo an balance of N360 billion (2019: 289billion) whichrepresents 37.2% (2019: 41%) of the total assets as at the reporting date. The basis of the impairments is summarised in the accounting policies to the consolidated and separate financial statements. In accordance with the provisions of IFRS 9 *Financial Instruments*, the Directors have established the bank's loan loss impairment methodology using the expected credit loss model. The Directors exercise significant judgement when determining both when and how much to record as loan impairment. This is due to the fact that a number of	We focused our testing of the impairment on loans and advances to customers on the key assumptions and inputs made by management and Directors. Specifically, our audit procedures included the following: a. We tested the design and operating effectiveness of the key controls instituted by the Directors around the process of identifying, metrics and para meters, and other factors in the identification and determination of the impairment on each loan. These control processes included reviewing: · Controls over the impairment calculation models including data inputs. · Controls over collateral valuation estimates; and · Governance controls, including attending key meetings that form part of the approval process for loan impairment. b. With the assistance of our credit risk specialist, we adopted a risk based approach to test samples of loans and advances

significant assumptions and inputs go into the determination of the impairment on loans and advances to customers. Some of these include:

i. Estimate of probability of default
ii. Estimate of loss given default
iii. Segmentation
iv. Exposure at default
v. Credit rating or classification
vi. Estimates of projected cash flows
vii. Determination of effective interest rates

Because of the significance of these estimates, judgements and the size of loans and advances portfolio, the audit of loan impairment is considered a key audit matter.

(including loans that had not been identified by management as potentially impaired) to form our own assessment as to whether impairment eve nts had occurre d and to assess whether impairments had been identified in a timely manner. We challenged management's judgement and we increased the focus on loans that were not reported as being impaired in sectors that are currently experiencing difficul t economic and market conditions.

c. We also tested the extraction from underlying systems of data used in the models. A sample of the data used in the models as well as assessing the model methodology and tested the calculations within the models. We invol ved our credit risk specialists who assessed whether the modelling assumptions used considered all relevant risks, and whether the additional adjustments to reflect un-modelled risks were reasonable in light of historical experience, economic climate, curr ent operational processes and the circumstances of the customers as well as our own knowledge of practices used by other similar banks.

Reviewed the reasonableness of the forward-looking assumptions applied into the impairment calculations. Challenged the multiple economic scenarios and probability weights applied in the model.

Where we determined that a more appropriate assumption or input in impairment measurement could be made, we recalculated the impairment on that basis and compared the results in order to assess whether there was any indication of error or management bias.

d. We assessed the impact of the various stimulus offered by the bank and Central Bank of Nigeria as well as the economic impact of the Covid -19 on customers' accounts have also been assessed based on Directors' judgement.

e. Disclosures in the financial stat ements were reviewed for reasonableness and compliance with the requirements of the standards.

Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by management and Directors to estimate the amount of loan impairment losses were comparable with historical performance, and prevailing economic situations and that the estimated loan impairment losses determined was appropriate in the circumstances.

Deferred Taxation Deferred tax assets (as disclosed in note 22) have been written down to N18billion in the current year to the extent that it is probable that future potential tax deductions will be available to realise deferred tax asset. As this required judgement from the directors in estimating future taxable income, deferred tax has been identified as a key audit matter.	The audit team obtained deferred tax calculation prepared by the Client and trace the financial position and profit or loss figures to the general ledger. We involved Deloitte tax specialist to assess the recognition and measurement of the deferred tax assets and liabilities. This included: • Analysing the calculation for compliance with Nigerian tax legislation. • Evaluating the directors' assessment of the estimated manner in which the timing differences, including the recoverability of the deferred tax assets, would be realized by comparing this to evidence obtained in respect of other areas of the audit, including cash flow forecasts, business plans, minutes of directors' meetings and our knowledge of the business. • Challenging the assumptions made by the directors for uncertain deferred tax positions to assess whether sufficient deferred tax provisions have been recognised and are based on the most probable outcome. We test checked the arithmetical accuracy of the client's calculations. Based on the audit procedures we concur with the directors that it was appropriate to limit the deferred tax asset recognized in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement, Corporate Governance Report, Sustainability Report and Audit Committee's Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and 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 on the other information that we obtained prior to the date of this auditor's report, 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 consolidated financial statements

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

- Identify and assess the risks of material misstatement of the 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the 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'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 auditors' report. However, future events or conditions may cause the Group 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 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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 auditors' 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

In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

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

The Bank has complied with the requirements of the relevant circulars issued by Central Bank of Nigeria.

In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 32.

During the year the bank contravened certain sections of BOFIA and CBN circulars/guidelines, the details of the contravention and the related penalties are as disclosed in Note 33 to the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
26 April , 2021
Engagement Partner: Michael Osinloye, FCA
FRC/2013/ICAN/000000

FINANCIALS

Statement of Profit or loss and other Comprehensive Income

In thousands of Nigerian Naira	Notes	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Gross Earnings		**81,382,795**	**94,890,127**	**79,876,995**	**93,389,811**
Interest income	7	64,552,522	70,682,043	63,046,722	69,181,727
Interest expense		(33,702,510)	(44,696,360)	(32,189,452)	(43,197,658)
Net interest income		**30,850,012**	**25,985,683**	**30,857,270**	**25,984,069**
Net impairment loss on financial assets	11	(5,635,165)	(6,130,600)	(5,635,165)	(6,130,600)
Net interest income after impairment charge for credit losses		**25,214,847**	**19,855,083**	**25,222,105**	**19,853,469**
Net gain on FVTPL investment securities		326,274	234,124	326,274	234,124
Net fee and commission income	8	8,422,108	7,998,793	8,422,108	7,998,793
Net trading income	9	3,940,031	14,789,480	3,940,031	14,789,480
Other income	10	4,141,860	1,185,687	4,141,860	1,185,687
		16,830,273	24,208,084	16,830,273	24,208,084
Operating income		**42,045,120**	**44,063,167**	**42,052,378**	**44,061,553**
Personnel expenses	12	(14,082,228)	(14,870,989)	(14,082,228)	(14,870,989)
Depreciation and amortization	13b	(3,136,273)	(3,316,846)	(3,136,273)	(3,316,846)
Other operating expenses	13a	(18,894,932)	(19,115,311)	(18,887,354)	(19,102,890)
Profit before tax		**5,931,687**	**6,760,021**	**5,946,523**	**6,770,828**
Income tax expense	26	(1,354,306)	(1,560,081)	(1,354,306)	(1,560,080)
Profit for the year		**4,577,381**	**5,199,940**	**4,592,217**	**5,210,748**
Other comprehensive income, net of income tax					
Items that will not be subsequently reclassified to profit or loss					
Net change in fair value of equity investments FVTOCI		544,616	404,901	544,616	404,901
Items that will be subsequently reclassified to profit or loss					
Net change in fair value of investments FVOCI		104,576	67,520	104,576	67,520
Income tax relating to items that may be reclassified subsequently to profit or Loss		-	-	-	-
Other comprehensive income for the year		649,192	472,421	649,192	472,421
Total comprehensive income for the year		**5,226,573**	**5,672,361**	**5,241,409**	**5,683,169**
Profit attributable to:					
Equity holders of the Bank		4,577,381	5,199,940	4,592,217	5,210,748
Total comprehensive income for the year		5,226,573	5,672,361	5,241,409	5,683,169
Earnings per share-basic	14	11.9	13.5	11.9	13.5

Statement of financial Position

		Group		Bank	
	Notes	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
In thousands of Nigerian Naira					
Cash and cash equivalents	15	97,524,936	65,974,273	97,527,858	65,967,028
Restricted Deposit with CBN	15b	246,974,959	137,392,701	246,974,959	137,392,701
Pledged assets	16	27,454,662	26,925,527	27,454,662	26,925,527
Investment securities:					
Fair value through other comprehensive income	17a	56,580,275	1,793,543	56,581,275	1,794,543
Fair Value through profit or loss	17b	78,225,951	105,164,284	78,225,951	105,164,284
Held at amortised cost	17c	48,992,774	43,142,925	38,052,786	32,234,960
Loans and advances to customers	18	360,076,079	289,239,870	360,076,079	289,239,870
Investment properties	19	38,388	39,330	38,388	39,330
Right of Use	29	621,528	509,963	621,528	509,963
Property and equipment	20	21,517,323	20,637,634	21,517,323	20,637,634
Intangible assets	21	1,391,549	974,069	1,391,549	974,069
Other assets	23	21,883,615	4,879,789	21,883,615	4,879,789
Deferred tax assets	22	18,236,111	19,195,906	18,236,111	19,195,906
		979,518,151	**715,869,814**	**968,582,084**	**704,955,604**
Deposits from banks	24	-	3,638,400	-	3,638,400
Deposits from customers	25	804,873,392	577,283,469	804,873,392	577,283,469
Lease Liabilities	29	22,875	72,584	22,875	72,584
Current tax liabilities	26	394,511	905,364	394,511	905,364
Other liabilities	27	41,562,148	30,039,084	41,522,098	29,996,610
Other borrowed funds	28	73,523,471	48,770,306	62,416,375	37,702,326
		920,376,397	660,709,207	909,229,251	649,598,753
EQUITY					
Share capital	30	19,287,233	19,287,233	19,287,233	19,287,233
Share premium	30	8,698,230	8,698,230	8,698,230	8,698,230
Regulatory risk reserve		5,536,119	7,577,698	5,536,119	7,577,698
Retained earnings	30	7,103,647	3,254,018	7,314,727	3,450,262
Other reserves		18,516,524	16,343,427	18,516,524	16,343,427
EQUITY ATTRIBUTABLE TO		**59,141,754**	**55,160,607**	**59,352,833**	**55,356,851**
EQUITY HOLDERS OF THE BANK					
TOTAL LIABILITIES AND EQUITY		**979,518,151**	**715,869,814**	**968,582,084**	**704,955,604**
CONTINGENTS		**78,692,203**	**83,890,369**	**78,692,203**	**83,890,369**

The financial statements were authorized for issue by the directors on the 8th March, 2021.

Babatunde Kasali
Chairman
FRC/2017/ICAN/00000016973

Ademola Adebise
Managing Director
FRC/2013/ICAN/00000002115

Tunde Mabawonku
Chief Financial Officer
FRC/2013/ICAN/00000002097

Statement of changes in equity

Group
In thousands of Nigerian naira (000s)

	Share Capital	Share premium	Credit risk reserve	Regulatory risk reserve	Statutory reserve	SMEIES reserve	Fair value reserves	Retained earnings	Total equity
2020									
Balance at 1 January 2020	19,287,233	8,698,230	781,612	7,577,698	13,597,317	526,908	1,437,590	3,254,018	55,160,607
Opening Adjustment									-
Dividend Payout								(1,542,979)	(1,542,979)
SMEIS Charge						146,240		151,313	297,553
Profit or loss	-	-	-	-	-	-		4,577,381	4,577,381
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments									-
Fair value reserve FVTOCI financial assets	-	-	-	-	-	-	649,192	-	649,192
	19,287,233	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**673,148**	**2,086,782**	**6,439,733**	**59,141,754**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Regulatory risk reserve	-	-		(2,041,579)	-	-	-	2,041,579	-
Credit risk reserve			-					-	
Transfer to Statutory reserve	-	-		-	1,377,665	-	-	(1,377,665)	-
Total contribution and distributions to owners	-	-	-	(2,041,579)	1,377,665	-	-	663,914	-
Balance as at 31 December 2020	**19,287,233**	**8,698,230**	**781,612**	**5,536,119**	**14,974,982**	**673,148**	**2,086,782**	**7,103,647**	**59,141,754**
2019									
Balance at 1 January 2019	**19,287,233**	**8,698,230**		**3,384,894**	**12,034,093**	**526,908**	**965,169**	**5,992,622**	**50,889,149**
Opening Adjustment								(75,705)	(75,705)
Dividend Payout								(1,157,235)	(1,157,235)
SMEIS Charge								(167,963)	(167,963)
Profit or loss	-	-		-	-	-		5,199,940	5,199,940
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments									-
Fair value reserve FVTOCI financial assets	-	-		-	-	-	472,421	-	472,421
	19,287,233	**8,698,230**	**-**	**3,384,894**	**12,034,093**	**526,908**	**1,437,590**	**9,791,659**	**55,160,607**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Regulatory risk reserve	-	-		4,192,804	-	-	-	(4,192,804)	-
Credit risk reserve			781,612					(781,612)	
Transfer to Statutory reserve	-	-		-	1,563,224	-	-	(1,563,224)	-
Total contribution and distributions to owners	-	-	781,612	4,192,804	1,563,224	-	-	(6,537,640)	-
Balance as at 31 December 2019	**19,287,233**	**8,698,230**	**(781,612)**	**(807,910)**	**10,470,869**	**526,908**	**1,437,590**	**16,329,299**	**55,160,607**

Statement of changes in equity

Bank

In thousands of Nigerian naira (000s)

2020	Share Capital	Share premium	Credit risk reserve	Regulatory risk reserve	Statutory reserve	AGSMEIS reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2020	**19,287,233**	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**526,908**	**1,437,590**	**3,450,262**	**55,356,851**
Dividend Payout								(1,542,979)	**(1,542,979)**
SMEIS Charge						146,240		151,313	**297,553**
Profit or loss	-	-	-	-	-	-		4,592,217	**4,592,217**
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments									**-**
Fair value reserve FVTOCI financial assets	-	-	-	-	-	-	649,192	-	**649,192**
	19,287,233	8,698,230	781,612	7,577,698	13,597,317	673,148	2,086,782	6,650,813	**59,352,833**
Transactions with owners, recorded directly in equity									**-**
Contributions by and distributions to owners									**-**
Regulatory risk reserve				(2,041,579)				2,041,579	**-**
Credit risk reserve			-					-	
transfer to statutory reserves					1,377,665			(1,377,665)	**-**
Total contribution and distributions to owners	-	-	-	(2,041,579)	1,377,665	-	-	663,914	**-**
Balance at 31 December 2020	**19,287,233**	**8,698,230**	**781,612**	**5,536,119**	**14,974,982**	**673,148**	**2,086,782**	**7,314,727**	**59,352,833**
2019									
Balance at 1 January 2019	**19,287,233**	**8,698,230**		**3,384,894**	**12,034,093**	**526,908**	**965,169**	**6,102,353**	**50,998,880**
Dividend Payout								(1,157,235)	**(1,157,235)**
SMEIS Charge								(167,963)	**(167,963)**
Profit or loss	-	-		-	-	-		5,210,748	**5,210,748**
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments									-
Fair value reserve FVTOCI financial assets	-	-		-	-	-	472,421	-	472,421
Total comprehensive income for the period	**19,287,233**	**8,698,230**	**-**	**3,384,894**	**12,034,093**	**526,908**	**1,437,590**	**9,987,903**	**55,356,851**
									-
Transactions with owners, recorded directly in equity									-
Contributions by and distributions to owners									-
Regulatory risk reserve				4,192,804				(4,192,804)	-
Credit risk reserves			781,612					(781,612)	
transfer to statutory reserves					1,563,224			(1,563,224)	-
Total contribution and distributions to owners	-	-	781,612	4,192,804	1,563,224	-	-	(6,537,640)	-
Balance as at 31 December 2019	**19,287,233**	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**526,908**	**1,437,590**	**3,450,263**	**55,356,851**

Statement of Prudential Adjustments

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Prudential Provisions:				
Loans and advances	21,921,475	21,345,910	21,921,475	20,502,558
Other financialassets	2,313,255	1,314,335	2,313,255	2,157,688
	24,234,730	**22,660,245**	**24,234,730**	**22,660,246**
Impairment assessment under IFRS:				
Loans and advances				
12-months ECL credit	8,768,264	7,104,750	8,768,264	7,104,750
Life-time ECL Not impaired	783,944	377,572	783,944	377,572
Life-time ECL credit impaired	5,411,370	4,646,110	5,411,370	4,646,110
	14,963,578	**12,128,432**	**14,963,578**	**12,128,432**
Investment securities				
12-months ECL	1,282,095	1,324,037	1,282,095	1,324,037
	1,282,095	**1,324,037**	**1,282,095**	**1,324,037**
Off balance sheet exposures				
12-months ECL	1,401,431	768,381	1,401,431	768,381
	1,401,431	**768,381**	**1,401,431**	**768,381**
Other financial assets				
specific allowance for impairment on other assets	-	-	-	-
12 months ECL Lifetime ECL	861,697	861,697	1,051,506	861,697
Other non-financial assets	-	-	-	-
	861,697	**861,697**	**1,051,506**	**861,697**
Total IFRSImpairment	**18,508,801**	**15,082,548**	**18,698,611**	**15,082,548**
Excess of Prudential impairment over IFRSimpairment				
transferred to regulatory reserve	**5,725,929**	**7,577,698**	**5,536,119**	**7,577,698**

Consolidated and Separate Statements of Cashflow

In thousands of Nigerian Naira	Notes	Group 31-Dec 2020	Group 31-Dec 2019	Bank 31-Dec 2020	Bank 31-Dec 2019
Cash flows from operating activities					
Profit for the year		4,577,381	5,199,940	4,592,217	5,210,748
Adjustments for:					
Taxation expense	26	1,354,306	1,560,080	1,354,306	1,560,080
Depreciation and amortization		3,136,273	3,316,846	3,136,273	3,316,846
Adjustment for transfer out of PPE now expensed		(33)	24,413	(33)	24,413
Opening balance adjusted directly in retained earnings		-	(75,706)	-	-
(Gain)/Loss on disposal of property and equipment	10	(1,266,904)	(133,842)	(1,266,904)	(133,842)
Net interest income		(30,850,012)	(25,985,683)	(30,857,270)	(25,984,069)
Dividend received from equity investment		(67,315)	(85,247)	(67,315)	(85,247)
Impairment loss on financial assets		5,635,165	5,365,942	5,635,165	5,365,942
Operating cashflow before movement in working capital		(17,481,139)	(10,813,255)	(17,473,561)	(10,725,129)
Change in pledged assets		(529,135)	(6,342,094)	(529,135)	(6,342,094)
Change in loans and advances to customers		(76,471,374)	(42,416,199)	(76,471,374)	(42,416,199)
Change in other assets		(17,003,826)	(419,883)	(17,003,826)	(419,883)
Change in deposits from banks	24	(3,638,400)	3,638,400	(3,638,400)	3,638,400
Change in finance lease obligation		-	-	-	-
Change in restricted deposit with CBN		(109,582,258)	(79,338,497)	(109,582,258)	(79,338,497)
Change in deposits from customers		227,589,923	208,083,701	227,589,923	207,969,305
Change in other liabilities		11,473,357	7,274,064	11,475,779	7,296,598
Cashflow generated by operations		14,357,147	79,666,237	14,367,148	79,662,502
Income tax paid	26	(905,364)	(73,484)	(905,364)	(73,484)
Interest received		64,552,522	70,682,043	63,046,722	69,181,727
Interest paid		(29,704,156)	(41,389,921)	(29,704,157)	(41,389,922)
Net cash from operating activities		**48,300,149**	**108,884,875**	**46,804,348**	**107,380,822**
Cash flows from investing activities					
Disposal/Acquisition of investment securities-At Amortised Cost		(5,849,850)	15,886,256	(5,817,826)	15,904,646
Disposal/Acquisition of investment securities-FVTOCI		(54,137,540)	(441,048)	(54,137,540)	(441,048)
Change in FVTPL investments		26,938,332	(93,455,754)	26,938,332	(93,455,754)
Dividend received from equity investment		67,315	85,247	67,315	85,247
Acquisition of property and equipment	20	(3,707,336)	(4,753,596)	(3,707,336)	(4,753,596)
Proceeds from the sale of property and equipment		1,475,658	271,854	1,475,658	271,854
Right of Use		(337,292)	(719,649)	(337,292)	(719,649)
Acquisition of intangible assets		(708,158)	(596,662)	(708,158)	(596,662)
Net cash (used in)/generated by investing activities		**(36,258,871)**	**(83,723,352)**	**(36,226,847)**	**(83,704,962)**
Cash flows from financing activities					
Proceed from borrowings		26,765,784	14,036,739	26,726,669	14,036,739
Repayment of borrowings		(2,012,620)	(10,715,151)	(2,012,620)	(10,735,437)
Transfer To/From Reserves		297,553	(167,963)	297,553	(167,963)
Interest paid on borrowings	7	(3,998,354)	(3,306,439)	(2,485,295)	(1,807,736)
Dividend paid to shareholders		(1,542,979)	(1,157,235)	(1,542,979)	(1,157,235)
Net cash from financing activities		**19,509,385**	**(1,310,049)**	**20,983,328**	**168,368**
Net increase in cash and cash equivalents		31,550,664	23,851,474	31,560,830	23,844,229
Cash and cash equivalents at beginning of year		65,974,273	42,122,799	65,967,028	42,122,799
Cash and cash equivalents at end of year	15	**97,524,937**	**65,974,273**	**97,527,858**	**65,967,028**

ALAT by WEMA

Notes To The Financial Statements

1. Reporting Entity

Wema Bank Plc (the "Bank") is a Company domiciled in Nigeria. The address of the Bank's registered office is 54 Marina, Lagos, Nigeria. The Bank is primarily involved in investment, corporate, commercial and retail banking. The bank has a wholly owned subsidiary which is WEMA Bank Funding SPV Plc.

1.1 Going Concern

The Bank received its national banking license from Central Bank of Nigeria in November 2015 and now operate as a National Bank as against its previous status as a regional bank.

Based on the current capitalization position of the bank, the Directors expects the bank to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the financial statements are prepared on a going concern basis.

2. Basis of Preparation

(a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria for the financial year starting from 1 January, 2014.

The financial statements comply with the requirement of the Companies and Allied Matters Act.

The Bank and Other Financial Institutions Act CAP B3 LFN 2004 and the Guidelines issued by the Central Bank of Nigeria to the extent that they are not in conflict with the International Financial Reporting Standards.

The financial statements were authorized for issue by the Board of Directors on 8th of March, 2021

(b) Functional and presentation currency
These financial statements are presented in Nigerian Naira, which is the Group's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

(c) Basis of measurement

The financial statements have been prepared under the historical cost convention with the exception of the following:

- Assets and liabilities measured at amortised cost;
- Derivative financial instruments which are measured at fair value; and
- Non-derivative financial instruments, carried at fair value through profit or loss, or fair value through OCI are measured at fair value.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 4.

(e) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the bank and its subsidiary (Wema Bank Funding SPV Plc). The subsidiary is controlled by the bank. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Total comprehensive income of subsidiaries is attributed to the owners of the Bank. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by the Group.

The wholly owned subsidiary was incorporated in Nigeria on the 30th of June, 2016 (Registration Number 1345745) as a public limited company under the name of Wema Bank Funding SPV Plc. The special purpose vehicle carries on business at Wema Towers, 54 Marina, Lagos. It has no subsidiary or affiliate. It was established as a special purpose vehicle for the purpose of issuing bonds to fund working capital, enhance liquidity and enhance its capital base of the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2.1 New and amended IFRS Standards that are effective for the current year

(I) Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.
In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

The Group has floating rate debt, linked to, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.

The Group has issued [Currency B]-denominated fixed rate debt which it fair value hedges using [Currency B]-fixed to [Currency B] IBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, [Currency B] IBOR, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measureable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.

The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

This is applicable to the bank at the moment

(ii) Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, t h e consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and c) There is no substantive change to other terms and conditions of the lease.
(c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group had no such Covid -19 related rent concessions as such there is no impact on the financial statements.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Bank has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum of an input and a substantive process that together significantly contribute to the ability to create outputs. The assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs was removed. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test, under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. All these stated amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020, however, this is not applicable to the Bank.

Amendments to IAS 1 and IAS 8

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.1 New and revised IFRS Standards in issue but not yet effective

Entities are required to disclose in their financial statements the potential impact of new and revised IFRS Standards that have been issued but are not yet effective. The disclosures below reflect a cut off date of 31 July 2020. The standard states that potential impact of the application of any new and revised IFRS issued by the IASB after 31 July 2020, but before the financial statements are issued should also be considered and disclosed. The impact of the application of the new and revised IFRS (see below) is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

At the date of authorisation of these financial statements, the following new and revised standards were not applied as it plans to adopt these standards at the effective dates:

The impact of the application of the new and revised IFRS below is for illustrative purposes only. Entities should analyse the impact of these new or revised IFRS on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. This standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 Business Combination, so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3 Significant Accounting Policies

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

(a) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Bank. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Bank takes into consideration potential voting rights that currently are exercisable.

The Bank measures goodwill at the acquisition date as the total of:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stage,

- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss. The Bank elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(b) Foreign currency

The financial statements are presented in Nigerian Naira, which is the Bank's functional and reporting currency. Transactions in foreign currencies are translated at the foreign exchange rates effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are adjusted to the functional currency at the spot exchange rates effective at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in the foreign currency translated at the exchange rate effective on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate effective at the date that the fair value is determined. Foreign exchange differences arising on translation are recognised in profit or loss.

(c) Interest Income and Expense

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

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

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, dividend and foreign exchange differences.

(f) Dividend Income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income or other operating income based on the underlying classification of the equity investment. Dividend income on available-for-sale securities are recognised as a component of other operating income.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(g) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Specifically;
- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss;
- Other exchange differences are recognised in other comprehensive income in the fair valuation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

(h) Lease

The Bank as the Lessee

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever.

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Bank applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in Note 29.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss (see note 13).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient.

The Bank as the Lessor

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

(I) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

In accordance with the Companies Income Tax Act, Cap C21, LFN 2004, the Bank is assessed for tax under the minimum tax regulation when the total profits of the Bank from all sources have produced tax or tax payable which is less than the minimum tax specified by the law. When assessed for minimum tax, the rates applicable for calculating the minimum tax is the higher 0.5% of Turnover or excess dividend basis where dividend paid during the year is higher than taxable profit.

The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date in the countries where the Bank and its subsidiaries as well as associates operate and generate taxable income. Current tax also includes any tax arising from dividend. Current income tax is recognised as an expense for the period and adjustments to past periods except to the extent that current tax related to items that are charged or credited in OCI or directly to equity.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognized. These amounts are recognised in profit or loss because they relate to income arising from transactions that were originally recognised in profit or loss.

(ii) Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax is not recognised for:

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

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i. Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Debt Instruments

1. A debt instrument is measured at amortized cost if it meets both of the following conditions:
   the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
   the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. A debt instrument is measured at FVOCI only if it meets both of the following conditions:
   the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Business Model Assessment

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

Solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument.

Equity instruments Designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business ombination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment
- That is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.
- In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL

upon initial recognition if such designation eliminates or significantly

- Reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss and is included in the "interest income" line item.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in the Group's fair value measurement policy.

ii Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, finance lease receivables, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

1. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition the criteria for determining whether credit risk has increased significantly will vary by portfolio and will include backstop based on delinquency.

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

The Bank will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with its staging criteria by comparing:

- the risk of default on the exposure as at the reporting date; with
- the risk of default on the exposure as at the date of initial recognition

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.

For certain revolving facilities (e.g. overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

Individual or collective assessment of significant increase in credit risk

The objective of the impairment requirements in IFRS 9 is to recognise lifetime expected credit losses for all financial instruments for which there has been a significant increase in credit risk since initial recognition – whether assessed on an individual or collective basis. For some instruments, a significant increase in credit risk may be evident on an individual instrument basis before the financial instrument becomes past due. In these cases, an assessment of whether there has been a significant increase in credit risk is carried out on an individual basis.

For some other instruments, a significant increase in credit risk may not be evident on an individual instrument basis before the financial instrument becomes past due. For example, this could be the case when there is little or no updated information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms – e.g. for many retail loans. In these cases, an assessment of whether there has been a significant increase in credit risk on an individual basis would not faithfully represent changes in credit risk since initial recognition, and so if more forward-looking information is available on a collective basis, an entity makes the assessment on a collective basis.

To assess significant increases in credit risk on a collective basis, the Bank group financial instruments on the basis of shared credit risk characteristics, which may include any of the following examples of shared credit risk characteristics:

- instrument type;
- credit risk ratings;
- collateral type;
- date of origination;
- remaining term to maturity;
- industry;

2. Default

The Bank will consider a financial asset to be in default when:

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

This definition is largely consistent with the definition that is used for regulatory purposes (as defined in paragraph 12.1(b) of the CBN Prudential Guideline 2010).

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

- qualitative: e.g. breach of covenants that are deemed as default events;
- quantitative: e.g. 90 days overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on internally and external objective evidence of impairment.

3. Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

- significant financial difficulty of the borrower or issuer;

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired. In making an assessment of whether an investment in subnational/corporate debt instrument is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The current financial situation of the sub-national/corporate issuer.
- The mechanisms in place to provide the necessary support (from the central government), as well as the intention, reflected in public statements of governments/corporate issuer and availability to use those mechanisms.

4. Write off Policy

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 Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off and this is taken as a derecognition event. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. Additionally, the Bank also follows the CBN regulation regarding write-off of non-performing loans.

5. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Reclassifications

Financial assets

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

Financial liabilities

Financial liabilities are not reclassified.

iii Modifications of financial assets and financial liabilities

a. Financial assets

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value. Any costs or fees incurred as part of the modification are recognised as part of the gain or loss on derecognition.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset using the original EIR and recognizes any difference arising between this recalculated amount and the existing gross carrying amount as a modification gain or loss in profit or loss. Any costs or fees incurred as part of the modification adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

b. Financial liabilities

The Bank derecognized a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

When the cash flows of the modified financial liability are not substantially different, then the modification does not result in derecognition of the financial asset and any difference in recognized in profit or loss (similar to the principle for accounting for modification of financial asset that do not result in derecognition).

iv Offset of financial assets

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has currently enforceable a legal right to offset the amounts and intends either to settle on a net basis or to realize 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 Bank of similar transactions such as in the Bank's trading activity.

v Derecognition

I. Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit and loss.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

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

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

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

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

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position to assets pledged as collateral if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Initial recognition of assets pledged as collateral is at fair value, whilst subsequently measured at amortized cost or fair value as appropriate.

ii. Financial liabilities

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

vi Trading assets and liabilities

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

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

vii Derivative financial assets

Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivative assets and liabilities arising from different transactions are only offset where there is a legal right of offset of the recognized amounts and the parties intend to settle the cash flows on a net basis, or realize the asset and settle the liability simultaneously.

The method of recognizing fair value gains and losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if the latter, the nature of the risks being hedged. All gains and losses from changes in the fair value of derivatives held for trading are recognized in the profit or loss.

viii Fair value measurement

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

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

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

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

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

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

ix Restructured financial assets

Financial instruments are restructured when the contractual terms are renegotiated or modified or when an existing financial instrument is replaced with a new one due to financial diffculties of the borrower. Restructured loans represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows;

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset is included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

x Regulatory Probationary Period

The CBN expects Banks to place financial instruments into relevant stages using the transfer criteria set out in IFRS 9 and those determined by the Bank.

However, where there is significant evidence of reduction in credit risk, the CBN requires banks to observe the following probationary periods;

- 90 days probationary period to move a loan from Lifetime ECL not credit impaired (stage 2) to 12 months ECL (stage 1)
- 90 days probationary period to move a loan from Lifetime ECL credit-impaired
- (stage 3) to Lifetime ECL not impaired (stage 2) 180 days probationary period to move a loan from Lifetime ECL credit-impaired (stage 3) to 12 months ECL (stage 1).

xi Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued, borrowings and other liabilities are the Bank's sources of debt funding. When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

(k) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(l) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Bank holds some investment properties consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less accumulated depreciation and impairment losses in line with the cost model in IAS 16. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

(m) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where the Bank has an obligation to remove the asset or restore the site and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-today servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss 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.

Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

• Buildings	50 years
• Furniture and office equipment	5 years
• Computer equipment	5 years
• Motor vehicles	5 years
• Right of use of assets	Lower of lease term or the useful life for the

specified class of item

• Work in progress	Not depreciated

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use.

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

(iv) De-recognition

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

(n) Intangible assets

(I) Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is shorter of 5 years or the contractual licensing period.

Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(o) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

(p) Deposits and subordinated liabilities

Deposits and subordinated liabilities are the Bank's sources of debt funding. When the Bank sells a financial asset and simultaneously enters into a “repo” or “stock lending” agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit and the underlying asset continues to be recognised in the Bank's financial statements. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and subordinated liabilities are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(q) Provisions

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

(i) Restructuring

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

(ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

(r) Financial guarantees

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

(s) Employee benefits

(i) Defined contribution plans

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

Obligations for contributions to defined contribution pension plans are recognised as personnel expenses in profit or loss when they are due in respect of service rendered before the end of the reporting period.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the reporting period in which the employees render service are discounted to their present value at the reporting date.

The Bank operates a funded, defined contribution pension scheme for employees in Nigeria. Obligations in respect of the Bank's contributions to the scheme are recognised as an expense in the profit and loss account on an annual basis. The employee and the Bank contribute 7.5% and 17.5% of basic salary, housing, luncheon and transport allowance respectively to each employee's retirement savings account maintained with their nominated Pension Fund Administrators in accordance with the Pension Reform Act 2014.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present obligation as a result of past events which is not recognised because it is not probable 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 crystallise. 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 Bank. Contingent assets are never recognised rather they are disclosed in the financial statements when an inflow of economic benefit is probable.

(u) Share capital and reserves

(i) Share issue costs

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

(ii) Dividend on the Bank's ordinary shares

Dividend on the Bank's ordinary shares are recognised in equity when approved by Bank's shareholders.

(v) Earnings per share

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

(w) Segment reporting

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

(x) Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale of their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification. Non-current assets (and disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

(y) Related party transactions

Transactions with related parties are conducted and recorded at arm's length and disclosed in accordance with IAS 24 "Related party disclosures".

4(a) Key sources of estimation uncertainty

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy j (viii).

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

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

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy j (viii). 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.

(b) Critical accounting judgements made in applying the Bank's accounting policies include:

(i) Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either (i.e., derived from prices). This category includes instruments valued using: quoted market prices inactive markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less 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 unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

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

Group	Level 1	Level 2	Level 3	Total
31-Dec-20				
Treasury Bills	161,572,989	-	-	161,572,989
Investment Securities (Bonds)	15,377,283	4,895,795	-	20,273,078
Equity Securities	-	1,844,591	-	1,844,591
Pledged Assets	27,454,662	-	-	27,454,662
	204,404,934	**6,740,387**	**-**	**211,145,321**
Bank				
31-Dec-20				
Treasury Bills	161,572,989	-	-	161,572,989
Investment Securities (Bonds)	4,437,295	4,895,795		9,333,090
Equity Securities	-	1,845,591	-	1,845,591
Pledged Assets	27,454,662	-	-	27,454,662
	193,464,946	**6,741,387**	**-**	**200,206,333**
Group				
31-Dec-19				
Treasury Bills	128,934,300	-	-	128,934,300
Investment Securities (Bonds)	19,442,617	423,860		19,866,477
Equity Securities	-	1,299,975	-	1,299,975
Pledged Assets	26,925,527	-	-	26,925,527
	175,302,444	**1,723,835**	**-**	**177,026,279**
Bank				
31-Dec-19				
Treasury Bills	128,934,300	-	-	128,934,300
Investment Securities (Bonds)	8,534,652	423,860	-	8,958,512
Equity Securities	-	1,300,975	-	1,300,975
Pledged Assets	26,925,527	-	-	26,925,527
	164,394,479	**1,724,835**	**-**	**166,119,314**

(ii) Financial asset and liability classification

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

Details of the Group's classification of financial assets and liabilities are given in note 6.

(iii) Depreciation and carrying value of property and equipment

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

(iv) Determination of impairment of property and equipment and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

(v) Determination of recognised deferred tax balances

Management is required to make judgements concerning the recoverability of unused tax losses.

Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

(vi) Operating segments

The Bank, which has a national authorization, has four reportable geographical segments, which are the Bank's strategic zones. The strategic zones offer different products and services and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic zones, the Bank's management reviews internal management reports on a monthly basis.

Segment information is presented in respect of the Bank's geographic segments which represents the primary segment reporting format and is based on the Bank's management and reporting structure.

Geographical segments

The Bank operates in four geographical regions: South-west, South-South, Abuja and Lagos zones:

In t housands of Nigerian Naira

31-Dec-20

Group

	South - West	South - South	Abuja	Lagos	Total
Derived from external customers	12,564,282	3,563,362	2,878,828	62,376,324	81,382,795
Interest and similar expenses	(3,215,276)	(924,993)	(783,869)	(28,778,372)	(33,702,510)
Operating income	9,349,006	2,638,369	2,094,958	33,597,952	47,680,285
Operating expenses	(8,275,498)	(1,938,518)	(1,823,665)	(29,710,917)	(41,748,598)
Profit on ordinary activities before taxation	1,073,508	699,851	271,293	3,887,035	5,931,687
Income tax expense	(293,192)	(191,141)	(74,095)	(795,879)	(1,354,306)
Profit on ordinary activities after taxation	780,315	508,711	197,199	3,091,156	4,577,381
Assets and liabilities:					
Total assets	131,622,316	33,935,806	31,210,158	782,749,871	979,518,151
Total liabilities	(156,177,348)	(40,279,775)	(41,089,244)	(682,830,031)	(920,376,397)
Net Asset	(24,555,032)	(6,343,968)	(9,879,086)	99,919,841	59,141,754

Geographical segments

The Bank operates in four geographical regions: South-west, South-South, Abuja and Lagos zones:

Bank

In thousands of Nigerian Naira	South- West	South- South	Abuja	Lagos	Total
Derived from external customers	12,535,871	3,526,998	2,850,249	60,963,878	79,876,995
Interest and similar expenses	(3,070,913)	(883,461)	(748,674)	(27,486,403)	(32,189,452)
Operating income	9,464,957	2,643,536	2,101,575	33,477,475	47,687,543
Operating expenses	(8,273,938)	(1,938,153)	(1,823,321)	(29,705,609)	(41,741,020)
Profit on ordinary activities before taxation	1,191,020	705,384	278,253	3,771,866	5,946,523
Income tax expense	(324,595)	(192,242)	(75,834)	(761,635)	(1,354,306)
Profit on ordinary activities after taxation	866,425	513,142	202,420	3,010,231	4,592,217
Assets and liabilities:					
Total assets	130,163,390	33,559,656	30,864,219	773,994,820	968,582,084
Total liabilities	(154,301,793)	(39,796,049)	(40,595,797)	(674,535,612)	(909,229,251)
Net Asset	(24,138,403)	(6,236,393)	(9,731,579)	99,459,208	59,352,833

Notes to the Financial Statements

In thousands of Nigerian Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
7 Interest income				
Cash and cash equivalents	3,405,659	1,638,912	3,405,659	1,638,912
Loans and advances to banks and customers	53,695,287	61,844,058	53,695,287	61,844,058
Investments securities	7,451,576	7,199,073	5,945,776	5,698,757
Total interest income	**64,552,522**	**70,682,043**	**63,046,722**	**69,181,727**

Included In interest income on loans and advances is modification loss of N1.2 Billion for group and bank. It represents the changes in gross carrying amount of the financial assets from immediately before to immediately after modification. The modifications were not as a result of credit deterioration

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Interest expense				
Deposits from banks	430,498	5,027,316	430,498	5,027,316
Interest expense on lease liabilities	-	10,810	-	10,810
Deposits from customers	29,273,659	36,351,796	29,273,659	36,351,796
Other borrowed funds	3,998,353	3,306,438	2,485,295	1,807,736
Total interest expense	**33,702,510**	**44,696,360**	**32,189,452**	**43,197,658**
8 Fees and commission income				
Credit related fees	652,371	876,039	652,371	876,039
Account maintenance fees	1,246,621	1,078,759	1,246,621	1,078,759
Management fees	1,534,077	835,777	1,534,077	835,777
Fees on electronic products	2,606,787	3,758,718	2,606,787	3,758,718
Fees on financial guarantees	856,272	408,151	856,272	408,151
Other fees and charges	1,525,980	1,041,349	1,525,980	1,041,349
Total fee and commission income	**8,422,108**	**7,998,793**	**8,422,108**	**7,998,793**
9 Net trading income				
Fixed income securities	25,879	16,241	25,879	16,241
Treasury bills	3,601,634	14,521,181	3,601,634	14,521,181
Foreign exchange trading (note 9.1)	312,518	252,058	312,518	252,058
	3,940,031	**14,789,480**	**3,940,031**	**14,789,480**

9.1 Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value through profit or loss

10 Other income	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Dividends on available-for-sale equity securities	67,315	85,247	67,315	85,247
Gains on disposal of property and equipment	1,266,904	171,624	1,266,904	171,624
Rental income	48,643	42,028	48,643	42,028
Insurance claim received	63,262	6,287	63,262	6,287
Income on contingents	68,600	32,623	68,600	32,623
Income on deposit accounts	156,383	138,193	156,383	138,193
Fund transfer	14,320	3,259	14,320	3,259
FX Revaluation	1,772,202	460,312	1,772,202	460,312
Swift transactions	157,913	82,231	157,913	82,231
Service charge	37,209	15,119	37,209	15,119
Advisory fees	82,071	67,941	82,071	67,941
Other recoveries	130,000	-	130,000	-
Others	277,038	80,824	277,038	80,824
	4,141,860	**1,185,687**	**4,141,860**	**1,185,687**

11 Impairment loss on financial/non-financial instruments

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
ECL on financial instruments				
Impairment charge on loans and advances	4,711,535	3,954,978	4,711,535	3,954,978
Investment securities/Treasury bills	213,799	1,278,829	213,799	1,278,829
Cash and cash equivalent	20,901	45,208	20,901	45,208
Other non-financial assets	189,809	132,135	189,809	132,135
Impairment charge on non-financial instruments				
Off balance sheet	633,050	768,381	633,050	768,381
Recoveries on loans	(133,929)	(48,931)	(133,929)	(48,931)
Total impairment charge on financial instruments	**5,635,165**	**6,130,600**	**5,635,165**	**6,130,600**

A total sum of N529.85m was recovered during the year (31 December, 2019 - N920.36m).

12 Personnel expenses

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Wages and salaries	11,629,614	10,812,839	11,629,614	10,812,839
Pension Contribution	588,349	600,000	588,349	600,000
(Reversals)/Contributions to defined contribution plans	(360,000)	605,050	(360,000)	605,050
Other staff costs	2,224,265	2,853,100	2,224,265	2,853,100
	14,082,228	**14,870,989**	**14,082,228**	**14,870,989**

(a) The average number of persons employed during the period by category:

	Group		Bank	
	31-Dec-20 Number	31-Dec-19 Number	31-Dec-20 Number	31-Dec-19 Number
Executive Directors	5	4	5	4
Management	66	40	66	40
Non-management	1,161	1,117	1,161	1,117
	1,232	1,161	1,232	1,161

The emoluments of all other directors fell within the following ranges:

	Number	Number	Number	Number
N2,370,001 - N2,380,000	-	-	-	-
N2,720,001 - N2,730,000	-	-	-	-
N3,060,001 - N5,070,000	7	7	7	7
N7,360,001 - N7,370,000	5	4	5	4

Employees other than Directors, earning more than N200,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits) in the following ranges:

	Group		Bank	
	31 -Dec -20	31 -Dec -19	31 -Dec -20	31 -Dec -19
	Number	Number	Number	Number
N500,000 - N1,000,000	-	-		-
N1,490,001 - N2,500,000	5	8	5	8
N2,510,001 - N3,020,000	3	22	3	22
N3,240,001 - N3,750,000	245	266	245	266
N3,990,001 - N4,500,000	181	195	181	195
N4,710,001 - N5,220,000	271	267	271	267
N5,390,001 - N5,900,000	168	148	168	148
N5,990,001 - N6,600,000	116	164	116	164
N6,900,001 - N7,710,000	85	87	85	87
Above N7,710,000	158	-	158	-

Directors' remuneration (excluding pension contributions and certain benefits) was provided as follows:

	Group		Bank	
In thousands of Nigerian Naira	31 -Dec -20	31 -Dec -19	31 -Dec -20	31 -Dec -19
Executive compensation/fees	297,839	297,839	297,839	297,839
Other emoluments	142,790	142,790	142,790	142,790
	440,629	**440,629**	**440,629**	**440,629**

The directors' remuneration shown above includes:

Chairman	6,266	6,266	6,266	6,266
Highest paid director	70,050	70,050	70,050	70,050

13a Other operating expenses

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Advertising and marketing	1,652,720	1,266,180	1,652,720	1,266,180
AMCON Levy (I)	3,999,690	2,759,640	3,999,690	2,759,640
Auditors remune ration	180,000	180,000	170,000	170,000
Business Expenses	163,141	360,060	163,141	360,060
Cash movement expenses	515,382	530,796	515,382	530,796
Diesel Expenses	430,057	568,355	430,057	568,355
Directors Expenses	27,300	34,950	27,300	34,950
Directors fees	37,162	56,919	37,162	56,919
Donations	228,977	110,806	228,977	110,806
Electricity	465,484	264,045	465,484	264,045
General administrative expenses	893,645	1,078,029	896,067	1,075,608
Legal expenses	313,939	198,968	313,939	198,968
Insurance	316,431	301,603	316,431	301,603
NDIC Premium	2,400,075	1,742,504	2,400,075	1,742,504
Other premises and equipment costs	474,856	370,206	474,856	370,206
PAYE/Withholding expenses	-	599,990	-	599,990
Printin g and stationery	414,028	438,277	414,028	438,277
Other Professional fees	811,005	994,931	811,005	994,931
Digital Bank Professional fees (ii)	190,856	344,060	190,856	344,060
Repairs and maintenance	1,933,390	1,903,682	1,933,390	1,903,682
Security expenses	437,702	601,834	437,702	601,834
Service charge	933,525	1,143,074	933,525	1,143,074
SMS Expenses & Others	53,729	67,306	53,729	67,306
Statutory expenses	77,872	110,281	77,872	110,281
Technology and alternative channels	1,468,995	2,548,421	1,468,995	2,548,421
Transport & Communications	474,971	540,394	474,971	540,394
	18,894,932	**19,115,311**	**18,887,354**	**19,102,890**

(i) AMCON contributory cost relates to contribution towards the fund set up by the Central Bank of Nigeria for the bailout of the banking sector. The cost is charged at 0.5% of the preceding year's total assets and contingent exposures.
(ii) This represents expenses incurred by the bank on electronic and digital platforms.
(iii)

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
13b Depreciation and amortization				
Property, plants and equipment	2,618,927	2,580,647	2,618,927	2,580,647
Right of use of assets	225,727	209,686	225,727	209,686
Investment property	942	942	942	942
Intangible assets	290,678	525,571	290,678	525,571
	3,136,273	**3,316,846**	**3,136,273**	**3,316,846**

14 Earnings per share

Basic and diluted earnings per share
Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share as at 31st December, 2020 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

In thousands	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Weighted average number of ordinary shares - basic;'000	38,574,466	38,574,466	38,574,466	38,574,466
Profit attributable to ordinary shareholders - basic				
Profit for the year attributable to equity holders of the Bank '000	4,577,381	5,199,940	4,592,217	5,210,748
Earnings per share-basic (Kobo)	11.9	13.5	11.9	13.5

	Group		Bank	
15 Cash and cash equivalents	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
In thousands of Nigerian Naira				
Cash and balances with banks	25,829,497	20,634,380	25,832,418	20,627,135
Unrestricted balances with central bank	42,842,345	14,703,557	42,842,345	14,703,557
Money market placements	28,873,996	30,681,544	28,873,996	30,681,544
ECL Allowance	(20,901)	(45,208)	(20,901)	(45,208)
	97,524,936	**65,974,273**	**97,527,858**	**65,967,028**

15b Restricted Deposit with CBN

Mandatory reserve deposit is reported net of N17.07 billion (31 December, 2019: N4.014 billion) which relates to Differentiated Cash Reserve Requirement (DCRR) Scheme. Under the DCRR scheme, Deposit Money Banks (DMBs) interested in providing credit financing to Greenfield (New) and Brownfield (expansion) projects in the Real Sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects.

Restricted deposits with Central Bank are not available for use in day-to-day operations.

		Group		Bank	
16	**Pledged assets - Held at amortized cost**	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
	In thousands of Nigerian Naira				
	Treasury bills (note 16.1)	4,473,801	7,818,251	4,473,801	7,818,251
	Bonds (16.2)	22,980,861	19,107,276	22,980,861	19,107,276
		27,454,662	**26,925,527**	**27,454,662**	**26,925,527**

16.1 The treasury bills are pledged for clearing activities with the clearing bank and as collection bank for government taxes and electronic card transactions with Federal Inland Revenue Service (FIRS), Nigerian Interbank Settlement System (NIBSS) and Interswitch Nigeria Limited. The bank cannot trade on these pledged assets during the period that such assets are committed as pledged.

16.2 The Bonds are pledged as collateral for interbank takings and intervention credit granted to the Bank by the Bank of Industry for the purpose of refinancing existing loans to Small and Medium Scale Enterprises Scheme under secured borrowing with related liability of N3.52billion (2019: N2.99billion) as disclosed in note 28.

		Group		Bank	
	In thousands of Nigerian Naira	**31 - Dec -20**	**31 - Dec -19**	**31 - Dec -20**	**31 - Dec -19**
17	**Investment securities**	**183,799,001**	**150,100,752**	**172,860,013**	**139,193,787**
	Current	161,572,989	128,934,300	161,572,989	128,934,300
	Non-current	22,226,012	21,166,452	11,287,024	10,259,487

		Group		Bank	
		31 -Dec -20	**31 -Dec -19**	**31 -Dec -20**	**31 -Dec -19**
17a	**Investment securities measured at FVTOCI**				
	Treasury bills	54,735,684	493,568	54,735,684	493,568
	Equity (see note (i) below)	1,844,591	1,299,975	1,845,591	1,300,975
		56,580,275	**1,793,543**	**56,581,275**	**1,794,543**
17b	**Investment securities measured at FVTPL**				
	Treasury Bills	**78,225,951**	**105,164,284**	**78,225,951**	**105,164,284**
17c	**Investment securities measured at amortised cost**				
	Treasury Bills	28,611,354	23,276,448	28,611,354	23,276,448
	FGN Bonds	15,377,283	19,442,617	4,437,295	8,534,652
	Other Bonds (see (ii) below)	6,265,331	1,702,690	6,265,331	1,702,690
	ECL Allowance on bond	(1,214,751)	(1,271,400)	(1,214,751)	(1,271,400)
	ECL Allowance on Treasury Bills	(46,442)	(7,430)	(46,442)	(7,430)
		48,992,774	**43,142,925**	**38,052,786**	**32,234,960**

		Group		Bank	
(i)	Equity	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
	Quoted Investments:	-	-	-	-
	Unquoted Investments:				
	Unified Payment Services Limited	7,474	7,474	7,474	7,474
	FMDQ	15,000	15,000	15,000	15,000
	Nigeria Inter -Bank Settlement System	47,482	47,482	47,482	47,482
	WEMA Funding SPV Plc (a)	-	-	1,000	1,000
	Fair value gain on (FVTOCI) financial assets (b)	1,774,635	1,230,019	1,774,635	1,230,019
		1,844,591	1,299,975	1,845,591	1,300,975
		1,844,591	**1,299,975**	**1,845,591**	**1,300,975**

(a) Wema Funding SPV PLC was incorporated on 30 June, 2016 and commenced operations on 12 October, 2016. The principal activity of the company is to raise or borrow money by the issue of bond or debt instruments and invest the money raised or borrowed in securities or any other investments as the company may deem fit.

(b) Description of Valuation Methodology and inputs
Market approach
The bank have adopted the market multiples (guideline public companies and transaction) valuation approach in estimating the fair value of investment in the three entities. This methodology expounds that similar assets should sell for the same value or similar prices.

The fair value measurement of unquoted equity instruments under the market multiples approach consists of the following steps:

(1) Identifying guideline public companies and guideline public transactions.

The bank obtained a list of guideline for public companies and guideline for public transactions using the S&P Capital IQ platform

Entities	Approach
Financial Market Dealers Quote	We have selected a universe of African and other Asian developing markets guideline public companies that operate in the Financial Exchange and Data Industry. We limited the adjusted multiples to reflect African guideline public companies only.
Nigerian Inter-bank Settlement System	We shortlisted guideline public companies that provide payment processing services in emerging markets in emerging and developed markets. We based our calculation on the average of both markets.
Unified Payment Services	We shortlisted guideline public companies that provide data processing and outsourced services in emerging markets in emerging and developed markets. We based our calculation on the average of both markets.

(2) Selecting the performance measure that is most relevant to assessing the value of the investee (i.e. the performance measure that market participants will typically use to price the investee). This would typically be by reference to trading multiples, for example, earnings, book value of equity or revenue. The bank adopted the price to book value (P/B) for FMDQ, while it adopted the enterprise value to earnings before income, tax, depreciation and amortisation (EV/EBITDA) for NIBSS and UPS, as this reflects the nature of these entities' businesses and operations.

(3) The bank applied the appropriate valuation multiple to the relevant performance measure of the investee to obtain an indicative fair value of the investee's equity value as at the valuation date.

(4) We made appropriate adjustments to ensure comparability between the unquoted equity instruments held in the subject entity and the equity instruments of the guideline public companies. We have made adjustments to the multiples for the size of the

bank relative to the size of the guideline public companies. We have also made adjustments for the country risk of the bank relative to the country risk of their peer companies.

(5) We made appropriate adjustments to the equity values obtained from the guideline for public companies and guideline of public transactions methodologies to reflect the marketability of each company's shares and the ownership in the companies (majority or minority stake).

In determining the equity values of FMDQ, NIBSS and UPS, we considered the following:

Adjustments	
Marketability discount	We made adjustments to the guideline comparable companies and transantions to account for the lack of marketability of the firm's share. The discount of 19.07% applied is the average of 15% - 23%, sourced from the result of an industry survey of discounts and premiums typically applied to valuations in West Africa.
Minority discount	We made no adjustment for minority discounts in the guideline companies methodology as the multiples are on a minority basis already.

Based on the results from the different performance measures, the bank adopted the fair value based on the P/B value of guideline for public companies for FMDQ, and EV/EBITDA value of guideline for public companies for NIBSS and UPS. The bank then adjusted the enterprise values derived for net debt/excess cash in estimating the equity value for NIBSS and UPS.

The bank have not selected the equity value based on guideline transactions given that the obtained guideline transactions occurred in the distant past (with the most recent transaction occurring in 2016) and it is difficult to determine the extent to which the transaction value was impacted by changes between the transaction and the valuation date.

Determine the indicative valuation ranges

The indicative valuation range of Wema's investment in the unquoted equity securities was established using the mean point of the valuation ranges.

(ii) Other bonds - these are securities for state and corporate entities, stated at amortised cost as shown below:

	Group		Bank	
CORPORATE	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
I. 7YR: DANA Group Bond Series 1				
Opening balance	1,271,400	1,344,097	1,271,400	1,344,097
Movement in the year	(115,663)	(72,697)	(115,663)	(72,697)
Closing balance	1,155,737	1,271,400	1,155,737	1,271,400
STATE BONDS				
I. EKITI State Govt Bond Tranche 11				
Opening balance	198,649	371,423	198,649	371,423
Movement in the year	806,711	(172,774)	806,711	(172,774)
Closing balance	1,005,360	198,649	1,005,360	198,649
III. ONDO State Govt Bond				
Opening balance	232,641	329,305	232,641	329,305
Movement in the year	3,871,593	(96,664)	3,871,593	(96,664)
Closing balance	4,104,234	232,641	4,104,234	232,641
Total Other Bonds	**6,265,331**	**1,702,690**	**6,265,331**	**1,702,690**
ECL	(1,177,833)	(1,271,400)	(1,177,833)	(1,271,400)
	5,087,498	**334,626**	**5,087,498**	**431,290**

18 Loans and advances to customers at amortised cost

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
In thousands of Nigeria Naira				
Overdrafts	33,824,910	27,436,741	33,824,910	27,436,741
Term Loans	335,685,069	269,662,529	335,685,069	269,662,529
Advances under finance lease	5,529,679	4,269,031	5,529,679	4,269,031
Gross loans and receivables	**375,039,658**	**301,368,302**	**375,039,658**	**301,368,302**
Less ECL allowances				
12-months ECL credit	(8,768,264)	(7,104,750)	(8,768,264)	(7,104,750)
Life-time ECL Not impaired	(783,944)	(377,572)	(783,944)	(377,572)
Life-time ECL credit impaired	(5,411,370)	(4,646,109)	(5,411,370)	(4,646,110)
	(14,963,578)	**(12,128,432)**	**(14,963,578)**	**(12,128,432)**
Net loans and advances to customers	**360,076,079**	**289,239,870**	**360,076,079**	**289,239,870**

31 December 2020	**Term loan**	**Overdrafts**	**Finance lease**	**Total**
Gross loans	335,699,322	33,802,861	5,537,475	375,039,658
12 months ECL loans and advances	(7,594,678)	(979,427)	(194,160)	(8,768,264)
Lifetime ECL not credit-impaired loans and advances	(737,487)	(45,308)	(1,150)	(783,944)
Lifetime ECL credit-impaired loans and advances	(4,252,713)	(1,010,770)	(147,887)	(5,411,370)
	323,114,444	**31,767,357**	**5,194,278**	**360,076,079**

31 December, 2019	**Term loan**	**Overdrafts**	**Finance lease**	**Total**
Gross loans	269,662,529	27,436,741	4,269,031	301,368,302
12 months ECL loans and advances	(6,216,053)	(786,322)	(102,375)	(7,104,750)
Lifetime ECL not credit-impaired loans and advances	(355,760)	(21,812)	-	(377,572)
Lifetime ECL credit-impaired loans and advances	(4,005,203)	(596,778)	(44,129)	(4,646,110)
	259,085,512	**26,031,829**	**4,122,527**	**289,239,870**

18a Movement in expected credit loss

In thousands of Nigerian Naira	Overdraft	Term Loan	Advances under finance lease	Totals
At 1 January 2020	**1,404,912**	**10,577,016**	**146,504**	**12,128,432**
12-months ECL credit	786,322	6,216,053	102,375	7,104,750
Life-time ECL Not impaired	21,812	355,760	-	377,572
Life-time ECL credit impaired	596,778	4,005,203	44,129	4,646,110
Reclass from Regulatory Risk Reserve	-	-	-	-
ECL allowance during the year	797,470	3,668,089	245,976	4,711,535
Written off in the year as uncollectible	(166,878)	(1,526,298)	(49,283)	(1,742,458)
Amounts recovered during the year	-	(133,929)	-	(133,929)
At 31 December 2020	**2,035,504**	**12,584,878**	**343,196**	**14,963,578**
12-months ECL credit	979,427	7,594,678	194,159	8,768,264
Life-time ECL Not impaired	45,307	737,487	1,150	783,944
Life-time ECL credit impaired	1,010,770	4,252,713	147,887	5,411,370

19 Investment properties

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
In thousands of Nigeria Naira				
Cost				
Balance at 1 January 2020	47,079	47,079	47,079	47,079
Additions	-	-	-	-
Write -off	-	-	-	-
Disposals	-	-	-	-
Balance as at 31 December 2020	**47,079**	**47,079**	**47,079**	**47,079**
Accumulated depreciation and impairment				
Balance at 1 January 2020	*7,749*	*6,807*	*7,749*	*6,807*
Charge for the year	*942*	*942*	942	*942*
Write -off				
Disposals	-	-	-	-
Balance as at 31 December 2020	**8,691**	**7,749**	**8,691**	**7,749**
Cost	47,079	47,079	47,079	47,079
Accumulated depreciation	8,691	7,749	8,691	7,749
Net Book Value	**38,388**	**39,330**	**38,388**	**39,330**

(i) Investment properties represent land and buildings that are not substantially occupied by the bank but held for investment purposes. Investment properties are carried at cost less accumulated depreciation and impairment losses in accordance with the cost model. Investment properties are depreciated over a useful life of 50 years with a nil residual value. Had investment property been carried at fair value, the fair value as at 31st December, 2020 would have been N145,500,000.00 (31 December 2019: N115,563,000.00). The valuations was provided by Messrs Diya Fatimilehin & Co. (FRC/2013/NIESV/00000000754) and Jide taiwo & co. (FRC/2012/0000000000254) surveyors and valuers.

(ii) On 19 December, 2013 the Central Bank of Nigeria issued a circular that all deposit money banks should dispose off all the investment properties in their books on or before 30 June, 2014. The directors are aware of this directive and all necessary efforts is being made to ensure compliance. Although the directors are committed to a plan to sell the asset as directed by the Central bank of Nigeria; however, the asset requires some process to be in place before disposal and this we have initiated. Hence, the sale is not expected to qualify for recognition as a completed sale within one year from the date of classification.

20 Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2020	**1,304,111**	**16,703,050**	**7,912,588**	**3,094,358**	**9,613,583**	**645,026**	**39,272,716**
Additions	287,051	5,475	1,214,180	307,816	1,706,512	186,303	**3,707,336**
Reclassification from WIP	-	366,157	44,497	168,900	61,114	(640,668)	**-**
Disposals	(389)	(316,201)	(28,487)	(148,804)	(11,490)		**(505,372)**
Balance as at 31 December 2020	**1,590,773**	**16,758,481**	**9,142,777**	**3,422,270**	**11,369,720**	**190,660**	**42,474,680**
Accumulated depreciation and impairment							
Balance at 1 January 2020	-	4,970,345	5,520,259	1,579,984	6,564,492	-	**18,635,081**
Charge for the year	-	329,385	924,807	453,091	911,644	-	**2,618,927**
Disposals	-	(120,171)	(27,410)	(140,753)	(8,315)	-	**(296,650)**
Balance as at 31 December 2020	**-**	**5,179,558**	**6,417,656**	**1,892,322**	**7,467,821**	-	**20,957,358**
Carrying amounts							
Balance at 31 December 2019	**1,304,111**	**11,732,705**	**2,392,329**	**1,514,374**	**3,049,090**	**645,026**	**20,637,634**
Balance as at 31 December 2020	**1,590,773**	**11,578,923**	**2,725,120**	**1,529,948**	**3,901,898**	**190,660**	**21,517,323**

Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2019	**1,295,911**	**15,822,468**	**6,779,414**	**2,314,087**	**7,042,609**	**1,811,324**	**35,065,813**
Additions	80,750	906,697	1,162,382	1,171,364	2,598,701	(1,166,298)	4,753,596
Disposals	(72,550)	(26,115)	(29,209)	(391,093)	(27,727)	-	(546,694)
Balance at 31 Dec 2019	**1,304,111**	**16,703,050**	**7,912,588**	**3,094,358**	**9,613,583**	**645,026**	**39,272,715**
Accumulated depreciation and impairment							
Balance at 1 January 2019	-	4,662,373	4,733,308	1,600,677	5,466,760	-	16,463,117
Charge for the year	-	320,447	814,972	320,616	1,124,612	-	2,580,647
Disposals	-	(12,475)	(28,020)	(341,308)	(26,880)	-	(408,684)
Balance at 31 Dec 2019	**-**	**4,970,345**	**5,520,259**	**1,579,984**	**6,564,492**	-	**18,635,081**
Carrying amounts							
Balance at 31 Dec 2018	**1,295,911**	**11,160,095**	**2,046,107**	**713,410**	**1,575,850**	**1,811,324**	**18,602,696**
Balance at 31 Dec 2019	**1,304,111**	**11,732,705**	**2,392,329**	**1,514,374**	**3,049,090**	**645,026**	**20,637,634**

In thousands of Nigerian Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
21 Intangible assets				
Cost				
Cost 1 January, 2020	4,794,063	4,197,401	4,794,063	4,197,401
Additions	708,158	596,662	708,158	596,662
Balance as at 31 December 2020	**5,502,221**	**4,794,063**	**5,502,221**	**4,794,063**
Amortization and impairment losses				
Cost 1 January, 2020	3,819,994	3,270,010	3,819,994	3,270,010
Amortization for the year	290,678	525,571	290,678	525,571
Adjustment	-	24,413	-	24,413
Balance as at 31 December 2020	4,110,672	3,819,994	4,110,672	3,819,994
Carrying amounts	**1,391,549**	**974,069**	**1,391,549**	**974,069**

a. The intangible assets have got finite lives and are amortised over the higher of 5 years or the contractual licensing period. No impairment losses were recognised against intangible assets.
b. The authorised and contracted capital commitments as at the balance sheet date was nil (31 December 2019 nil)
c. There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (31 December 2019: nil)

22 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Nigerian Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
At 1 January 2020	19,195,906	20,206,217	19,195,906	20,206,217
Write down	(959,795)	(1,010,311)	(959,795)	(1,010,311)
31 December 2020	**18,236,111**	**19,195,906**	**18,236,111**	**19,195,906**

In thousands of Nigerian Naira	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
23 Other assets				
Accounts receivables	7,487,207	488,523	7,487,207	488,523
Prepayments	837,197	885,274	837,197	885,274
Stock	352,347	715,567	352,347	715,567
Collaterised Placement	52,917	52,917	52,917	52,917
Clearing Balance	332,239	261,567	332,239	261,567
Fraud & Burglary	643,277	593,987	643,277	593,987
CBN Special Reserve (see 23.1 below)	10,677,214	677,214	10,677,214	677,214
AGSMEIS Investment with CBN	673,148	115,058	673,148	115,058
Receivable on E-business Channels	1,446,032	2,141,123	1,446,033	2,141,123
FBN Settlement	-	371,065	-	371,065
Others	47,298	11,136	47,298	11,136
	22,548,877	**6,313,431**	**22,548,877**	**6,313,431**
Specific impairment on other assets	(665,262)	(1,433,642)	(665,262)	(1,433,642)
	21,883,615	**4,879,789**	**21,883,615**	**4,879,789**
At 1 January 2020	1,433,642	3,840,077	1,433,642	3,840,077
Allowance/write off made during the year	(768,380)	(2,406,435)	(768,380)	(2,406,435)
Closing balance	**665,262**	**1,433,642**	**665,262**	**1,433,642**

23.1 CBN Special Reserve

The balance represents amount debited to the bank's current account with CBN as eligibility contribution to the Special Intervention Reserve for the Real Sector Support Facility (RSSF). The RSSF will be used to support start-ups and expansion financing needs of priority sectors of the economy to expand the industrial base and consequently diversify the economy. Draw down will be subject to banks contribution to the Special Intervention Reserve (SIR) with the CBN.

24 Deposits from banks

In thousands of Nigeria Naira	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Money market deposits	-	**3,638,400**	-	**3,638,400**

25 Deposits from customers

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
25a Retail customers:				
Term deposits	89,281,376	70,805,999	89,281,376	70,805,999
Current deposits	29,286,032	19,443,240	29,286,032	19,443,240
Savings	120,103,127	75,740,488	120,103,127	75,740,488
Corporate customers:				
Term deposits	340,530,243	281,349,601	340,530,243	281,349,601
Current deposits	183,028,084	112,148,279	183,028,084	112,148,279
Others	42,644,530	17,795,862	42,644,530	17,795,862
	804,873,392	**577,283,469**	**804,873,392**	**577,283,469**

ALAT by WEMA

	Group		Bank	
25b The maturity profile of customers' deposit Is as follows:	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Under 3 months	558,209,008	339,734,521	558,209,008	339,734,521
3 - 6months	161,965,894	125,234,648	161,965,894	125,234,648
6 - 12months	56,017,258	34,980,628	56,017,258	34,980,628
Over 12months	28,681,232	77,333,672	28,681,232	77,333,672
	804,873,392	**577,283,469**	**804,873,392**	**577,283,469**

At 31st December 2020 N28.68billion (31 December 2019: N77.33billion) of deposits from customers are expected to be settled more than 12 months after the reporting date.

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
In thousands of Nigerian Naira				
26 Taxation				
26.1 Income tax expense				
Company income tax	199,524	466,523	199,524	466,523
Education Tax	22,086	-	22,086	-
NITDA Levy	59,465	67,708	59,465	67,708
Nigerian Police Trust Fund	297	340	297	340
Capital Gains Tax	113,139	15,200	113,139	15,200
Current Income Tax expense	394,511	549,771	394,511	549,771
Deferred tax expenses	959,795	1,010,310	959,795	1,010,310
	1,354,306	**1,560,081**	**1,354,306**	**1,560,081**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Group		Bank	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Profit before tax from continuing operations	5,931,687	6,760,021	5,946,528	6,770,828
Income tax expense calculated at 30% (2019:30%)	1,761,303	2,031,248	1,761,303	2,031,248
Effect of income that is exempt from taxation	(801,211)	(1,005,399)	(801,211)	(1,005,399)
Effect of expenses that are not deductible in	-	-		-
determining taxable profit	-	-	-	-
Capital gains tax	113,139	-	113,139	-
Education tax at 2% of assessable profit	22,086	-	22,086	-
Effect of concessions and other allowances)	-	-	-	-
Minimum tax adjustment	199,524	466,523	199,524	466,523
Information technology tax levy adjustment	59,465	67,708	59,465	67,708
	1,354,306	**1,560,081**	**1,354,306**	**1,560,080**

	Group		Bank	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
26.2 Current tax liabilities				
At 1 January	905,364	429,079	905,364	429,079
Payment during the year	(905,364)	(73,484)	(905,364)	(73,484)
Charge for the year	394,511	549,770	394,511	549,770
Closing balance	**394,511**	**905,364**	**394,511**	**905,364**

The charge for taxation is based on the provision of the Company Income Tax Act Cap C21 LFN 2004, as amended under the Finance Act 2020. Education Tax is based on 2% of the assessable profit for the year in accordance with the Education Tax Act CAP E4 LFN 2004. NITDA levy is based on 1% of profit before tax in accordance with NITDA levy Act 2007.

27 Other liabilities

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Financial Liabilities				
Creditors and accruals	1,401,437	171,852	1,401,437	171,852
Staff Deductions	58,202	546,027	58,202	546,027
Other Provision	62,657	436,388	62,657	436,388
Other current liabilities	130,293	213,669	90,243	171,196
Insurance Claim	71,890	89,668	71,890	89,668
Swift Payables	79,046	96,547	79,046	96,547
Western Union	3,430	16,154	3,430	16,154
Salary Suspense	26,931	197,123	26,931	197,123
Accounts payable	442,950	640,355	442,950	640,355
Electronic products payable	287,192	407,972	287,192	407,972
Certified cheques	2,195,972	1,302,551	2,195,972	1,302,551
Customer deposits for letters of credit	13,167,868	9,084,928	13,167,868	9,084,928
Discounting Line	18,831,877	13,087,390	18,831,877	13,087,390
Other Settlements	1,872,742	241,855	1,872,742	241,855
Remittances	2,160,396	845,001	2,160,396	845,001
	40,792,883	**27,377,480**	**40,752,833**	**27,335,007**
Non - Financial Liabilities				
Litigation claims provision (i)	386,244	328,571	386,244	328,571
Other payables	383,021	2,333,033	383,021	2,333,032
	41,562,148	**30,039,084**	**41,522,098**	**29,996,610**

(i) Movement in litigation claims provision

	Group		Bank	
At 1 January	328,571	196,435	328,571	196,435
Additions	189,809	132,135	189,809	132,135
Payment	(132,135)	-	(132,135)	-
	386,244	**328,571**	**386,244**	**328,571**

28 Other borrowed funds

In thousands of Nigerian Naira	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Due to BOI (see (i) below)	3,521,955	2,001,782	3,521,955	2,001,782
Osun Bailout Fund (see vi below)	9,003,590	-	9,003,590	-
CBN Agric. loan (see iii below)	1,517,075	1,945,234	1,517,075	1,945,234
CBN MSMEDF (see iv below)	526,381	572,189	526,381	572,189
Wema SPV (see v below)	24,749,414	24,705,937	13,642,318	13,637,957
Anchor Borrowers fund (see ii below)	3,137,555	-	3,137,555	-
National Housing Fund	73,137	83,551	73,137	83,551
Shelter Afrique (see vii below)	1,403,485	2,025,056	1,403,485	2,025,056
AFDB (see viii below)	4,404,490	4,920,885	4,404,490	4,920,885
DBN	12,115,397	12,509,277	12,115,397	12,509,277
AGSMEIS/RSSF	13,070,992	6,395	13,070,992	6,395
	73,523,471	**48,770,306**	**62,416,375**	**37,702,326**

(I) The amount represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facilities are secured by Nigerian Government Securities worth N8,285,910,675.95 and have a maximum tenor of 15 years.

A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers. In response to COVID-19, CBN has moderated the rate to 5%.

(ii) Amount represents intervention funds for the production of agro-commodities for offtake market from Central Bank of Nigeria. The fund is at the rate of 9% and for a maximum of 18 months. There is a moratorium of 12 months and 6 months for cassava and cocoa respectively. In response to COVID-19, CBN has moderated the rate to 5%.

(iii) This represents CBN intervention funds to some of the Bank's customers in the agricultural sector. The fund is administered at a maximum interest rate of 9% per annum. The maximum tenor of the facility is 7 years. In response to COVID-19, CBN has moderated the rate to 5%.

(iv) This represents CBN intervention funds to some bank's customers in Small & Medium Scale sector. The fund is administered at a maximum interest rate of 9% per annum and maximum tenor of 5 years. In response to COVID-19, CBN has moderated the rate to 5%.

(v) The Wema SPV of 2020: N24,749,414,000 (2019: N24,705,937,000) represents amortized cost of the fixed rate unsecured bond issued by Wema Funding SPV Plc. The outstanding bond of N6,295,000,000 and N17,675,000,000 (principal) were issued on 12 October 2016 and 2018 respectively for a period of 7 years at 18.5% and 16.5% per annum with interest payable semi-annually and principal payable at maturity in October 2023 and 2025 respectively.

(vi) Amount represents salary credit bail out facility from Central Bank of Nigeria. It has a moratorium of twenty years at bank's interest rate of 9%. The corresponding entry is in loans and advances and the bank is expected to provide Central Bank of Nigeria with periodic progress on the facility. The principal repayment is by bullet payment at the expiration of the moratorium granted. In response to COVID-19, CBN has moderated the rate to 5%.

(vii) This amount represents the bank's foreign facility from Shelter Afrique, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+6.5% (Libor plus 6.5%)

(viii) This amount represents the bank's foreign facility from AFDB, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+5.2% (Libor plus 5.2%)

28.1

	Group		Bank	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
At 1 January	48,770,306	45,448,718	37,702,326	34,401,024
Additions	26,765,784	14,036,739	26,726,669	14,036,739
Effect of exchange rate changes [loss/(profit)]	740,601	902,168	740,601	902,168
Payments made	(2,753,220)	(11,617,320)	(2,753,220)	(11,637,605)
Closing balance	**73,523,471**	**48,770,306**	**62,416,375**	**37,702,326**

29 Right of use

The Bank leases several assets which includes buildings for commercial and residential purposes. The average lease term is 5years.

		31-Dec-2020	31-Dec-2019
	COST	**N**	**N**
a.	At 1 January	719,649	-
	Additions	337,292	719,649
	Terminated contracts		
	As at 31 December, 2020	1,056,941	719,649
	ACCUMULATED DEPRECIATION		
	At 1 January 2020	209,686	-
	Charge for the period	225,727	209,686
	As at 31 December, 2020	435,413	209,686
	CARRYING AMOUNT		
	As at 31st December	**621,528**	**509,963**

Approximately one fifth of the leases for property, plant and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of N53.17million in 2020.

b. Lease Liability	31-Dec-2020	31-Dec-2019
	N	N
At 1 January 2020	72,584	-
Addition during the year	-	61,774
Finance charge for the year	3,161	10,810
Payment during the year	(52,810)	-
As at 31st December, 2020	22,875	72,584

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

30 Share capital and Reserves

(a) **The share capital comprises:**				
(i) Authorised - 40,000,000 Ordinary shares (2019 - 40,000,000,000) Ordinaryshares of 50K each (2019- 50K)	20,000,000	20,000,000	20,000,000	20,000,000
(ii) Issued and fully paid - 38,574,466,000 Ordinary shares (2019- 38,574,466,000) shares of 50k each (2019 - 50k)	**19,287,233**	**19,287,233**	**19,287,233**	**19,287,233**

(iii) **Shareholding Structure / Free float Status**

	Shareholders	% Holdings
Strategic Shareholding	19,741,870,535	51.18
Directors Direct Shareholding	2,423,196,411	6.28
Government Shareholding	3,191,190,608	8.27
Staff Schemes	-	0.00
Free Float	13,218,208,527	34.17
Total	**38,574,466,081**	**100**

Strategic Shareholding

Name	**Holding**	
SW8 Invest Coy	5,745,816,867	14.89
Petrotrab Limited	3,295,880,000	8.45
Neemtree Limited	10,738,608,412	27.84
	19,780,305,279	**51.18**

Directors Shareholding

Mr. Babatunde Kasali	-	0.00
Mr. Ademola Adebise	2,253,473	0.01
Mr. Adebode Adefioye	6,988	0.00
Mr. Samuel Durojaiye	-	0.00
Mrs. Ekong Ibiye Asime	-	0.00
Mrs. Omobosola Ojo	-	0.00
Mr. Moruf Oseni	-	0.00
Mr Ajimisinmi Oluwole Albert	-	0.00
Mr. Abubakar Lawal	669,266,036	1.73
Mrs. Abolanle Matel- Okoh	1,750,000,000	4.54
Mr. Akinleye Oluwole Stephen	1,641,800	0.00
Mrs. Folake Sanu	12,677	0.00
	2,423,180,974	**6.28**

Government Shareholding

Oyo State	414,000	0.00
Ogun State	666,670,000	1.73
Osun State	666,670,000	1.73
Ekiti State	666,670,000	1.73
Odua Invest Coy	1,190,766,608	3.09
	3,191,190,608	**8.27**

Declaration:

Wema Bank Plc with a free float of 34.17% as at 31st December, 2020, is complaint with The Nigerian Stock Exchange's free float requirements for companies listed on the Main Board.

(c) Statutory reserves

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 Institution Act of Nigeria, 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) Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(e) SMEIES Reserve

This reserve represents the aggregate amount of appropriations from profit after tax to finance equity investments in compliance with the directives issued by the Central Bank of Nigeria (CBN) through its circulars dated July 11, 2006 (amended) and April 7, 2017 respectively. The SMIEIS reserve was maintained in compliance with the Central Bank of Nigeria's requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline issued in July 2006, the contributions were 10% of profit after tax and were expected to continue after the first 5 years after which banks' contributions were to reduce to 5% of profit after tax. In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agriculture/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation. The small and medium scale industries equity investment scheme reserves are non-distributable.

(f) Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

	Group		Bank	
In thousands of Nigeria Naira	31 -Dec -20	31 -Dec -19	31 -Dec -20	31 -Dec -19
At 1 January	3,254,018	5,992,622	3,450,263	6,102,353
Profit or loss	4,577,381	5,199,940	4,592,217	5,210,748
Opening balance adjustment	-	(75,706)	-	-
Transfer from Regulatory risk reserve	2,041,579	(4,192,804)	2,041,579	(4,192,804)
Transfer to Statutory Reserve	(1,377,664)	(1,563,224)	(1,377,665)	(1,563,224)
Dividend Paid to Shareholders	(1,542,979)	(1,157,235)	(1,542,979)	(1,157,235)
Transfer to Credit Risk Reserve	-	(781,612)	-	(781,612)
Regulatory charge to SMEIS	151,313	(167,963)	151,313	(167,963)
Closing balance	7,103,647	3,254,018	7,314,727	3,450,263

(g) Regulatory risk reserve
The regulatory risk reserve warehouses the excess of the impairment on loans and advances computed under the Nigerian GAAP based on the Central Bank of Nigeria prudential guidelines compared with the expected credit loss model used in calculating the impairment under IFRSs.

(h) Credit Risk Reserve
The credit risk reserve warehouses the 15% of PAT in respect of Pan Ocean credit in line with Central Bank of Nigeria requirement on the facility in addition to the prudential provisions.

31 Contingencies

(i) Litigation and claims
There are litigation claims against the Bank as at 31st December, 2020 amounting to N6,966,079,919.00 (31 December 2019: N10,670,204,446.32 These litigations arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallise from these claims; other than as recognised in these financial statements.

(ii) Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk

	Group		**Bank**	
In thousands of Nigerian naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Contingent liabilities:				
Guarantees and indemnities	63,007,244	67,644,200	63,007,244	67,644,200
Bonds	3,146,415	3,963,090	3,146,415	3,937,590
Clean-line facilities & irrevocable letters of credit	13,939,976	13,076,960	13,939,976	13,076,960
ECL	(768,381)	(768,381)	(1,401,431)	(768,381)
Closing balance	**79,325,253**	**83,915,869**	**78,692,203**	**83,890,369**

Disclosure

We confirm that in line with Rule 17.15 of the NSE Rulebook, 2015, Wema Bank Plc. has a Securities Trading Policy which guides its directors, employees and all individuals categorized as insiders in their dealings in the companies' shares. The Company has made specific inquiries of all the directors and other insiders and is not aware of any infringement of the policy.

32 Related party transactions

Transactions with key management personnel

The Bank's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Wema Bank Plc.

Key management personnel and their immediate relatives transacted with the Bank during the year as follows:

Loans and advances:

	Group		Bank	
	31 -Dec -20	31 -Dec -19	31 -Dec -20	31 -Dec -19
At 1 January	5,275,664	6,372,986	5,275,664	6,372,986
Granted during the year	1,285,520	1,644,000	1,285,520	1,644,000
Repayments during the year	(3,739,606)	(2,741,322)	(3,739,606)	(2,741,322)
At 31 December	**2,821,578**	**5,275,664**	**2,821,578**	**5,275,664**
Interes t earned	352,697	809,752	352,697	809,752
Deposit Liabilities				
Deposit	**438,354**	**214,302**	**438,354**	**214,302**

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate, equities and other assets of the respective borrowers. Impairment losses of N88,176,424.00 (2019 - N268,387,850.00) have been recorded against balances outstanding during the period with key management personnel and their immediate relatives at the year end.

Principal Shareholders, and Their Related Interests As At 31 December, 2020

S/N	ACCT_NAME	FACILITY TYPE	RELATIONSHIP	DIRECTORS NAME	ARMOTIZED COST	CONTINGENTS	LOAN STATUS
1	ADEBODE ADEFIOYE	OVERDRAFT	SERVING DIRECTOR	ADELSOUL ADEFIOYE	1,049,709.62	-	PERFORMING
2	ADEBODE ADEFIOYE	OVERDRAFT	SERVING DIRECTOR	ADEBODE ADEFIOYE	12,703.58	-	PERFORMING
3	ADEMOLA A ADEBISE	TERM LOAN	SERVING DIRECTOR	ADEMOLA ABIMBOLAADEBISE	257,010,897.00	-	PERFORMING
4	DIAMED CENTRE LIMITED	TERM LOAN	SERVING DIRECTOR	KESSINGTONADEBUTU	516,779,936.58	-	PERFORMING
5	FOLAKE SANU	TERM LOAN	SERVING DIRECTOR	FOLAKE SANU	160,365,139.30	-	PERFORMING
6	FOLLY-YEM ALLIED SERVICES LIMITED	TERM LOAN	RELATED COY TO A MGT STAFF	OLUVVOLE AI IMISINMI	81,023,724.68	-	PERFORMING
7	MORUF ABIOLA OSEM	TERM LOAN	SERVING DIRECTOR	MORUF OSEM	188,038,357.67	-	PERFORMING
8	NURUDEEN ADEYEMO FAGBENRO	OVERDRAFT	EX- DIRECTOR	NURUDEENADEYEMO FAGBENRO	89,640.40	-	PERFORMING
9	OLADIRAN ENGINEERING AND TRADE LIMITED	TERM LOAN	RELATED OBLIGOR TO A PRINCIPAL SHAREHOLDER	KESSINGTONADEBUTU	97,549,625.95	-	PERFORMING
10	OLUWOLE STEPHEN AKINLEY E	OVERDRAFT	SERVING DIRECTOR	OLUVVOLE AKINLEYE	777.87	-	PERFORMING
11	OLUWOLE STEPHEN AKINLEYE	TERM LOAN	SERVING DIRECTOR	OLUVVOLE AKINLEYE	191,546,240.92	-	PERFORMING
12	PETROLEX OIL &GAS LIMITED	TERM LOAN	RELATED COY TO A PRINCIPAL SHAREHOLDER	KESSINGTONADEBUTU	98,266,454.97	-	PERFORMING
13	PETROLEX OIL &GAS LIMITED	TERM LOAN	RELATED COY TO A PRINCIPAL SHAREHOLDER	KESSINGTONADEBUTU	196,800,125.60	-	PERFORMING
14	SAMUEL OLADIPUPO DUROJ AYE	OVERDRAFT	SERVING DIRECTOR	SAMUEL DURO JAIYE	4,942,313.26	-	PERFORMING
15	SOLOMON KE SINTON AGRO ALLIED LTD	TERM LOAN	RELATED OBLIGOR TO A PRINCIPAL SHAREHOLDER	KESSINGTONADEBUTU	104,372,603.59	-	PERFORMING
16	SOLOMON KE SINTON AGRO ALLIED LTD	TERM LOAN	RELATED OBLIGOR TO A PRINCIPAL SHAREHOLDER	KESSINGTONADEBUTU	370,017,796.84	-	PERFORMING
17	WEMABOD ESTATES LTD ACC 1	TERM LOAN	RELATED COY TO A PRINCIPAL SHAREHOLDER	ODUA GROUP	553,711,859.19	-	PERFORMING
					2,821,577,907.02		

Loans granted to related parties are secured over real estate and other assets of the respective borrowers and all loans are performing. No lifetime impairment has been recognized in respect of loans granted to related parties and the carried amount of the insider related loans as at December 31, 2020 totaled N2.73 billion.

33 Contraventions

The bank contravened the following legislations during the year and paid penalties to the tune of N23,400,000.00:

In thousands of Nigeria Naira

Particular	Nature of contravention	Penalties
CBN	Address to Customer Complaint Resolution	2,000
CBN	Opening and Closing of branch without approval	17,400
CBN	Breach of management letter	2,000
CBN	SOL Breach	2,000
		23,400

34 During the year Deloitte & Touche carried out reviews of Expected Credit Loss Model for the bank to assess the impact of COVID-19 on loans and advances for a fee of N4.5 million.
This has not impaired independence of the professional service firm as adequate safeguards were put in place.

35 Events after reporting period

There were no significant events after the reporting date that could affect the reported amount of assets and liabilities as of the reporting date.

Risk Overview

Enterprise Risk Management

Enterprise Risk Management in Wema Bank is a process, effected by the Board of Directors, Management and other personnel, applied in strategy setting and across the Bank, designed to identify potential events that may affect the Bank, and manage risk to be within the Bank's risk appetite, to provide reasonable assurance regarding the achievement of the Bank's objectives.

It includes the methods and processes used by the Bank to manage risks and seize opportunities related to the achievement of set objectives. It also provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the bank's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, the Bank protects and creates value for their stakeholders, including owners, employees, customers, regulators, and society overall.

Introduction

The business activities that Wema Bank engages in are, by their very nature, risky. The bank profits from the creation of risk assets and mitigates losses by the effective management of the risks it assumes. Consequently, risk management drives and encompasses all our activities and decisions.

The Bank's Enterprise Risk Management (ERM) framework is integrated with its Governance and Compliance framework. Effective Governance ensures that Risks are understood, managed and communicated in an appropriate manner. Ultimately, the purpose of the Bank's Enterprise Risk Management functions is to identify, measure, evaluate, monitor, report and control all material risks on a timely basis and to assess the adequacy of our capital and liquidity in relation to our risk profile and market/macroeconomic conditions.

The Board, either directly or acting through its committees sets the risk appetite of the Bank. The Board sets this risk appetite taking into cognizance the Bank's strategic objectives and the risks that the organization is willing to assume in the pursuit of these objectives. At all points, the Board is acutely aware of the fact that while risk appetites and tolerance levels are set individually for various risks, there is a strong correlation amongst several risks and often these risks reinforce each other. Our policies and processes are aligned with our risk management strategy and established risk appetite.

Our employees are encouraged to monitor, assess, report and actively manage risks within their operational spheres. Comprehensive risk registers are maintained, and an annual review is undertaken of all business units and process through the Risk and Control Self-Assessment exercise (RCSA). A culture of personal accountability and integrity is encouraged throughout the organization and employees are encouraged to report observed wrong doings anonymously through dedicated whistleblowing channels. Regular training in all aspects of our risk culture helps to reinforce expected behavior.

Risks are identified and documented through the Bank's risk map process which sets out the Bank's risk profile in relation to key risk categories in its component business units. Identified risks are regularly assessed through the bank's risk appetite framework, stress testing process and in terms of emerging risks. Using the Basel II Pillar 1 framework, our Credit, Operational and Market risks are regularly measured and monitored. Other Pillar 2 risks are measured and provided for through our Internal Capital Adequacy Assessment Process (ICAAP).

Risk management framework and governance

The Bank's Risk Management Framework is set up on a distinct organizational structure and established policies to guide in the process of identifying, analyzing, managing and monitoring the various risks inherent in the business as well as setting appropriate risk limits and controls to align the risks with the strategic objectives.

The Bank's activities and processes involve the identification, measurement, evaluation, acceptance and management of risk or combinations of risks. The Board, advised by the various Board and Management Risk Committees, requires and encourages a strong risk governance culture which shapes the Bank's attitude to risk.

We believe that risk management encompasses the insights delivered by information which facilitate appropriate actions. Our annual risk cycle is designed to give management relevant and timely information from which trends can be observed and evaluated.

The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, to the right people. The Bank adopts a holistic view of in the assessment and management all major risks. Wema remain vigilant regarding both known and emerging risks and ensure that we are strong enough to withstand any exogenous shocks. Our board risk committees play a critical role in providing oversight of risk management and ensuring that our risk appetite, risk culture and risk profile are consistent with and support our strategy to deliver long-term and sustainable growth.

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The management of risk is evolving and necessitate a regular review of the effectiveness of each enterprise risk management component. It is in the light of this that the Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in the following ways:

- Through continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit;
- And through independent evaluation by external auditors, examiners and consultants.

Wema Bank runs an automated approach to managing, communicating, and implementing enterprise risk management policies and procedures across the Bank. This provides an integrated and dynamic platform for documenting and analyzing risks, developing mitigation plans, defining controls, and managing continuous risk assessments. It provides clear visibility on key risk indicators, assessment results, and compliance initiatives. We believe that understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic objectives.

Balancing Risk and Return

Striking a balance between risk and return aims is to minimize the downside, while optimizing the upside with a view to enhance shareholders' values and transmit confidence to our other capital providers and clients, as well as ensure the overall sustainability of our business. Every business activity requires the Bank to put capital at risk in exchange for the possibility of earning a return. In some activities, the level of return is quite predictable, whereas in others it can vary over a very wide spectrum, ranging from loss to profit.

Over the years we have continuously improved our ERM Framework, to focus on where we take risks. This helps us to:

- Understand the nature of the risks we are taking and the range of possible outcomes under various scenarios
- Understand the capital required to assume these risks
- Understand the range of returns that we can earn on the capital allocated to these risks; and
- Attempt to optimize the risk-adjusted return on investments

Our objective of balancing risk returns, and capital has led us to enhance substantially our risk management methodologies, to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve a desired outcome.

Enterprise-wide Scenario and Stress Testing

We use robust and appropriate scenario stress testing to assess the potential impact on the Group's capital adequacy and strategic plans. Our stress testing and scenario analysis programme is central to the monitoring of strategic and potential risks. It highlights the vulnerabilities.

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

Enterprise risk management report

The Bank's Enterprise Risk Management comprises five (5) functional departments, namely:

- Credit Risk Management
- Operational Risk Management
- Market and Liquidity Risk Management
- Loan Review and Monitoring
- Remedial Asset Management

The Bank's corporate vision, mission and objectives remain the fulcrum around which the risk management strategies revolve, these include:

- Definition of strategic objectives;
- Proactive portfolio planning;
- Proactive control over money and capital market activities;
- Proactive account planning;
- Conduct of consistent portfolio review;
- Regular conduct of macro-economic review;
- Institution of robust IT – driven operational process; and
- Definition of risk and return preferences.

The various risk management related committees and sub committees of the Board and Management improved substantially in the discharge of their statutory and oversight functions. The committees include:

- The Board Risk Management Committee (BRMC);
- The Management Risk Committee (MRC);
- The Board Credit Committee (BCC);
- The Management Credit Committee (MCC);
- The Asset and Liability Committee (ALCO);
- The Executive Committee (EXCO);

Credit Risk Management

Overview

The global economic impact of COVID-19 has created significant disruption to borrowers and their capacity to support debt obligations. This disruption coupled with legislative stimulus and regulatory guidance focused on borrower relief is challenging the operating models and risk management frameworks for both consumer and commercial lenders. COVID-19 is forcing lenders to rapidly stand-up new processes to manage increased customer communication and large federally supported loan programs through the Central Bank while also needing to respond to rapidly emerging credit risks.

In response to this, Wema Bank has taken proactive steps in terms of customer outreach, risk assessment, and data management to mitigate the operational challenges resulting from the current global situation, manage customer needs, maintain strong customer relationships, minimize credit losses, and comply with accounting and regulatory requirements.

The Bank carried out some modification programs such as identified key loan attributes, evaluated integrity of existing data, group borrowers by common characteristics and similar needs and established a process for borrowers to determine eligibility for intervention funds.

Credit risk refers to the probability of loss due to a borrower's failure to make payments on any type of debt. Credit risk management is the practice of mitigating losses by understanding the adequacy of a bank's capital and loan loss reserves at any given time. Credit risk arises anytime funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements through contingent liabilities.

Credit risk is governed by the Credit Committees which oversees the overall Credit Risk Management process. The Bank has established objectives for overall quality and diversification of its credit portfolio and criteria for the selection of obligors and counterparties. The Bank's policies establish exposure limits by single or connected borrowers, sectors, industry and geographic region.

The credit risk management of the Bank is mainly concerned with generation of profits, which are commensurate with the risks being undertaken to meet the Bank's target returns on assets and investment.

In line with best practice, the Bank implements an integrated and quantitative credit risk process aimed at reducing loan losses and ensuring that capital reserves appropriately reflect the risk profile. The process incorporates the following:

- Better model management that spans the entire modeling life cycle.
- Real-time scoring and limits monitoring.
- Robust stress-testing capabilities.
- Data visualization capabilities and business intelligence tools that get important information into the hands of those who need it, when they need it.

The credit risk management functions of the Bank involve credit analysis, credit administration and loan review to ensure that the quality of the aggregate risk asset portfolio is not compromised from disbursement to full payback.

The credit risk management function helps to guide lending officers in balancing the quality and quantity of the loan portfolio of the bank to achieve earnings objectives while also meeting appropriate credit needs, maintaining proper credit standards, holding risk to reasonable limits, minimizing losses, evaluating new business opportunities, adjusting to changes in the regulatory environment and providing adequate liquidity.

The Bank's credit risk management objective is to enable us to have a high quality and well diversified risk asset portfolio, which will:

- Generate profits which are commensurate with the risks and meet the bank's target Return on Assets;
- Enable the Bank to identify potential problem risk assets thus keeping non-performing assets and charge-offs to the barest possible;
- Adhere (as much as practicable) to directives concerning exposure to industries/sectors identified to be strategic.

To achieve these objectives, the Bank does the following:

- Identify target markets
- Determine its risk appetite and appropriate returns;
- Structure and develop products that will meet clients' requirements but with minimal risk to the bank;
- Manage the risk asset portfolio effectively and efficiently.

In Wema Bank, credit risk management is guided by the following;

Trust and integrity

Individuals and companies place their funds with us trusting our integrity in managing these funds. This integrity flows through everything the Bank does. Any break in the chain of "continuous integrity, no matter how small and no matter where; will eventually lead to the decline of the Bank – if it is not checked." The Bank will not take any action that may compromise its integrity.

It is easy to forget the importance of integrity. In credit functions, you are far removed from the depositors who have entrusted their money to you. As the funds you lend come from so many sources, you often feel no specific responsibility. As Bankers, we make conscious efforts to continuously strengthen our integrity. The name; Wema Bank is a constant reminder of this need.

Two examples of the application of the integrity principle are, avoiding conflicts of interest (for instance loans to the Bank's auditors) and complying with Government regulations.

Understanding risk

The bank's main activity is to manage risk. Risk, simply defined, is the variability of possible outcomes. It is also is the potential for uncontrolled loss of something of value. For every transaction, you must learn to identify and optimize returns from all risks undertaken. Risk in this sense is an opportunity once fully understood.

One method is to think through the transaction step by step. At each point ask what could go wrong and how can I:

- Alert myself to the event.
- Identify inherent risks and minimize unwanted risks/outcomes.
- Optimize returns from risks undertaken.

It is this principle that guides us to always have at least two separate ways out of a loan.

Matching risk and return

For every risk the Bank takes we must have a matching return for taking that risk. All too often we take the interest and fees we charge as fixed and simply apply our efforts to structuring a credit. In many instances the return on the credit is far too low for the risk of lending. For instance, a 10% profit margin on a loan is a small compensation for losing the whole loan. It would take the profit of 10 good loans just to break even. In this situation, our success rate must be over 90% of all loans.

However, in special cases we might decide to have an exposure to a company at a low return with the expectation of getting other business accounts which will improve our profitability from the relationship.

Delinquent loans are costly to manage. From experience a bad loan takes more than ten times as much management effort as a good loan. For every bad loan, the opportunity cost in lost income from other activities is very high. Bad loans are a major drag on a bank's efficiency.

Independent verification

For us in Wema Bank, a guiding principle of credit is that all information should be independently verified. This may involve an external expert or a skilled member of staff. Independently verified information helps to reduce risk considerably.

An important aspect of independent verification is the separation of controls. For instance, the person who prepares a credit should not be the one who approves it.

Complying with government regulations

A key principle of credit policy is that the bank will always comply with all government regulations. This principle is based on several factors. The bank operates under a license. The terms of the license call for compliance with government regulations. By not complying, we not only breach our contract with the authorities, we also risk losing our license or incurring penalties.

Also, if we assume that government regulations are in the best interest of the country, then we work against this interest when we break them. If we break regulations and this information reaches the market, then our reputation will be diminished. The fall in reputation could result in lost business and reduced profit. Considering all the negative results of breaking regulations, we are much better off complying with them.

Credit risk policy

The Bank's Credit Policy is the set of principles on the basis of which it determines who it will lend money to or give credit.

Target market & client focus

Establishing a target market and focusing on clients, forms the basis of a strong business and credit relationship. At Wema Bank, we do not intend to meet all the finance needs of all customers. We thus focus our efforts on target markets, specifically chosen by us after detailed studies.

The target markets are the industries a credit team concentrates its marketing efforts on. Client focus identifies the specific customers within that target market for whom we wish to be the primary Bank. Lending to these customers will be dependent on their meeting our Risk Acceptance Criteria (RAC).

Building a profitable, high quality credit portfolio is the key aim of every Account Officer at Wema Bank. A good Account Officer is not one that aims at winning and retaining any client at all costs but the one that learns to say "no' not just to low quality credit proposals but also to those credit requests that do not fit into our corporate strategy.

Credit concentration risk

Credit concentration risk refers to any single exposure or group of exposures with the potential to result in large losses which may impair the Bank's earnings or capital because of significant credit risk events affecting the single obligor or group of obligors with similar business or risk profile.

Basel II recognizes that credit risk concentrations are the single most important cause of major problems in Banks globally. Credit concentration risk is defined in the Basel II Accord as "any single exposure or group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations."

Regular monitoring and review of the credits within the various portfolios are undertaken with the objective of identifying changes to credit quality, credit concentration and where appropriate, taking corrective action. Swift identification of problematic credits and potential incidents of concentration is a key objective for the Bank.

Gross loans and advances to customers and the non-performing loan portion per industry sector as at 31 December, 2020

In millions of Naira	Group				Bank			
	Loans and advances to customers				Loans and advances to customers			
SECTORS	Gross Loans	Impairment Allowance	NPL	Carrying Amount	Gross Loans	Impairment Allowance	NPL	Carrying Amount
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	221,977	11,366	17,693	210,611	221,977	11,366	17,693	210,611
AGRICULTURE, FORESTRY AND FISHING	10,948,195	91,680	751,885	10,856,515	10,948,195	91,680	751,885	10,856,515
ARTS, ENTERTAINMENT AND RECREATION	1,480,367	17,936	0	1,462,431	1,480,367	17,936	0	1,462,431
CAPITAL MARKET	217,322	0	0	217,322	217,322	0	0	217,322
CONSTRUCTION	45,998,990	959,270	332,050	45,039,719	45,998,990	959,270	332,050	45,039,719
EDUCATION	7,274,934	349,248	68,481	6,925,686	7,274,934	349,248	68,481	6,925,686
FINANCE AND INSURANCE	2,344,050	112,818	82,015	2,231,232	2,344,050	112,818	82,015	2,231,232
GENERAL	51,127,102	6,250,866	4,790,106	44,876,235	51,127,102	6,250,866	4,790,106	44,876,235
GENERAL COMMERCE	61,274,558	4,945,380	6,874,018	56,329,178	61,274,558	4,945,380	6,874,018	56,329,178
GOVERNMENT	23,720,832	46,910	25,700	23,673,922	23,720,832	46,910	25,700	23,673,922
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	6,180,880	127,432	183,125	6,053,448	6,180,880	127,432	183,125	6,053,448
INFORMATION AND COMMUNICATION	880,053	21,104	20,395	858,949	880,053	21,104	20,395	858,949
MANUFACTURING	25,149,003	127,716	1,638,623	25,021,287	25,149,003	127,716	1,638,623	25,021,287
OIL AND GAS	64,625,358	180,563	98,361	64,444,795	64,625,358	180,563	98,361	64,444,795
POWER AND ENERGY	11,983,944	58,337	0	11,925,607	11,983,944	58,337	0	11,925,607
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	10,119,962	228,212	788,756	9,891,750	10,119,962	228,212	788,756	9,891,750
REAL ESTATE ACTIVITIES	28,616,887	384,608	80	28,232,280	28,616,887	384,608	80	28,232,280
TRANSPORTATION AND STORAGE	22,168,567	997,691	1,458,859	21,170,876	22,168,567	997,691	1,458,859	21,170,876
WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL	706,678	52,442	479,295	654,237	706,678	52,442	479,295	654,237
Grand Total	**375,039,658**	**14,963,578**	**17,609,441**	**360,076,079**	**375,039,658**	**14,963,578**	**17,609,441**	**360,076,079**

Gross loans and advances to customers and the non performing loan portion per industry sector as at 31 December, 2019

In millions of Naira

	Group				Bank			
	Loans and advances to customers				Loans and advances to customers			
SECTORS	Gross Loans	Impairment Allowance	NPL	Carrying Amount	Gross Loans	Impairment Allowance	NPL	Carrying Amount
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	177,824	7,957	24,529	169,866	177,824	7,957	24,529	169,866
AGRICULTURE, FORESTRY AND FISHING	11,724,163	325,567	649,968	11,398,596	11,724,163	325,567	649,968	11,398,596
ARTS, ENTERTAINMENT AND RECREATION	25,492	583	18	24,909	25,492	583	18	24,909
CAPITAL MARKET	403,913	11,234	-	392,680	403,913	11,234	-	392,680
CONSTRUCTION	42,467,058	1,497,132	3,627,751	40,969,926	42,467,058	1,497,132	3,627,751	40,969,926
EDUCATION	2,459,085	88,856	233,594	2,370,230	2,459,085	88,856	233,594	2,370,230
FINANCE AND INSURANCE	3,159,685	102,677	137,159	3,057,008	3,159,685	102,677	137,159	3,057,008
GENERAL	26,280,174	3,073,667	3,943,939	23,206,507	26,280,174	3,073,667	3,943,939	23,206,507
GENERAL COMMERCE	49,940,660	2,856,401	7,449,894	47,084,259	49,940,660	2,856,401	7,449,894	47,084,259
GOVERNMENT	17,123,182	399,292	37,124	16,723,890	17,123,182	399,292	37,124	16,723,890
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	303,610	9,856	-	293,754	303,610	9,856	-	293,754
INFORMATION AND COMMUNICATION	1,371,261	47,796	15,206	1,323,466	1,371,261	47,796	15,206	1,323,466
MANUFACTURING	16,774,059	400,756	494,258	16,373,304	16,774,059	400,756	494,258	16,373,304
OIL AND GAS	57,729,752	1,336,906	1,078,548	56,392,846	57,729,752	1,336,906	1,078,548	56,392,846
POWER AND ENERGY	15,362,792	354,947	-	15,007,845	15,362,792	354,947	-	15,007,845
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	8,823,410	359,121	1,497,640	8,464,288	8,823,410	359,121	1,497,640	8,464,288
REAL ESTATE ACTIVITIES	22,540,537	534,025	2,832,648	22,006,512	22,540,537	534,025	2,832,648	22,006,512
TRANSPORTATION AND STORAGE	24,139,290	708,811	221,978	23,430,479	24,139,290	708,811	221,978	23,430,479
WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL	562,354	12,848	4	549,506	562,354	12,848	4	549,506
Grand Total	**301,368,302**	**12,128,432**	**22,244,259**	**289,239,870**	**301,368,302**	**12,128,432**	**22,244,259**	**289,239,870**

Responsibilities of business and credit risk management

In Wema Bank, Business units and Credit Risk Management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR using approved methodologies as set out in the Bank's policy, however Credit Risk Management will validate such ratings.

Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current. In Wema Bank, Credit Risk Management has the final authority if there is a question about a specific rating.

Credit process

Wema Bank's credit process starts with target market identification and portfolio planning. Credit requests are initiated by the Strategic Business Units, and the credit requests are subjected to review and approvals by applicable credit approving authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

Monitoring of facilities is undertaken by both the Strategic Business Units and the Bank's Loan Review and Monitoring Department. The process is centralized.

Credit risk rating policy

A risk rating is a grade given to a loan (or a group of loans), reflecting its quality. Risk ratings are usually in numbers. For instance, risk ratings range from AAA to D, where AAA represents a loan of highest quality and D represents a loan of lowest quality. Risk classifications are in form of interpretation such as Extremely Low Risk, Average Risk, High Risk, Substandard or Lost. In many cases both ways of assessing risks are used together.

Risk rating methodology and process

The credit rating of the obligors plays a vital role in final credit decisions as well as in the terms offered for successful loan applications. Wema Bank employs a robust credit rating system in the determination of the Obligor and inherent risks and thus allows the bank to maintain its asset quality at a desired level.

As the Bank manages a large number of loans, by giving each one a grade or risks rating, a number of processes can be performed more effectively. These processes include:

1. Measuring the riskiness of the total portfolio of loans (for instance a weighted average).
2. Monitoring the trend in the quality of loans (for instance from January to December average risk rating fell 2 points from A toBBB).
3. Establishing guidelines for Risk Based Pricing (e.g. Rating A may be priced as prime while Rating C may be priced at prime + 3%).
4. Providing performance measures (for instance, recognition could be given to the team with the lowest average risk rating).
5. Providing criteria for taking action on loans (for instance all loans of risk rating CCC will be mentioned at MCC to ensure they do not deteriorate further).

RISK CLASSIFICATION	RISK GRADE	RISK WEIGHT
Extremely Low Risk	AAA	9.0 – 10.0
Very Low Risk	AA	8.0 – 8.9
Low Risk	A	7.0 – 7.9
Above Average Risk	BBB	6.0 – 6.9
Average Risk	BB	5.5 – 5.9
Below Average Risk	B	5.0 – 5.4
High Risk/ Watchlist	CCC	4.5 – 4.9
Very High Risk/ Substandard	CC	4.0 – 4.4
Extreme ly High Risk/Doubtful	C	3.5 – 3.9
Bad and Lost	D	Below 3.5

Credit risk rating models in Wema Bank

The following are the credit risk rating models deployed by the Bank.

Obligor Risk Rating Models have been developed for:

1. Retail exposures
2. Commercial exposures
3. Corporate exposures

Facility Risk Rating Models have been developed for:

1. Probability of Default
2. Loss Given Default
3. Exposure at Default

Credit approval and lending authorities

The key objective of Wema Bank lending is to make profits. In making a credit decision a Relationship Manager must have sufficient information to evaluate a potential borrower's character, collateral, capital and capacity. They must also understand the external conditions, which will affect the borrower's ability to meet their financial obligations. To ensure that decisions to lend are made at levels that reflect the size and complexity of the loans, different loan amounts fall under special approval authorities. The proper lending authority must approve all facilities, loans and commitments to all clients.

The lending authority in the Bank shall flow through the management hierarchy with the final authority residing in the Board of Directors.

The Bank maintains internal credit approval limits for various levels of authority in the credit process. The current position as approved by the Board and Management is as shown in the table below:

Authority level	Approval limit
Board	Above N3.5 billion
Board Credit Committee	N3.5 billion
Management Credit Committee	N1 billion
Managing Director	N360 million
Other Approving Authorities	As approved & delegated by the Managing Director

Some other specific control and mitigation measures are outlined below:

Collateral

In line with the Bank's credit policy, security is taken for all credits granted. In order to ensure adequacy of collateral in the event of default of principal loan and interest, the Bank's policy requires a minimum of 150% of the Forced Sale Value (FSV) of all non-cash collateral and 110% cover for cash collaterised loans.

Furthermore, in order to ensure credibility and integrity of security valuation, the Bank has limited acceptable security valuation to two (2) prominent accredited estate valuers in Nigeria.

The major types of collateral acceptable for loans and advances include:

I. Mortgages over residential properties;
II. Charges over business assets such as premises, inventory and accounts receivable;
III. Charges over financial instruments such as debt securities and equities.
IV. Cash

Longer-term finance and lending to corporate entities as well as individuals are generally secured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2020 are as follow

In thousands of Naira	Group		Bank	
	Total exposure	*Value of collateral*	*Total exposure*	*Value of collateral*
Secured against property/real estate	198,504,409	197,125,684	198,504,409	197,125,684
Secured by equities	50,148,802	44,569,820	50,148,802	44,569,820
Secured by debenture on stock and companies' assets	113,386,448	106,049,344	113,386,448	106,049,344
Cash collateral, lien over fixed and floating assets	12,886,417	12,590,684	12,886,417	12,590,684
Unsecured	113,581	0	113,581	0
Total Gross amount	**375,039,658**	**360,335,532**	**375,039,658**	**360,335,532**
Impairment allowance	(14,963,578)		(14,963,578)	
Net carrying amount	**360,076,079**	**360,335,532**	**360,076,079**	**360,335,532**

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December, 2020

Group

31 December, 2020	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	155,442,709	21,516,873	17,191,408	2,974,695	197,125,684
Equities	34,409,529	5,941,991	2,378,437	1,839,863	44,569,820
Debenture on stock and companies' assets	89,906,499	2,248,439	13,873,474	20,932	106,049,344
Cash	10,599,792	1,329,105	407,921	253,865	12,590,684
Grand total: Fair value of collateral	290,358,528	31,036,408	33,851,241	5,089,355	360,335,532
Grand total: Gross loans	300,644,085	33,802,861	35,055,237	5,537,475	375,039,658
Grand total: Impairment	11,014,432	2,035,504	1,570,446	343,197	14,963,578
Grand total: Net amount	289,629,653	31,767,357	33,484,791	5,194,278	360,076,079
Grand total: Amount of undercollaterization	(10,285,556)	(2,766,453)	(1,203,996)	(448,119)	(14,704,125)

Stage 1

31 December, 2020	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	139,330,986	18,173,768	16,738,131	2,965,454	177,208,339
Equities	30,103,341	3,884,537	2,377,743	1,327,708	37,693,329
Debenture on stock and companies' assets	70,076,794	1,932,893	13,745,170	4,815	85,759,673
Cash	10,537,483	1,323,096	405,526	253,865	12,519,970
Fair value of collateral	250,048,603	25,314,295	33,266,571	4,551,842	313,181,311
Gross loans	252,697,513	26,842,123	34,216,414	4,966,395	318,722,445
Impairment	6,265,220	979,427	1,329,458	194,160	8,768,264
Net amount	254,632,130	25,862,697	32,886,956	4,772,235	318,154,018
Amount of undercollaterization	(2,648,910)	(1,527,828)	(949,843)	(414,552)	(5,541,134)

Stage 2

31 December, 2020	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	9,830,336	46,680	68,509	0	9,945,525
Equities	897,227	686,853	0	0	1,584,080
Debenture on stock and companies' assets	18,576,207	300,561	128,304	8,142	19,013,214
Cash	9,849	0	0	0	9,849
Fair value of collateral	29,313,619	1,034,093	196,813	8,142	30,552,667
Gross loans	35,539,840	1,071,401	196,813	8,142	36,816,197
Impairment	722,801	45,308	14,686	1,150	783,944
Net amount	34,817,039	1,026,094	182,127	6,992	36,032,253
Amount of undercollaterization	(6,226,222)	(37,308)	0	0	(6,263,530)

Stage 3

31 December, 2020	Term l oan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	6,281,387	3,296,425	384,768	9,241	9,971,820
Equities	3,408,961	1,370,601	694	512,155	5,292,411
Debenture on stock and companies' assets	1,253,498	14,985	0	7,975	1,276,457
Cash	52,461	6,009	2,395	0	60,865
Fair value of collateral	10,996,307	4,688,020	387,856	529,371	16,601,554
Gross loans	12,406,731	5,889,336	642,010	562,938	19,501,016
Impairment	4,026,411	1,010,770	226,302	147,887	5,411,370
Net amount	8,380,321	4,878,567	415,708	14,972	13,689,567
Amount of undercollaterization	(1,410,425)	(1,201,317)	(254,154)	(33,567)	(2,899,462)

Bank

31 December, 2020	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	155,442,709	21,516,873	17,191,408	2,974,695	197,125,684
Equities	34,409,529	5,941,991	2,378,437	1,839,863	44,569,820
Debenture on stock and companies' assets	89,906,499	2,248,439	13,873,474	20,932	106,049,344
Cash	10,599,792	1,329,105	407,921	253,865	12,590,684
Grand total: Fair value of collateral	290,358,528	31,036,408	33,851,241	5,089,355	360,335,532
Grand total: Gross loans	300,644,085	33,802,861	35,055,237	5,537,475	375,039,658
Grand total: Impairment	11,014,432	2,035,504	1,570,446	343,197	14,963,578
Grand total: Net amount	289,629,653	31,767,357	33,484,791	5,194,278	360,076,079
Grand total: Amount of undercollaterization	(10,285,556)	(2,766,453)	(1,203,996)	(448,119)	(14,704,125)

Stage 1

31 December, 2020	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	139,330,986	18,173,768	16,738,131	2,965,454	177,208,339
Equities	30,103,341	3,884,537	2,377,743	1,327,708	37,693,329
Debenture on stock and companies' assets	70,076,794	1,932,893	13,745,170	4,815	85,759,673
Cash	10,537,483	1,323,096	405,526	253,865	12,519,970
Fair value of collateral	250,048,603	25,314,295	33,266,571	4,551,842	313,181,311
Gross loans	252,697,513	26,842,123	34,216,414	4,966,395	318,722,445
Impairment	6,265,220	979,427	1,329,458	194,160	8,768,264
Net amount	254,632,130	25,862,697	32,886,956	4,772,235	318,154,018
Amount of undercollaterization	(2,648,910)	(1,527,828)	(949,843)	(414,552)	(5,541,134)

Stage 2					
31 December, 2020	**Term loan**	**Overdrafts**	**On lending**	**Finance lease**	**Total**
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	9,830,336	46,680	68,509	0	9,945,525
Equities	897,227	686,853	0	0	1,584,080
Debenture on stock and companies' assets	18,576,207	300,561	128,304	8,142	19,013,214
Cash	9,849	0	0	0	9,849
Fair value of collateral	29,313,619	1,034,093	196,813	8,142	30,552,667
Gross loans	35,539,840	1,071,401	196,813	8,142	36,816,197
Impairment	722,801	45,308	14,686	1,150	783,944
Net amount	34,817,039	1,026,094	182,127	6,992	36,032,253
Amount of undercollaterization	(6,226,222)	(37,308)	0	0	(6,263,530)

Stage 3					
31 December, 2020	**Term loan**	**Overdrafts**	**On lending**	**Finance lease**	**Total**
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	6,281,387	3,296,425	384,768	9,241	9,971,820
Equities	3,408,961	1,370,601	694	512,155	5,292,411
Debenture on stock and companies' assets	1,253,498	14,985	0	7,975	1,276,457
Cash	52,461	6,009	2,395	0	60,865
Fair value of collateral	10,996,307	4,688,020	387,856	529,371	16,601,554
Gross loans	12,406,731	5,889,336	642,010	562,938	19,501,016
Impairment	4,026,411	1,010,770	226,302	147,887	5,411,370
Net amount	8,380,321	4,878,567	415,708	14,972	13,689,567
Amount of undercollaterization	(1,410,425)	(1,201,317)	(254,154)	(33,567)	(2,899,462)

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2019 are as follows:

In thousands of Naira	**Group**		**Bank**	
	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against property/real estate	130,273,444	151,481,889	130,273,444	151,481,889
Secured by equities	56,321,829	15,771,330	56,321,829	15,771,330
Secured by debenture on stock and companies' assets	95,918,757	82,073,148	95,918,757	82,073,148
Cash collateral, lien ove r fixed and floating assets	17,853,647	26,905,632	17,853,647	26,905,632
Unsecured	1,000,626	-	1,000,626	-
Total Gross amount	**301,368,302**	**276,231,999**	**301,368,302**	**276,231,999**
Impairment allowance	(12,128,432)	-	(12,128,432)	-
Net carrying amount	**289,239,870**	**276,231,999**	**289,239,870**	**276,231,999**

GROUP

31 December, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	125,611,731	16,024,125	5,813,786	4,032,247	151,481,889
Equities	7,671,263	2,576,891	49,000	5,474,176	15,771,330
Debenture on stock and companies' assets	71,698,609	5,468,028	4,892,730	13,780	82,073,148
Cash	19,013,823	5,903,784	861,395	1,126,629	26,905,632
Grand total: Fair value of collateral	223,995,426	29,972,829	11,616,911	10,646,832	276,231,999
Grand total: Gross loans	257,650,183	27,436,741	12,012,346	4,269,031	301,368,302
Grand total: Impairment	10,160,173	1,404,912	416,843	146,504	12,128,432
Grand total: Net amount	247,490,011	26,031,829	11,595,503	4,122,527	289,239,870
Grand total: Amount of over/(under) collaterization	(23,494,585)	3,941,000	21,408	6,524,305	(13,007,872)

31 December, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Property/Real estate	121,727,530	14,381,859	5,813,786	3,880,837	145,804,012
Equities	7,669,863	1,032,124	49,000	5,469,261	14,220,248
Debenture on stock and companies' assets	61,680,150	2,316,999	4,892,730	13,780	68,903,658
Cash	18,923,823	5,890,447	861,395	1,126,629	26,802,294
Fair value of collateral	210,001,366	23,621,429	11,616,911	10,490,507	255,730,212
Gross loans	238,456,430	22,446,232	12,012,346	4,209,931	277,124,940
Impairment	5,799,210	786,322	416,843	102,375	7,104,750
Net amount	232,657,220	21,659,910	11,595,503	4,107,556	270,020,190
Amount of over/(under) collaterization	(22,655,854)	1,961,518	21,408	6,382,951	(14,289,977)

Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	926,427	3,054	-	-	929,481
Equities	-	-	-	-	-
Debenture on stock and companies' assets	9,377,721	49,886	-	-	9,427,607
Cash	-	-	-	-	-
Fair value of collateral	10,304,148	52,940	-	-	10,357,088
Gross loans	14,574,185	574,437	-	-	15,148,622
Impairment	355,760	21,812	-	-	377,572
Net amount	14,218,424	552,626	-	-	14,771,050
Amount of over/(under) collaterization	(3,914,276)	(499,686)	-	-	(4,413,962)
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	2,957,773	1,639,212	-	151,410	4,748,396
Equities	1,400	1,544,767	-	4,916	1,551,083
Debenture on stock and companies' assets	640,739	3,101,144	-	-	3,741,883
Cash	90,000	13,337	-	-	103,337
Fair value of collateral	3,689,912	6,298,461	-	156,326	10,144,698
Gross loans	4,619,568	4,416,071	-	59,100	9,094,740
Impairment	4,005,203	596,778	-	44,129	4,646,110
Net amount	614,365,432	3,819,294	-	14,972	4,448,630.143
Amount of over/(under) collaterization	3,075,546.569	2,479,167	-	141,354	5,696,068.166

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BANK

31 December, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	125,611,731	16,024,125	5,813,786	4,032,247	151,481,889
Equities	7,671,263	2,576,891	49,000	5,474,176	15,771,330
Debenture on stock and companies' assets	71,698,609	5,468,028	4,892,730	13,780	82,073,148
Cash	19,013,823	5,903,784	861,395	1,126,629	26,905,632
Grand total: Fair value of collateral	223,995,426	29,972,829	11,616,911	10,646,832	276,231,999
Grand total: Gross loans	257,650,183	27,436,741	12,012,346	4,269,031	301,368,302
Grand total: Impairment	10,160,173	1,404,912	416,843	146,504	12,128,432
Grand total: Net amount	247,490,011	26,031,829	11,595,503	4,122,527	289,239,870
Grand total: Amount of over/(under) collaterization	(23,494,585)	3,941,000	21,408	6,524,305	(13,007,872)

31 December, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	121,727,530	14,381,859	5,813,786	3,880,837	145,804,012
Equities	7,669,863	1,032,124	49,000	5,469,261	14,220,248
Debenture on stock and companies' assets	61,680,150	2,316,999	4,892,730	13,780	68,903,658
Cash	18,923,823	5,890,447	861,395	1,126,629	26,802,294
Fair value of collateral	210,001,366	23,621,429	11,616,911	10,490,507	255,730,212
Gross loans	238,456,430	22,446,232	12,012,346	4,209,931	277,124,940
Impairment	5,799,210	786,322	416,843	102,375	7,104,750
Net amount	232,657,220	21,659,910	11,595,503	4,107,556	270,020,190
Amount of over/(under) collaterization	(22,655,854)	1,961,518	21,408	6,382,951	(14,289,977)

31 December, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not creditimpaired loans and advances					
Property/Real estate	926,427	3,054	-	-	929,481
Equities	-	-	-	-	-
Debenture on stock and companies' assets	9,377,721	49,886	-	-	9,427,607
Cash	-	-	-	-	-
Fair value of collateral	10,304,148	52,940	-	-	10,357,088
Gross loans	14,574,185	574,437	-	-	15,148,622
Impairment	355,760	21,812	-	-	377,572
Net amount	14,218,424	552,626	-	-	14,771,050
Amount of over/(under) collaterization	(3,914,276)	(499,686)	-	-	(4,413,962)

31 December, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL creditimpaired loans and advances					
Property/Real estate	2,957,773	1,639,212	-	151,410	4,748,396
Equities	1,400	1,544,767	-	4,916	1,551,083
Debenture on stock and companies' assets	640,739	3,101,144	-	-	3,741,883
Cash	90,000	13,337	-	-	103,337
Fair value of collateral	3,689,912	6,298,461	-	156,326	10,144,698
Gross loans	4,619,568	4,416,071	-	59,100	9,094,740
Impairment	4,005,203	596,778	-	44,129	4,646,110
Net amount	614,365,432	3,819,294	-	14,972	4,448,630.143
Amount of over/(under) collaterization	3,075,546.569	2,479,167	-	141,354	5,696,068.166

Master netting arrangements

As a matter of policy and practice, the bank takes advantage of netting/set off arrangements to settle gaps emanating from outstanding balances in favour and/or against defaulting counter parties.

Credit-related commitments

The Bank consistently deploys robust asset and liability management strategies to ensure its cash and contingent commitments are easily honored as and when due. Adequate steps are also taken to effectively optimize gaps deriving from undrawn commitments.

Credit concentration

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

Credit definitions

(i) Impaired loans and investment securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

These are loans and securities specifically impaired and are graded CC, C and D in the Bank's internal credit risk grading system.

(ii) Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

(iii) Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Bank's Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances standardised loans, charge off decisions are generally based on a product specific past due status.

All loans and advances are categorised as either:

	Stage 1	Stage 2	Stage 3
Trigger	Initial recognition	Significant increase in credit risk	Credit-impaired
ECL	12-month ECL	Lifetime ECL	Lifetime ECL
Effective interest rate (EIR)	EIR on gross carrying amount (w/o ECL)	EIR on gross carrying amount (w/o ECL)	EIR on amoritised cost (with ECL)

Market Risk Management

Overview

Market risk is the risk of losses in on- and off-balance positions arising from movements in market prices. For Wema Bank, this means changes in interest rates and foreign exchange rates in particular.

Exposure to market risk

Exposure to market risk is separated into two portfolios:

- Trading portfolios comprise positions arising from market making.

- The models/tools used to measure and control traded market risk (interest rate and foreign exchange risk) include daily valuation of positions, limit monitoring, sensitivity analysis, value-at-risk, and stress testing analyses amongst others.
- Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, and non-traded financial instruments.
- The principal objective of market risk management of non-trading portfolios is to optimize net interest income.

Wema Bank is exposed to market risk arising from positions created in its trading and banking books. Where appropriate, we apply similar risk management policies and measurement techniques to both trading and non-trading portfolios.

One of the primary objectives of market risk management, as part of our independent risk function, is to ensure that our business units' risk exposure is within the approved appetite commensurate with its defined strategy. To achieve this objective, market risk management works closely with risk takers ("the business units") and other control and support groups.

Market risk governance

Market risk management governance is designed and established to promote oversight of all market risks, effective decision-making and timely escalation to senior management and board.

Market risk management defines and implements a framework to systematically identify, assess, monitor and report our market risk vulnerabilities. Market risk managers identify market risks through active portfolio analysis and engagement with the business areas.

Market risk is managed and controlled in Wema Bank through policies and limits approved by the Board (BRMC). These policies and limits ensure that risks faced across business activities and on aggregate basis are within the stipulated risk appetite of the Bank, while taking cognizance of regulatory constraints.

The specific limits are proposed by the Head, Market Risk Management through the Chief Risk Officer (CRO) and approved by the relevant management committees, and ultimately by the Board (BRMC).

The risk reporting framework involves presentation of reports to the Asset and Liability Committee (ALCO), Management Risk Committee (MRC) and Board Risk Management Committee (BRMC). The management committees receive periodic market risk reports and recommendations, while relevant reports are presented to the Board Risk Management Committee (BRMC) on a quarterly basis.

Exposures to market risks are managed through various metrics/models such as re-pricing gap, ratio, value at risk, earning at risk (EaR), economic value of equity (EVE), sensitivity and scenario analyses amongst others. Also, the Bank regularly conduct stress testing to monitor its vulnerability to very extreme, but plausible shocks.

In line with the CBN circular on Basel II/III capital framework, the Bank adopts the standardized approach for market risk regulatory capital requirement. Also, the Bank has put in place a detailed plan for the full implementation of Basel II/III framework with timelines for migration to more advance capital computation methods in the future.

Market risk measures

Monitoring and limiting market risk exposures

We aim to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.

Quantification of market risks is based on some internally developed key risk metrics/tools as well as regulatory defined market risk approaches.

Limits setting

Specific limits and triggers (regulatory and internal) have been set across the various market risk areas to prevent undue market risk exposures. Market risk management ensures that these limits and triggers are adhered to at all times by the Bank.

The following limits amongst others currently exist:

- Open position limits
- Interbank placement limits (DPLs):
- Management action triggers (MATs)
- Stop Loss limit
- Dealer limits
- Deal authorization limits
- Value-at-Risk limits

Mark-to-Market (MTM)

The mark-to-market technique establishes unrealized profit/loss by revaluing open traded positions at prevailing market prices. When no market prices are available for a specific contract period, mark-to-model is used to derive the relevant market prices. It is the Bank's policy to revalue all exposures under the traded market risk portfolio on daily basis. As a general guide, marking to market is performed independently of the trading unit.

Sensitivity analysis

Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates and foreign exchange rates, such as the effect of a one basis point change in yield. We use sensitivity measures to monitor the market risk positions within each risk type. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being a principal factor in determining the acceptable risk level.

Value at risk

Value at risk ('VaR') is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and calculated for all trading positions. Where we do not calculate VaR explicitly, we use alternative tools as highlighted in the 'Stress testing' section below.

Our models are predominantly based on historical and parametric simulations which incorporate the following features:

- Historical market rates and prices are calculated with reference to foreign exchange rates, interest rates, and the associated volatilities;
- Potential market movements utilised for VaR are calculated with reference to data from at least the past five years; and
- VaR measures are calculated to a 99% confidence level and use a one-day holding period.

The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

VaR model limitations

THE GROUP TRADING VAR FOR THE YEAR IS SHOWN IN THE TABLE BELOW:								
Historical VaR (99%, one day) by risk type	**Average**		**Minimum**		**Maximum**		**Year end**	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019
In thousands of Nigerian Naira	NGN	NGN	NGN	NGN	NGN	NGN	NGN	NGN
Foreign exchange				75				
Interest rate	278,586	408,787	4,179	225,914	829,774	771,587	4,179	771,587
Total VaR exposure	**278,684**	**409,459**	**4,181**	**225,988**	**830,063**	**772,680**	**4,186**	**771,662**

The Group's VaR should be interpreted in light of the limitations of the methodologies used.

These limitations include the following:

- Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.
- VaR using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.
- VaR using a 99 per cent confidence level does not reflect the extent of potential losses beyond that percentile.
- These limitations and the nature of the VaR measure mean that the Group can neither guarantee that losses will not

exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than once in 100 business days.

- While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk and for interest rate risk are set in the relevant disclosures.

Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling. Scenarios are tailored to capture the relevant potential events or market movements for risk factors. The risk appetite around potential stress losses for the Bank is set and monitored. Market risk reverse stress tests are undertaken on the premise that there is a fixed loss. The stress testing process identifies which scenarios lead to this loss. The rationale behind the reverse stress test is to understand scenarios beyond normal business settings that could have contagion and systemic implications.

Stressed VaR and stress testing, together with reverse stress testing and the management of gap risk, provide management with insights regarding the 'tail risk' beyond VaR, for which Wema Bank's appetite is limited.

Back-testing

We routinely validate the accuracy of our VaR models by backtesting them against both actual and hypothetical profit and loss against the corresponding VaR numbers. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenues of intra-day transactions. We would expect, on average, to see two or three losses in excess of VaR at the 99% confidence level over a one-year period. The actual number of losses in excess of VaR over this period can therefore be used to gauge how well the models are performing.

Structural foreign exchange exposures

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates.

Structural foreign exchange exposures represent net investments in currencies other than the Naira. Exchange differences on structural exposures are recognised in 'Other comprehensive income'. We use the Naira as our presentation currency in our consolidated financial statements. Our consolidated balance sheet is, therefore, affected by exchange differences between the Naira and all other currencies underlying our day to day operations. Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our capital ratios are largely protected from the effect of changes in exchange rates

The foreign exchange position is monitored daily and discussed in the Asset and Liability Committee on a fortnightly. Limits are agreed by the ALCO.

Interest rate risk in the banking book

A major component of market risk exposures in the Bank is the interest rate in the banking book as changes in prevailing interest rates will adversely affect the market value of assets versus that of liabilities and/or income versus expenses. The Bank is exposed to interest rate risk through the interest-bearing assets and liabilities in its trading and banking books.

Wema Bank identifies the following four main sources of IRRBB:

- Repricing risk, the risk of adverse consequences due to differences in timing of the impact of interest rate changes on the value of interest-sesetive assets and liabilities.
- Yield curve risk, the risk of adverse consequences which result from a change in the shape of the yield curve.
- Basis risk, the risk of adverse consequences which result from changes in the difference between two or more rates for different instruments with the same maturity.
- Option risk, the risk that changes in market interest rates prompt changes in the value or maturity of instruments

Measurement of interest rate risk in the banking book

Interest rate risk in the banking book is measured and controlled using three metrics:

- Re-pricing gap analysis
- Net interest income sensitivity; and
- Economic value of equity.

Re-pricing gap analysis

This allows the Bank to maintain a positive or negative gap depending upon the forecast of interest rate trend. The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to anticipate increase net interest income, in line with market outlook

Net interest income sensitivity

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant. Projected net interest income sensitivity figures represent the effect of the pro forma movements in projected yield curves based on a static balance sheet size and structure assumption, other than instances where the size of the balances or repricing is deemed interest rate sensitive (non-interest bearing current account migration and fixed rate loan early prepayment). In reality, Wema Bank proactively seeks to change the interest rate risk profile to optimize net revenues.

Economic value of equity (EVE)

An economic value of equity ('EVE value') represents the present value of future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This represents the current book value of equity plus the present value of future net interest income under a managed run-off scenario. The present value of net interest income under a managed run-off and under any interest rate scenario can therefore be assessed by deducting the book value of equity from the EVE value calculated. An EVE sensitivity is the extent to which the EVE value will change due to a pre-specified movement in interest rates, where all other economic variables are held constant. The EVE sensitivity represents the sensitivity of discounted net interest income plus the sensitivity of the net present value of any transactions used to hedge the interest income earned on equity. If the EVE sensitivity is adjusted to remove the sensitivity in net present value of any transactions used to hedge the interest income earned on equity, the resulting adjusted EVE sensitivity represents the extent to which, under a managed run-off scenario, discounted net interest income is sensitive to a pre-specified movement in interest rates.

When assessing the sensitivity of economic value of equity to interest rate movements, the timing of principal cash flows can vary but the amount remains constant.

EVE can also be used for assessing the economic capital required to support interest rate risk in the banking book ('IRRBB'):

- Where EVE under any scenario is higher than the current balance sheet carrying value of equity, the banking book income stream is positive (i.e. profit) and therefore capital accretive under that scenario and no economic capital for IRRBB is required.
- Where EVE of any scenario is lower than the current balance sheet carrying value of equity, the banking book income stream is negative (i.e. loss) and therefore capital deductive under that scenario and economic capital for IRRBB should be held against this loss.

The following table sets out the estimated impact on the Group's base case projected net interest income for 2019 due to shocks of 200 basis points (bps) to the current market-implied path of interest rates. The sensitivities shown represent the Group's assessment as to the change in expected base case net interest income under the two rate scenarios assuming that all other noninterest rate risk variables remain constant, and there are no management actions. In deriving the base case net interest income projections, the repricing rates of assets and liabilities used are derived from current yield curves, thereby reflecting current market expectations of the future path of interest rates. The scenarios therefore represent interest rate shocks to the current market implied path of rates.

In thousands of Nigerian Naira

Sensitivity of projected net interest income	200bps parallel increase NGN	200bps parallel decrease NGN
2020		
Year ending 31 December	**(6,399,766.33)**	**6,399,766.33**
2019		
Year ending 31 December	**(4,168,699)**	**4,168,699**

Liquidity Risk Management

Overview

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. The objective of the Bank's liquidity risk management framework is to ensure that the Bank can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework considers relevant and significant drivers of liquidity risk, whether on-balance sheet or off-balance sheet

Liquidity risk management framework

Liquidity risk management governance is designed and established to promote oversight of all liquidity risks, effective decision-making and timely escalation to senior management and board.

The Bank has an internal liquidity and funding risk management framework which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is primarily undertaken by the Asset and Lability Management Committee (ALCO) in compliance with the Bank's policy and international best practices.

The Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Chief Risk Officer (CRO) through the Asset and Liability Management Committee (ALCO). At least annually, the Board approves the Bank's Liquidity Policy and Contingency Funding Plan, including establishing liquidity risk tolerance levels which are used by the Bank to measure and control liquidity risks, as well as our long term funding plan.

Treasury is mandated to manage the overall liquidity and funding position of the Bank, with Market Risk acting as an independent control function, responsible for reviewing the liquidity risk framework, proposing the risk appetite through the Chief Risk Officer (CRO) and the validation of liquidity risk models which are used to measure and manage the Bank's liquidity risk profile.

In addition, dedicated business targets are allocated to ensure the Bank meets its overall liquidity and funding appetite.
The relevant management committees and Board is informed of performance against the risk appetite metrics via periodic Liquidity Scorecard. As part of the annual strategic planning process, we project the development of the key liquidity and funding metrics based on the underlying business plans to ensure that the plan is in compliance with our risk appetite.

The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

Quantifications

The Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

a) Funding and Liquidity plan;
b) Gap Analysis; and
c) Ratio Analysis.

The Funding and Liquidity plan defines the Bank's sources and application of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The liquidity gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the 30-day and 1-year cumulative gaps as a +/- 20% and 10% of the total on/off balance sheet size.

The Gap Analysis tracks all contractual cash flows based on defined maturity buckets over a 12-month horizon. The Bank has implemented a set of approved limits to restrict the Bank's exposure to wholesale counterparties, which have historically shown to be the most susceptible to market stress.

Limit management and monitoring

The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Treasury is responsible for maintaining sufficient liquidity by keeping optimal level of liquid assets and available funding for near-term liabilities. Increased withdrawals of short term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

Contingency Funding Plan

The Bank has a contingency funding plan which incorporates early warning signals to monitor market conditions. The contingency funding plan covers the following considerations:

- available sources of secondary funding to supplement cash flow shortages
- the lead times to obtain such funding
- the roles and responsibilities of those involved in the contingency plans; and
- the communication and escalation plans when there are signs of deteriorating liquidity conditions.

The Bank monitors its liquidity position and funding strategies on an ongoing basis, while recognizing that unexpected and/or unplanned events which could be company specific or systemic could cause either a short or long-term liquidity crisis. It reviews its Contingency Funding Plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Bank's Treasury in collaboration with Market Risk prepares a liquidity worksheet that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and adverse crisis situations. The worksheet is an integral component of the Contingency Funding Plan. Although it is unlikely that a funding crisis of any significant degree could materialize, we consider it important to evaluate this risk and formulate contingency plans should one occur.

ent culture in the Bank and allows for the achievement of greater sophistication and consistency in operational risk management.

Impact of Covid-19, Endsars And Other Macroeconomic Factors On Wema Bank – Ongoing Plans To Keep The Franchise Healthy

Impact Assessment of COVID-19 on 2020 Financial Performance

Impact on Revenue

The COVID-19 Pandemic has impacted all sectors of the economy. However, the level of impact depends on the nature of the industry and measures put in place by companies to mitigate the impact of the pandemic on revenue. Through it all, Wema Bank was able to achieve its revised net revenue target of 5 billion (in the light of the pandemic) with a decrease of 12% when compared to 6.77 billion achieved in year 2019. Undoubtedly, the impact of the pandemic has impacted some sectors of the economy where we operate. Some customers are seriously affected hence we ensure working with credit customers to assess their liquidity and operational cash flow needs and offered different relief measures such as credit restructures and granting of moratoriums for customers in line with Central Bank of Nigeria guidelines to enable them to continue in business and meet up their repayment obligations. This has led to reduction of Interest income earned during the year. We will continue to improve on our strategy in the midst of the containment measures implemented against the COVID-19 pandemic such as lockdown measures, travel restrictions, closure of non-essential businesses, skeletal service operations, and market volatility as regards rate which has a huge impact on Investment incomes as it relates to market performance for financial securities/instruments.

Impact on Liquidity

The bank remain liquid despite the Covid-19 challenges as strategy was devised to operate effectively. The bank has an internal liquidity and funding risk management framework which allows it to withstand severe liquidity stresses and adaptable to changing business models, markets and regulations. Following the Central Bank of Nigeria guidelines, the bank embarked on implementation of frameworks for restructuring credit facilities, providing payment moratoriums to customers, provision of liquidity support to deserving customers.

It is necessary to state that the bank has continued to meet all its debt obligations as at when due and this has made the bank maintain strong relationships with finance institutions where it has borrowing facilities. The bank's liquidity has also been boosted through steady and customer deposit growth due to the pace of digital transformation and customer confidence. It is noteworthy that several cost reduction measures related to staff, travel, and the use of digital infrastructure; were carried out to reduce operating cost going forward.

Impact on Operating Expense

We were able to manage our controllable cost prudently even though we incurred some unexpected operating cost brought about by the Pandemic. Some of the Covid-19 related cost include additional investment in technology to enable staff work from home, cost to support business continuity management, cost associated with implementing enhanced safety procedures and other COVID 19 protocols. In addition, the impact of inflation was also pronounced in the year under review. Overall, Operating expense reduced by 1.2 billion (3.2%) from 37 billion in December 2019 to 36 billion in December 2020. This was attributable to cost savings from business travel expenses, General office maintenance expenses, outsourcing services and other controllable business expenses with the exception to Internet services charges, data services and other IT related costs

Impact on risk Assets

Given the economic impact of the pandemic, the Central Bank of Nigeria provided palliatives to customers in terms of forbearance. Wema Bank amidst other DMBs in the industry took advantage of this window and Loan Exposures totaling over N100 billion have been restructured internally owing to the negative impact of COVID-19 on the repayment capacity of the identified obligors. The exposures were submitted to the Central Bank for final approval in line with the forbearance window provided by the CBN and the said exposures are being monitored closely by us to mitigate the risk of default. However, as required under IFRS 9; for modifications that do not result in derecognition, the gross carrying amount of the asset is recalculated by discounting the modified contractual cash flows using the EIR before modification. Any difference between this recalculated amount and the existing gross carrying amount is recognised in profit or loss as a modification gain or loss. Any costs or fees incurred as part of the modification adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The impact of this on the financials was N1.2 billion modification loss as disclosed in note 7 to the financial statements.

Impact on Going Concerns

Considering that there are still uncertainties as regards the duration, evolution, and future effects of the Pandemic. At this point, the Covid-19 Pandemic has been well managed and there has been no material impact on our business. The business will continue to monitor the development of the situation locally and globally and follow recommended measures and guidelines issued by the Nigeria Centre for Disease Control (NCDC) and their Counterparts in other Jurisdiction where we are operating, World Health Organization (WHO) and other health authorities. However, the Directors are confident that the Going Concern status of the business will not be threatened by COVID 19 and would be able to continue to operate in the foreseeable future.

Conclusion

The outbreak of COVID-19 seriously impacted economic and industrial activities globally and in Nigeria, with ripple effects on businesses, households and general commerce. We will continue to monitor the development of the situation locally and globally and follow recommended measures and guidelines issued by the government and regulators

Wema Bank has developed a policy centered on Contingency Planning for Infectious Disease Pandemics to measure; general impact, business impact, pandemic business continuity management plan, reviewed processes and business operations in bit to safe guide the business wellbeing, protect its employees and ensure effective customer service delivery while putting in place preventive measures to curb the impact of the pandemic across all location where the business operates taking into consideration both Federal & State Governments approved Covid-19 protocols.

The internally designed Covid-19 protocols helps in curbing the spread of the virus. Some of the measures adopted include enforcement of health and safety precautions, limiting of physical access to office premises, restriction of access to building to non-essential visitors, enforcement of social distancing protocols, internal awareness campaigns, virtual working approach to reduce exposure and replacement of face-to-face meeting with virtual meeting and the business continuity plan also forecasted the impact of the pandemic on the business stating the likelihood of customer transaction would reduce, business production chain may be disrupted.

The Bank has effectively put in place some mitigating plans amongst others to moderate the impact of these adverse developments in the operating environment on its credit risk exposures:

1. Some loan exposures have been given forbearance by the Central Bank owning to the negative impact of COVID-19 on the repayment capacity of the identified obligors. The said exposures are being monitored closely to mitigate the risk of default

2. The Bank has pro-actively worked-out, reprised and restructured some of the existing exposures before the closure of restructuring window (where cashflow and collateral enhancements exist).

3. The Risk Acceptance Criteria (RAC) has also been tightened for new credit originations. The Risk Management redefined its Lending Focus and reduced new lending to the following sectors: Government, Oil & Gas, Manufacturing, Construction, Transportation and General Commerce (Hospitality), including consumer loans to employees in these sectors.

4. Majority of the Bank's Trade obligations are cash collateralized, and the exchange rate for new LCs are benchmarked against the rate on the I&E Foreign Exchange Window. Where there are exchange rate differentials, the customers provide written commitment to make up the shortfall.

5. For lending to MSMEs, the Management is focused on selectively lending to them and individuals to moderate single-name exposures.

6. We continue to place emphasis on First and Second Line of Defense on Early Identification, Forward-Looking Analysis and Portfolio Stress Testing to identify and manage potentially problematic credits. In addition to this, we have commenced the implementation of a robust loan monitoring framework.

In accordance with business continuity plans, the IT unit provided virtual private network (VPN) access to employees from different remote locations without compromising security. This enabled the business to achieve flexible work arrangements and alternate team split guided by work from home policy. As our employees continue to work from home, we monitored staff productivity and continually maintained the confidentiality of all sensitive information. While we have taken steps to keep our employees safe and help flatten the curve, we strengthened our cybersecurity activities to prevent fraud loss and continued to leverage on our robust service platforms to enable customers carry out seamless transactions on our self-service Channels in order to reduce the number of people who visit our branches. In addition, our profession call Centre teams continued to provide swift response and necessary support to customers. Details in these regards as stated below:

1. Workforce and Customers' Protection

The Bank took the following steps to educate and protect staff and customers:

- Emails, notices, wall posters, desktop wallpaper, and detailed illustrations on how the virus spreads, precautions to take and the emergency numbers to call.
- Staff and customers were advised on all the safety protocols to follow
- All customer-facing staff, including cleaners and security officers, were instructed to use face masks and protective gloves always when carrying out their duties.
- The cleaning staff were educated on the need to carry out proper cleaning and disinfecting of surfaces.
- The security staff were trained on how to use the infrared thermometer and what to do if an individual's temperature is outside the acceptable range.

Procurement and Deployment of preventive and protective tools

- Sanitizer dispensers, sanitizers, cleaning and disinfecting agents, Infrared thermometer, face masks and hand gloves were deployed for use to all locations.

Temperature screening and use of hand sanitizers

- Temperature screening was implemented for all customers, staff, and visitors entering bank premises and branches.
- All customers, staff, and visitors entering bank premises and branches were also required to use the hand sanitizer provided at the entrance.

As the spread of the COVID-19 virus escalated, the following additional actions were taken to protect staff and customers:

- A communication on travel restriction and procedure for resumption if a staff or close family member travelled to locations where there is a widespread of the virus.
- Customers are to be apprised on the precautions the Bank has taken to prevent the spread of the virus.
- Suspension of marketing calls that require physical interaction customer engagement to be done virtually.
- Physical training activities were suspended; all training was moved to the Bank's E-Learning platform
- Recruitment activities (Interviews and on-boarding) was suspended
- Cancellation of all physical events
- Meetings to be conducted via Microsoft Teams and telephone/video conferencing
- Customers were advised to use our secure and convenient online and mobile banking platforms to get remote access to banking services 24/7. Those not currently signed up on Alat / USSD were encouraged to get started.
- Monitoring of the effectiveness of the physical access measures and response plan in place at our locations
- Commencement of remote working for all non-essential functions

2. Maintaining Operations

The requirements for maintaining essential business services under the two scenarios of partial lockdown and total lockdown were identified. The following actions were carried out to provide service to customers:

Identification of Critical employees and critical inputs

- Essential employees and critical inputs required under each scenario were identified, and actions put in place to ensure the availability of these critical staff and inputs.
- Accommodation of critical staff of IT, Contact Centre, ALAT Tech Support and ALAT Back Office who have to work from the head office and ALAT building.

Optimization of the IT infrastructure

- The IT infrastructure was optimized to support high availability and remote access.
- Management actions such as keeping significant changes that could negatively impair performance and stability to a minimum were implemented to maintaining system stability.

- CISCO Umbrella and Two-Factor Authentication were implemented to allow staff to have secure remote access to critical IT Infrastructure.
- Measures to ensure continued availability of services and supplies such as Internet Connectivity and diesel required to continue operating at an acceptable level were put in place.

Branch Operations

In line with the directive of the government to institute social distancing measures by minimizing the number of people that should attend public gatherings as part of the attempts to limit the spread of COVID-19. The Bank took the following precautionary measures:

- Banking hours were shortened, and a shift system was implemented to reduce the number of staff in branches.
- Only ten customers were allowed into the banking hall at a time (consideration should be hinged on a maximum of 20 people in branches at a time including the staff).
- The security officers were instructed to monitor and maintain the overflow of customers outside and direct them inside one at a time after checking their temperature and making sure they use the hand sanitizer.
- Supervisors were instructed to ensure the highest level of security adherence in line with the provisions made by the Bank in each location.
- Branches in affected states were shut down while branches in unaffected states continued operations as usual with strict adherence to the precautionary measures in place.
- CMU operations continued with the respective CBN branches.
- ATM operations except at offsite locations continued despite the closure of physical branches.

3. Provision of COVID-19 related updates to the workforce and customers.

Apart from the initial communication and awareness materials shared and subsequent updates provided, staff and customers were advised to stay informed on the latest developments about COVID-19 through official channels on TV and Radio, the Social Media, including the Lagos State Ministry of Health, NCDC and Federal Ministry.

The following were also done:

- Sensitization of customers on the use of alternate channels.
- Provision of relevant updates as at when due.
- Provision of the required information to staff and customers on branch operations and closures.

Creation of awareness on remote working and how to work effectively and productive while working from home

4. Information Security & Digital Risk Management

Information Security & Digital Risk Management is an essential part of business management for the Bank. Focus is primarily on the threats and cyber risks for enterprise information, underlying digital assets & systems processing and implementing the full set of business processes.

Bank's Strategy to Mitigate Increasing Cyber Risk

a. New Work Model:
The Bank has deployed a new work model tagged "New Normal" which has enabled not just unit members but the entire staff of the Bank to adopt a new method of work which allows us to function in our roles in our respective locations remotely.

The Bank has also provided adequate resources to enable the optimized functioning on the job from the comfort of our locations e.g access to VPN, policies for device procurement whilst also providing on need basis, access on-site to reduce the likelihood of a spread and in an effort to flatten the curve in the spread of the virus.

The deployment of this model has shown that it is possible to function optimally for some roles in the Bank without necessarily being on-site and therefore employees can work very well without undue exposure health-wise to the virus.

One of the key strategic deliverables of the Digital Risk Management Team is the identification and assessment of risk exposures identified on our customer-facing digital platforms.

This is to ensure that all digital platforms are adequately protected in terms of security and functionalities on the applications. This strategic deliverable is tracked by the Bank through the Performance Management Unit and the Bank's Internal Audit Teams.

There are slated and scheduled assessments tied to quarters on these digital platforms as well as continuous assessments within those quarters which also entail constant engagement with relevant product owners and stakeholders to ensure remediation.

b. Provision of tools necessary for process improvement for critical processes and functions within the Risk Management function:

The Risk Management function has been enhanced and continues to be enhanced since the start of the Coronavirus pandemic to deal with and adapt to changes in the business environment due to the pandemic.

The Bank has provided resources, technological and otherwise to enable process optimization needed for the necessary adaptation. This has in turn enabled the Digital Risk Management team spearhead process optimization projects for select processes and functions in the past year which have directly affected the entire group's ability to manage risks which may have been borne from working and providing customer service during this pandemic.

For example, we have worked on the delivery of the Restructuring/ Rescheduling of Loans process which enables automated rescheduling of loan facilities on behalf of our customers. This is also currently expanded to cater to expired loans.

We have also created a Document Management System which serves as an archive for customer files and information and provides a system for the upload and retrieval of all archived information. This ensures that users do not have access on-site to access required customer information.

c. Training, Learning Resource and Workshops:

All unit members have been availed relevant trainings which have provided them enhanced skills to improve on their job functions both in monitoring and reporting of risk issues.

Learning Resources have also been provided for all unit members to further the continuous learning process. A number of virtual workshops/webinars have also been provided with a broader perspective on risk management in the digital space.

The learning process has also been a made a two-way street for the unit as we have also been mandated to and been actively involved in providing relevant and up-to-date information as regards the management of digital risk as it involves both our internal and external customer base.

The Bank took some steps to protect its staff owing to the impact of the pandemic. Communications were sent to the system by the MD/CEO on the impact of COVID-19 and measures required to be taken by all staff for their safety. HCM sent out a communication letting the system know that staff will be sanctioned for not complying with COVID-19 protocols. HCM also sent reminders to all supervisors that they will be held responsible if the staff who report to them do not comply with safety protocols.

In conclusion, the Bank's Risk Management Team continues to monitor macro-economic headwinds and implement risk mitigation strategies to ensure that asset quality is stable while liquidity and capital buffers are sustained. The Bank shall continue to build and enhance risk management capabilities to assist in delivering desired outcomes on the Bank's growth plans in a controlled environment.

Strategic Risk Management

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It could significantly impact on the achievement of the bank's vision and strategic objectives as documented in the strategic plan.

Strategic risk management is the process of identifying, assessing, measuring, monitoring and managing the risk in the bank's business strategy. Strategic risk management involves evaluating how a wide range of possible events and scenarios will affect the strategy and its execution and the ultimate impact on the bank's value.

Strategic Risk Management Policies and Procedures

To effectively manage strategic risk, the bank has established policies, procedures and limits which ensure that the responsiveness to the business environment is objectively evaluated. The business segments that the bank focuses on short term and long term are clearly defined in the bank's business strategy document. There are clear guidelines on how the business strategy will be reviewed and the frequency of review. This is to ensure that critical aspects such as inherent strengths, identified weaknesses, external opportunities and threats are adequately considered. Limits are also set to define sectoral exposures, business growth and staff strength and branch expansion.

Strategic Risk Management Process

To adequately manage the strategic risks faced by Wema bank, the Board and senior management are involved in the strategic risk management process includes:

- Formulating strategic goals and objectives, consistent with the bank's corporate mission and values and translating the goals and objectives into a well-structured strategic plan for delivery and measurement of desired outcomes;
- Personnel, technology, funding and capital resources allocation, prioritisation compatible with implementation strategies;
- Communication, implementation and modification of strategies;
- Performance evaluation and feedback mechanism, and
- Design of a strategic risk management framework to the bank's risk profile and level of sophistication to ensure that strategic risk is consistently and comprehensively identified, assessed, monitored, controlled and reported.

Reputational Risk Management

Reputational risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from an institution's failure to effectively manage, any or all of the other risk types.

Wema bank recognises that managing reputational risk begins with acknowledging that reputation is a matter of perception. Management understands that the bank's overall reputation is a function of its reputation among its various stakeholders (investors, customers, suppliers, employees, regulators, politicians, non-governmental organisations, the communities in which the firm operates) in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues). A strong positive reputation among stakeholders across multiple categories will result in a strong positive reputation for Wema Bank.

Wema Bank has put processes in place to articulate, analyse and manage reputational risk factors properly, in response to reputational risk challenges.

The bank has recognised the following potential factors as having an impact on the bank's reputation:

- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely affect its reputation (e.g. corporate governance crises);
- Consolidation activities ignited by the Central Bank of Nigeria (CBN), resulting in a fusion of different cultures;
- Keen competition and largely homogeneous products and services lead customers not to perceive significant differences between financial service providers;
- The financing nature of products and services banks provide puts both the reputation of the bank and the customers at stake;
- Banks operate and compete in a global environment; risks emerge from a host of different sources and locations this makes it is difficult to keep up with potential risks and to know how best to respond if they occur, and
- Negative news.

Reputational Risk Management Philosophy

Reputational risk management involves anticipating, acknowledging and responding to changing values and behaviours on the part of a range of stakeholders. The following principles govern the Bank's Reputational Risk Management Philosophy:

The Board of Directors of Wema Bank has set the tone for reputational risk management by defining and demanding adherence to a code of conduct for the Board, officers and staff of the Bank. Reputational risk is both an individual and collective responsibility of the Board and all employees. To enhance its reputation in the market, the Bank ensures the following:

- Zero tolerance for non-compliance with laws and regulatory guidelines in all the Bank's locations
- Full compliance with the Bank's code of conduct and other internal policies
- Strict ethical behaviour by board members and executive management
- Transparency and probity in the management of resources
- Professionalism, ethics and corporate social responsibility
- Effective communication of the Bank's vision and strategy to all key stakeholders

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. This measurement complies with the regulatory requirement guideline of the Central Bank of Nigeria.

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

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
At the end of the year	31.04%	32.37%	31.04%	32.37%
Average for the year	22.39%	31.68%	22.39%	31.68%
Maximum for the year	31.04%	36.11%	31 .04%	36.11%
Minimum for the year	13.74%	23.47%	13.74%	23.47%

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Residual contractual maturities of financial assets and liabilities

Group 31 December 2020	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	3 - 6 months	6 - 12 months	5 years	More than 5 years
In thousands of Nigerian Naira							
Non-derivative assets:							
Cash and cash equivalents	97,524,936	97,524,936	97,524,936	0	0	0	0
Pledged assets	27,454,662	27,454,662	0	18,212,210	2,246,025	0	6,996,427
Non-pledged trading assets	78,225,951	78,225,951	3,424,133	335,545	74,466,273	0	0
Loans and advances to customers	360,076,079	360,076,079	97,163,460	49,998,639	57,301,052	113,165,836	42,447,092
Investment securities	105,573,050	105,573,050	56,829,856	9,617,226	14,461,065	1,557,055	23,107,848
	668,854,678	668,854,678	254,942,385	78,163,620	148,474,415	114,722,891	72,551,367
Non-derivative liabilities							
Deposits from banks	0	0	0	0	0	0	0
Deposits from customers	804,873,392	804,873,392	799,508,452	855,828	4,509,112	0	0
Other borrowed funds	73,523,471	73,523,471	75,644	0	33,400	43,399,377	30,015,050
Interest bearing financial liability	32,433,460	32,433,461	10,848,427	7,875,438	13,709,596	0	0
	910,830,323	910,830,324	810,432,523	8,731,266	18,252,108	43,399,377	30,015,050
Gap (asset - liabilities)	-241,975,645	-241,975,645	-555,490,138	69,432,354	130,222,307	71,323,514	42,536,317
Cumulative liquidity gap			-555,490,138	-486,057,784	-355,835,477	-284,511,963	-241,975,645

Residual contractual maturities of financial assets and liabilities

Bank 31 December 2020 In thousands of Nigerian Naira	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	3 - 6 months	6 - 12 months	5 years	More than 5 years
Non-derivative assets:							
Cash and cash equivalents	97,527,858	97,527,858	97,527,858	0	0	0	0
Pledged assets	27,454,662	27,454,662	0	18,212,210	2,246,025	0	6,996,427
Non-pledged trading assets	78,225,951	78,225,951	3,424,133	335,545	74,466,273	0	0
Loans and advances to customers	360,076,079	360,076,079	97,163,460	49,998,639	57,301,052	113,165,836	42,447,092
Investment securities	94,634,062	94,634,062	45,890,868	9,617,226	14,461,065	1,557,055	23,107,848
	657,918,612	657,918,612	244,006,319	78,163,620	148,474,415	114,722,891	72,551,367
Non-derivative liabilities							
Deposits from banks	0	0	0	0	0	0	0
Deposits from customers	804,873,392	804,873,392	799,508,452	855,828	4,509,112	0	0
Other borrowed funds	62,416,375	62,416,375	75,644	0	33,400	32,292,281	30,015,050
Interest bearing financial liability	32,433,460	32,433,461	10,848,427	7,875,438	13,709,596	0	0
	899,723,227	899,723,228	810,432,523	8,731,266	18,252,108	32,292,281	30,015,050
Gap (asset - liabilities)	-241,804,615	-241,804,615	-566,426,204	69,432,354	130,222,307	82,430,610	42,536,317
Cumulative liquidity gap			-566,426,204	-496,993,850	-366,771,543	-284,340,933	-241,804,615

Residual contractual maturities of financial assets and liabilities

Group 31 December 2019 *In thousands of Nigerian Naira*	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	3 - 6 months	6 - 12 months	5 years	More than 5 years
Non-derivative assets:							
Cash and cash equivalents	65,974,273	65,974,273	65,974,273	-	-	-	-
Pledged assets	26,925,527	24,325,423	-	3,893,180	3,925,071	-	19,107,276
Non -pledged trading assets	105,164,284	116,565,347	23,279,106	417,560	81,467,618	-	-
Loans and advances to customers	289,239,810	289,239,810	83,890,924	39,268,622	45,003,890	86,867,351	33,337,684
Investment securities	44,238,230	50,127,827	16,003,845	4,888,282	13,733,918	202,098	9,410,087
	530,591,226	545,281,782	189,068,589	48,467,644	144,130,497	87,069,449	61,855,047
Non-derivative liabilities							
Deposits from banks	3,638,400	3,638,400	3,638,400	-	-	-	-
Deposits from customers	577,276,308	577,276,308	379,727,360	125,234,648	34,980,628	37,333,672	-
Other borrowed funds	48,770,306	48,770,306	41,441	-	18,298	19,332,790	29,138,338
Interest bearing financial liability	22,244,902	22,244,902	7,539,216	4,985,381	9,720,304	-	-
	651,690,477	651,690,477	390,946,417	130,220,029	44,719,231	56,666,462	29,138,338
Gap (asset - liabilities)	(121,099,251)	(106,408,695)	(201,877,828)	(81,752,386)	99,411,266	30,402,987	32,716,709
Cumulative liquidity gap	(121,099,251)	(106,408,695)	(201,877,828)	(283,630,214)	(184,218,948)	(153,815,961)	(121,099,251)

Residual contractual maturities of financial assets and liabilities

Bank **31 December 2019** In thousands of Nigerian Naira	**Carrying amount**	**gross nominal inflow/ (outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**5 years**	**More than 5 years**
Non-derivative assets:							
Cash and cash equivalents	65,967,028	65,967,028	65,967,028	-	-	-	-
Pledged assets	26,925,527	24,325,423	-	3,893,180	3,925,071	-	19,107,276
Non-pledged trading assets	105,164,284	116,565,347	23,279,106	417,560	81,467,618	-	-
Loans and advances to customers	289,239,870	289,239,870	83,890,924	39,268,622	45,003,890	86,867,351	33,337,684
Investment securities	33,106,359	32,903,244	16,003,845	4,888,282	2,602,047	202,098	9,410,087
	519,531,955	528,129,800	189,141,189	48,467,644	132,998,626	87,069,449	61,855,047
Non-derivative liabilities							
Deposits from banks	3,638,400.00	3,638,400.00	3,638,400.00	-	-	-	-
Deposits from customers	577,283,469	577,283,469	379,727,360	125,234,648	34,980,628	37,333,672	-
Other borrowed funds	37,702,326	37,702,326	41,441	-	18,298	8,273,471	29,138,338
Interest bearing financial liability	22,244,902	22,244,902	7,539,216	4,985,381	9,720,304	-	-
	640,869,098	640,869,098	390,946,417	130,220,029	44,719,231	45,607,143	29,138,338
Gap (asset - liabilities)	(121,337,142)	(112,739,298)	(201,805,228)	(81,752,386)	88,279,395	41,462,307	32,716,709
Cumulative liquidity gap			(201,805,228)	(283,557,614)	(195,278,218)	(153,815,912)	(121,099,202)

ALAT by WEMA

Market Risk Management

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

Group	At 31st December 2020			At 31st December 2019		
	Carrying amount NGN	Trading portfolios NGN	Non-trading portfolios NGN	Carrying amount NGN	Trading portfolios NGN	Non -trading portfolios NGN
Assets subject to market risk						
Cash and cash equivalents	25,829,497	0	25,829,497	20,706,980	0	20,706,980
Cash and bank balances with Central Bank	289,817,304	0	289,817,304	156,236,258	0	156,236,258
Treasury Bills	83,347,038	0	83,347,038	23,276,448	0	23,276,448
Trading assets	78,225,951	78,225,951	0	105,164,284	105,164,284	0
Assets pledged as collateral	27,454,662	0	27,454,662	26,925,527	0	26,925,527
Due from other banks	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Loans and advances to banks	28,873,996	0	28,873,996	30,609,230	0	30,609,230
Loans and advances to customers	360,076,079	0	360,076,079	289,239,870	0	289,239,870
Investment securities	22,226,012	0	22,226,012	9,810,271	0	22,562,525
Other financial assets	11,403,279	0	11,403,279	845,189	0	845,189
	927,253,818	**78,225,951**	**849,027,867**	**622,733,926**	**105,164,284**	**570,402,027**
Liabilities subject to market risk						
Trading liabilities	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Deposits from banks	0	0	0	3,638,400	0	3,638,400
Deposits from customers	804,873,392	0	804,873,392	577,283,469	0	577,283,469
Debt securities issued	73,523,471	0	73,523,471	48,770,306	0	48,770,306
Other financial liabilities	32,456,615	0	32,456,615	22,732,630	0	22,732,630
Subordinated liabilities	0	0	0	0	0	0
	910,853,478	**0**	**910,853,478**	**652,424,805**	**0**	**652,424,805**

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

Bank	At 31st December 2020			At 31st December 2019		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	NGN	NGN	NGN	NGN	NGN	NGN
Assets subject to market risk						
Cash and cash equivalents	25,832,117	0	25,832,117	20,626,849	0	20,626,849
Cash and bank balances with Central Bank	289,817,304	0	289,817,304	156,236,258	0	156,236,258
Treasury Bills	83,347,038	0	83,347,038	23,276,448	0	23,276,448
Trading assets	78,225,951	78,225,951	0	105,164,284	105,164,284	0
Assets pledged as collateral	27,454,662	0	27,454,662	26,925,527	0	26,925,527
Due from other banks	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Loans and advances to banks	28,873,996	0	28,873,996	30,609,230	0	30,609,230
Loans and advances to customers	360,076,079	0	360,076,079	289,239,870	0	289,239,870
Investment securities	11,287,024	0	11,287,024	9,810,271	0	9,810,271
Other financial assets	11,403,279	0	11,403,279	845,189	0	845,189
	916,317,751	**78,225,951**	**838,091,800**	**662,733,926**	**105,164,284**	**557,569,642**
Liabilities subject to market risk						
Trading liabilities	0	0	0	0	0	0
Derivative financial instruments	0	0	0	0	0	0
Deposits from banks	0	0	0	3,638,400	0	3,638,400
Deposits from customers	804,873,392	0	804,873,392	577,283,469	0	577,283,469
Debt securities issued	62,416,375	0	62,416,375	37,702,326	0	37,702,326
Other financial liabilities	32,456,615	0	32,456,615	22,732,630	0	22,732,630
Subordinated liabilities	0	0	0	0	0	0
	899,746,382	**0**	**899,746,382**	**641,356,825**	**0**	**641,356,825**

The Group trading VaR for the year is shown in the table below:

Historical VaR (99%, oneday) by risk type	Average		Minimum		Maximum		Year end	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
	NGN	NGN	NGN	NGN	NGN	NGN	NGN	NGN
Foreign exchange	98	672	2	75	288	1,094	8	75
Interest rate	278,586	408,787	4,179	225,914	829,775	771,587	4,179	771,587
Total VaR exposure	278,684	409,459	4,181	225,988	830,063	772,680	4,186	771,662

The Group's VaR should be interpreted in light of the limitations of the methodologies used. These limitations include the following:

i. Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.

ii. VaR using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.

iii. VaR using a 99 per cent confidence level does not reflect the extent of potential losses beyond that percentile.

iv. These limitations and the nature of the VaR measure mean that the Group can neither guarantee that losses will not exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than once in 100 business days.

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk and for interest rate risk are set in the relevant disclosures

Foreign currency risk management

Foreign currency concentrations risk as at 31 December 2020

Group

In thousands of Nigerian Naira	US Dollar	Euro	Pound	Naira	Others	Total
31 December 2020						
Cash and cash equivalents	39,122,363	622,478	656,423	56,731,030	392,642	97,524,936
Pledged assets	-	-	-	27,454,662	-	27,454,662
Non-pledged trading assets	-	-	-	78,225,951	-	78,225,951
Loans and advances to customers	39,866,898	597,518	11	319,611,652	-	360,076,079
Investment securities	-	-	-	105,573,050	-	105,573,050
Other assets	0	0	0	11,403,279	0	11,403,279
Total financial assets	**78,989,261**	**1,219,995**	**656,434**	**598,999,625**	**392,642**	**680,257,958**
Deposits from banks	-	-	-	-	-	-
Deposit from customers	41,659,134	321,206	664,187	762,228,861	3	804,873,392
Other borrowed funds	5,675,125	-	-	67,848,346	-	73,523,471
Other liabi lities	22,963,342	864,067	0	8,316,401	312,805	32,456,615
Total financial liabilities	**70,297,601**	**1,185,274**	**664,187**	**838,393,608**	**312,808**	**910,853,478**

Bank

In thousands of Nigerian Naira						
31 December 2020						
Cash and cash equivalents	39,122,363	622,478	656,423	56,733,952	392,642	97,527,858
Pledged assets	-	-	-	27,454,662	-	27,454,662
Non-pledged trading assets	-	-	-	78,225,951	-	78,225,951
Loans and advances to customers	39,866,898	597,518	11	319,611,652	-	360,076,079
Investment securities	-	-	-	94,634,062	-	94,634,062
Other assets	0	0	0	11,403,279	0	11,403,279
Total financial assets	**78,989,261**	**1,219,995**	**656,434**	**588,063,558**	**392,642**	**669,321,891**
Deposits from banks	-	-	-	-	-	-
Deposit from customers	41,659,134	321,206	664,187	762,228,861	3	804,873,392
Other borrowed funds	5,675,125	-	-	56,741,250	-	62,416,375
Other liabilities	22,963,342	864,067	0	8,316,401	312,805	32,456,615
Total financial liabilities	**70,297,601**	**1,185,274**	**664,187**	**827,286,512**	**312,808**	**899,746,382**

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of the United States of America (USD), the European Union (EUR) and the United Kingdom (GBP) respectively.

The following table details the Group's sensitivity to a per cent increase and decrease in currency units against the relevant foreign currencies. Per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a per cent change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where currency units weakens per cent against the relevant currency. For a per cent strengthening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

The Bank has prudently adopted the ruling I&E rate for the translation of financial assets and liabilities denominated in foreign currencies as at 2019 year end in response to the expected technical devaluation of the Naira in the short and medium terms.

In view of the current global and domestic macro-economic trends/outlooks amidst exit of foreign portfolio investors (FDIs) from the local market arising from increased political risks, the likely convergence of rates after the general elections is unexpected.

The sensitivity analysis shows that the Bank is positioned to record gain on its net financial assets denominated in foreign currencies in the short to medium term.

Bank	**[USD] impact**		**[EUR] impact**		**[GBP] impact**	
In thousands of Nigerian Naira	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Profit or loss	86,917	95,910	347	1,486	(78)	5,245
Other equity	(86917)	(95910)	(347)	(1,486)	78	(5,245)

Non-trading interest rate risk

While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for interest rate risk are set out below.

Interest rate risk management

The Group is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates. Interest rate risk in the banking book is measured and controlled using three metrics:

i re-pricing gap analysis
ii net interest income sensitivity; and
iii economic value of equity.

Re-pricing gap analysis

This allows the Bank to maintain a positive or negative gap depending upon the forecast of interest rate position. The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to anticipate increase net interest income, in line with market outlook.

Net interest income sensitivity

Net interest income sensitivity captures the expected impact of changes in interest rates on base case projected net interest income for a specified financial period, typically one year.

Economic value of equity

Economic value of equity captures the expected impact of changes in interest rates on base case economic value. It captures all non-traded items irrespective of the profit and loss accounting treatment.

The following table sets out the estimated impact on the Group's base case projected net interest income for 2020 due to shocks of 200 basis points (bps) to the current market-implied path of interest rates. The sensitivities shown represent the Group's assessment as to the change in expected base case net interest income under the two rate scenarios assuming that all other non-interest rate risk variables remain constant, and there are no management actions. In deriving the base case net interest income projections, the repricing rates of assets and liabilities used are derived from current yield curves, thereby reflecting current market expectations of the future path of interest rates. The scenarios therefore represent interest rate shocks to the current market implied path of rates.

Sensitivity of projected net interest income	200bps parallel increase NGN	200bps parallel decrease NGN
2020		
Year ended 31 December	(6,399,766)	6,399,766
2019		
Year ended 31 December	(4,168,699)	4,168,699

Operational Risk Management

Introduction

The International Standards Organization (ISO) in its ISO 31000 standard for risk management defines risk as "the effect of uncertainty" on business objectives. This effect can be both positive and negative. Risk events can trigger huge losses for an organisation. It is inherent in every process and system that an organisation or company uses. Due to the complexity of business operations, the advancement of technology, and increased customer's expectations, operational risk management has become crucial for organisations' success and survival.

To achieve business goals and objectives, organisations carry out various activities. These activities involve various risks and are in diverse degrees, and risk management is inevitable to achieve these objectives. Managing risks in activities involves identifying risk, analysing risk, and evaluating whether the risk should be modified via risk treatment to satisfy their risk criteria. While doing all of these, there is communication and consultation with stakeholders to monitor and review the risks and controls so that the organisations' corporate and strategic goals are met.

Wema Bank's Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal people, processes, controls, systems or from external events. It can also be viewed as the risk arising from the execution of an institution's business functions. There are inherent risks in all the Bank's products, activities, processes, and systems.

Some of the risk associated with failures/inadequacies in people are lack of experience and knowledge, insufficient resources, inadequate supervision, and lack of integrity.

Inadequate/process failures such as process complexity, inadequate process documentation and process flaws are all associated with process failure/inadequacy.

System risks are associated with system/IT failures such as security breaches, programming errors, application failures, and system suitability issues.

External risks arise from events outside the Bank's control, such as natural disasters, terrorism, and other human-made forces.

Operational risk management is a continuous process that involves risk assessment, risk decision making, and adopting controls and mitigants for risk avoidance, risk reduction, risk acceptance or risk transfer.

The effective management of operational risk has always been a fundamental element of Wema bank's risk management program. We understand that sound operational risk management reflects the Board of Directors and Senior Management's effectiveness in administering its portfolio of products, activities, processes, and systems, creating value for all stakeholders, and entrenching a competitive advantage for the Bank.

Operational Risk Management Philosophy

Wema Bank's operational risk management philosophy is driven by the eleven (11) Operational Risk Management Principles defined by the Basel Committee on Banking Supervision. Its implementation aims to strategically create and drive a robust risk management culture in the Bank. It allows for the achievement of greater sophistication and consistency in operational risk management.

The Bank's operational risk management philosophy is also anchored on implementing a process-driven framework that ensures that all principal risks in the Bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision making.

Operational Risk Management Framework

Implementing a process-driven framework ensures that all principal risks in the Bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision making. It will also provide a robust basis for demonstrating the value of operational risk management activity.

The Framework documents: -
- Governance structures, including reporting lines and accountabilities;
- Operational risk management tools and how they are used;
- Operational risk profile, permissible thresholds or tolerances for inherent and residual risk, and approved risk mitigation strategies;
- Approach to establishing and monitoring thresholds or tolerances for inherent and residual risk exposure;
- Management risk reporting;
- Independent review and assessment of operational risk; and
- Revision of policies whenever a material change in the operational risk profile of the Bank occurs.

Policies and Procedures

Operational risk management policies and procedures that clearly define how all aspects of operational risk are managed are documented and communicated. These policies and procedures are aligned with the overall business strategy and support the continuous improvement of the risk management function.

Wema Bank's Operational risk management policies and procedures address the process for review and approval of new products, activities, processes and systems.

The review and approval process considers: -

- Inherent risks in the new product, service, or activity;
- Resulting changes to the Bank's operational risk profile and appetite and tolerance, including the risk of existing products or activities;
- The necessary controls, risk management processes, and risk mitigation strategies;
- The residual risk;
- Changes to relevant risk limits;
- The procedures and metrics to measure, monitor, and manage the risk of the new product or activity; and
- The necessary human resources and technology infrastructure are available before the introduction of new products.

Operational Risk Exposure

Operational risk exposures are managed through a robust and consistent set of management processes that drives risk identification, assessment, control, reporting, and monitoring. These activities keep operational risk at an acceptable level relative to our businesses' nature and the markets in which Wema Bank plays, our capital and liquidity, and the competitive, economic and regulatory environment. With the array controls, operational losses are inevitable. Our operational risk strategy seeks to minimise the impact of operational risk and losses on the Bank.

The Bank's promotes operational risk management culture that reduces the probability of occurrence of expected events and cost implication by managing the risk profile and implementing loss prevention techniques to reduce erosion of the organisation's earnings. Also, to minimise the impact of unexpected and catastrophic events and related costs through sound Business Continuity Management that will support the Bank's long-term growth. These are further being managed by:

- Implementing global Standards into the operational risk management framework to ensure that we abide by global best practices in managing operational risks
- Frequently Increased monitoring and enhanced preventive/detective controls to manage risks associated with new technologies and new/emerging banking terrain;
- Promote a culture that strengthens internal security controls to prevent cyber/technologically related attacks;
- Improved controls and security to protect customers when using digital channels;
- Enhanced third-party risk management capability to enable the consistent risk assessment of any third-party service.

Operational Risk Management Tools

The following are some of the key tools adopted for managing operational risk in Wema Bank.

Business Process Mapping: Business process maps identify the key steps in business processes, activities and organisational functions. They also identify the key risk points in the overall business process. Process maps can reveal individual risks, risk interdependencies, and areas of control or risk management weakness.

Scenario Analysis: Scenario analysis involves obtaining an expert opinion of business line and risk managers to identify potential operational risk events and assess their potential outcome.

Risk & Control Self-Assessment (RCSA): Risk & Control Self-Assessment (RCSA) is the process through which the likelihood (probability) of identified risks (inherent and residual) occurring and the impact in the event of occurrence are assessed. It enables process owners to develop a risk profile for their respective business/support functions and assess mitigating controls' effectiveness.
Key Risk Indicators (KRIs): Key Risk Indicators are metrics used to show changes in risk profile and are designed to monitor the development of significant risks. Key Risk Indicators are defined for high or medium risk area in each business/support unit as part of the Bank's approach to assessing operational risk and setting its risk appetite. Thresholds are also defined for each key risk indicator to serve as a proxy for risk appetite for each risk area and business/support unit.

Key Performance Indicators (KPIs): Key Performance Indicators are metrics used to define performance targets for the business/support unit based on its goals and objectives and monitor its progress towards achieving these targets.

Internal Loss Data Collection and Analysis: Internal operational loss data such as loss arising from fraud, forgeries, robbery, and system downtime provides meaningful information for assessing a bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events provides insight into the causes of large losses and whether control failures are isolated or systematic.

Business Continuity Management

In recent years several natural and human-made events have had a big effect on the financial industry, which has resulted in a rise in business continuity planning. By integrating business continuity management into an overall Enterprise Risk Management Framework, banks can ensure they are prepared for future challenges.

The Bank is committed to ensuring the continuity of its business in the face of disruptive events. Wema Bank provides a governance framework for crisis management and orderly restoration of business activities upon the occurrence of an adverse event (e.g. a natural disaster or human-made disaster or technological failures).

The internal and external factors influencing business operations have been identified, and the potential consequences of a business interruption. This will allow the most appropriate level of measures to be put in place to reduce the level of risk and ensure that plans are available and tested to manage any interruptions that occur.

The Bank promotes a culture that describes the methodologies used by the Business for risk assessment, risk analysis, risk mitigation, monitoring and reporting while providing for consistent program administration, senior management oversight with clearly defined roles and responsibilities. Sound business continuity management helps to:

- Ensure business continuity in a cost-effective manner
- Provide safety and ensure the protection of:
    - People,
    - Stakeholders,
    - Reputation,
    - Assets,
    - Systems,
    - Technology, and
    - Information.
- Provide a methodology for analysing the business impacts of adverse events
- Comply with statutory and regulatory provisions.

The Bank mitigates business continuity risks by reviewing and testing recovery procedures. Regular bank-wide awareness campaigns are also used to drive a business continuity culture in the bank.

Capital management

(i) Regulatory capital

The Bank's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria.

The Bank, in 2008 took a proactive step of commencing the process of disencumbering the books of doubtful and classified assets so as to lay a solid foundation for a more virile and prosperous Bank.

In the aftermath of this our capital management objectives have been to:

- Stop further erosion of shareholders' wealth;
- Take all necessary measures to bring the Bank's capital to the level set by the regulatory authorities; and
- Sustain the Bank's capability to continue as a going concern.
- The Bank has instituted effective mechanisms for the daily monitoring of movement in our capital base and measurement of our capital adequacy ratio by deploying techniques stipulated by the Central Bank of Nigeria (CBN) banks' supervisory guidelines.

Throughout the reporting year, the Bank complied strictly with the requirement of monthly rendition of report on same to the CBN. The Auditors are also required to comply with the Nigeria Deposit Insurance Corporation (NDIC) requirement of submitting an annual certificate that consist the computed capital adequacy ratio of the Bank.

To align with the CBN current reforms, we are taking a multiple approach to raising the Bank capital base to the required level through:

- Increasing the Bank's revenue base while ensuring efficient management of operating expenses.
- Vigorously implementing debt recovery strategies.
- Our Bank's regulatory capital as managed by the Financial Control and Treasury Units is divided into two tiers.
- Tier 1 capital, which includes share capital, share premium, other reserves and retained earnings.
- Tier 2 capital, which includes revaluation reserves and other borrowings

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, capital market and other risks associated with each asset and counterparty, taking into consideration any eligible collateral guarantee. A similar treatment is accorded to off-balance sheet transactions with adjustments in line with the contingent nature of the underlining potential losses.

(ii) Capital Adequacy Ratio

In thousands of Nigeria naira	31-Dec 2020	31-Dec 2019
Tier 1 capital		
Ordinary share capital	19,287,233	19,287,233
Share premium	8,698,230	8,698,230
Statutory reserves	14,974,982	13,597,317
SMEIES	673,148	526,908
RRR applied for IFRS 9 Impact	-	-
Retained earnings	7,314,727	3,450,262
Total qualifying Tier 1 capital	50,948,320	45,559,950
Deferred tax assets	18,236,111	19,195,906
Intangible assets	1,391,549	974,069
Investment in capital of financial subsidiaries	-	-
	19,627,660	20,169,975
Adjusted Total qualifying Tier 1 capital	31,320,660	25,389,976
Tier 2 capital		
Other comprehensive income (OCI)	2,086,782	1,437,590
Sub-ordinated debts	13,642,318	13,637,957
Total qualifying Tier 2capital	15,729,100	15,075,547
Investment in capital and financial subsidiaries	-	-
Net Tier 2 Capital	10,440,220	8,463,325
Total regulatory capital	41,760,881	33,853,301
Risk-weighted assets		
Credit risk	189,252,969	173,737,446
Market risk	5,166,510	12,895,985
Operational risk	83,714,264	62,317,731
Total risk-weighted assets	278,133,743	248,951,162
Risk-weighted Capital Adequacy Ratio (CAR)	15.01%	13.60%
Total tier 1 capital expressed as a percentage of risk-weighted assets	11.26%	10.20%

(iii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the Bank's longer term strategic objective.

Other National Disclosures

Statement of Value Added

	Group				Bank			
In thousands of Nigerian Naira	2020	%	2019	%	2020	%	2019	%
Gross Income	81,382,795		94,890,127		79,876,995		93,389,811	
Interest paid	(33,702,510)		(44,696,360)		(32,189,452)		(43,197,658)	
	47,680,285		50,193,767		47,687,543		50,192,153	
Write back/(Impairment) charge on financial assets	(5,635,165)		(6,130,600)		(5,635,165)		(6,130,600)	
Bought-in materials and services	(18,894,932)		(19,115,311)		(18,887,354)		(19,102,890)	
Value added	**23,150,188**	**100**	**24,947,856**	**100**	**23,165,024**	**100**	**24,958,663**	**100**
Distribution								
Employees								
Salaries and benefits	14,082,228	61	14,870,989	60	14,082,228	61	14,870,989	60
Government								
Income tax	394,511	1	549,771	2	394,511	1	549,770	2
Retained in the Bank								
Deferred Tax	959,795	4	1,010,310	4	959,795	4	1,010,310	4
Assets replacement (depreciation & amortisation)	3,136,273	14	3,316,846	13	3,136,273	14	3,316,846	13
Profit transferred to reserve	4,577,381	20	5,199,940	21	4,592,217	20	5,210,748	21
	23,150,188	**100**	**24,947,856**	**100**	**23,165,024**	**100**	**24,958,663**	**100**

Other National Disclosures

Financial Summary

Other National Disclosures
Financial Summary

In thousands of Nigerian Naira	Group 31-Dec-20	Bank 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-19	Group 31-Dec-18	Bank 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-17	Group 31-Dec-16	Bank 31-Dec-16
Assets:										
Cash and cash equivalents	97,524,936	97,527,858	65,974,273	65,967,028	42,122,799	42,122,799	22,427,586	22,425,891	27,623,945	27,608,708
Restricted Deposit with CBN	246,974,959	246,974,959	137,392,701	137,392,701	58,054,204	58,054,204	26,495,664	26,495,664	48,161,682	48,161,682
Pledged assets	27,454,662	27,454,662	26,925,527	26,925,527	20,583,433	20,583,433	25,420,137	25,420,137	16,419,725	16,419,725
Investment securities	183,799,001	172,860,013	150,100,752	139,193,787	71,617,784	60,729,210	44,467,181	41,647,599	62,075,906	59,268,598
Loans and advances to customers	360,076,079	360,076,079	289,239,870	289,239,870	252,189,613	252,189,613	215,840,031	215,840,031	227,008,550	227,008,550
Investment property	38,388	38,388	39,330	39,330	40,273	40,273	45,671	45,671	361,798	361,798
Right of use	621,528	621,528	509,963	509,963						
Property Plant and equipment	21,517,323	21,517,323	20,637,634	20,637,634	18,602,696	18,602,696	17,078,789	17,078,789	16,614,465	16,614,465
Intangible assets	1,391,549	1,391,549	974,069	974,069	927,391	927,391	759,092	759,092	400,017	400,017
Other assets	21,883,615	21,883,615	4,879,789	4,879,789	4,459,906	4,459,906	14,349,673	14,405,728	3,207,791	3,207,791
Deferred tax assets	18,236,111	18,236,111	19,195,906	19,195,906	20,206,217	20,206,217	21,269,702	21,269,702	22,169,702	22,169,702
	979,518,151	**968,582,084**	**715,869,814**	**704,955,604**	**488,804,317**	**477,915,742**	**388,153,526**	**385,388,304**	**424,043,581**	**421,221,036**
Finance by:										
Share capital	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233
Share premium	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	48,870,107	48,870,107
Retained earnings	7,103,647	7,314,727	3,254,018	3,450,262	5,992,622	6,102,353	4,089,570	4,166,460	(39,158,766)	(39,127,546)
Other reserve	24,052,644	24,052,644	23,921,126	23,921,126	16,911,064	16,911,064	17,540,217	17,540,217	19,472,160	19,472,160
Deposits from banks	-	-	3,638,400	3,638,400	0	0	26,575,260	26,575,260	37,433,906	37,433,906
Deposits from customers	804,873,392	804,873,392	577,283,469	577,283,469	369,199,768	369,314,164	254,460,881	254,487,050	283,302,604	283,328,215
Lease liabilities	22,875.00	22,875.00	72,584.00	72,584.00	-	-	-	-	-	-
Current tax liabilities	394,511	394,511	905,364	905,364	429,079	429,079	359,878	359,878	349,245	349,245
Other liabilities	41,562,147	41,522,098	30,039,084	29,996,610	22,837,603	22,772,597	17,682,745	17,646,215	22,392,756	22,324,495
Obligations under finance lease	-	-	-	-	-	-	-	-	932	932
Other borrowed funds	73,523,471	62,416,375	48,770,306	37,702,326	45,448,718	34,401,024	39,459,512	36,627,761	32,093,404	29,282,289
	979,518,150	**968,582,084**	**715,869,813**	**704,955,604**	**488,804,317**	**477,915,742**	**388,153,526**	**385,388,304**	**424,043,581**	**421,221,036**
Guarantees and other commitments	**78,692,203**	**78,692,203**	**83,890,369**	**83,890,369**	**62,872,234**	**62,872,234**	**48,300,504**	**48,300,504**	**37,526,467**	**37,526,467**