FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Statement of Directors responsibilities in relation to the preparation of the financial statements for the year ended 31 December 2021

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act (CAMA) 2020, Sections 24 and 28 of the Banks and Other Financial Institutions Act (BOFIA) 2020, and the Financial Reporting Council Act No. 6, 2011, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Bank, and of the financial performance for the year.

The responsibilities include ensuring that:

a Appropriate internal controls are established both to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities

b The Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which ensure that the financial statements comply with requirements of International Financial Reporting Standards and the Companies and Allied Matters Act (CAMA) 2020, Banks and Other Financial Institutions Act (BOFIA) 2020, the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines and relevant circulars issued by the Central Bank of Nigeria

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

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20 (CAMA) 2020 , Banks and Other Financial Institutions Act (BOFIA) 2020 , the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines, and relevant circulars issued by the Central Bank of Nigeria

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and its financial performance for the year

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Signed on behalf of the Directors by:
27 January 2022

Kevin Ugwuoke
Director
FRC/2020/003/00000022290

Nneka Onyeali-Ikpe
Managing Director/ Chief Executive Officer
FRC/2013/NBA/00000016998

Statement of corporate responsibility for the preparation of the financial statements for the year ended 31 December 2021

In line with the provision of S. 405 of CAMA 2020, the Chief Executive Officer and Chief Financial officer of Fidelity Bank Plc have reviewed the Financial Statement of the bank for the year ended **December 31, 2021** and accept responsibility for the financial and other information within the quarterly report based on the following:

(a) The financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statement misleading.

(b) The financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and result of operation of the bank as of and for the period ended December 31, 2021

(c) The bank's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2021

(d) The bank's internal Controls has been designed to ensure that all material information relating to the bank has been provided.

(e) That we have disclosed to the bank's Auditors and the Audit Committee that there are no significant deficiencies in the design or operation of the bank's internal controls which could adversely affect the bank's ability to record, process, summaries and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the cause of the Audit; And that there is no fraud involving management or other employees which could have any significant role in the bank's internal control

(f) There is no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses

Date: ***27 January 2022***

Victor Abejegah
Chief Financial Officer
FRC/2013/ICAN/00000001733

Nneka Onyeali-Ikpe
Managing Director/Chief Executive Officer
FRC/2013/NBA/00000016998

Insider Trading Policy (Dealing in the Company's Securities)
for the year ended 31 December 2021

The Bank has a formal Insider Trading Policy that prohibits all "Insiders" and their "Connected Persons" (as defined in the Policy) from dealing in the Company's securities at certain times. The provisions of the Policy are based on terms no less exacting than the standards defined in the Listing Rules of the Nigerian Exchange Group. The objectives of the Policy include the following:

(a) Promote compliance with the provisions of the Investments and Securities Act (ISA) 2007, the Securities and Exchange Commission Code of Corporate Governance and the Listing Rules of the Nigerian Exchange Group;
(b) Ensure that all persons to whom the policy applies (affected persons), who possess material non-public information do not engage in insider trading or tipping.
(c) Ensure that all the Bank's employees and Directors comply with utmost secrecy and confidentiality on all information which they receive as a result of the position within the Bank; and
(d) Protect the Bank and its staff from reputational damage and penalties that may be imposed by regulators as a result of improper identification, disclosure and management of insider trading activities.

The Policy has been communicated to all persons to whom it is applicable including Employees, Directors and members of the Statutory Audit Committee. The Company Secretary periodically notifies affected persons of when trading in the Bank's securities is either permitted (Open Periods) or prohibited (Blackout Periods).

The Bank has established a mechanism for monitoring compliance with the Policy and affected persons are required to notify the Company Secretary of transactions undertaken on their accounts in the Bank's securities. Enquiries are also made to confirm the Directors compliance with the Policy and in event of non-compliance, the reasons for same and the remedial steps taken. In addition to being hosted on the Bank's website and Share Points Portal (an internal web-based application), the Policy is circulated to all affected persons on a regular basis.

Notes to the financial statements
for the year ended 31 December 2021

1. Corporate information

These financial statements are for Fidelity Bank Plc (the "Bank"), a company incorporated in Nigeria on 19 November 1987.The registered office address of the Bank is at Fidelity Place, 1 Fidelity Bank Close Off Kofo Abayomi Street, Victoria-Island, Lagos, Nigeria.

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Fidelity Bank Plc provides a full range of financial services including investment, commercial and retail banking.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

2.1.1 Basis of preparation (Statement of compliance)

The Bank's financial statements for the period ended **31 December 2021** have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Bank has applied IAS 34 - Financial Reporting in preparing its financial statements and as such do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2020.

Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, statement of cashflows, significant accounting policies and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets and financial liabilities measured at fair value.

The financial statements are presented in Naira, which is the Bank's presentation currency. The figures shown in the financial statements are stated in Naira millions.

2.1.2 Changes on accounting policies and disclosures

a Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

The main features of the new accounting model for insurance contracts are as follows:

• The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)

• A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)

• Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period

• The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.

• The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.

• Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.

• Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

• Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform – Phase 2

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to a RFR takes place on an economically equivalent basis with no value transfer having occurred.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss.

The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes.

Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness. Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss.

Relief from discontinuing hedging relationships continued

For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero. This relief applies when the exception to the retrospective assessment ends.

The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued. As items within the hedged group transition at different times from IBORs to RFRs, they will be transferred to sub-groups of instruments that reference RFRs as the hedged risk.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform. The phase two reliefs cease to apply once all changes have been made to financial instruments and hedging relationships, as required by IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.

Additional disclosures

IFRS 7 Financial Instruments: Disclosures includes the following:

• How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform

• Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs

• If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes

These amendment does not have significant impact on the bank's financial statements when they became effective 1 January 2021.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments will currently have no impact on the financial statements of the Bank.

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

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current.The amendments clarify:

• What is meant by a right to defer settlement

• That a right to defer must exist at the end of the reporting period

• That classification is unaffected by the likelihood that an entity will exercise its deferral right

• That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

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

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

The Bank will apply this amendment when it becomes effective on 1 January 2023.

Amendments to IFRS 3 - Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be+B148within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments will currently have no impact on the financial statements of the Bank, and it's effective annual reporting periods beginning on or after 1 January 2022.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments will currently have no impact on the financial statements of the Bank, and it's effective annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments will currently have no impact on the financial statements of the Bank, and it's effective annual reporting periods beginning on or after 1 January 2022.

Annual Improvements 2018-2020 cycle (issued in May 2020)
IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter.

• The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 tomeasure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Bank.

IFRS 9 Financial Instruments - Fees in the ’10 per cent’ test for derecognition of financial liabilities

• The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39.

• An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

• An entity applies the amendment for annual reporting periods beginning on or after1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Bank.

IFRS 16 Leases Illustrative Example accompanying - Lease incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

IAS 41 Agriculture - Taxation in fair value measurements

• The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

• An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

These amendments will currently have no impact on the financial statements of the Bank.

• IAS 23 Borrowing Costs

The ammendment clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies whose ammendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those ammendment. An entity applies those ammedments for annual reporting periods beginning on or after 1 January 2019 with early application permitted. Since the bank's current pratice is in line with these ammendment, the Bank does not expect any effect on its financial statements

b New and amended standards and interpretations.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2020. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(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 application of the amendments impacts the bank’s accounting in the following ways:

• The bank has floating rate debt, linked to, which its 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 bank has issued [Currency B]-denominated fixed rate debt which its 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 measurable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.

• The bank 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 bank 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.

(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-19-related 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, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 31 December 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 31 December 2021 and increased lease payments that extend beyond 31 December 2021); and

c) There is no substantive change to other terms and conditions of the lease.

The bank has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption

The bank has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B, and has not restated prior period figures. There were no rent concessions enjoyed.

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

IAS 8:28 In the prior year, the bank 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 prior 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 IAS 1 and IAS 8

Definition of material

The bank 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.

Notes to the financial statements
for the year ended 31 December 2021

2.1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumption and estimates that could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Estimates and Assumptions:

The key assumption concerning the future and other key sources of estimation uncertainly at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Bank based its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Going Concern

Following the continued spread of the Covid-19 pandemic and increased vaccination to check further spread , the Bank still sees relative uncertainties and further market volatility. Governments intensifies measures in curtailing the further spread of the virus. In the event of a further escalation of the pandemic, there may be an effect on the financial performance of the Bank. The Bank has taken measures to ensure that its employees continue to be safe. Measures have been taken to minimise the impact of the pandemic and to continue operations.

Business continues to function well and largely uninterrupted. The Bank continues to provide access to vital materials for modern life. The Bank is showing that this can be done responsibly and efficiently in challenging circumstances.

Given the continued nature of Covid-19, uncertainties will remain with doubts about reasonably estimate of the future impact. However, the financial situation of the Bank is currently healthy and it does not believe that the impact of the Covid-19 pandemic will have a material adverse effect on our financial condition or liquidity. Therefore, based on the Bank's liquidility and expected yearly cash outflow, the Bank expects that it will be able to meet its financial obligations and therefore continues to adopt a going concern assumption as the basis for preparing its financial statements.

2.1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Depreciation and carrying value of property, plant 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.

Allowances for credit losses

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The extended uncertainties caused by Covid-19, and the volatility in macro economic variables have required the Bank to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2021.

Determination of collateral Value

Management monitors market value of collateral in a regular basis. Management uses its experienced judgement on independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterpart.

In determining the collateral value, the Bank has considered potential impacts of the current economic volatility as a result of Covid-19.

The Directors believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement ot financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 3.5 for further disclosures.

The Bank has considered potential impacts of the current economic volatility in determination of the reported fair value of the financial instruments and these are considered to represent management's best assessment based on observable information. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

Deferred tax

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. the Bank has applied caution by not recognising additional deferred tax assets which is not considered capable of recovery.

2.2 Foreign currency translation and transaction

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Naira, which is the Bank's presentation currency.

(b) Transactions and balances

Foreign currency transactions (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income (FVOCI), a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVOCI financial assets, are included in other comprehensive income.

2.3 Financial assets and liabilities (Policy applicable for financial instruments)

2.3.1 Initial recognition

The Bank initially recognises loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, (for an item not at fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in Net gains/(losses) from financial instruments. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

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 the initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

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

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

For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

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

Interest income

Interest income and expenses 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.

Interest income- continued

When calculating the effective interest rate for financial instruments other than credit-impaired financial assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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.

2.3.2 Financial assets - Subsequent measurement

a) **Debt instruments**

The classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the financial assets and the contractual terms of the cash flows. Based on these factors, the Bank classifies its debt instruments into one of the following measurement categories:

Amortised cost: Financial assets that are held within a business model whose objective is collection of contractual cash flows and where such cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss due to impairment or upon derecognition of a debt investment that is subsequently measured at amortised cost is recognised in profit or loss. Interest income from these financial assets is included in "Interest and similar income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held within a business model whose objective is achieved both by collection of contractual cash flows and by selling the assets, where those cash flows represent solely payments of principal and interest, and are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

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

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the profit or loss statement within "Net gains/(losses) from financial instruments classified as held for trading" in the period in which it arises. Interest income from these financial assets is included in "Interest and similar income".

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. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Bank's management;

• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

• how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

Solely payments of principal and interest (SPPI) 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. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
• features that modify consideration of the time value of money - e.g. periodical rate of interest

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Reclassifications
The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

Modifications
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 derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost 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 and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

The Bank suspended repayments of certain customers for the period of lockdown and the resulting modification loss on these exposures is not considered material for the Bank. In accordance with IASB guidance, the extension of payment relief does not automatically trigger a significant increase in credit risk and a stage migration for the purpose of calculating expected credit losses, as these are measures being made available to assist borrowers affected by Covid-19 outbreak to resume regular payments.

b) **Equity instruments**
The Bank subsequently measures all unquoted equity investments at fair value through other comprehensive income. Where the Bank has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

c) **Derivative financial instruments**
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques. Derivatives are carried as assets when their fair value are positive and as liabilities when their fair value are negative. All changes in fair value are recognized as part of net trading and foreign exchange income in profit or loss.

2.3.3 Impairment of financial assets

Overview of the ECL principles

The Bank assesses on a forward looking basis the expected credit losses (ECL) associated with its loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering if it is 30 days past due. Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

• Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12 months expected credit losses (12mECLs). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

• Stage 3: These are loans considered as credit-impaired.The bank records an allowance for the LTECLs.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses

The calculation of ECLs

The Bank calculates ECLs based on a multiple scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.2.4 (c).

The calculation of ECLs

The Bank calculates ECLs based on a single scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.2.4.

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.2.4 (c).

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.2.4 (c).

When estimating the ECLs, the Bank considers only a single scenario which is considered to be the most likely scenario. When relevant, the assessment also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier, with the exception of revolving facilities which could extend beyond the contractual life.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 2.20. The calculation of ECLs (including the ECLs related to the undrawn element) for revolving facilities is explained in Note 3.2.4 (c).

The mechanics of the ECL method are summarised below:

Stage 1

• The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

• These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

• When a financial instruments has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

• For financial instruments considered credit-impaired (as defined in Note 3), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI

• POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit

• When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Loan commitments and letters of credit - continued

• For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Financial guarantee contracts

• The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within Provisions.

Bank overdraft and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is 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 are included in calculating 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 its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt instruments carried at FVOCI are credit-impaired. Financial assets are 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:
• there is significant financial difficulty of a customer/issuer/obligor (potential bad debt indicator);
• there is a breach of contract, such as a default or delinquency in interest or principal payments;
• the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider.
• it becomes probable that a counterparty/borrower may enter bankruptcy or other financial reorganisation;
• there is the disappearance of an active market for a financial asset because of financial difficulties; or
• observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets.
• the financial asset is 90 days past due

A loan that has been renegotiated due to a deterioration in the borrower's financial 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 loan that is overdue for 90 days or more is considered impaired.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 3.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

2.3.4 Presentation of allowance for ECL

Loan allowances for ECL are presented in the statement of financial position as follows:

• financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

• loan commitments and financial guarantee contracts: the loss allowance is recognised as a provision;

• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

• debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

The Bank writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity.

2.3.5 Financial liabilities

Initial and subsequent measurement

Financial liabilities are initially measured at their fair value, except in the case of financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. The Bank classifies financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading liabilities are recorded and measured in the statement of financial position at fair value.

In both the current and prior period, all financial liabilities are classified and subsequently measured at amortised cost.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantees contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of the amount of loss allowance and the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

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

2.4 Revenue recognition

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the Statement of profit or loss and othe comprehensive income using the effective interest method.

Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided in line with the requirement of IFRS 15 - Revenue from Contracts with Customers. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

Income from bonds or guarantees and letters of credit

Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee in accordance with the requirement of IFRS 15.

Dividend income

Dividends are recognised in profit or loss when the entity's right to receive payment is established.

Notes to the financial statements
for the year ended 31 December 2021

2.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test may also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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. An impairment loss in respect of goodwill is not reversed.

The Bank assessed the potential accounting implications of decreased economic activity as a result of Covid-19 pandemic. The uncertainty in the economic environment may decrease the reliability of long-term forecasts used in the impairment testing models. Based on the current estimates of expected performance, no impairment needs were identified at the end of the period.

2.6 Statement of cash flows

The Statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

The Bank's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach). Interest received and interest paid are classified as operating cash flows, while dividends received and dividends paid are included in investing and financing activities respectively.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non-restricted balances with central bank.

2.8 Leases

a The company is the lessee

i Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities (if any). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of- use assets are subject to impairment.

ii Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its **short-term leases** (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of **low-value assets recognition exemption to leases** (i.e., below N1,532,500). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

B The company is the lessor

i Operating lease

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term. Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

ii Finance lease

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

2.9 Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Bank is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment - continued

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'Other operating expenses' during the financial period in which they are incurred.

Land included in leasehold land and buildings is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Building: 50 years
- Leasehold Improvements: the lower of useful life and lease period.
- Motor vehicles: 4 years
- Furniture and fittings: 5 years
- Computer equipment: 5 years
- Office equipment: 5 years

The assets' residual values, depreciation method and useful lives are reviewed annually, and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in 'Other operating expenses' in profit or loss.

Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as Prepayments in "Other Assets" and upon delivery are reclassified as additions in the appropriate category of property and equipment.

2.10 Intangible assets

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

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

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software costs recognised as intangible assets are amortised on the straight-line basis over the life of the intangible asset and are carried at cost less any accumulated amortisation and any accumulated impairment losses.

2.11 Income taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in arriving at profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

i *Current income tax*

The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the respective jurisdiction.

ii *Deferred income tax*

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

2.12 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Bank recognises no provisions for future operating losses.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that
reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Retirement obligations and Employee benefits

The Bank operates the following contribution and benefit schemes for its employees:

2.13.1 Defined contribution pension scheme

The Bank operates a defined contributory pension scheme for eligible employees. Bank contributes 10% of the employees' Basic, Housing and Transport allowances in line with the provisions of the Pension Reform Act 2014. The Bank pays the contributions to a pension fund administrator. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.13.2 Short-term benefits

Wages, salaries, annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses in the statement of profit or loss and paid in arrears when the associated services are rendered by the employees of the Bank.

2.13.3 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 either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancy are recognised as an expense if the bank has made an offer of 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 date, then they are discounted

2.14 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

Dividends for the period that are declared after the reporting date are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

(c) Share premium

Premiums from the issue of shares are reported in share premium.

(d) Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

(e) Other reserves

Other reserves comprise of statutory reserve, SSI reserve, translation reserve, fair value reserve, regulatory risk reserve and forbearance reserve

(1) Statutory reserve: Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital

2) AGSMEIS / SSI reserve: The SSI reserve is maintained to comply with the Central Bank of Nigeria (CBN) 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 (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the five years but banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are non-distributable.

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agricultural/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. Though there's no longer mandatory transfers to this reserve under the earlier directives, all Nigerian banks are now required to set aside an amount equal to 5% of their annual Profits After Tax (PAT) towards the funding of equity investments, which qualify under the AGSMEIS Scheme. This is done after the audit and Central Bank of Nigeria (CBN) approval.

(3) Translation reserve: comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

(4) Fair value reserve: comprises fair value movements on equity instruments and debt securities carried at fair value through other comprehensive income.

(5) Regulatory risk reserve: The Nigerian banking regulator requires the Bank to create a reserve for the difference between impairment charge determined in line with the principles of IFRS and impairment charge determined in line with the prudential guidelines issued by the Central Bank of Nigeria (CBN). This reserve is not available for distribution to shareholders.

2.15 Earnings per share

The bank presents basic earnings per share (EPS) data 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, which comprise share options granted to employees.

2.16 Fair value measurement

The Bank measures some financial instruments at fair value at each reporting date. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

* In the principal market for the asset or liability
* In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.17 Comparatives

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

Notes to the financial statements
for the year ended 31 December 2021

2.18 Segment Reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which seperate financial information is availble that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The bank has determined the (Executive Committee) as its chief operating decision maker.

IFRS 8.20 states that an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. Following the management approach to IFRS 8, operating segments are reported in accordance with the internal reports provided to the Bank's Managing Director (the chief operating decision maker). The following summary describes each of the bank's reportable segments.

Retail banking

The retail banking segment offers a comprehensive range of retail, personal and commercial services to individuals, small and medium business customers including a variety of E-Business products to serve the retail banking segment.

Corporate banking

The corporate banking segment offers a comprehensive range of commercial and corporate banking services to the corporate business customers including other meduim and large business customers. The segment covers Power and infrastructure, Oil and Gas Upstream and Downstream, Real Estate, Agro-Allied and other industries.

Investment banking

The bank's investment banking segment is involved in the funding and management of the bank's securities, trading and investment decisions on asset management with a view of maximising the bank's shareholders returns.

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2021

	Notes	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Gross earnings		**75,092**	**51,174**	**249,446**	**206,204**
Interest revenue calculated using the effective interest rate method	*6*	52,807	40,301	185,461	168,551
Other interest and similar income	*11.1*	12,025	3,983	16,781	8,202
Interest expense calculated using the effective interest rate method	*7*	(34,870)	(15,161)	(107,324)	(72,630)
Net interest income		**29,962**	**29,123**	**94,918**	**104,123**
Credit loss (expense)/reversal	*8*	(3,061)	(5,823)	(5,515)	(16,858)
Net interest income after credit loss (expense)/reversal		**26,901**	**23,301**	**89,403**	**87,265**
Fee and commission income	*9*	7,644	5,363	29,406	19,853
Fee and commission expense	*9*	(2,580)	(1,773)	(8,624)	(6,144)
Other operating income	*10*	2,616	1,526	17,798	9,598
Net gains from financial assets at fair value through profit or loss	*11*	136	(1,868)	(4,885)	1,115
Personnel expenses	*12*	(4,902)	(6,747)	(22,456)	(25,367)
Depreciation and amortisation	*13*	(1,850)	(1,634)	(7,099)	(6,207)
Other operating expenses	*14*	(15,380)	(11,462)	(52,909)	(52,059)
Profit before income tax expense		**12,583**	**6,706**	**40,634**	**28,054**
Income tax expense	*15*	(972)	(461)	(2,511)	(1,404)
Profit for the period		**11,612**	**6,244**	**38,123**	**26,650**
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains on equity instruments at fair value through other comprehensive income **#**	*23.3.1*	5,345	1,985	7,910	3,149
Total items that will not be reclassified to profit or loss in subsequent period		**5,345**	**1,985**	**7,910**	**3,149**
Items that will be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income **#**:					
- Net change in fair value during the period		3,199	6,875	(6,844)	19,338
- Changes in allowance for expected credit losses		139	97	(545)	2
- Reclassification adjustments to profit or loss	*16*	(2,634)	(3,843)	(5,494)	(3,843)
Net gains on debt instruments at fair value through other comprehensive income		**704**	**3,129**	**(12,883)**	**15,497**
Total items that will be reclassified to profit or loss in subsequent period		704	3,129	(12,883)	15,497
Other comprehensive income for the period, net of tax		6,049	5,115	(4,973)	18,646
Total comprehensive income for the period, net of tax		**17,661**	**11,359**	**33,151**	**45,296**
Earnings per share					
Basic and diluted (in kobo)	*17*	*40*	*22*	*132*	*92*

*Income from these instruments is exempted from tax*

The accompanying notes to the financial statements are an part of these financial statements.

Statement of financial position
As at 31 December 2021

Assets	Notes	31 December 2021 N'million	31 December 2020 N'million
Cash and balances with central bank	*18*	771,573	654,706
Due from banks	*20*	131,965	213,916
Loans and advances to customers	*21*	1,659,478	1,326,106
Derivative financial assets		50,109	7,072
Investments:			
Financial assets at fair value through profit or loss (FVTPL)	*23.1*	5,207	47,118
Debt instruments at fair value through other comprehensive income (FVOCI)	*23.2*	99,941	265,980
Equity instruments at fair value through other comprehensive income (FVOCI)	*23.3*	26,200	17,685
Debt instruments at amortised costs	*23.4*	441,846	137,804
Other assets	*26*	58,392	44,380
Right-of-use assets	*27*	1,476	1,652
Property, plant and equipment	*24*	39,400	38,446
Intangible assets	*25*	3,948	3,283
Total assets		**3,289,536**	**2,758,148**
Liabilities			
Deposit from customers	*28*	2,024,806	1,699,026
Derivative financial liabilities		-	1,143
Current income tax payable	*15*	3,924	2,307
Other liabilities	*29*	490,719	517,093
Provisions	*30*	1,363	4,075
Debts issued and other borrowed funds	*31*	468,413	260,971
Total liabilities		**2,989,225**	**2,484,615**
Equity			
Share capital	*32*	14,481	14,481
Share premium	*33*	101,272	101,272
Retained earnings	*33*	65,320	66,700
Other equity reserves			
Statutory reserve	*33*	41,902	39,006
Small scale investment reserve	*33*	764	764
Non-distributable regulatory risk reserve	*33*	36,600	6,365
Fair value reserve	*33*	34,642	39,615
AGSMEIS reserve	*33*	5,330	5,330
Total equity		**300,312**	**273,533**
Total liabilities and equity		**3,289,536**	**2,758,148**

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on **27 January 2022** and signed on its behalf by:

Victor Abejegah
Chief Financial Officer
FRC/2013/ICAN/00000001733

Nneka Onyeali-Ikpe
Managing Director/Chief Executive Officer
FRC/2013/NBA/00000016998

Statement of changes in equity
for the year ended 31 December 2021

	Notes	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory risk reserve	Fair value reserve	AGSMEIS reserve	Total
		N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2021		**14,481**	**101,272**	**66,700**	**39,006**	**764**	**6,365**	**39,615**	**5,330**	**273,533**
Profit for the year		-	-	38,123	-	-	-	-	-	38,123
Other comprehensive income:										
Net change in fair value of debt instruments at FVOCI		-	-	-	-	-	-	(6,844)	-	(6,844)
Net change in fair value of equity instruments at FVOCI		-	-	-	-	-	-	7,910	-	7,910
Changes in allowance for expected credit losses		-	-	-	-	-	-	(545)	-	(545)
Reclassification adjustment for realised net gains		-	-	-	-	-	-	(5,494)	-	(5,494)
Total comprehensive income for the period		**-**	**-**	**38,123**	**-**	**-**	**-**	**(4,973)**	**-**	**33,151**
Dividends		-	-	(6,372)	-	-	-	-	-	(6,372)
Transfer between reserves		-	-	(33,131)	2,896	-	30,235	-	-	-
As at 31 December 2021		**14,481**	**101,272**	**65,320**	**41,902**	**764**	**36,600**	**34,642**	**5,330**	**300,312**

Statement of changes in equity
for the period ended 31 December 2020

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total
	Notes	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2020	**14,481**	**101,272**	**43,642**	**35,008**	**764**	**13,897**	**20,969**	**3,997**	**234,030**
Profit for the year	-	-	26,650	-	-	-	-	-	26,650
Other comprehensive income:									-
Net change in fair value of debt instruments at FVOCI	-	-	-	-	-	-	19,338	-	19,338
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	-	3,149	-	3,149
Changes in allowance for expected credit losses	-	-	-	-	-	-	2	-	2
Reclassification adjustment for realised net gains	-	-	-	-	-	-	(3,843)	-	(3,843)
Total comprehensive income for the period	**-**	**-**	**26,650**	**-**	**-**	**-**	**18,646**	**-**	**45,296**
Dividends	-	-	(5,793)	-	-	-	-	-	(5,793)
Transfer between reserves	-	-	2,201	3,998	-	(7,532)	-	1,333	-
As at 31 December 2020	**14,481**	**101,272**	**66,700**	**39,006**	**764**	**6,365**	**39,615**	**5,330**	**273,533**

The accompanying notes to the financial statements are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2021

	Notes	31 December 2021 N'million	31 December 2020 N'million
Operating activities			
Cash flows used in operations	*35*	(216,980)	143,867
Interest received		177,995	150,922
Interest paid		(81,066)	(50,734)
Income tax paid	*16c*	(894)	(1,436)
Net cash flows from /(used in) operating activities		**(120,945)**	**242,619**
Investing activities			
Purchase of property, plant and equipment	*24*	(4,352)	(3,366)
Proceeds from sale of property and equipment		69	74
Purchase of intangible assets	*25*	(3,901)	(3,994)
Purchase of Right of Use Assets		(578)	(796)
Purchase of debt instruments at amortised cost	*23.6.2*	(363,393)	(86,485)
Purchase of debt instruments at FVOCI	*23.6.1*	(91,245)	(227,986)
Redemption of financial assets at amortised cost	*23.6.2*	65,812	70,325
Proceeds from sale of debt financial assets at FVOCI	*23.6.1*	259,774	118,111
Dividends received		817	855
Net cash flows (used in)/from investing activities		**(136,997)**	**(133,262)**
Financing activities			
Dividends paid		(6,372)	(5,793)
Proceeds of debts issued and other borrowed funds	*32*	230,857	36,832
Payment of debts issued and other borrowed funds-Interest	*32*	(29,601)	(24,903)
Payment of debts issued and other borrowed funds-Principal		(29,299)	(50,904)
Net cash flows (used in)/from financing activities		**165,585**	**(44,768)**
Net decrease in cash and cash equivalents		**(92,357)**	**64,589**
Net foreign exchange difference on cash and cash equivalents		(18,695)	3,989
Cash and cash equivalents at 1 January	*20*	**328,493**	**259,915**
Cash and cash equivalents at 31 December	*20*	**217,440**	**328,493**

The accompanying notes to the financial statements are an integral part of these financial statements.

3. Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

IFRS 7 : An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. Set out below is the information about the nature and extent of risks arising from the financial instruments to which the bank is exposed at the end of the reporting period.

Enterprise Risk Management

Fidelity Bank runs an Enterprise-wide Risk Management system which is governed by the following key principles:

- **i)** Comprehensive and well defined policies and procedures designed to identify, assess, measure, monitor and report significant risk exposures of the entity. These policies are clearly communicated throughout the Bank and are reviewed annually.
- **ii)** Clearly defined governance structure.
- **iii)** Clear segregation of duties within the Risk Management Division and also between them and the business groups.
- **iv)** Management of all classes of banking risk broadly categorized into credit, market, liquidity, and operational risk independently but in a co-coordinated manner at all relevant levels within the Bank.
- **v)** Incorporate the volatility in macro economic variables caused by Covid-19 in the inputs and assumptions used for the determination of expected credit losses (“ECLs”)

Risk Management Governance Structure

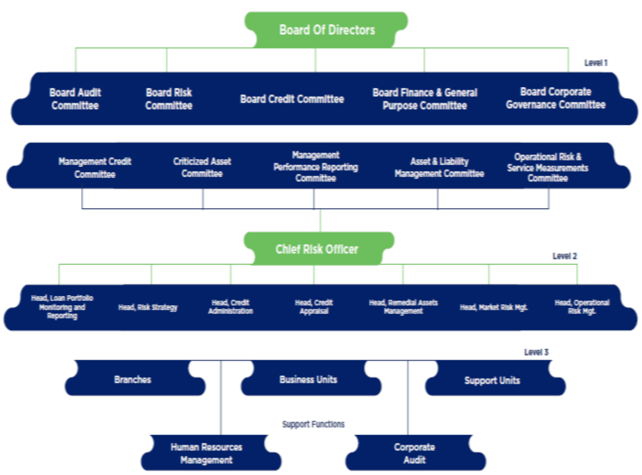
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

Level 1 - Board/Executive Management oversight is performed by the Board of Directors, Board Audit Committee, Board Risk Committee, Board Credit Committee (BCC), Board Finance & General Purpose Committee and Executive Management Committee (EXCO).

Level 2 - Senior Management function is performed by the Management Credit Committee (MCC), Criticised Assets Committee (CAC), Asset and Liability Management Committee (ALCO), Operational Risk & Service Measurements Committee (ORSMC), Management Performance Reporting Committee (MPR), The Chief Risk Officer (CRO) and Heads of Enterprise Risk Strategy, Loan Processing, Credit Administration, Remedial Assets Management, Market Risk Management & ALM and IT & Operational Risk Management.

Level 3 - This is performed by all enterprise-wide Business and Support Units. Business and Support Units are required to comply with all risk policies and procedures and to manage risk exposures that arise from daily operations.

The Bank's Corporate Audit Division assists the Board Risk Committee by providing independent appraisal of the Bank’s risk framework for internal risk assurance. The Division assesses compliance with established controls and enterprise-wide risk management methodologies. Significant risk related infractions and recommendations for improvement in processes are escalated to relevant Management and Board committees.



Enterprise Risk Philosophy
Fidelity Enterprise Risk Mission

Risk Culture
The Bank's risk culture proactively anticipates and curtails losses that may arise from its banking risk underwriting. This culture evolved out of the understanding that the Bank is in a growth phase which requires strong risk management. By design therefore, the Bank operates a managed risk culture, which places emphasis on a mixture of growth and risk control to achieve corporate goals without compromising asset or service quality.

Risk Appetite
The risk appetite describes the quantum of risk that we would assume in pursuit of the Bank's business objectives at any point in time. For the Bank, it is the core instrument used in aligning the Bank's overall corporate strategy, the Bank's capital allocation and risks.

The Bank define the Bank's Risk Appetite quantitatively at two levels: Enterprise level and Business/Support Unit level.
To give effect to the above, the Board of Directors of the Bank sets target Key Performance Indicators (KPIs) at both enterprise and business/support unit levels based on recommendations from the Executive Management Committee (EXCO).

At the Business and Support unit level, the enterprise KPIs are cascaded to the extent that the contribution of each Business/Support Unit to risk losses serves as input for assessing the performance of the Business/Support Unit.

3.2 Credit risk

3.2.1 Management of credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.
The Bank measures and manage credit risk following the principles below:

• Consistent standards as documented in the Bank's credit policies and procedures manual are applied to all credit applications and credit approval decisions.
• Credit facilities are approved for counter-parties only if underlying requests meet the Bank's standard risk acceptance criteria.
• Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counter-party requires approval at the appropriate authority level. The approval limits are as follows:

Approval Authority	Approval limits
Executive Directors	N50 million and below
Managing Director/CEO	Above N50 million but below N100 million
Management Credit and Investment	Above N100 million but below N500 million
Board Credit Committee	Above N500 million but below N1 billion
Full Board	N1 billion and above

• The Bank assigns credit approval authorities to individuals according to their qualifications, experience, training and quality of previous credit decisions. These are also reviewed by the Bank periodically.
• The Bank measures and consolidates all the Bank's credit exposures to each obligor on a global basis. The Bank's definition of an "obligor" include a group of individual borrowers that are linked to one another by any of a number of criteria the Bank have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit the Bank have extended.
• The Bank's respective business units are required to implement credit policies and procedures while processing credit approvals including those granted by Management and Board Committees.
• Each business unit is responsible for the quality, performance and collection of its credit portfolio including those approved by the Management and Board Committees.
• The Bank's Credit Control and Loan Portfolio Monitoring & Reporting departments regularly undertake independent audit and credit quality reviews of credit portfolios held by business units.

3.2.2 Credit risk ratings

A primary element of the Bank's credit approval process is a detailed risk assessment of every credit associated with a counter-party. The Bank's risk assessment procedures consider both the credit worthiness of the counter-party and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the on-going exposure.

The Bank has its own in-house assessment methodologies and rating scale for evaluating the creditworthiness of it's counter-parties. The Bank's programmed 9-grade rating model was developed in collaboration with Agusto & Company, a foremost rating agency in Nigeria, to enable comparism between the Bank's internal ratings and the common market practice, which ensures comparability between different portfolios of the Bank.

3.2.2 Credit risk ratings - continued

Bank rating	Applicable	Agusto & Co. Li	Description of the grade
			Investment grade
AAA	90% - 100%	AAA	Exceptionally strong business fundamentals
			Standard Monitoring
AA	80% - 89%	AA	Very good business fundamentals and very
A	70% - 79%	A	Good business fundamentals and strong
BBB	60%- 69%	BBB	Satisfactory business fundamentals and
BB	50% - 59%	BB	Satisfactory business fundamentals but ability
B	40% - 49%	B	Weak business fundamentals and capacity to
CCC	30% - 39%	CCC	Very weak business fundamentals and capacity
CC	20% - 29%	CC	Very weak business fundamentals and capacity
			Default
C	0% - 19%	C	Imminent Solvency

We generally rate all the Bank's credit exposures individually. The rating scale and its mapping to the Standard and Poors agency rating scale is as follows:

Internal	Interpretation	Mapping to
AAA	Impeccable financial condition and overwhelming capacity to meet obligations in	AAA
AA	Very good financial condition and very low likelihood of default	AA
A	Good financial condition and low likelihood of default	A
BBB to BB	Satisfactory financial condition and adequate capacity to meet obligations	BBB to BB
B to CCC	Weak financial condition and capacity to repay is in doubt and may be contingent	B to D

3.2.3 Credit Limits

Portfolio concentration limits are set by the Bank to specify maximum credit exposures we are willing to assume over given periods. The limits reflect the Bank’s credit risk appetite. The parameters on which portfolio limits are based include limits per obligor, products, sector, industry, rating grade, geographical location, type of collateral, facility structure and conditions of the exposure.

Monitoring Default Risk

The Bank's credit exposures are monitored on a continuing basis using the risk management tools described above. The Bank has also put procedures in place to identify at an early stage credit exposures for which there may be an increased risk of loss. Counter-parties that on the basis of the application of the Bank's risk management tools, demonstrate the likelihood of problems, are identified well in advance so that the Bank can effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available. This early risk detection is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where the Bank has identified counter-parties where problems might arise, the respective exposure is placed on a watch-list.

3.2.4 Expected credit loss measurement

The table below summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit	Credit-impaired assets
12 month expected credit	Lifetime expected credit losses	Lifetime expected credit

(a) Significant increase in credit risk

At initial recognition, the Bank allocates each exposure to a credit risk grade based on available information about the borrower that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk deteriorates.

The Bank monitors its loans and debt portfolios to determine when there is a significant increase in credit risk in order to transition from stage 1 to stage 2. In assessing significant increase in credit risk, management considers, credit rating, prudential classification and backstop (30 days past due presumption) indicators. Financial assets that have been granted forbearance could be considered to have significantly increased in credit risk.

Backstop indicators

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
For assessing increase in credit risk, the Bank sets the origination date of revolving and non-revolving facilities as the last reprice date i.e. the last time the lending was re-priced at a market rate.

(b) Definition of default

The Bank considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meet the following criteria:

Quantitative criteria

• Internal credit rating - Downgrade from Performing to Non-performing
• Days past due (Dpd) observation – DPDs of 90 days and above

(c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is derived by using historical data to develop specific lifetime PD models for all asset classes. The long term span of historical data is then used to directly model the PD across the life of a exposure. For debt instruments that are not internally rated , the Bank obtains the issuer ratings of such instruments and matches them to its internal rating framework to determine the equivalent rating. The lifetime PD curves developed for that rating band will then be used.

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

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a regular basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

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

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	6M 2022	2022	2023
Foreign exchange rate (N)			
Base Case	421	431	458
Best Case	375	376	392
Worse Case	472	495	534
Inflation rate			
Base Case	12.84%	11.27%	10.88%
Best Case	8.52%	7.23%	6.90%
Worse Case	19.37%	17.56%	17.14%
Crude Oil ($)			
Base Case	77.75	76.54	74.98
Best Case	115.13	118.65	120.61
Worse Case	52.51	49.38	46.61
Foreign Reserves ($ Bn)			
Base Case	41.60	43.00	47.00
Best Case	45.76	47.30	51.70
Worse Case	33.28	34.40	37.60
Baltic Dry			
Base Case	4.62	2.18	3.24
Best Case	8.54	4.65	8.67
Worse Case	2.50	1.02	1.21
USD Index			
Base Case	97.39	99.17	101.86
Best Case	103.03	106.07	109.67
Worse Case	92.06	92.72	94.61
Unemployment rate			
Base Case	37.48%	41.50%	51.65%
Best Case	32.47%	35.88%	43.52%
Worse Case	43.25%	48.01%	61.30%
Share Index			
Base Case	31.19	26.52	28.10
Best Case	36.52	31.19	34.80
Worse Case	26.64	22.54	22.68
Money Supply			
Base Case	3.45	3.95	3.46
Best Case	4.83	5.53	4.24
Worse Case	2.07	2.37	2.67

(e) Grouping financial instruments for collective assessment

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics used to determine groupings include instrument type, credit risk ratings and industry.

The aggregation of financial instruments may change over time as new information becomes available.

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

The Bank's maximum exposure to credit risk as at 31 December 2021 and 31 December 2020 is represented by the gross carrying amounts of the financial assets set out below:

	Maximum	Fair value of	Surplus	Net exposure
Financial Assets				**30 Sept 2021**
	N'million	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	728,817	-	-	728,817
Due from banks	181,660	-	-	181,660
Loans and advances to customers	1,732,545	35,649,249	33,916,704	-
Derivative assets	-	-	-	-
Investments:	-			-
Financial assets at fair value through profit or loss	5,207	-	-	5,207
Debt instruments at fair value through other comprehensive income	99,941	-	-	99,941
Equity instruments at fair value through other comprehensive income	22,999			22,999
Debt instruments at amortised cost	441,846	-	-	441,846
Other assets	45,747	-	-	45,747
	3,258,764	**35,649,249**	**33,916,704**	**1,526,219**
Financial guarantee contracts:				-
Performance bonds and guarantees	287,993	-	-	287,993
Letters of credit	153,725	-	-	153,725
Undrawn portion of overdraft	49,000	-	-	49,000
	490,718	**-**	**-**	**490,718**

	Maximum	Fair value of	Surplus	Net exposure
Financial Assets		**31 December 2020**		
	N'million	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	609,955	-	-	609,955
Due from banks	214,808	-	-	214,808
Loans and advances to customers	1,393,624	107,986,545	106,592,921	-
Derivative assets	7,072	-	-	7,072
Investments:				
Financial assets at fair value through profit or loss	47,118	-	-	47,118
Debt instruments at fair value through other comprehensive income	265,980	-	-	265,980
Debt instruments at amortised cost	138,168	-	-	138,168
Other assets	42,105	-	-	42,105
	2,718,830	**107,986,545**	**106,592,921**	**1,325,206**
Financial guarantee contracts:				
Performance bonds and guarantees	208,433	-	-	208,433
Letters of credit	172,867	-	-	172,867
Undrawn portion of overdraft	294,947	-	-	294,947
	676,247	**-**	**-**	**676,247**

*Excluding equity instruments

3.2.7 Credit quality

A Maximum exposure to credit risk – Financial instruments subject to impairment

The credit risk model is applied as per homogeneous group of risk assets which can be a portfolio or a rating model (e. g. Master Rating). The bank set up 6 portfolios three of which are a mix of Corporate and Commercial Accounts segregated on the basis of related economic sectors. The other three portfolios are made up of retails accounts segregated on the basis of similarity of risk characteristics. Details of the portfolios are shown below:

Code	Description
Portfolio 1	Agriculture, Energy, Manufacturing, Construction & Real Estate
Portfolio 2	Government, Public Sector & NBFIs
Portfolio 3	Transport, Communication, Commerce & General
Portfolio 4	Automobile, Equipment & Mortgage Loans
Portfolio 5	Medium and Small Scale Enterprises
Portfolio 6	Personal & Employee Loans

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

a) Agriculture, Energy, Manufacturing, Construction & Real Estate Portfolio

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	135	-	-	135
Standard monitoring	767,745	234,279	-	1,002,023
Default	-	-	12,172	12,172
Gross carrying amount	**767,879**	**234,279**	**12,172**	**1,014,330**
Loss allowance	(6,847)	(27,854)	(10,394)	(45,095)
Carrying amount	**761,032**	**206,425**	**1,779**	**969,235**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	3,937	-	-	3,937
Standard monitoring	566,963	224,984	-	791,947
Default	-	-	12,549	12,549
Gross carrying amount	**570,900**	**224,984**	**12,549**	**808,433**
Loss allowance	(6,073)	(20,266)	(10,818)	(37,157)
Carrying amount	**564,827**	**204,718**	**1,731**	**771,276**

b) Government, Public Sector & NBFIs portfolio

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime ECL	
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	180,141	67	-	180,208
Default	-	-	9,104	9,104
Gross carrying amount	**180,141**	**67**	**9,104**	**189,312**
Loss allowance	(6)	-	(7,918)	(7,925)
Carrying amount	**180,135**	**67**	**1,186**	**181,388**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	12-month	Lifetime	Lifetime ECL	
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	105,933	-	-	105,933
Standard monitoring	54,234	413	-	54,647
Default	-	-	8,336	8,336
Gross carrying amount	**160,167**	**413**	**8,336**	**168,916**
Loss allowance	(12)	-	(7,296)	(7,308)
Carrying amount	**160,155**	**413**	**1,040**	**161,608**

c) Transport, Communication, Commerce & General portfolio

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit				
Investment grade	0	0	0	0
Standard monitoring	371,575	20,377	0	391,952
Default	0	0	18,417	18,417
Gross carrying amount	**371,575**	**20,377**	**18,417**	**410,369**
Loss allowance	-2,852	-2,922	-10,828	-16,602
Carrying amount	**368,723**	**17,455**	**7,590**	**393,768**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit				
Investment grade	238	-	-	238
Standard monitoring	248,248	37,468	-	285,716
Default	-	-	25,972	25,972
Gross carrying amount	**248,486**	**37,468**	**25,972**	**311,926**
Loss allowance	(3,451)	(1,027)	(16,024)	(20,502)
Carrying amount	**245,035**	**36,441**	**9,948**	**291,424**

d) Automobile, Equipment & Mortgage Loans portfolio

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	16,491	1	-	16,492
Default	-	-	28	28
Gross carrying amount	**16,491**	**1**	**28**	**16,520**
Loss allowance	(0)	-	(0)	(0)
Carrying amount	**16,491**	**1**	**28**	**16,520**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	24,529	133		24,662
Default	-	-	38	38
Gross carrying amount	**24,529**	**133**	**38**	**24,700**
Loss allowance	(19)	(7)	(20)	(46)
Carrying amount	**24,510**	**126**	**18**	**24,654**

e) Medium and Small Scale Enterprises portfolio

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit				
Investment grade	-	-	-	-
Standard monitoring	31,735	164	-	31,899
Default	-	-	3,456	3,456
Gross carrying amount	**31,735**	**164**	**3,456**	**35,355**
Loss allowance	(76)	(0)	(3,003)	(3,079)
Carrying amount	**31,659**	**164**	**453**	**32,276**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit				
Investment grade	-	-	-	-
Standard monitoring	23,661	47	-	23,708
Default	-	-	2,519	2,519
Gross carrying amount	**23,661**	**47**	**2,519**	**26,227**
Loss allowance	(50)	-	(1,880)	(1,930)
Carrying amount	**23,611**	**47**	**639**	**24,297**

f) Personal & Employee Loans portfolio

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit				
Investment grade	-	-	-	-
Standard monitoring	58,897	1,388	-	60,285
Default	-	-	6,373	6,373
Gross carrying amount	**58,897**	**1,388**	**6,373**	**66,658**
Loss allowance	(43)	(26)	(297)	**(366)**
Carrying amount	**58,854**	**1,362**	**6,076**	**66,292**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	N'million	N'million	N'million	N'million
Credit				
Investment grade	-	-	-	-
Standard monitoring	49,492	294	-	49,786
Default	-	-	3,636	3,636
Gross carrying amount	**49,492**	**294**	**3,636**	**53,422**
Loss allowance	(63)	(10)	(502)	(575)
Carrying amount	**49,429**	**284**	**3,134**	**52,847**

3.2.8 Description of collateral held

Potential credit losses from any given exposure are mitigated using a range of tools including collateral securities, insurance bonds and policies as well as different forms of guarantees. The Bank assesses the degree of reliance that can be placed on these credit risk mitigants carefully in the light of issues such as legal enforceability, market valuation, correlation with exposure and the counterparty risk of the guarantor.

(a) Key Collateral Management Policies

The Bank's risk mitigation policies determine the eligibility of collateral types. Eligible collateral types for credit risk mitigation include: cash; residential, commercial and industrial property in acceptable locations; fixed assets such as motor vehicles, plant and machinery; marketable securities; bank guarantees; confirmed domiciliation of payments; credit and insurance bonds, warehouse warrants, lien on shipping documents; back-to-back letters of credit; etc. The Bank also enters into collateralised reverse repurchase agreements where appropriate. For certain types of lending, typically mortgages and asset financing, the right to take charge over physical assets is a significant consideration in determining appropriate pricing and recoverability in the event of default.

The Bank reports collateral values in accordance with the Bank’s risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Depending on the nature of the collateral, frequent or periodic evaluations are carried out to determine the adequacy of collateral margins. Services of independent professional appraisers are used where the Bank lacks adequate internal valuation capability or where dictated by industry practice or legal requirements. Where appropriate, collateral values are adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of repossession.

The Bank will only grant unsecured loans where clean lending is a market feature and insistence on security would compromise Bank’s market share. In such an instance, the Bank ensures that the borrower has proven record of sound financial condition and ability to repay the loan from internal sources in the ordinary course of business. In addition, we ensure that total outstanding borrowings of the obligor do not exceed 70% of estimated asset value.

The Bank believes that the requirement for collateral is not a substitute for the ability to pay, which is a primary consideration in the Bank's lending decisions. Although the Bank will usually collaterise its credit exposure to a customer, such an obligor is expected to repay the loan in the ordinary course of business without forcing the Bank to look to the collateral for ultimate repayment. Therefore, if while reviewing a loan request, there is the possibility that the collateral will need to be relied upon to repay the loan, the Bank will not grant the facility.

Where guarantees are used for credit risk mitigation, the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty.

Management of secured credits requires periodic inspections of the collateral to ensure its existence and adequacy for the bank's exposure. These inspections include examination of security agreements to determine enforceability of liens, verification of adequate insurance protection, proper legal registration and adequacy of overall safeguards.

When obligations are secured by marketable securities, predetermined maintenance margins are established and the securities are liquidated if the value falls to this limit except if additional and satisfactory security is provided. In all cases, only valuations done at the instance of the Bank can be considered acceptable for the purposes of credit risk mitigation. The Bank ensures that all properties and chattels pledged as collateral are properly and adequately insured with the Bank's interest duly noted as first loss beneficiary. Only insurance policies obtained from an insurance firm in the Bank's pre-approved list of Insurance Companies are acceptable as eligible collateral.

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

The following table indicates the Bank's credit exposures by class and value of collaterals:

	31 December 2021		31 December 2020	
	Exposure	Collateral Value	Exposure	Collateral Value
	N'million	N'million	N'million	N'million
Secured against real estate	299,348	846,605	355,683	13,751,519
Secured by shares of quoted companies	-	-	-	-
Secured by others	1,342,864	34,802,644	1,035,510	94,235,026
Unsecured	90,332	-	2,431	-
Gross loans and advances to customers	**1,732,545**	**35,649,249**	**1,393,624**	**107,986,545**

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lenders.

3.3.1 Management of liquidity risk

The Bank's principal liquidity objective is to ensure that the Bank holds sufficient liquid reserve to enable it meet all probable cashflow obligations, without incurring undue transaction costs under normal conditions. Liquidity management safeguards the ability of the bank to meet all payment obligations as they fall due. The Bank's liquidity risk management framework has been an important factor in maintaining adequate liquidity and a healthy funding profile during the period and is structured to identify, measure and manage the Bank's liquidity risk at all times. The Board approved liquidity policy guides the management of liquidity risk strategically through the Board Risk Committee (BRC) as well as Asset and Liability Committee (ALCO) and daily by the ALM group. The liquidity management framework is designed to identify measure and manage The Bank's liquidity risk position at all times. Underlying Assets and Liabilities Management policies and procedures are reviewed and approved regularly by the Assets and Liability Management Committee (ALCO).

The Bank has established liquidity and concentration limits and ratios, tolerance levels as well as triggers, through which it identifies liquidity risk. It also uses gap analysis to identify short, medium and long term mismatches, deploying gapping strategies to appropriately manage them. Periodic monitoring is carried out to trigger immediate reaction to deviations from set limits.

Short-Term Liquidity

The Bank's reporting system tracks cash flows on a daily basis. This system allows management to assess the Bank's short-term liquidity position in each location by currency and products. The system captures all of the Bank's cash flows from transactions on the Bank's Statement of financial position, as well as liquidity risks resulting from off-balance sheet transactions. We take account of products that have no specific contractual maturities by extrapolating from their historical behaviour of cash flows.

Asset Liquidity

The asset liquidity component tracks the volume and booking location of the Bank's inventory of unencumbered liquid assets, which we can use to raise liquidity in times of need. The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. We keep a portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities.

Funding Diversification

Diversification of the Bank's funding profile in terms of investor types, regions, products and instruments is also an important element of the Bank's liquidity risk management practices. In addition, the bank invests in liquid assets to facilitate quick conversion to cash, should the need arise.

Stress Testing

As a result of volatilities which take place in the Bank's operating environment, the Bank conducts stress tests to evaluate the size of potential losses related to rate movements under extreme market conditions. These are conducted on elements of its trading portfolio and the balance sheet in response to the economic and market outlook. Consideration is given to historical events, prospective events and regulatory guidelines. The Bank, after ALCO's authorization, responds to the result of this activity, by modifying the portfolio and taking other specific steps to reduce the expected impact in the event that these risks materialize.

3.3.2 Maturity analysis

The table below analyses financial assets and liabilities of the Bank into relevant maturity bands based on the remaining period at reporting date to the contractual maturity date. The table includes both principal and interest cash flows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2021	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Non-derivative assets						
Cash and balances with Central Bank of	265,068	-	-	506,504	-	771,573
Due from banks	133,182	13,428	35,050	-	-	181,660
Loans and advances to customers	134,986	149,183	408,713	490,502	549,161	1,732,545
Investment securities	-	-	-	-	-	-
- Financial instrument at FVTPL	1,897	542	2,309	399	59	5,207
- Debt instruments at amortised	18,102	35,154	193,883	45,624	149,512	442,274
- Debt instruments at FVOCI	16,565	8,256	50,348	24,773	-	99,941
Other Assets	4,571	22,606	18,571	-	-	45,747
Total financial assets	**574,370**	**229,169**	**708,874**	**1,067,803**	**698,732**	**3,278,948**
Derivative assets						
Trading :						
Gross settled	-	-	1,852	-	-	-
Net settled						
	-	-	1,852	-	-	-
Total financial assets	**574,370**	**229,169**	**710,726**	**1,067,803**	**698,732**	**3,278,948**
Financial liabilities						
Non-derivative liabilities						
Customer deposits	125,501	485,052	390,520	515,826	507,906	2,024,806
Other liabilities	76,994	92,210	137,091	181,972	2,447	490,714
Debt issued and other borrowed funds	22,863	8,252	209,795	227,503	-	468,413
	225,359	**585,514**	**737,406**	**925,301**	**510,353**	**2,983,933**
Derivative Liabilities						
Trading :						
Gross settled	-	-	-	-	-	-
Net settled						
	-	-	-	-	-	-
Total financial liabilities	225,359	585,514	737,406	925,301	510,353	2,983,933
Gap (assets-liabilities)	349,011	(356,344)	(26,680)	142,502	188,378	
Cumulative liquidity gap	**349,011**	**(7,333)**	**(34,013)**	**108,489**	**296,867**	
Financial guarantee contracts:						
Performance bonds and guarantees	5,479	16,817	103,975	76,938	84,784	287,993
Letters of credit	20,424	50,169	29,325	53,806	-	153,725
	25,904	**66,986**	**133,301**	**130,744**	**84,784**	**441,718**

3.3.2 Maturity analysis - continued

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2020	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank of	221,965	-	-	432,741	-	654,706
Due fron banks	215,308	-	-	-	-	215,308
Loans and advances to customers	152,971	101,966	165,845	490,713	732,129	1,643,624
Derivative financial assets	7,072	-	-	-	-	7,072
Investment securities						
- Fair vaue through profit or loss	9,057	1,597	5,970	174	32,320	49,118
- Fair value through Other Comprehensive	6,462	23,198	32,690	10,789	77,030	150,169
- Amortized Cost	7,250	120,537	61,686	11,932	78,575	279,980
Other Assets	4,256	20,292	17,557	-	-	42,105
Total financial assets	**624,341**	**267,590**	**283,748**	**946,349**	**920,054**	**3,042,082**
Financial liabilities						
Customer deposits	111,935	384,338	329,570	439,591	513,591	1,779,025
Derivative financial liabilities	-	-	1,143	-	-	1,143
Other liabilities	50,452	37,496	69,452	157,735	211,814	526,949
Debt issued and other borrowed funds	26,442	-	24,967	190,068	24,494	265,971
Total financial liabilities	**188,829**	**421,834**	**425,132**	**787,394**	**749,899**	**2,573,088**
Gap (assets-liabilities)	435,512	(154,244)	(141,384)	158,955	170,155	
Cumulative liquidity gap	435,512	281,268	139,884	298,839	468,994	
Financial guarantee contracts:						
Performance bonds and guarantees	10,328	28,518	57,660	111,927	-	208,433
Letters of credit	42,977	108,645	21,245	-	-	172,867
Total	**53,305**	**137,163**	**78,905**	**111,927**	**-**	**381,300**

While there is a negative cumulative liquidity gap in the analysis ,it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over .

3.4 Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will be adversely affected by changes in market prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

3.4.1 Management of market risk

Essentially, the banking business in which the Bank is engaged is subject to the risk that financial market prices and rates will move and result in profits or losses for us. Market risk arises from the probability of adverse movements in financial market prices and rates. The Bank's definition of financial market prices in this regard refer to interest rates, equity prices, foreign exchange rates, commodity prices, the correlations among them and their levels of volatility. Interest rate and equity price risks consist of two components each: general risk, which describes value changes due to general market movements, and specific risk which has issuer-related causes.

The Bank assumes market risk in both the Bank's trading and non-trading activities. The Bank underwrite market risks by making markets and taking proprietary positions in the inter-bank, bonds, foreign exchange and other security markets. The Bank separates its market risk exposures between the trading and the banking books. Overall authority and management of market risk in the Bank is invested on the Assets and Liability Management Committee (ALCO).

The Board approves the Bank’s Market Risk Management policy and performs its oversight management role through the Board Risk Committee (BRC).The Bank’s trading strategy evolves from its business strategy, and is in line with its risk appetite. The Bank's Market Risk and ALM group manages the Bank’s market risk in line with established risk limits, which are measured, monitored and reported on, periodically. Established risk limits, which are monitored on a daily basis by the Bank's Market Risk group, include intraday, daily devaluation for currency positions, net open position, dealers’, deposit placement, stop loss, duration and management action trigger limits. Daily positions of the Bank's trading books are marked-to-market to enable the Bank obtain an accurate view of its trading portfolio exposures. Financial market prices used in the mark-to-market exercise are independently verified by the Market Risk Group with regular reports prepared at different levels to reflect volatility of the Bank’s earnings

3.6 OPERATIONAL RISK MANAGEMENT

Operational risk is the potential for loss arising from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and regulatory risk, but excludes strategic and reputational risk.

The scope of operational risk management in the Bank covers risk exposures that may lead to unavailability of service, information deficiency, financial loss, increased costs, loss of professional reputation, failure to keep or increase market share, risks which result in the imposition of sanctions on the Bank by regulators or legal proceedings against the Bank by third parties.

• The Covid-19 situation has driven the Bank to put additional focus on several operational risk aspects, such as:
– Business continuity plans to support our employees, customers and overall businesses.
– Potential increase of cyber risk due to new conditions in business management and remote working. Our cyber security programme continued to be improved by strengthening detection, response and protection mechanisms.
– Increase in technological support in order to ensure adequate customer service and correct performance of our services, especially in online banking and call centres.

Organizational Set-up

Operational Risk Management is an independent risk management function within Fidelity Bank. The Operational Risk & Service Measurements Committee is the main decision-making committee for all operational risk management matters and approves the Bank's standards for identification, measurement, assessment, reporting and monitoring of operational risk. Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework day-to-day operational risk management lies with the Bank's business and support units. Based on this business partnership model the Bank ensures close monitoring and high awareness of operational risk.

Operational Risk Framework

As is common with all businesses, operational risk is inherent in all operations and activities of the Bank. We therefore carefully manage operational risk based on a consistent framework that enables us to determine the Bank's operational risk profile in comparison to the Bank's risk appetite and to define risk mitigating measures and priorities. We apply a number of techniques to efficiently manage operational risk in the Bank's business, for example: as part of the Bank's strategy for making enterprise risk management the Bank's discriminating competence, the Bank has redefined business requirements across all networks and branches using the following tools:

Loss Data Collection

The Bank implements an event driven Loss Data Collection (LDC) system designed to facilitate collection of internal loss data triggered at the occurrence of a loss event anywhere within the divisions of the Bank. The LDC system captures data elements, which discriminate between boundary events related to credit, market and operational risk. The system facilitates collection of loss data arising from actual losses, potential losses and near misses. Work-flow capabilities built within the Bank's predefined Event Escalation Matrix enable risk incidents to be reported to designated Event Identifiers, Event Managers, Event Approvers and Action Owners that manage each risk incident from point of occurrence to closure.

Risk and Control Self Assessments (RCSA)

The Bank implement a quantitative methodology for the Bank's Risk and Control Self Assessments, which supports collection of quantitative frequency and severity estimates. Facilitated top-down RCSA workshops are used by the bank to identify key risks and related controls at business unit levels. During these workshops business experts and senior management identify and discuss key risks, controls and required remedial actions for each respective business unit and the results captured within the operational risk database for action tracking.

Key Risk Indicators (KRIs)

The Bank measures quantifiable risk statistics or metrics that provide warning signals of risk hotspots in the Bank's entity. The Bank has established key risk indicators with tolerance limits for core operational goups of the Bank. The Bank's KPI database integrates with the Loss Data Collection and Risk & Control Self Assessment models and systems to provide red flags that typically inform initiatives for risk response actions in the Bank.

Business Continuity Management (BCM)

The Bank recognises that adverse incidences such as technology failure, natural and man-made disasters could occur and may affect the Bank's critical resources leading to significant business disruption. To manage this risk, our BCM plans assist is in building resilience for effective response to catastrophic events. In broad categories, the plans which are tested periodically, cover disaster recovery, business resumption, contingency planning and crisis management.

4. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

a.To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;

b. To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

c. To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis.

The CBN requires each bank to: (a) hold the minimum level of the regulatory capital of N25 billion and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 15% for an internatiional licensed Bank.

In 2016, the Central Bank of Nigeria issued circular BSD/DIR/CIR/GEN/LAB/06/03 to all Bank's and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes to the regulatory capital measurement and management for the Nigerian Banking System for the implementation of Basel II/III in Nigeria. The capital adequacy ratio for the period ended 30 June 2021 and the comparative period 31 December 2020 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II Accord (Interenal Convergence of capital measurement and Capital Standards. Although the guidelines comply with the requirement of the Basel II accord certain sections were adjusted to reflect the peculiarities of the Nigerian enviroment.

The Bank's regulatory capital as managed by its Financial Control and Treasury Units is made up of Tier 1 and Tier 2 capital as follows:

Tier 1 capital: This includes only permanent shareholders' equity (issued and fully paid ordinary shares/common stock and perpetual non-cumulative preference shares) and disclosed reserves (created or increased by appropriations of retained earnings or other surpluses). There is no limit on the inclusion of Tier 1 capital for the purpose of calculating regulatory capital.

Tier 2 capital: This includes revaluation reserves, general provisions/general loan loss reserves, Hybrid (debt/equity), capital instruments and subordinated debt. Tier 2 capital is limited to a maximum of 33.3% of the total of Tier 1 capital.

The CBN excluded the following reserves in the computation of total qualifying capital:

1. The Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines which was effective on 1 July 2010 is excluded from regulatory capital for the purposes of capital adequacy assessment;
2. Collective impairment on loans and receivables and other financial assets no longer forms part of Tier 2 capital; and
3. Other Comprehensive Income (OCI) Reserves is recognized as part of Tier 2 capital subject to the limits on the Calculation of Regulatory Capital.

Notes to the financial statements
for the year ended 31 December 2021

6 Interest revenue calculated using the effective interest rate method

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Loans and advances to customers	46,467	32,120	158,007	126,296
Advances under finance lease.	1,374	1,435	5,125	4,180
Treasury bills and other investment securities:				
- Fair value through other comprehensive income	(104)	3,171	4,712	19,577
- Amortised cost.	4,982	3,241	17,453	13,046
Placements and short term funds	89	334	164	5,452
	52,807	**40,301**	**185,461**	**168,551**

7 Interest expense calculated using the effective interest rate method

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Term deposits	23,170	6,007	67,135	34,113
Debts issued and other borrowed funds	9,789	6,161	32,340	25,719
Savings deposits	1,003	912	4,007	7,635
Current accounts	908	906	3,835	3,475
Inter-bank takings	-	134	8	647
Intervention loan	-	1,041	-	1,041
	34,870	**15,161**	**107,324**	**72,630**

8 Credit loss reversal/(expense)

The table below shows the ECL charges on financial instruments recorded in profit or loss for the period ended **31 Dec 2021:**

	Stage 1 Individual N'million	Stage 1 Collective N'million	Stage 2 Individual N'million	Stage 2 Collective N'million	Stage 3 N'million	POCI N'million	Total N'million
Due from banks	-	(547)	-	-	-	-	(547)
Loans and advances to customers	-	(157)	-	(9,492)	4,101	-	(5,548)
Debt instruments measured at FVOCI	-	545	-	-	-	-	545
Debt instruments measured at							-
amortised costs		(65)	-	-	-	-	(65)
Financial guarantees	-	(167)	-	-	-	-	(167)
Letters of credit	-	331	-	-	-	-	331
Total credit loss expense	**-**	**(60)**	**-**	**(9,492)**	**4,101**	**-**	**(5,451)**
Other assets (Note 27)	-	-	(64)	-	-	-	(64)
	-	**(60)**	**(64)**	**(9,492)**	**4,101**	**-**	**(5,515)**

The table below shows the ECL charges on financial instruments for the year recorded in profit or loss for the period ended 31 December 2020:

	Stage 1 Individual N'million	Stage 1 Collective N'million	Stage 2 Individual N'million	Stage 2 Collective N'million	Stage 3 N'million	POCI N'million	Total N'million
Due from banks	-	583				-	583
Loans and advances to customers	-	952	-	2,122	13,029	-	16,103
Debt instruments measured at	-	2	-	-	-	-	2
FVOCI							-
Debt instruments measured at		210	-	-	-	-	210
amortised costs			-				-
Financial guarantees	-	5	-	-	-	-	5
Letters of credit	-	307	-	-	-	-	307
Total Impairment loss	**-**	**2,059**	**-**	**2,122**	**13,029**	**-**	**17,210**
Other assets (note 27)	-	(352)	-	-	-	-	(352)
	-	**1,707**	**-**	**2,122**	**13,029**	**-**	**16,858**

Notes to the financial statements
for the year ended 31 December 2021

9 Net fee and commission income

Fee and commission income is disaggregated below and includes fees in scope of IFRS 15, Revenues from Contracts with Customers:

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Fee and commission type:				
ATM charges	1,839	1,077	5,663	3,371
Accounts maintenance charge	1,206	821	4,148	2,800
Commission on travellers cheque and foreign bills	828	517	2,954	1,787
Commision on E-banking activities	844	726	3,268	2,464
Commission on fidelity connect	555	414	2,004	1,407
Other fees and commissions	100	12	357	331
Commision and fees on banking services	107	160	597	519
Commision and fees on NXP	231	250	841	845
Collection fees	90	61	306	304
Telex fees	351	130	1,142	506
Cheque issue fees	22	27	119	92
Letters of credit commissions and fees	563	310	1,777	1,073
Commissions on off balance sheet transactions	311	288	1,797	1,712
Remittance fees	38	23	123	85
Total revenue from contracts with customers	**7,085**	**4,817**	**25,099**	**17,296**
Other non-contract fee income:				
Credit related fees	559	547	4,307	2,557
Total fees and commission income	**7,644**	**5,363**	29,406	**19,853**
Fee and commission expense	(2,580)	(1,773)	(8,624)	(6,144)
Net fee and commission income	**5,064**	**3,590**	**20,782**	**13,709**

Notes to the financial statements
for the year ended 31 December 2021

10 Other operating income

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Net foreign exchange gains	1,946	1,502	11,562	8,189
Dividend income (Note 24.3.1)	468	(0)	817	855
Profit on disposal of property, plant and equipment	69	(104)	69	(51)
Loan Recoveries	89	(401)	5,214	495
Other income	43	530	136	110
	2,616	**1,526**	**17,798**	**9,598**

11 Net gains from financial assets at fair value through profit or loss

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Net gains/(losses) arising from:				
- Bonds	17	(1,235)	(3,840)	1,010
- Treasury bills	(40)	(394)	(765)	344
Derivatives	159	(239)	(280)	(239)
	136	**(1,868)**	**(4,885)**	**1,115**

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
11.1 Interest income on financial assets measured at FVTPL	**12,025**	**3,983**	**16,781**	**8,202**

Interest income on financial assets measured at FVTPL are not calculated using the effective interest rate method and have been presented separately in the statement of profit or loss and other comprehensive income.

12 Personnel expenses

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Wages and salaries	5,524	5,885	21,723	22,118
End of the year bonus	(739)	750	272	2,792
Pension contribution	117	112	461	457
	4,902	**6,747**	**22,456**	**25,367**

13 Depreciation and amortisation

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Property, plant and equipment (Note 24)	863	782	3,303	3,187
Intangible asset-computer software (Note 25)	822	681	3,126	2,347
Depreciation of right-of-use assets (Note 27)	165	171	670	673
	1,850	**1,634**	**7,099**	**6,207**

14 Other operating expenses

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Marketing, communication & entertainment	2,767	2,769	5,824	9,594
Banking sector resolution cost	3,844	(0)	15,348	11,866
Deposit insurance premium	1,839	1,437	7,393	5,533
Outsourced cost	1,280	1,262	5,094	4,705
Repairs and maintenance	1,137	670	3,604	2,786
Computer expenses	316	843	1,226	3,477
Other expenses	631	1,895	2,429	4,782
Security expenses	401	374	1,568	1,378
Rent and rates	113	67	320	203
Training expenses	169	78	502	200
Cash movement expenses	290	156	948	681
Travelling and accommodation	233	218	897	964
Consultancy expenses	382	161	1,025	587
Corporate finance expenses	405	551	1,202	1,099
Legal expenses	211	210	399	372
Electricity	164	134	585	454
Office expenses	81	207	334	656
Directors' emoluments	195	99	654	789
Insurance expenses	133	85	553	453
Stationery expenses	130	79	415	281
Bank charges	234	87	777	273
Auditor's remuneration	46	6	179	200
Donations	317	24	1,377	536
Telephone expenses	28	26	107	100
Postage and courier expenses	34	23	147	90
	15,380	**11,462**	**52,909**	**52,059**

Notes to the financial statements
for the year ended 31 December 2021

15 Taxation

a Income tax expense

	31 Dec 2021 N'million	31 Dec 2020 N'million
Current tax on the income for the reporting period	1,243	514
Minimum tax	858	-
Education tax	2	608
Police trust fund levy	1	1
Capital gain tax	-	-
Information technology levy	406	281
Current income tax expense	2,511	1,404
Deferred tax expense	-	-
	2,511	**1,404**

	31 Dec 2021 N'million	31 Dec 2020 N'million
c Current income tax payable		
At 1 January	2,307	2,339
Income tax paid	(894)	(1,436)
Current income tax expense	2,511	1,404
At 31 December	**3,924**	**2,307**

Reconciliation of effective tax rate

d The income tax is based on minimun tax assessment in line with the Finance Bill Act 2021 at 0.5% of Gross Earning Income as there is no taxable profit to charge tax. (2020: The basis of income tax is minimum tax assessment at 0.25% of Gross Earning Income in accordance with Finance Act 2020).

e The Nigerian Police Trust Fund Act (PTFA) 2019, stipulates that operating business in Nigeria to contribute 0.005% of their net profit to Police Trust Fund. In line with the Act, the Bank has provided for Police Trust Fund at the specified rate and recognised it as part of income tax for the period.

f The National Information Technology Agency Act (NITDA) 2007, stipulates that specified companies contribute 1% of their profit before tax to National Information Development Agency. In line with the Act, the Bank has provided for Information technology levy at the specified rate and recognised it as part of income tax for the period.

g Tertiary Education Tax (TET) as amended by Finance Act 2021, stipulates that 2.5% of assessable profit of bank shall be contributed to funding of tertiary educational institutions in Nigeria. A specified rate has been provided as Tertiary Education Tax and recognised it as part of income tax for the period by the Bank.

h National Agency for Science and Engineering Infrastructure Act (NASENI) stipulates that 0.25% of bank profit before tax should be contributed to funding the agency. The Bank has provided a specified rate for NASENI fund and recognised it as part of the income tax for the period.

16 Net reclassification adjustments for realised net gains

The net reclassification adjustments for realised net gains from other comprehensive income to profit or loss are in respect of debt instruments measured at fair value through other comprehensive income which were sold during the prior period "there was no sale of financial assets classified as at fair value through other comprehensive income for the period ended 31 December 2021"

17 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the period. The diluted earnings per share is the same as basic EPS because there are no potential ordinary shares outstanding during the reporting period.

	Q4 2021 N'million	Q4 2020 N'million	31 Dec 2021 N'million	31 Dec 2020 N'million
Profit attributable to equity holders of the Bank	11,612	6,244	38,123	26,650
Weighted average number of ordinary shares in issue (million unit)	28,963	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**40**	**22**	**132**	**92**

18 Cash and balances with central bank

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Cash	42,755	44,751
Balances with central bank other than mandatory reserve deposits	42,720	69,826
Included in cash and cash equivalents (note 20)	**85,476**	**114,577**
Mandatory reserve deposits with central bank (see note 19.1 below)	506,504	432,741
Special cash reserve (see note 19.2 below)	179,593	107,388
	771,573	**654,706**

18.1 Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. It represents a percentage of the Customers' deposits and are non interest-bearing. The amount, which is based on qualified assets, is determined by the Central Bank of Nigeria from time to time. For the purpose of statement of cash flows, these balances are excluded from the cash and cash equivalents.

18.2 Special cash reserve represents special intervention reserve held with Central Bank of Nigeria.

19 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of less than three months.

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Cash and balances with central bank (Note 19)	85,476	114,577
Due from banks	131,965	213,916
Total cash and cash equivalents	**217,440**	**328,493**

20 Due from banks

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Current accounts with foreign banks	121,360	163,009
Placements with other banks and discount houses	12,043	51,799
Sub-total	133,403	214,808
Less: Allowance for impairment losses	(1,439)	(892)
	131,965	**213,916**

Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the external rating system are explained in Note 3.2.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	95,048	-	-	95,048
Standard grade	76,627	-	-	76,627
Sub-standard grade	9,986	-	-	9,986
Total	**181,660**	**-**	**-**	**181,660**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	180,773	-	-	180,773
Standard grade	34,035	-	-	34,035
Total	**214,808**	**-**	**-**	**214,808**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	214,808	-	-	214,808
New assets originated or purchased	21,880	-	-	21,880
Assets derecognised or repaid (excluding write offs)	(64,162)	-	-	(64,162)
Accrued interest	43	-	-	43
Foreign exchange adjustments	9,091	-	-	9,091
At 31 December 2021	**181,660**	**-**	**-**	**181,660**

20 Due from banks ***continued***

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	892	-	-	892
New assets originated or purchased	353	-	-	353
Assets derecognised or repaid (excluding write offs)	(35)	-	-	(35)
Unwind of discount	152	-	-	152
Foreign exchange adjustments	76	-	-	76
At 31 December 2021	**1,439**	**-**	**-**	**1,439**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	150,178	-	-	150,178
New assets originated or purchased	107,521	-	-	107,521
Assets derecognised or repaid (excluding write offs)	(48,325)	-	-	(48,325)
Accrued interest	4,204	-	-	4,204
Foreign exchange adjustments	1,230	-	-	1,230
At 31 December 2020	**214,808**	**-**	**-**	**214,808**

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	309	-	-	309
New assets originated or purchased	601	-	-	601
Assets derecognised or repaid (excluding write offs)	(236)	-	-	(236)
Unwind of discount	120	-	-	120
Foreign exchange adjustments	98	-	-	98
At 31 December 2020	**892**	**-**	**-**	**892**

Contractual amounts outstanding in relation to Due from banks that were still subject to enforcement activity, but otherwise had already been written off, were nil both at 31 December 2021 and at 31 December 2020.

21 Loans and advances to customers

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Loans to corporate and other organisations	1,665,887	1,340,202
Loans to individuals	66,658	53,422
	1,732,545	1,393,624
Less: Allowance for ECL	(73,067)	(67,518)
	1,659,478	**1,326,106**

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Loans to corporate entities and other organisations		
Overdrafts	187,122	155,042
Term loans	1,447,688	1,152,910
Advances under finance lease	31,077	32,250
	1,665,887	1,340,202
Less: Allowance for ECL	(72,700)	(66,943)
	1,593,186	**1,273,259**
Loans to individuals		
Overdrafts	12,553	6,856
Term loans	51,310	43,647
Advances under finance lease	2,795	2,919
	66,658	**53,422**
Less: Allowance for ECL	(366)	(575)
	66,292	52,847
Net loans and advances	**1,659,478**	**1,326,106**

21.1 Impairment allowance for loans and advances to customers

21.1.1 Corporate and other organisations

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	170,668	66	-	170,735
Standard grade (BBB-B)	994,108	200,146	-	1,194,254
Sub-standard grade (CCC-C)	203,046	54,675	-	257,720
Past due but not impaired	-	-	-	-
Non-performing	-	-	-	
Individually impaired	-	-	43,178	43,178
Total	**1,367,822**	**254,887**	**43,178**	**1,665,887**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	195,080	-	-	195,080
Standard grade (BBB-B)	707,793	157,805	-	865,598
Sub-standard grade (CCC-C)	124,870	105,240	-	230,110
Non-performing				
Individually impaired	-	-	49,414	49,414
Total	**1,027,743**	**263,045**	**49,414**	**1,340,202**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	1,027,743	263,045	49,414	1,340,202
New assets originated or purchased	612,196	-	-	612,196
Assets derecognised or repaid (excluding write offs)	(339,956)	(27,554)	(10,534)	(378,045)
Transfers to Stage 1	28,870	(26,252)	(2,619)	-
Transfers to Stage 2	(7,200)	7,215	(15)	0.00
Transfers to Stage 3	(2,645)	(1)	2,646	-
Effect of modifications	-	-	-	
Accrued interest	30,770	36,279	4,045	71,094
Foreign exchange adjustments	18,044	2,155	240	20,440
At 31 December 2021	**1,367,822**	**254,887**	**43,178**	**1,665,887**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	9,605	21,300	36,038	66,943
New assets originated or purchased	5,100	-	-	5,100
Assets derecognised or repaid (excluding write offs)	(5,078)	(1,560)	(6,134)	(12,771)
Transfers to Stage 1	1,192	(0)	(1,192)	-
Transfers to Stage 2	(15)	15	(0)	0
Transfers to Stage 3	(2,432)	(0)	2,432	-
Effect of modifications	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	1,331	10,403	998	12,732
Foreign exchange adjustments	79	618	-	697
At 31 December 2021	**9,782**	**30,776**	**32,142**	**72,700**

21.1.1 Corporate and other organisations *continued*

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2020	832,431	256,575	35,994	1,125,000
New assets originated or purchased	355,211	-	-	355,211
Assets derecognised or repaid (excluding write offs)	(161,772)	(25,417)	(3,314)	(190,503)
Transfers to Stage 1	4,565	(4,565)	-	-
Transfers to Stage 2	(18,841)	18,841	-	-
Transfers to Stage 3	(15,260)	(366)	15,626	-
Amount written off	-	-	(13,846)	(13,846)
Accrued interest	28,361	16,198	14,719	59,278
Foreign exchange adjustments	3,048	1,779	235	5,062
At 31 December 2020	**1,027,743**	**263,045**	**49,414**	**1,340,202**

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2020	5,654	19,188	22,951	47,793
New assets originated or purchased	4,876	-	-	4,876
Assets derecognised or repaid (excluding write offs)	(2,940)	(2,244)	(1,710)	(6,894)
Transfers to Stage 1	845	(845)	-	-
Transfers to Stage 2	(2,795)	2,795	-	-
Transfers to Stage 3	(2,445)	(45)	2,490	-
Amount written off	-	-	(13,846)	(13,846)
Impact on period end ECL of exposures transferred between stages during the period	6,120	2,254	26,137	- 34,511
Foreign exchange adjustments	290	197	16	503
At 31 December 2020	**9,605**	**21,300**	**36,038**	**66,943**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2021 (31 December 2020: nil).

21.1.2 Loans to individuals

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 December 2021			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade (AAA-A)	-	-	-	-
Standard grade (BBB-B)	53,425	1,388	-	54,813
Sub-standard grade (CCC-C)	976	-	-	976
Past due but not impaired(C)	4,497	-	-	4,497
Non-performing	-	-	-	
Individually impaired	-	-	6,373	6,373
Total	**58,897**	**1,388**	**6,373**	**66,658**

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade (AAA-A)	-	-	-	-
Standard grade (BBB-B)	43,626	277	-	43,903
Sub-standard grade (CCC-C)	-	-	-	-
Past due but not impaired(C)	5,866	17	-	5,883
Non-performing				
Individually impaired	-	-	3,636	3,636
Total	**49,492**	**294**	**3,636**	**53,422**

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21.1.2 Loans to individuals *continued*

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to retail lending is, as follows:

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	49,492	294	3,636	53,422
New assets originated or purchased	22,760	-	-	22,760
Assets derecognised or repaid (excluding write offs)	(12,913)	(70)	(279)	(13,262)
Transfers to Stage 1	548	(61)	(487)	-
Transfers to Stage 2	(88)	127	(39)	-
Transfers to Stage 3	(2,033)	(156)	2,188	-
Accrued interest	1,012	1,182	1,222	3,416
Foreign exchange adjustments	119	70	132	322
At 31 December 2021	**58,897**	**1,388**	**6,373**	**66,658**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	63	10	502	575
New assets originated or purchased	11	-	-	11
Assets derecognised or repaid (excluding write offs)	(14)	(0)	(80)	(94)
Transfers to Stage 1	76	(0)	(76)	-
Transfers to Stage 2	(0)	31	(31)	-
Transfers to Stage 3	(1)	(0)	1	-
Impact on period end ECL of exposures transferred between stages during the period	(87)	(14)	(18)	(118)
Foreign exchange adjustments	(5)	(1)	(1)	(7)
At 31 December 2021	**43**	**26**	**297**	**366**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	50,726	24	2,639	53,389
New assets originated or purchased	24,321	-	-	24,321
Assets derecognised or repaid (excluding write offs)	(29,682)	(25)	(728)	(30,435)
Transfers to Stage 1	84	(84)	-	-
Transfers to Stage 2	(429)	554	(125)	-
Transfers to Stage 3	-	(883)	883	-
Accrued interest	3,252	466	871	4,589
Amount written off	-	-	(34)	(34)
Foreign exchange adjustments	1,220	242	130	1,592
At 31 December 2020	**49,492**	**294**	**3,636**	**53,422**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	3,062	-	560	3,622
New assets originated or purchased	118	-	-	118
Assets derecognised or repaid (excluding write offs)	(2,472)	(7)	(615)	(3,094)
Transfers to Stage 1	9	(9)	-	-
Transfers to Stage 2	(198)	291	(93)	-
Transfers to Stage 3	-	(155)	155	-
Impact on period end ECL of exposures transferred between stages during the period	(826)	(120)	447	(499)
Amount written off	-	-	(34)	(34)
Foreign exchange adjustments	370	10	82	462
At 31 December 2020	**63**	**10**	**502**	**575**

21.2 Advances under finance lease may be analysed as follows:

	31 Dec 2021 N'million	31 Dec 2020 N'million
Gross investment		
- No later than 1 year	8,824	4,027
- Later than 1 year and no later than 5 years	24,890	31,486
- Later than 5 years	158	205
	33,872	35,718
Unearned future finance income on finance leases	(10,182)	(3,468)
Net investment	**23,690**	**32,250**
The net investment may be analysed as follows:		
No later than 1 year	7,536	3,323
Later than 1 year and no later than 5 years	15,996	28,723
Later than 5 years	158	204
	23,690	**32,250**

21.3 Nature of security in respect of loans and advances:

	31 Dec 2021 N'million	31 Dec 2020 N'million
Secured against real estate	299,348	355,683
Secured by shares of quoted companies	-	-
Secured others	1,313,126	999,792
Advances under finance lease	29,739	35,718
Unsecured	90,332	2,431
Gross loans and advances to customers	**1,732,545**	**1,393,624**

22 Derivative financial instruments

The Bank enters into derivative contracts with two counter parties; Total Return Swap with Citigroup Global Markets Ltd ("Citi") and Non-deliverable Forwards with the Central Bank of Nigeria ("CBN"). The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument (being foreign currency and treasury bills). The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

Derivative financial Assets	31 Dec 2021 N'million	31 Dec 2020 N'million
Total return swap contracts	**50,109**	7,072
Futures Contracts	-	-
Total derivative financial Assets	**50,109**	**7,072**
Notional Amount		
Total return swap contracts	50,256	8,674
Futures Contracts	-	-
Total	**50,256**	**8,674**

Derivative financial Liabilities	31 Dec 2021 N'million	31 Dec 2020 N'million
Non-deliverable forwards	-	1,143
Futures Contracts	-	-
Total derivative financial liabilities	**-**	**1,143**
Notional Amount		
Non-deliverable forwards	-	**20,016**
Futures Contracts	-	
Total	**-**	**20,016**

23 Investments

	31 Dec 2021 N'million	31 Dec 2020 N'million
23.1 Financial assets at fair value through profit and loss (FVTPL)		
Held for trading:		
Federal Government bonds	352	30,389
Treasury bills	4,855	16,729
Placements	-	-
Total financial assets measured at FVTPL	**5,207**	**47,118**

23.2 Debt instruments at fair value through other comprehensive income (FVOCI)	31 Dec 2021 N'million	31 Dec 2020 N'million
Treasury bills	75,084	192,565
Federal government bonds	16,039	66,938
State government bonds	4,127	6,477
Corporate bonds	4,691	-
Total debt instruments measured at FVOCI	**99,941**	**265,980**

An expected credit loss of N240.78 million (31 Dec 2020: N785 million) has been recognised on debt instrument measured at FVTOCI, the allowance has been credited to other comprehensive income for the year

23.3 Equity instruments at fair value through other comprehensive income (FVOCI)	31 Dec 2021 N'million	31 Dec 2020 N'million
Unquoted equity investments:		
- Unified Payment Services Limited (UPSL)	12,627	9,228
- African Finance Corporation (AFC)	3,321	4,160
- The Central Securities Clearing System (CSCS)	3,164	2,520
- Nigerian Inter Bank Settlement System (NIBBS)	3,540	1,777
- African Export-Import Bank (AFREXIM)	275	-
- FMDQ	3,215	-
- Nigeria Exchange Group (NGX)	42	-
- Pay Attitude Global	16	-
Total equity instruments at FVOCI	**26,200**	**17,685**

23.3.1 The Bank has designated its equity investments as equity investments at fair value through other comprehensive income (FVOCI) on the basis that these are not held for trading. During the period ended 31 December 2021, the Bank recognised dividend of N348 million (31 December 2020: N855 million) from its FVOCI equities which was recorded in the profit or loss as other operating income.

23.4 Debt instruments at amortised cost	31 Dec 2021 N'million	31 Dec 2020 N'million
Treasury bills	250,500	54,738
Federal government bonds	186,673	83,078
State government bonds	-	352
Corporate bonds	5,102	
Sub-total	**442,274**	**138,168**
Allowance for impairment	(428)	(364)
Total debt instruments measured at amortised cost	**441,846**	**137,804**

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23.5 Pledged assets

Treasury Bills and Bonds are pledged to the Nigerian Inter Bank Settlement System Company Plc (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system. The Bank pledged Treasury bills, Bonds and cash balance in its capacity as collection bank for government taxes and Interswitch electronic card transactions. The Bank also pledged Federal Government bonds and Corporate bonds denominated in foreign currency to Renaissance Capital in respect of its short term borrowings.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Treasury bills - Amortised cost	33,768	14,974
Federal Government bonds - Amortised cost	70,014	28,897

23.6 Impairment losses on financial investments subject to impairment assessment

23.6.1 Debt instruments measured at FVOCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank’s internal credit rating system and year-end stage classification. Details of the Bank’s internal grading system are

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	91,123	-	-	91,123
Standard grade	8,818	-	-	8,818
Total	**99,941**	**-**	**-**	**99,941**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	259,503	-	-	259,503
Standard grade	6,477	-	-	6,477
Total	**265,980**	**-**	**-**	**265,980**

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	265,980	-	-	265,980
New assets purchased	91,245	-	-	91,245
Assets derecognised or repaid (excluding write offs)	(259,774)	-	-	(259,774)
Accrued interest	354	-	-	354
Change in fair value	2,136	-	-	2,136
At 31 December 2021	**99,941**	**-**	**-**	**99,941**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	785	-	-	785
New assets originated or purchased	205	-	-	205
Assets derecognised or repaid (excluding write offs)	(755)	-	-	(755)
Unwind of discount	5	-	-	5
Changes to models and inputs used for ECL calculations	-	-	-	-
At 31 December 2021	**241**	**-**	**-**	**241**

23.6.1 Debt instruments measured at FVOCI *continued*

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2020	134,846	-	-	134,846
New assets originated or purchased	227,986	-	-	227,986
Assets derecognised or repaid (excluding write offs)	(118,111)	-	-	(118,111)
Accrued interest	1,921	-	-	1,921
Change in fair value	19,338	-	-	19,338
At 31 December 2020	**265,980**	**-**	**-**	**265,980**

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2020	783	-	-	783
New assets originated or purchased	545	-	-	545
Assets derecognised or repaid (excluding write offs)	(558)	-	-	(558)
Unwind of discount	15			15
At 31 December 2020	**785**	**-**	**-**	**785**

23.6.2 Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4:

	31 December 2021			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade	437,173	-	-	437,173
Standard grade	5,102	-	-	5,102
Total	**442,274**	**-**	**-**	**442,274**

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing		-		
High grade	137,816	-	-	137,816
Standard grade	352	-	-	352
Total	**138,168**	**-**	**-**	**138,168**

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	31 December 2021			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2021	138,168	-	-	138,168
New assets originated or purchased	363,393	-	-	363,393
Assets derecognised or repaid (excluding write offs)	(65,812)	-	-	(65,812)
Accrued interest	6,274	-	-	6,274
Unwind of discount	251	-	-	251
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**442,274**	**-**	**-**	**442,274**

	31 December 2021			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2021	364	-	-	364
New assets originated or purchased	331	-	-	331
Assets derecognised or repaid (excluding write offs)	(297)	-	-	(297)
Unwind of discount	30	-	-	30
At 31 December 2021	**428**	**-**	**-**	**428**

23.6.2 Debt instruments measured at amortised cost *continued*

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2020	118,723	-	-	118,723
New assets originated or purchased	86,485	-	-	86,485
Assets derecognised or repaid (excluding write offs)	(70,325)	-	-	(70,325)
Accrued interest	3,240	-	-	3,240
Foreign exchange adjustments	45	-	-	45
At 31 December 2020	**138,168**	**-**	**-**	**138,168**

	31 December 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2020	154	-	-	154
New assets originated or purchased	204	-	-	204
Assets derecognised or repaid (excluding write offs)	(46)	-	-	(46)
Unwind of discount	47	-	-	47
Foreign exchange adjustments	5	-	-	5
At 31 December 2020	**364**	**-**	**-**	**364**

24 Property, plant and equipment

	Land	Buildings	Leasehold Improvements	Office Equipment	Furniture & fittings	Computer equipment	Motor vehicles	Work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cost									
At 1 January 2021	15,543	17,066	3,835	9,835	2,336	19,132	5,531	998	74,276
Additions	111	46	24	327	150	1,347	1,226	1,122	4,352
Reclassifications	70	290	(0)	219	3	136	-	(718)	(0)
Disposals	(55)	(23)	(6)	(3,772)	(752)	(6,928)	(1,870)	-	(13,406)
At 31 December 2021	**15,669**	**17,379**	**3,852**	**6,609**	**1,737**	**13,687**	**4,887**	**1,402**	**65,222**
Accumulated depreciation									
At 1 January 2021	-	(3,463)	(2,661)	(8,423)	(2,174)	(14,392)	(4,717)	-	(35,830)
Charge for the period	-	(345)	(221)	(571)	(77)	(1,591)	(496)	-	(3,303)
Disposals	-	23	6	3,765	751	6,920	1,846	-	13,311
At 31 December 2021	**-**	**(3,785)**	**(2,877)**	**(5,229)**	**(1,500)**	**(9,064)**	**(3,367)**	**-**	**(25,822)**
Carrying amount at 31 December 2021	**15,669**	**13,594**	**976**	**1,380**	**237**	**4,623**	**1,520**	**1,402**	**39,400**
Cost									
At 1 January 2020	15,207	16,913	3,722	9,531	2,288	17,921	5,780	1,207	72,569
Additions	-	-	119	262	49	1,763	698	475	3,366
Reclassifications	336	153	-	195	-	-	-	(684)	-
Disposals	-	-	(6)	(153)	(1)	(552)	(947)	-	(1,659)
At 31 December 2020	**15,543**	**17,066**	**3,835**	**9,835**	**2,336**	**19,132**	**5,531**	**998**	**74,276**
Accumulated depreciation									
At 1 January 2020	-	(3,128)	(2,441)	(7,970)	(2,079)	(13,416)	(5,143)	-	(34,177)
Charge for the period	-	(335)	(226)	(605)	(96)	(1,528)	(397)	-	(3,187)
Reclassifications	-	-	-	-	-	-	-	-	-
Disposals	-	-	6	152	1	552	823	-	1,534
At 30 December 2020	**-**	**(3,463)**	**(2,661)**	**(8,423)**	**(2,174)**	**(14,392)**	**(4,717)**	**-**	**(35,830)**
Carrying amount at 31 December 2020	**15,543**	**13,603**	**1,174**	**1,412**	**162**	**4,740**	**814**	**998**	**38,446**

25 Intangible assets - Computer software

	31 Dec 2021 N'million	31 Dec 2020 N'million
Cost		
Balance at beginning of year	8,399	5,846
Additions	3,901	3,994
Disposal during the year	(4,887)	(1,441)
Balance	**7,413**	**8,399**
Accumulated amortization		
Balance at beginning of year	5,116	4,210
Amortisation for the year	3,126	2,347
Disposal during the year	(4,776)	(1,441)
Balance	**3,465**	**5,116**
Carrying amount	**3,948**	**3,283**

These relate to purchased software.

The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was **N3.126 billion** for the period ended 31 December 2020: N2.347 billion.

26 Other assets

	31 Dec 2021 N'million	31 Dec 2020 N'million
Financial assets		
Sundry receivables	39,882	38,058
Others	486	736
Investments in SMESIS	5,330	3,997
Shared Agent Network Expansion Facility (SANEF)	50	50
	45,747	**42,841**
Less:		
Specific allowances for impairment	(1,639)	(1,575)
	44,108	**41,266**
Non financial assets		
Prepayments	13,465	2,688
Other non financial assets	819	426
	14,284	3,114
Total	**58,392**	**44,380**

Reconciliation of allowance for impairment

	31 Dec 2021 N'million	31 Dec 2020 N'million
At beginning of the year	1,575	1,927
Reversal for the year	687	(352)
At end of the year	**2,262**	**1,575**

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27 Right-of-use assets

Building

	31 Dec 2021 N'million	31 Dec 2020 N'million
Cost		
Balance at the beginning of period	3,011	2,215
Additions	578	-
Disposal	(123)	796
Balance	**3,465**	**3,011**
Accumulated depreciation		
Balance at beginning of year	(1,359)	(686)
Depreciation for the year	(670)	(673)
Disposal	40	
Balance	(1,989)	(1,359)
Carrying amount	**1,476**	**1,652**

28 Deposits from customers

	31 Dec 2021 N'million	31 Dec 2020 N'million
Demand	636,001	596,548
Savings	477,174	424,384
Term	503,276	384,342
Domicilliary	395,091	286,752
Others	13,264	7,000
	2,024,806	**1,699,026**
Current	2,024,806	1,699,026
Non-current	-	-
	2,024,806	**1,699,026**

29 Other liabilities

	31 Dec 2021 N'million	31 Dec 2020 N'million
Customer deposits for letters of credit	50,216	39,996
Accounts payable	21,104	132,614
Manager's cheque	4,622	4,079
FGN Intervention fund	377,492	308,097
Payable on E-banking transactions	25,043	26,079
Other liabilites/credit balances	12,241	6,228
Payable to staff	0	-
	490,719	**517,093**

29.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N89.79billion** (31 Dec 2020: N89.78 billion) This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.

30 Provisions

	31 Dec 2021 N'million	31 Dec 2020 N'million
Provisions for year end bonus (see note 32.1)	0	2,548
Provisions for litigations and claims (see note 31.1)	623	623
Provision for guarantees and letters of credit (see note 31.3)	740	904
	1,363	**4,075**

30.1 A provision has been recognised in respect of staff year end bonus, the provision has been recognised based on the fact that there is a constructive and legal obligation on the part of the Bank to pay bonus to staff where profit has been declared. The provision has been calculated as a percentage of the profit after tax.

Movement in provision for year end bonus		
At 1 January	2,548	2,580
Arising during the year	-	2,792
Utilised	(2,548)	(2,824)
At the end of the year	**-**	**2,548**

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30.2 Impairment losses on guarantees and letters of credit

An analysis of changes in the gross carrying amount and the corresponding allowances for impairment losses in relation to guarantees and letters of credit is as follows:

30.3.1 *Performance bonds and guarantees*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period end stage classification. Details of Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	1,846	-	-	1,846
Standard grade	277,663	-	-	277,663
Sub-standard grade	8,484	-	-	8,484
Non-performing				
Individually impaired	-	-	-	-
Total	**287,993**	**-**	**-**	**287,993**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	96,105	-	-	96,105
Standard grade	106,218	-	-	106,218
Sub-standard grade	6110			
Non-performing				
Individually impaired	-	-	-	-
Total	**208,433**	**-**	**-**	**202,323**

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	208,433	-	-	208,433
New exposures	206,706	-	-	206,706
Exposures matured/lapsed	(127,146)	-	-	(127,146)
At 31 December 2021	**287,993**	**-**	**-**	**287,993**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	6	-	-	6
New assets originated or purchased	171	-	-	171
Exposures matured/lapsed	(4)	-	-	(4)
At 31 December 2021	**173**	**-**	**-**	**173**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	204,135	-	-	204,135
New exposures	146,740	-	-	146,740
Exposures matured/lapsed	(140,212)	-	-	(140,212)
Changes due to modifications not resulting in derecognition	(2,230)			(2,230)
At 31 December 2020	**208,433**	**-**	**-**	**208,433**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	1	-	-	1
New assets originated or purchased	5	-	-	5
Exposures matured/lapsed	(1)	-	-	(1)
Unwind of discount	1	-	-	1
At 31 December 2020	6	-	-	6

30.3.2 ***Letters of credit***

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	10,488	-	-	10,488
Standard grade	142,610	-	-	142,610
Sub-standard grade	626	-	-	626
Non-performing				
Individually impaired	-	-	-	-
Total	**153,725**	**-**	**-**	**153,725**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	91,690	-	-	91,690
Standard grade	76,706	-	-	76,706
Sub-standard grade	4,471			4,471
Non-performing				
Individually impaired	-	-	-	-
Total	**172,867**	**-**	**-**	**172,867**

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	172,867	-	-	172,867
New exposures	132,696	-	-	132,696
Exposures matured/lapsed	(151,838)	-	-	(151,838)
Amounts written off	-	-	-	-
At 31 December 2021	**153,725**	**-**	**-**	**153,725**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	898	-	-	898
New exposures	490	-	-	490
Exposures matured/lapsed	(822)	-	-	(822)
Amounts written off				-
Changes in ECL during the year	-	-	-	-
At 31 December 2021	**567**	**-**	**-**	**567**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	134,082	-	-	134,082
New exposures	97,822	-	-	97,822
Exposures matured/lapsed	(60,267)	-	-	(60,267)
Foreign exchange adjustments	1,230	-	-	1,230
At 31 December 2020	**172,867**	**-**	**-**	**172,867**

	31 December 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	591	-	-	591
New exposures	514	-	-	514
Exposures matured/lapsed	(50)	-	-	(50)
Changes in ECL during the year	(234)	-	-	(234)
Foreign exchange adjustments	77	-	-	77
At 1 December 2020	**898**	**-**	**-**	**898**

31 Debts issued and other borrowed funds

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Long term loan from Proparco Paris (see note 32.1)	-	1,472
Long term loan from African Development Bank (ADB) (see note 32.2)	20,294	23,485
European Investment Bank Luxembourg (see note 32.3)	1,813	2,771
Euro Bond issued (see note 32.5)	339,165	161,916
Local Bond issued (see note 32.6)	40,275	-
Repurchase transaction with Renaissance Capital (see note 32.7)	22,024	26,452
Afrexim (see note 32.4)	24,745	44,875
Development Bank of Nigeria (see note 33.8))	20,099	-
	468,413	**260,971**

	31 Dec 2021	31 Dec 2020
Reconciliation of debt issued and other borrowed funds:	N'million	N'million
At 1 January	260,971	251,586
Additions during the year	230,857	36,832
Accrued interest (Note 7)	10,909	25,719
Payment of interest	(29,299)	(24,903)
Repayment of principal during the year	(29,601)	(50,904)
Foreign exchange difference	24,577	22,641
At the end of the year	**468,413**	**260,971**

31.1 The amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 matured on 4 April 2021 (Dec 2020: N1,472Billion) at an interest rate of Libor plus 4.75% per annum. The Principal and Interest have been fully paid.

31.2 The amount of **N20.294 billion** (31 Dec 2020: N23.485 billion) represents the amortised cost balance in two different on-lending facility granted to be bank by ADB. The first is a $75million facility granted 6 October 2014 while the second is a $40million facility granted on 7 May 2019. The $75million facility was disbursed in two tranches. The first tranche of $40million facility was disbursed on 27 April 2019 and matured on 27 July 2021, while the second tranche of $35million was disbursed 15 July 2015 to mature 6 October 2021. Both facilities are at the interest rate of Libor plus 4.75% (for the $75million facility) and 4.5% (for the $40million facility) per annum. Interest is repaid semi-annually, with principal repayment at maturity. The borrowing is an unsecured borrowing.

31.3 The amount of **N1.813 billion** (31 Dec 2020: N2.771 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

31.4 The **24.745 billion,** (31 Dec 2020: N44.875 billion) represents amortised cost balance of $75 million borrowing from AFREXIM due to mature in March 2022. Repayment is semi-annual and the interest rate is six months LIBOR plus 5.75%.

31.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Unsecured Unsubordinated 2022 Notes at a 10.50 percent coupon p.a. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) was used to support the trade finance business of Fidelity Bank. Also, on 28 October 2021, additional $400 million five year 2026 Senior Notes at a 7.625 percent coupon was issued. The proceed from the new issue is for general corporate purposes including supporting the Bank's trade finance business.. The amount of N339,164.62 billion (31 Dec 2020 : N161,916.69 billion) represents the mortised cost of both Issued Notes: $400 million, 5-year, 10.50% Senior Notes issued at 99.48% in October 2017 with maturity in October 2022 and $400 million, 5-year, 7.625% Senior Notes issued at 98.98% in October 2021 with maturity in October 2026. Coupon is paid semi-annually for both Notes

31.6 The amount of **N40.275 billion (Dec 2020: Nil)** represents the amortized cost of 10-Year N41.2 billion Subordinated Unsecured Series I Bonds issued at 8.5% p.a. in January 2021. The coupon is paid semi-annually. The proceeds from the Series I Bonds will support the Bank's SME and Retail Banking Businesses as well as its Information and Technology Infrastructure"

31.7 The amount of **N22.024 billion** (31 Dec 2020: N26,452.57 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

31.8 The amount of **N20.099 billion**, represents the amortised cost of a N20 billion of wholesale borrowing from Development Bank of Nigeria, to mature 27th April, 2024 at an interest rate of 10% per annum. Interest is paid semi-annually, with principal repayment after 1 year moratorium period, starting 27th October 2022 to maturity. The borrowing is an unsecured borrowing.

32 Share capital

	31 Dec 2021	31 Dec 2020
Authorised	N'million	N'million
32 billion ordinary shares of 50k each (2020: 32 billion ordinary shares)	16,000	16,000
Issued and fully paid		
28,963 million ordinary shares of 50k each (2020: 28,963 million ordinary shares)	14,481	14,481

There is no movement in the issued and fully paid shares during the year.

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33 Other equity accounts

The nature and purpose of the other equity accounts are as follows:

Share premium

Premiums from the issue of shares are reported in share premium.

Retained earnings

Retained earnings comprise the undistributed profits from previous years and current year, which have not been reclassified to the other reserves noted below.

Statutory reserve

This represents regulatory appropriation to statutory reserve of 30% of profit after tax 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

Small scale investment reserve

The Small scale investment reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small scale industries.

Non-distributable regulatory risk reserve

The amount at which the loan loss provision under IFRS is less than the loan loss provision under prudential guideline is booked to a non-distributable regulatory reserve.

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income until the investment is derecognised or impaired.

AGSMEIS reserve

Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS); AGSMEIS reserve is maintained to support the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises. Effective 2017 all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

34 Cash flows from operations

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Profit before income tax	40,634	28,054
Adjustments for:		
– Depreciation and amortisation	7,099	6,207
– Profit on disposal of property, plant and equipment	(69)	51
– Net foreign exchange gains	(11,562)	18,612
– Net gains from financial assets at fair value through profit or loss	4,885	(1,115)
– Credit loss expense/(reversal)	5,515	16,622
– Impairment charge on other assets	(64)	(352)
– Increase in provisions	(2,712)	(32)
– Dividend income	(817)	(855)
– Gain on debt instruments measured at FVOCI reclassified from equity	(450)	(3,843)
– Net interest income	(89,403)	(104,123)
	(46,944)	**(40,774)**
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	(145,968)	(196,783)
– Loans and advances to customers	(333,372)	(194,565)
– Financial assets held for trading	41,911	(6,394)
– Other assets	(14,012)	(15,272)
Changes in operating liabilities		
– Deposits from customers	307,780	477,636
– Other liabilities	(26,374)	120,019
Cash flows used in operations	**(216,980)**	**143,867**

35 Contingent liabilities and commitments

35.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to N4.48 billion (31 Dec 2020: N1billion). The capital commitments relate to property plant and Equipment

35.2 Confirmed credits and other obligations on behalf of customers

In the normal course of business the Bank is a party to financial instruments with off-statement of financial position risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	31 Dec 2021	31 Dec 2020
	N'million	N'million
Performance bonds and guarantees (Note 31.3.1)	287,993	208,433
Letters of credit (Note 31.3.2)	153,725	172,867
AGSMEIS Disbursement	37	37
	441,755	**381,337**

35.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N7.26 billion as at 31 December 2021 (31 Dec 2020: N7.26billion). Based on the advice of the Bank's legal team and the case facts, the management of the Bank estimates a potential loss of N623 million (31 Dec 2020: N623 million) upon conclusion of the cases. A provision for the potential loss of N623 million is shown in Note 31. N7.74billion).