Wema Bank Plc

Annual Report

31 December 2021

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About Wema Bank

Regarded as Nigeria's most resilient bank and the longest surviving indigenous Financial Institution in Nigeria, Wema Bank Plc has over the years, diligently offered a range of value-adding banking and financial advisory services to the Nigerian public for 75 years. Incorporated in 1945 as a Private Limited Liability Company under the old name of Agbonmagbe Bank Limited, it commenced banking operations in Nigeria in the same year. Wema Bank subsequently transformed into a Public Limited Liability Company (PLC) in April 1987 and was listed on the floor of the Nigerian Stock Exchange (NSE) in January 1990. On February 5, 2001, Wema Bank Plc was granted a universal banking license by the Central Bank of Nigeria (CBN), thus allowing the Bank to provide the Nigerian public with a diverse portfolio of financial and business advisory services.

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

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

Our Brand

The Wema Bank brand reinforces our unique proposition to empower lives through innovation. This is a single concept that drives the understanding of the new direction of the Wema Bank Brand. This personifies the behavior and product we create.

To drive this proposition, we develop an intimate relationship with our customers, putting us in a position to recognize their requirements and priorities. Our approach is hinged on partnership, progress, service, innovation and efficiency. We seek to understand our customers' businesses and objectives, such that we can anticipate and meet their needs as they fulfill their financial goals and aspirations.

We are believers in people and societal values.
We believe in the common good and sustainable success.
We measure success not only by what is gained, but by the reciprocal value added to lives and businesses.
We strive to create value that endures as well as uplift human dignity and collective welfare.

Success to us implies succeeding along with all our stakeholders, all moving forward and creating value.
Our Corporate Philosophy Vision

To be the dominant digital platform in Africa delivering seamless financial services.

Mission

Empowering lives through innovation.

Values

Think Passion
Think Partnership
Think Progressive
Think Plenty
Think Play

Corporate Governance

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

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

At Wema Bank, we consider ourselves trustees of our shareholders and acknowledge our responsibility towards them, to maintain their trust and confidence and safeguard their investment. The Bank's performance on corporate governance is regularly being monitored and reported. Every year the Bank obtains an independent report on the effectiveness of its Board members and the Board. The Board engaged an Independent Governance Consultant to conduct an independent evaluation of the Board's performance in the year 2021 and the result of the evaluation was presented to the Board at the meeting held on March 8, 2022. The report which confirmed the transparency and competence of the Board and its members is contained in this Annual Report and Accounts for the year 2021.

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

Governance Structure

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

The Board is comprised of 12 Directors as stated below:

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

Four (4) out of the twelve (12) Board members are women until the resignation of Folake Sanu on March 31, 2021.

Changes on the Board
During the financial year ended December 31, 2021, four directors retired from the Board, and three directors were appointed. Details are as follows:

s/n	Directors	Position	Status/Changes
	Folake Sanu	Executive Director	Retired on March 31, 2021
	Samuel Durojaye	Non-Executive Director	Resigned on March 22, 2021
	Adebode Adefioye	Non-Executive Director	Retired on May 20, 2021
	Omobosola Ojo	Independent Director	Retired on August 15, 2021
	Emeka Obiagwu	Executive Director	Appointed on April 1, 2021

	Olusegun Adesegun	Non-Executive Director	Appointed on July 19, 2021
	Adeyemi Adefarakan	Non-Executive Director	Appointed on July 19, 2021

Role of the Board

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

Other functions of the Board include:

- To review and provide guidance for the Bank's corporate and business strategy
- To review Management's succession plan and determine their compensation
- To ensure that the Bank's operations are ethical and comply with applicable laws and regulations
- To approve capital projects and investments
- To consider and approve the annual budget of the Bank, monitor its performance and ensure that the Bank remains a going concern
- To ensure that adequate systems of internal control, financial reporting and compliance are in place
- To ensure that an effective risk management process exists and is sustained
- To constitute Board Committees and determine their terms of reference and procedures, including reviewing and approving the reports of these Committees

Access to Independent Professional Advice

The Board has the power to obtain advice and assistance from independent professional advisers or experts (at the bank's expense) as may be deemed necessary to aid its effectiveness. This option was exercised in the course of the 2021 financial year.

Role of Chairman and the Managing Director/Chief Executive Officer

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

Selection of Directors

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

Tenure of Directors

Pursuant to the Bank's drive to continually imbibe best Corporate Governance practices, Directors are appointed for a maximum period of three terms of four (4) years each.

Thus, the maximum tenure of a director is twelve (12) years, subject to retirement age of 70 years, statutory provisions and regulatory directives; the tenure of Independent Directors is eight (8) years, whilst the tenure of Executive Directors is ten (10) years, subject to retirement age of 60 years.

Board Evaluation
In compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance, an Independent Governance Consultant was engaged to carry out a Board Evaluation for the Financial Year ended 31 December 2021. The evaluation was based primarily on benchmarking the bank's current governance structures and practices against the CBN Code, SEC Code, Nigerian Code of Corporate Governance and other global practices, using the four (4) pillars of Board responsibility which underpin effective corporate governance.

Board leadership and Strategy - The Board's ability to manage its own activities and oversee the planning and implementation of the bank's strategy.

Accountability and Audit – The Board's role in delegating authority to Management and monitoring Management's activities.

Monitoring and Evaluation - The Board's ability to define a framework for measuring and monitoring the performance of the Board, its committees and individual directors against defined goals.

Stewardship - The Board's responsibility towards shareholders and other stakeholders and accountability for their interests.

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

Induction and Continuous Training
On appointment to the Board and Board Committees, all newly appointed Directors receive formal orientation and training to enable them to familiarise themselves with the Bank's operations, policies, and other members of staff. This is done through induction workshops organized by the Company Secretary. We conducted 2 induction programmes for the newly appointed directors in 2021 - April 6-8, 2021 and September 10 & 13, 2021. They also attended the Company Direction Course facilitated by the Institute of Directors (IoD).

Also, the Bank has institutionalized regular training (both local and foreign) of Board members on issues pertaining to their oversight functions to update their skills and knowledge on new developments in the industry in line with Section 18.2 of the Central Bank of Nigeria Code of Corporate Governance. All the Directors underwent training on Anti Money-Laundering & Combating the Financing of Terrorism and Review of Salient Issues in the new BOFIA 2021, while some directors attended other trainings on Leading Digital Transformation & Innovation, Effective Board Governance & Oversight for Sustainable Growth in VUCA Times (CBN-FITC), etc.

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

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

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

Board Meetings

In compliance with the CBN Code, the Board meets quarterly. Additional meetings are convened as the need arises. In the year ended December 31, 2021, the Board held six (6) meetings, details of attendance are provided below:

S/N	Meetings Held	1	2	3	4	5	6
	Names of Directors	March 8, 2021	May 6, 2021	August 10, 2021	August 11, 2021	December 20, 2021	December 21, 2021
1	Babatunde Kasali	✓	✓	✓	✓	✓	✓
2	Ademola Adebise	✓	✓	✓	✓	✓	✓
3	Moruf Oseni	✓	✓	✓	✓	✓	✓
4	Wole Akinleye	✓	✓	✓	✓	✓	✓
5	Folake Sanu*	✓	N/A	N/A	N/A	N/A	N/A
6	Abubakar Lawal	✓	✓	✓	✓	✓	✓
7	Abolanle Matel-Okoh	✓	✓	✓	✓	✓	✓
8	Adebode Adefioye*	✓	°	N/A	N/A	N/A	N/A
9	Samuel Durojaye*	✓	N/A	N/A	N/A	N/A	N/A
10	Emeka Obiagwu**	N/A	✓	✓	✓	✓	✓
11	Omobosola Ojo	✓	✓	✓	✓	N/A	N/A
12	Oluwole Ajimisinmi	✓	✓	✓	✓	✓	✓
13	Ibiye Ekong	✓	✓	✓	✓	✓	✓
14	Olusegun Adesegun**	N/A	N/A	✓	✓	✓	✓
15	Adeyemi Adefarakan**	N/A	N/A	✓	✓	✓	✓

*** Mr. Obiagwu joined the Board on April 1, 2021, while Mr. Olusegun Adesegun and Mr. Adeyemi Adefarakan joined the Board on July 19, 2021.*

**Also, Mrs Sanu, Mr. Durojaye, Mr. Adefioye and Mrs Ojo retired from the Board during the year.*

✓---- *Present*

°---- *Absent*

N/A----*Not Applicable*

Board Committees

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

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

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

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

Board Risk Management Committee

The Committee's major responsibilities are to:

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

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

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

Retired during the year

The Committee held four (4) meetings during the year ended 31 December 2021. The attendance details of the Committee's meetings are as follows:

Meetings held	1	2	3	4
Names of Directors	February 8, 2021	April 22, 2021	July 23, 2021	October 21, 2021
Abubakar Lawal	✓	✓	✓	✓
Samuel Durojaye*	✓	✓	N/A	N/A
Ademola Adebise	✓	✓	✓	✓
Wole Akinleye	✓	✓	✓	✓
Folake Sanu*	✓	N/A	N/A	N/A
Abolanle Matel-Okoh	✓	✓	✓	✓
Adebode Adefioye*	✓	✓	N/A	N/A
Adeyemi Adefarakan**	N/A	N/A	N/A	✓

**Mrs. Folake Sanu retired from the Board on March 31, 2021. Mr Adebode Adefioye retired from the Board on May 20, 2021, Mr. Samuel Durojaye retired from the Board on March 22, 2021.*

***Mr. Adeyemi Adefarakan joined the Board July 19, 2021.*

✓---- *Present*
°---- *Absent*
N/A----*Not Applicable*

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

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

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

1. Ibiye Ekong	-	Chairman
2. Omobosola Ojo*	-	Member
3. Abubakar Lawal	-	Member
4. Samuel Durojaye*	-	Member
5. Ademola Adebise	-	Member
6. Adeyemi Adefarakan	-	Member
7. Moruf Oseni	-	Member
8. Wole Akinleye	-	Member
9. Olusegun Adesegun	-	Member
10. Adebode Adefioye*	-	Member
11. Abolanle Matel-Okoh	-	Member
12. Adeyemi Adefarakan	-	Member

Retired during the year

The Committee held eight (8) meetings during the year ended 31 December 2021. The attendance details of the Committee meetings are as follows:

Meetings held	1	2	3	4	5	6	7	8
Names of Directors	February 4, 2021	April 13, 2021	July 12, 2021	August 6, 2021	October 12, 2021	October 25, 2021	December 9, 2021	December 30, 2021
Ibiye Ekong	✓	✓	✓	✓	✓	✓	✓	✓
Ademola Adebise	✓	✓	✓	✓	✓	✓	✓	✓
Moruf Oseni	✓	✓	✓	✓	✓	✓	✓	✓
Wole Akinleye	✓	✓	✓	✓	✓	✓	✓	✓
Folake Sanu*	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Omobosola Ojo*	✓	✓	✓	✓	N/A	N/A	N/A	N/A
Abolanle Matel-Okoh***	N/A	N/A	N/A	✓	✓	✓	✓	✓
Adebode Adefioye*	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Samuel Durojaye*	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Abubakar Lawal	✓	✓	✓	✓	✓	✓	✓	✓
Olusegun Adesegun**	N/A	N/A	N/A	N/A	✓	✓	✓	✓
Adeyemi Adefarakan**	N/A	N/A	N/A	N/A	✓	✓	✓	✓

✓---- *Present*

°---- *Absent*

N/A----*Not Applicable*

Board Nomination and Governance Committee

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

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

The Committee is composed entirely of Non-Executive Directors. The members during the period were:

1. Omobosola Ojo* - Chairman
2. Adebode Adefioye* - Member
3. Samuel Durojaye* - Member
4. Abolanle Matel-Okoh - Member
5. Ibiye Ekong - Member
6. Olusegun Adesegun - Member
7. Adeyemi Adefarakan - Member

* ***Retired during the year***

The Committee held seven (7) meetings during the year ended 31 December 2021. The attendance details of the Committee's meetings are as follows:

Meetings held	1	2	3	4	5	6	7
Names of Directors	February 3, 2021	February 11, 2021	March 16, 2021	April 14, 2021	July 13, 2021	August 12, 2021	December 16, 2021
Omobosola Ojo*	✓	✓	✓	✓	✓	✓	N/A
Adebode Adefioye*	✓	✓	✓	✓	N/A	N/A	N/A
Samuel Durojaye*	✓	✓	✓	N/A	N/A	N/A	N/A
Abolanle Matel-Okoh	✓	✓	✓	✓	✓	✓	✓
Ibiye Ekong	✓	✓	✓	✓	✓	✓	✓
Olusegun** Adesegun	N/A	N/A	N/A	N/A	N/A	✓	✓
Adeyemi Adefarakan**	N/A	N/A	N/A	N/A	N/A	✓	✓

**Mr Samuel Durojaiye and Mr. Adebode Adefioye resigned from the Board on March 22nd and May 20, 2021 respectively.*
***Mr. Olusegun Adesegun and Mr. Adeyemi Adefarakan joined the Committee in August 2021.*
✓---- Present
N/A----*Not Applicable*

Board Finance and General-Purpose Committee

This Committee defines the strategic business focus and plans of the Bank and ensure effective implementation of approved strategy and also monitors the performance against budget.

Other functions of this Committee include:

1. Handles all staff matters and is responsible for the oversight of strategic people issues, employee retention, equality, and diversity as well as other significant employee related matters and administrative issues.
2. Defining capital and operating expenditure limits and approve all capital expenditure on behalf of the Board.
3. Review the Bank's investment portfolio and investment strategy annually.
4. Oversee Supporting Management business development efforts.

The Committee was comprised of the following members during the period under review:
1. Abolanle Matel-Okoh - Chairman
2. Omobosola Ojo* - Member
3. Adeyemi Adefarakan - Member
4. Abubakar Lawal** - Member
5. Ademola Adebise - Member
6. Moruf Oseni - Member
7. Ibiye Ekong - Member

The Committee held four (4) meetings during the year ended 31 December 2021. The attendance details of the Committee meetings are as follows:

Meetings held	1	2	3	4
Names of Directors	February 9 2021	April 19, 2021	July 22, 2021	October 28 2021
Abolanle Matel-Okoh	N/A	✓	✓	✓
Omobosola Ojo*	✓	✓	✓	N/A
Abubakar Lawal*	✓	N/A	N/A	N/A
Ademola Adebise	✓	✓	✓	✓
Moruf Oseni	✓	✓	✓	✓
Ibiye Ekong	N/A	✓	✓	✓
Adeyemi Adefarakan**	N/A	N/A	N/A	✓

**Mrs Omobosola retired from the Board August 15, 2021, while Mr. Abubakar Lawal ceased to be a member of the Committee in April 2021.*
*** Mr. Adefarakan joined the Committee in August 2021.*
✓---- Present
N/A ---- Not Applicable

Board Audit Committee

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

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

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

1. Ibiye Ekong - Chairman
2. Abolanle Matel-Okoh - Member
3. Omobosola Ojo* - Member
4. Samuel Durojaye* - Member
5. Olusegun Adesegun - Member

Retired during the year

The Board Audit Committee held five (5) meetings during the 2021 financial year. Details of the members' attendance are as follows:

Meetings held	**1**	**2**	**3**	**4**	**5**
Names of Directors	February 5 2021	April 20 2021	May 4, 2021	July 2020	October 20, 2021
Ibiye Ekong	✓	✓	✓	✓	✓
Samuel Durojaye*	✓	N/A	N/A	N/A	N/A
Abolanle Matel-Okoh	✓	✓	✓	✓	✓
Omobosola Ojo*	✓	✓	✓	✓	N/A
Olusegun Adesegun**	N/A	N/A	N/A	N/A	✓

**Mr. Samuel Durojaye and Mrs Omobosola retired from the Board on March 22, 2021 and August 15 2021 respectively*
***Mr. Olusegun joined the Committee in August 2021.*
✓---- Present
N/A ---- Not Applicable

Statutory Audit Committee

This Committee was established pursuant to Sections 404(2) of the companies and Allied Matter Act 2020 (CAMA) in compliance with Section 359(3) of the Companies and Allied Matters Act, CAP C20 LFN 2004 (CAMA). The Committee is made up of two (2) Non-Executive Directors and three (3) Shareholders' of the Bank appointed at Annual General Meetings. The Bank's Company Secretary serves as the secretary to the Committee, while one of the Shareholders serves as the Chairman of the Committee.

The Committee is responsible for:

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

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

S/N	Names	Role	Status
1	Prince Adekunle Olodun	Chairman	Shareholders' Representative
2	Mr. Kashimawo Akanji Taiwo**	Member	Shareholders' Representative
3	Mr. Joe Anosike	Member	Shareholders' Representative
4	Mr. Abubakar Lawal	Member	Non-Executive Director
5	Mr. Adebode Adefioye*	Member	Non-Executive Director
6	Mr. Samuel Durojaye*	Member	
7	Mrs. Esther Osijo	Member	
8	Mrs. Ibiye Ekong	Member	

Retired during the year

** ***Not re-elected during the year***

The Statutory Audit Committee held four (4) meetings during the 2021 financial year. Details of members' attendance are as follows:

Meetings held	1	2	3	4
Names of Members	March 3 2021	April 23 2021	July 26 2021	October 27 2021
Prince Adekunle Olodun	✓	✓	✓	✓
Mr. Kashimawo Akanji Taiwo**	✓	✓	N/A	N/A
Mr. Joe Anosikeh	✓	✓	✓	✓
Mr. Abubakar Lawal	✓	✓	✓	✓
Mr. Adebode Adefioye*	✓	✓	N/A	N/A
Mr. Samuel Durojaye*	✓	✓	N/A	N/A
Mrs. Ibiye Ekong**	N/A	N/A	✓	✓
Mrs. Esther Osijo**	N/A	N/A	✓	✓

**Mr. Samuel Durojaiye and Mr Adebode Adefioye resigned from the Board on March 22nd and May 20, 2021respectively.*
***The Committee was reconstituted by the shareholders at the AGM on May 25, 2021 and Mrs Osijo and Mrs Ekong were appointed, while Mr. Taiwo was removed.*
✓---- Present
N/A ---- Not Applicable

Management Committees

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

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

They frequently meet to take actions and decisions within the confines of their limits.

The following are the standing Management Committees in the Bank:

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

Executive Committee

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

The responsibilities of the Committee include:

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

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

Management Credit Committee

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

- Provide inputs for the Board Credit Committee.
- Review and approve credit facilities to individual obligors not exceeding an aggregate sum as determined by the Board from time to time.

- Review and approve all credits that are above the approval limit of the Managing Director/CEO, as determined by the Board of Directors.
- Review the entire credit portfolio of the Bank and conduct periodic checks of the quality of risk assets in the Bank.
- Ensure adequate monitoring of credits granted by the Bank.

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

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

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

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

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

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

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

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

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

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

IT Steering Committee

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

This Committee's responsibilities are as follows:

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

Monitoring Compliance with Corporate Governance

The Chief Compliance Officer of the Bank monitors compliance with money laundering requirements and the implementation of the CBN Code of Corporate Governance and the Nigeria Code of Corporate Governance (NCCG).
The Bank transmits returns on all whistle-blowing reports and corporate governance breaches to the Central Bank of Nigeria monthly and also makes returns on the Nigeria corporate governance code to the Financial Reporting Council and Security Exchange Committee (SEC) on an annual basis.

Whistle-Blowing Procedures

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

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

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

Code of Professional Conduct for Employees and Directors

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

Shareholders

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

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

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

Protection of Shareholders' Rights

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

Shareholder's Complaint Management Policy

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

Insider Trading Policy

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

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

Succession Planning

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

SUSTAINABILITY REPORT

Building A Sustainable Future

No doubt the world has changed, as we gradually recover from the complex challenges posed by the global pandemic. The year 2021 was characterized by reprioritization of goals and needs as governments, businesses, households, and individuals had to focus on recovery, healthcare, safeguarding of lives and livelihoods and new ways of harnessing innovative opportunities. Many businesses including Wema Bank created new solutions to meet the dynamic needs of the populace during the year.

Many organisations have moved sustainability to the front burner as it has become a basic need of the present time stemming from the impact of the COVID -19 pandemic. Several programmes around social equity, empowerment, hybrid working model and sustainable practices were designed to reduce the impact of the pandemic. Also, the clamour for a reduction in climate change activities and the negative impact of emissions on the planet brought to the limelight the need for everyone to be responsible.

Our activities this year were focused on helping our staff, customers and the larger society to recover from the challenges of the past year. We also harnessed available opportunities and partnerships to contribute to the global net-zero emission targets through initiatives and innovations in our business activities and operations. Through these initiatives and innovations, we believe that we are better positioned to become a more sustainable, responsible and responsive Bank, providing simpler, faster and more effective solutions to our customers and creating long-term value and a sustainable future for all our stakeholders.

Our Commitment to International Sustainability Principles
We recognize the need to impact the society and the role required of us in achieving the greater global effort hence, we align with international standards and global best practices to forge strong alliances and achieve our desired impact in the society. Our initiatives were aligned with the Sustainable Development Goals (SDGs), United Nations Environment Program – Finance Initiative Principles for Responsible Banking (UNEP-FI PRB) and the Nigerian Sustainable Banking Principles (NSBPs).

Sustainable Development Goals (SDGs) Advocacy
At Wema Bank, we understand that advocacy is vital to generating momentum and commitment to achieving the Sustainable Development Goals. The 17 Sustainable Development Goals (SDGs) aim to produce a better world for humanity where social issues like extreme poverty, hunger, illiteracy and inequality become things of the past and the planet is preserved. The SDGs advocate for the society, environment and economy and provide a road map for improving our world.

We targeted our initiatives towards achieving the goals while forging alliances with vital stakeholders with a view to ensuring that no one is left behind.

United Nations Environment Programme – Finance Initiative Principles for Responsible Banking (UNEP-FI PRB) – Our Commitment and Achievements
As one of the signatory founders to the Principles, we demonstrated our commitment and support for the Principles for Responsible Banking (PRBs) in the Year 2021 by taking giant strides in our areas of materiality: Financial Inclusion and Women's Economic Empowerment. Our report for the PRB is attached in Appendix 1.

Nigerian Sustainable Banking Principles (NSBPs)
The NSBPs are guidelines for Nigerian banks to improve their environmental and social impacts on business and operations, including increased advocacy for women empowerment and human rights. We ensured that all our sustainability initiatives, business operations and activities aligned with these Principles. We also made progress in executing initiatives aimed at delivering positive impacts to society. The NSBPs also enabled us to collaborate with the rest of the Nigerian banking community in making positive impact in the country.

United Nations Women Empowerment Principles (UN-WEP)
As a responsible and forward-thinking organisation, we recognize the need for gender equality in our workplace, marketplace and the community as a whole. The Bank recently endorsed the UN-WEP to further reiterate our commitment to promote gender equality and women empowerment. Our current activities and initiatives for the year cut across all 7 Women Empowerment Principles.

OUR ENVIRONMENTAL FOOTPRINTS

As a responsible organization committed to environmental sustainability, we have applied the global lessons derived from our collective experience of the pandemic as well as various environmental regulations in our business activities and operations and will continue to take deliberate actions to mitigate the impacts of our business activities on climate change and global warming.

Energy Efficiency
We are continuously seeking alternative and more environmentally friendly ways to generate energy for our business activities. We reduced our carbon emission by 800 metric tonnes in 2021 through our 23 solar-powered branches. In addition, all our ATMs use hybrid power supply (solar, grid and inverter) to meet the needs of our customers within and outside our business locations.

Our generator shut-down policy also helped us to reduce energy consumption and wastage. Other measures through which we reduced energy usage in the year include;

- Our facilities are powered by LED energy-saving bulbs.
- Enhancement of alternative channels such as ALAT and *945# for banking ensured there was low footfall of customers and reduction in long opening hours at the branches. This went a long way in reducing the carbon footprint at the branches
- Meetings and conferences were conducted virtually and this brought about a significant reduction of our carbon footprint and the cost of travel.
- Reduction in commuting to physical office locations due to work from home policies has also helped to reduce our carbon emissions.

Paper Usage Reduction
We recognize that decreasing the use of paper helps to protect valuable natural resources, reduces carbon footprint and saves cost. When we use less paper, we will print less, use less ink and save electricity. We have reduced paper usage as most of our correspondence are carried out digitally. This has also helped to reduce our carbon footprint and improve operational efficiency. We will continue to reduce paper usage through PurpleWorks, our electronic correspondence and document management system.

Water Management
We implemented effective water management measures across our branches. The dual toilet flushing system installed in the branches reduced water consumption while our effluent water management system recycled wastewater for other uses. We also continually advocate the importance of water conservation to our employees and customers. This will help us to save water for the generations to come.

Waste Management
As an environmentally conscious organization, we aim to reduce the volume of plastics and other recyclables that go into the landfill from the Bank. Since 2019, we have embarked on a waste recycling process for proper disposal and management of recyclables (paper, plastic, glass and can).

In 2021, we leveraged on our existing partnership with waste recycling companies and non-governmental organizations to reduce the amount of waste that goes into the landfill. We also extended our waste recycling process beyond Lagos State, making a total of 46 branches across the country. The proceeds of the processed recyclables are used for social causes such as school fees payment for children in disadvantaged communities through RecyclesPay and purchase of healthcare premium from SosoCare (one of our Hackaholics winners). This contributes to the economic growth of the recycling industry whilst also encouraging a responsible waste disposal system.

Overall, we collected over 7000kg of recyclables across the branches. We have also improved our environmental sustainability advocacy by creating increased awareness on the importance of adopting the 3Rs of recycling (reduce, reuse and recycle) with our employees and vendors.

Community and Coastal Clean Up
The iVolunteer team joined non-governmental organizations to clean up communities and areas along the coastal line. We partnered with International Coastal Clean-Up (ICC) and NEHADAR to clean Navy Beach and Makoko environs on World Clean Up day.

Community and Coastal Cleanup

SOCIO-ECONOMIC

Community Support
We are deliberate about our impact on the communities in which we operate. In 2021, we supported and gave back to our communities through initiatives listed below.

Volunteering
iVolunteer @ Wema is an employee volunteering initiative with a focus on building a strong, cohesive team working to make an impact on society, the environment, and business. Through this platform, about 3000 employees of the Bank have logged in over 93,729 hours in volunteering services. We have impacted about 120,000 people in more than 90 communities across Lagos and other states in the South-West, South-South, South-East and North regions of Nigeria through employee volunteering initiatives such as:

Mentorship Programme
We provided mentorship sessions for young people, especially students. We trained them on cybersecurity, leadership, hygiene, and the development of vision boards. Schools like Kuramo Primary School, Igbobi Junior High School, Wesley Girls Senior Secondary School in Lagos and others across the country were impacted through this initiative in the reporting year.

Vision Board Mentorship Sessions

Financial Literacy Outreach

Volunteers across the Bank drive financial inclusion by enlightening existing and potential customers on managing their finances in order to be financially independent. We held financial literacy sessions in communities across the country including Ado-Ekiti, Ijebu Igbo, LASU, OAU, Ferry Community in Oworoshoki and Ikorodu.


Financial Literacy Session at Ijebu Igbo, Financial Literacy Session for Young People at LASU

Blood Donation Drive

In commemoration of the World Blood Donor Day, the Bank held a blood donation drive in partnership with the Department of Haematology, Lagos University Teaching Hospital (LUTH). This is one of the ways to give back to the community and save lives.

Blood Donation Drive

Women Empowerment

The Bank embarked on several women empowerment initiatives this year as part of our efforts to drive women empowerment and overall success of the female gender. These initiatives have had far reaching impact and provided opportunities for women through SARA by Wema – our female proposition and Wema Women Network – our internal female network.

SARA by Wema

Through our female proposition, the Bank has empowered women to broaden their horizons and tap into their potential through mentorship sessions, trainings, and networking opportunities.

- Over 6,500 women impacted through various capacity building webinars and other business trainings during the year.
- Over 100 female MSME owners were trained in partnership with an external consultant for business optimization.
- We continued to leverage on our partnership with AIICO Multishield to offer HMO and hospital cash plan for women. Subscribers have access to healthcare services such as gynecology and obstetrics, antenatal, evacuation and pediatrics amongst others at affordable prices. Female business owners who have been hospitalized for a minimum of 3 days can also get a sum of N10,000 for business support up to 5 times yearly.
- We also partnered with expert collaborators including Whispa to sensitize female staff and customers on the myths, prevention, and treatment options for cervical cancer.

Wema Women Network

This is our internal female network made up of all female staff across all cadres and locations. The network offers an opportunity for women to be nurtured and inspired to be the best in their career and personal lives. The network also supports female staff to realize their full potential and ultimately drive full representation across different levels in the Bank.

The network championed a series of activities such as book reviews, connect sessions, debates and health seminars during the year. Most of the programs were centered around personal and career growth. Monthly newsletters were circulated to all staff to create awareness on issues relating to capacity development and paying attention to the things that really matter such as their health and increased productivity.

We also held the Health & Fitness Challenge towards the end of the year to help staff achieve their fitness goals. The Challenge was targeted at promoting healthy lifestyle habits as well as fostering a deeper sense of camaraderie among members of staff.

The first edition of the Wema Women Network Retreat was held as part of year-end activities. Women and men across the Bank were highly impacted by the various panel sessions around the theme – ***Developing Wema Women for the Future***. The 2-day event also culminated in the launch of the first Wema Women Network Magazine and a celebratory evening in honour of our stalwart retirees.

Wema Women Network Health & Fitness Challenge

Wema Women Network End-of-Year Retreat

Salary for Love

This is an annual month-long internal and external campaign in the month of February where members of staff donate their one-day salary to reduce the social inequality gap in society through various projects. Through donations to help critically ill children in government hospitals, internally displaced persons, health-challenged areas and more, we have enriched lives and impacted communities.

As part of our Salary for Love initiative in 2021, the Bank empowered 46 underprivileged women and 38 petty traders in Ferry Community, Oworoshoki, Lagos and Ekiti State respectively with seed funds. Financial literacy sessions were also held for the women to educate and empower them with financial advisory services and sustain their businesses.

We also renovated classrooms at Kuramo Primary School and donated books and food items to schools in Eket, Asaba, Port-Harcourt, Kpansia and Nassarawa Children's Home respectively.


Head office / ALAT


South West Region


Abuja / North Region


South South Region

Lagos Region

Customer Service Week: Service Beyond Banking

In commemoration of the Customer Service Week, a bank-wide volunteering drive was promoted to create positive impact in the local communities where we operate. Staff across all the regions of the Bank embarked on projects around the core Corporate Social Investment pillars of Education, Environment, Economic Empowerment, Finance & Health. Over 3000 volunteers participated in this drive to impact several communities across the country.

Service Beyond Banking

Pad-A-Girl Initiative

As part of the Customer Service Week volunteering drive, the bank embarked on Pad-A-Girl initiatives to provide free sanitary products for secondary school girls in Port-Harcourt and Lagos. Over 700 girls benefitted from this initiative, and we look to expanding our reach to other schools across the country.


Beneficiaries of Pad-A-Girl Initiative

Declutter and Donate

At Wema Bank, we are passionate about sustainable living and enriching the lives of people around us. This has inspired us to continue to promote our annual Declutter and Donate campaign. Members of staff are encouraged to donate decently used items to crisis-affected areas and underprivileged communities. For example, the donations made to Old Awuru Community in Borgu Local Government Area, and Maikakaki Community in Shiroro Local Government Area, Niger State helped recovery efforts for inhabitants of the flood-ravaged communities.

Other communities such as Nautiko, Tasakpan and Jikogbe communities in Niger State have also been impacted through this initiative. This year, the donations were sent to Gwada and Kuta communities in Shiroro Local Government, Niger State, reaching over 3,000 people.


Partnerships

We have developed a systemic thinking approach by adopting a mindset about organizations working together across sectors and breaking down silos, to advance the global goals and our corporate objectives. We are leveraging on these partnerships for effective planning, implementation, and execution of our various empowerment initiatives. Our different partnerships as well as sponsorships are highlighted below:

SheCan Nigeria

We partnered with SheCan Nigeria to host their 3rd annual conference as well as empower women. Financial literacy, capacity building and skill acquisition sessions were organized to empower women in Lagos and Ijebu-Igbo. Over 3000 women benefited from this partnership.


SheCan 3.0 Capacity Building Seminar


Skill Acquisition Programme in Ijebu Ode in Partnership with She Can Nigeria Lilly Women's Health

In pursuit of the global mission to curb the incidence of the deadly disease known as Breast Cancer, we partnered with Lilly Women's Health on the premiere of **'Tufiakwa: A Breast Cancer Awareness Documentary'** targeted at sensitizing the public on the causes, risk factors and treatment options for breast cancer. We also partnered with them to provide free mammogram screening services for female staff and customers of the Bank.

Breast Cancer Awareness Documentary Premiere | Breast Cancer Screening for Female Staff

Lagos State (LSETF)

We participated as Faculty Member of the Lagos State Employment Trust Fund. We also partnered with LSETF-UNICAF to train and empower youths in a capacity building session tagged: **Creating Employment & Entrepreneurship Opportunities for Lagos Residents.** We intend to strengthen this partnership in order to create opportunities for young people in Lagos State.

Niger State Government

As part of our passion for and commitment to women empowerment, we partnered with the Niger State Government through RAISE Foundation to provide free Vesico Vaginal Fistular repair surgeries for affected women in underprivileged communities in Niger State. The beneficiaries were also empowered with business start-up kits to aid their rehabilitation and reintegration into society.

FOCAD Global Concepts

At Wema bank, we believe that the youth are critical to building a sustainable future for our communities and economy as a whole. We therefore focused on youth empowerment and partnered with FOCAD Global Concepts on the 4th edition of the Career Summer Camp for teenagers. Over 3000 teenagers were empowered with relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.

Career Summer Camp

iChoose Right Youth Foundation

In line with our commitment to youth empowerment and innovation, the Bank partnered with the iChoose Right Youth Foundation to host the 2021 Career & Entrepreneurship Fair. We joined the faculty in training young people on how to properly position themselves for gainful employment. Young entrepreneurs were also empowered with seed capital and mentorship opportunities within their respective businesses and initiatives.

Career and Entrepreneurship Fair Ibadan

Cheque presentation to the Career Fair beneficiaries

Wemy Industries

In partnership with Wemy Industries, we empowered the women in Ferry Community, Oworonshoki, in Lagos State with seed funds and personal protective equipment. The women were also enlightened on the health and financial gains of marketing PPEs such as face masks.

Also, in commemoration of the International Day of the Girl Child as well as drive our Pad-A-Girl initiative, we collaborated with Wemy Industries to provide free sanitary products to secondary school girls in Lagos.

International Commemorations

To further drive positive impact within the internal bank structure and in the communities where we operate, we held the following (commemorative) events.

International Women's Day

The International Women's Day 2021 was commemorated in line with the global theme "Choose to Challenge". There was an insightful and inspiring panel discussion with the leadership of the Bank on the topic **Challenging Gender Bias and Stereotypes in the Workplace**. Over 500 people were impacted and the event also included the send forth ceremony for Mrs. Folake Sanu, the erstwhile Chairperson of the Wema Women Network.

International Women's Day Commemoration

International Day of the Girl Child

The theme for International Day of the Girl Child 2021 was "Digital Generation, Our Generation", which was targeted at bridging the digital gap and exposing young girls to the benefits of digitalization. October is also Cybersecurity Awareness Month, hence we leveraged on the two commemorations to mentor the students in select secondary schools.

International Day of the Girl Child Commemoration

Breast Cancer Awareness Month

The Bank hosted a webinar tagged ‘Keep the Lumps Out of Your Cups: 2021 edition’ with a panel of seasoned medical specialists to provide expert insight into the menace of breast cancer and how it can be managed. The webinar pushed the central message that early detection saves lives and participants were enlightened on the risk factors for breast cancer as well as the lifestyle habits that can keep them from the scourge. Women above 35 years were encouraged to take annual mammograms.

Free mammogram screening was provided for female staff and customers as part of our collective effort to end the menace of breast cancer.

Breast Cancer Awareness Month

Commemoration

International Men’s Day

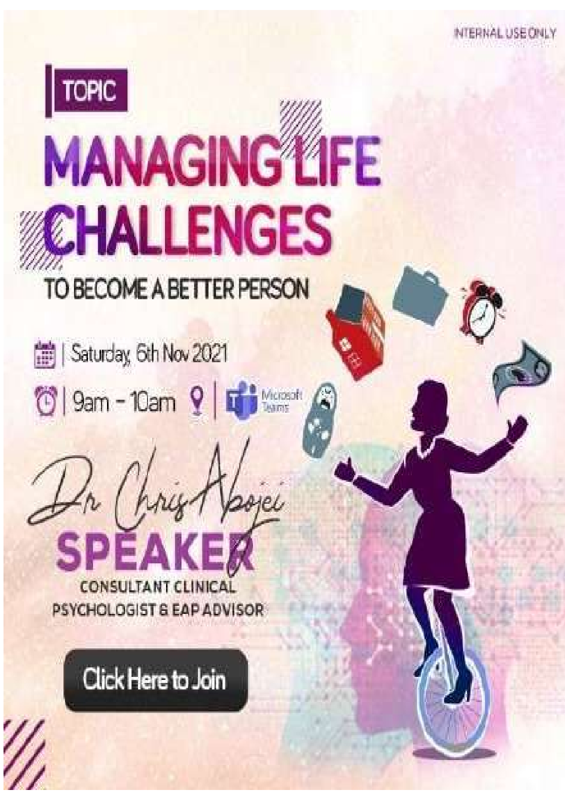
As part of our objective to ensure a balanced workforce and entrench gender inclusiveness, we commemorated the International Men’s Day in line with the global theme, **Better Relations between Men and Women**.

A Webinar was held with seasoned panelists providing insights on the theme with the main objective of promoting gender equality not only for women but for men as well and to identify positive role models .

Sustainable Workplace

Staff Physical and Mental Well Being

We recognize the increasing need to safeguard and promote the health and overall wellness of our employees. The new global reality occasioned by the COVID-19 pandemic makes attention to physical and mental wellbeing of staff imperative. We continued with the Employee Assistance Program (EAP) to help employees deal with work-life stressors and general life issues to achieve sound psychological and all-round wellness.



Mental Health Sessions for Staff

Occupational Health and Safety

We have continued to review and enforce the stipulated health and safety rules in light of the current global reality. Employees were regularly sensitized on the need to take responsibility for their safety and that of others by encouraging them to get the two shots of the Covid-19 vaccine. Other health and safety procedures engaged in by the Bank include physical distancing measures for staff and customers, provision of Personal Protective Equipment (PPE) for staff, hygiene protocols and temperature check before entering our office premises. The Bank also complied with statutory Covid-19 regulations on occupancy limits in our business environment.

Fire drills were carried out to ensure that all staff, customers and visitors in our premises understand the safety measures and emergency response techniques in the incidence of a fire outbreak. The fire drills were carried out using a comprehensive action plan, specified procedures, enhancement of safety technology and cooperation of all security personnel.

Diversity and Inclusion

At Wema Bank, we uphold the belief that diversity and inclusion are crucial to organizational growth and development. We endeavour to treat all employees with fairness and respect with equal access and opportunities to career and personal success. Our objective in this regard is to create an enabling environment for growth and to provide a workplace that is free from discrimination, with zero tolerance for any form of harassment, victimization, or other similar violations in the workplace.

We aim to attract talent regardless of gender, age, ethnicity and religion. We conduct periodic reviews of our Diversity & Inclusion Policy as well as leverage on initiatives such as the Ideas Portal to foster a culture where all employees' ideas and points of view are openly welcomed.

Human Rights

We are intentional on promoting a safe working environment devoid of discrimination and harassment. Our Code of Conduct Policy and Human Capital Management policies address human right risks in the workplace and are supplemented by routine internal communication to drive staff awareness on their fundamental human rights.

Our commitment to protecting the sanctity of human rights also informs the lending process as we screen and vet transactions for human rights issues and potential infringements. On a monthly basis, we reiterate the need to escalate abuse and other related issues that contravene human rights. This is also entrenched in our sustainability learning materials which are shared periodically to all members of staff.

Employee Training and Development

The importance of sustainability considerations in global business practices and operations has been repeatedly emphasized and magnified in the light of the global effects of the Covid-19 pandemic. Key takeaways from the recently concluded COP-26 further drive the necessity for organizations to take deliberate action in working towards a sustainable future.

To this end, we will continue to train members of staff in various capacities on local and global sustainability trends and challenges. This is done with a view to ensuring that each employee understands their role in shaping a collective sustainable future.

In addition to general training sessions, there were specific trainings for relationship managers and credit officers on Environmental, Social & Governance (ESG) and sustainable finance. Staff across all cadres were trained on Digital Transformation, Design Thinking for Innovation and more in our continuous partnership with Coursera for capacity building, career growth and development. We will work more towards equipping members of staff for the future through tailor-made avenues for learning.

Wemalympics

To improve team bonding and internal collaboration, the bank has continued to advance in our annual sports and games tournament "Wemalympics". This initiative contributes to our employees' physical fitness, mental well-being, and social interactions, while fostering the development of other essential skills such as teamwork, tolerance, courage, resilience, and innovation.

Whistle Blowing
Wema Bank encourages whistleblowing, which aims to create a work environment where employees can raise concerns on ethics, governance, irregularities or malpractices, without fear of victimization and with an assurance that their concerns will be taken seriously. The whistleblowing procedure ensures anonymity for whistleblowers to protect them from victimization and harassment. There is a direct link on the intranet for whistleblowers to report all identified breaches of the Code of Corporate Governance. All reports are investigated, and necessary sanctions applied for violations.

Sustainable Business

Financial Inclusion
At Wema Bank, we believe that financial inclusion is fundamental to poverty eradication and overall economic development. Financial inclusion is one of the key socio-economic strategies that will drive development and growth in Africa's most populous nation.

The Bank has continued to drive ALAT, our flagship digital platform to make account opening and usage easy for the diverse population. We also made use of our other channels such as the USSD platform (*945#) to reach the unbanked and underbanked segments. The number of unbanked individuals who received financial services through Wema Bank for the first time in 2021 was over 200,000.

We organized Financial Literacy sessions to further deepen financial inclusion, especially among the youth population, impacting over 10,000 people. We collaborated with our agents to reach out to customers in remote parts of the country through the BankPass, a platform for opening Tier 1&2 accounts for the unbanked and underbanked and BVN enrolment. Our agency banking network has also improved, with over 15,000 agents across the country.

There has been a substantial increase in digital banking adoption in Nigeria since the COVID-19 pandemic. In order to enhance existing and potential customers' access to financial services, we improved the functionality of our electronic channels and ensured that we met and exceeded our customer's banking expectations.

Capacity Building for SMEs – SME Business School

The COVID-19 health crisis resulted into an economic crisis for many sub-Saharan countries and Nigeria was not left out. There was massive disruption in economic activities, leading to a negative impact on manufacturing and service industries, and unprecedented collapse in the demand for a lot of goods and services. To help our customers recover from these negative impacts and rebuild their businesses, we organised capacity building sessions.

SMEs are the backbone of the economy and can scale quickly if given the right support. To support MSMEs with quality training and advisory services, we also launched the Wema SME Business School in partnership with Frankfurt School of Finance and Management, MTN, Google and Microsoft. This will help existing customers scale their businesses and support the growth of MSMEs in Nigeria.

Wema SME Business School

GOVERNANCE

We believe that good governance is a product of constant engagement with stakeholders about pre-agreed expectations, formulating policies and establishing norms and standards to guarantee achievement of the Bank's vision and mission. It also includes an operational system of compensation that safeguards the interests of stakeholders and discourages maladministration and deviations from the institution's objectives. Good governance enables us to be conscious of our values through enhanced accountability, strong risk and performance management, transparency, and effective leadership.

a. Sustainability Governance Structure

The Board Nomination and Governance Committee reviews and approves decisions that govern the environmental, social and economic policies within the organization through the Sustainability Committee, while all sustainability initiatives are executed by the Corporate Sustainability and Responsibility Department. In addition, the department is responsible for advising the board and executive management on best sustainability practices and relevant regulatory expectations.

The Sustainability Committee comprises of members from key departments of the bank who are stakeholders in driving the sustainability agenda. The committee reviews strategies, activities and policies regarding sustainability and community investments and makes recommendations to the Board.

To ensure that sustainability is entrenched and fully embedded in our operations, we have nominated champions who understand and drive this cause within various units of the Bank including Human Capital Management, Risk

Management, General Administrative Services and Retail Banking Division.

b. Transparency and Accountability

The Bank's decision-making process is transparent and promotes honesty, integrity, accountability, and discourages misconduct. The Bank has in place a strategy that outlines clear roles and responsibilities of relevant stakeholders for our sustainability journey and serves as a detailed road map for our sustainability agenda implementation. This is in alignment with global best practices and meets regulatory requirements to all local and international bodies which we are signatory to. We also share our progress with stakeholders and regulators on a regular basis to increase transparency.

We continually update our sustainability related policies to ensure our requirements are more succinctly articulated and standardized across business units. These policies set out our principles and standards for risk management and compliance.

c. Improved Diversity

We understand the importance of diversity and positive changes in governance hence we have continued to improve our policies by responding to the evolving needs of all stakeholders. Two (2) female Board Members were appointed during the year to ensure adequate female representation on the Board.

We also launched the 9% loan for female-led businesses through SARA by Wema, our female proposition. This will empower female-owned businesses to meet increasing capital needs while also strengthening the economy.

d. ESG Governance & Lending

Our philosophy is that lending to customers is a long-term commitment hence we ensure that we offer customers credit facilities that suit their needs and financial capacity.

We take a holistic and long-term view of our lending strategy by ensuring that what we finance supports sustainable development and our corporate goals. Our financing strategy is anchored on business activities with positive impact on the environment, economy and society.

We encourage and educate our customers to adopt more sustainable models of doing business and work in line with our environmental and social risk management system. Our customers are aware that we are committed to supporting and promoting environmentally and socially responsible projects and enterprises.

We have continually enhanced our credit risk policy to incorporate a better approach to managing environmental, social and governance (ESG) issues in our lending process. Relationship managers and credit officers undergo periodic training on Environmental and Social Risk Management to equip them with the requisite knowledge to support our lending business. In addition, credit risk managers review the environmental and social risk assessments before making decisions on credit approval.

The bank also conducts due diligence which include site visitation and other independent reviews. One of such site visits in this report was to Coleman Wires and Cables to ascertain the customer's level of compliance with the required environmental and social risk management guidelines.

Monitoring our customers' adherence to our ESG standards and implementing good ESG practices include tracking progress in addressing past incidents, engaging customers in establishing policies that align with global best practices and following up on agreed mitigating measures and action plans.

To mitigate the risks that can emerge from transactions from vendors and ensure excellent service delivery, we organised the vendors Environmental and Social Responsibility forum. The vendors were enlightened about elements of Environmental and Social Governance such as; sustainable procurement & ethical sourcing, human right practices, responsible disposal, ethical/responsible labour practices.

Vendors' Environmental & Social Governance Forum

e. Reporting

In compliance with the Nigerian Sustainable Banking Principles (NSBPs), the Bank reports progress made on targets and goals semi- annually to the Central bank of Nigeria. We also render annual reports on our achievements on the United Nations Environment Programme – Finance Initiative Principles for Responsible Banking (UNEP-FI PRB) in line with our commitment to the global goals. The report is anchored on our area of materiality.

We will continue to ensure that our reporting system is full of integrity, accountability and transparency. We will also continue to clearly communicate, assess and report the impact we have on our stakeholders.

Towards A Sustainable Future

As we navigate towards normalcy along with the global community, we will continue to provide support through financial and non- financial means to all our stakeholders. More importantly, we will consistently drive sustainable practices leveraging on our diverse array of skills and expertise within the business and our operating environment.

Appendix 1

Reporting the UNEP-FI Principle for Responsible Banking

The following is the abridged version of the reporting requirements for Signatories of the Principles for Responsible Banking. Within this report, there are six areas to show that Wema Bank is fulfilling its commitments as a signatory of the Principles for Responsible Banking. They are highlighted below.

- Impact Analysis

- Target Setting
- Plans for Target Implementation and Monitoring
- Progress on Implementing Targets
- Governance Structure for Implementation of the Principles

Progress on Implementing the Principles for Responsible Banking

Principle 1: Alignment **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**	Wema Bank operates a retail banking business model which is aligned with our corporate aspiration of improving access to digital financial services and enriching lives by leveraging on our digital capabilities. Our aspiration is to become the most dominant digital banking platform in Nigeria while our mission is ***empowering lives through innovation.*** The Bank has developed various solutions that will enable the banked (lifestyle solutions), underbanked (Financial Literacy & Investments) and unbanked (financial inclusion & micro lending) have unrestricted access to financial services across the various geographical zones and demography in Nigeria. Specifically, we serve the following market segments; Youth & Young Adults, Middle- & Low-Income Earners, SME & MSMEs (Micro, Small and Medium Enterprises) and Farmers. Corporates Our flagship product, ALAT was introduced to meet the banking needs of customers regardless of location or banking needs. We offer an array of financial solutions leveraging on our best-in-class technological architecture with strong partnerships to drive our offerings within the eco -system. Wema Bank has continued to align its products and services to the societal needs, goals and aspirations. The digital banking solution (ALAT) was designed to meet the banking needs of our diverse customer base and the youthful population in the country. With ALAT, customers do not need to visit a bank branch before the account can be opened or request for a debit card. **Financial Inclusion**: We have improved access to financial services through the ALAT platform while alleviating poverty and meeting the inclusion target as stated in the Nigerian Sustainable Banking Principles (NSBP). The Bank also created the microloan scheme to provide access to funds for people at the bottom of the pyramid. Financial inclusion remains one of the key socio-economic strategies that will eradicate poverty and drive development and growth in Nigeria. This is also in alignment with SDGs 1, 2, 8 & 10 and NSBP 4. **Women Empowerment**: This is important to us as we believe in advancing gender equality and improving access to the necessities of life for women. Our female proposition, *Sara by Wema*, gives women access to mentorship, funding, capacity building and advisory services to start or scale their businesses. We also introduced the 9% loan for female-led businesses. Our internal network, called "*Wema Women Network",* continues to nurture, and inspire women to be the best in their career and personal lives. This is

also one of the key principles under the Nigerian Sustainable Banking Principles 5 and SDG 5 & 10.

To reiterate our commitment to women empowerment, we recently signed up to the *United Nations Women Empowerment Principles (UN-WEP).* This will enable us to drive women empowerment at the highest levels.

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts by managing the risks to people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

In line with our business model, we identified **Financial Inclusion and Women Empowerment** as the most significant areas with capacity to make significant positive impact on the Nigerian economy, social prosperity and our business by extension. The negative impact will be in the area unavailability of the right financial products or offerings, increased poverty and inequality.

Our corporate initiatives are targeted at the critical sectors of the economy with a view to alleviating poverty, increase job creation and inclusive growth. All of these are in alignment with the economic framework for Nigeria and the world at large. These initiatives will help facilitate and accelerate inclusive growth in the Nigerian economy, while banks will act as economic catalyst.

We are aware of the importance of these target areas to the huge Nigerian population of over 200 million people and about 40% of the population are financially included (especially women) according to EFInA report.

2.1. Impact Analysis

Financial Inclusion

Our goal is to continuously develop accessible and affordable financial products and services to individuals, communities and businesses, that traditionally have limited or no access to the formal financial sector. Although, we have created the ALAT banking platform to make account opening and usage easy for everyone, we will continue to segment the addressable market due to the large size of the unbanked and underbanked population.

We have made banking accessible by using mobile technology to reach everyone in the urban and rural areas of the country. There are regular financial literacy programmes across our business locations, through virtual platforms and on online media to increase awareness for these offerings.

The implementation of our financial inclusion programmes has enabled our customers to take advantage of global financial dynamics, enhance efficiency in managing personal finances, promote entrepreneurship, banking culture and financial stability.

We expect to continue to witness positive future economic and social well-being of Nigerians by reducing poverty, improving income and facilitating development.

Women Empowerment

Women make enormous contributions to economies, whether in businesses, on farms, as entrepreneurs or employees, or by doing unpaid care work at home; and promoting women's economic empowerment sets

a clear direction towards gender equality, poverty eradication and inclusive economic growth.
Economic empowerment of women under the Sara by Wema platform has increased access to economic resources and opportunities including jobs, financial services, property and other productive assets, skills development and market information.

As a bank, we are committed to providing platforms that will provide financial, social and personal empowerment to women across the various spheres in Nigeria. We will continue to partner with profit and not-for profit organizations to promote gender equity and inclusive economic growth. We will leverage on these platforms to drive skill acquisition, access to grants, networking and marketplace.

2.2. Target Setting

Targets are based on our identified areas, **financial inclusion and women empowerment** which we shared with the Board Nominations & Governance Committee responsible for driving sustainability for alignment and commitment. In addition, we set targets to deepen our reach across these two areas to increase our positive impact and minimize the negative impact of increased poverty and inequality in the country. These goals are in line with SDGs 1,2 5, 8, 10 and the NSBPs 4 &5.

We have continuously engaged both our internal and external stakeholders to ensure that our banking solutions are available, reliable and affordable. Technology has created the opportunity for effective distribution and customer resolution. We set a 5-year target in 2019 to achieve these milestones while implementing other enabling strategies and actions.

Target & Achievement

Target Area	Target - Year 3 (2021)	Achievement
Financial Inclusion	120,000	611,577
Gender Empowerment	450,000	456,480

In year 3 (2021), we surpassed our target of onboarding 450,000 women and financially including 120,000 individuals. The significant increase in our new-to-bank customers is attributed to the wide adoption of alternative channels such as ALAT and *945# during the COVID-19 lockdown period and the government social safety net plan. This is also due to our robust agent banking coverage across the country which has enabled onboarding of erstwhile disadvantaged groups.
We developed mitigants to reduce financial exclusion by ensuring that we request for the minimum regulatory documentation from these customers. We also designed our solutions in local languages for ease of understanding and a multi-lingual contact centre. More importantly we have ensured that most requests can be completed online including request for a debit card without coming to the branch, this has reduced carbon footprint

	significantly. These are some of the mechanisms we have implemented to reduce our negative impacts. **Plans for Target Implementation and Monitoring** To meet the targets and desired milestones we have; - Continuously created awareness on financial literacy and the opportunities available to our Sara by Wema customers - Organised capacity building programmes and vocational skill acquisition - Design robust and best in class feedback mechanism including the Agency Banking structure. - Regular reporting to the Sustainability Advisory Committee and the Board Nominations and Governance Committee. The progress made is actively measured monthly through the growth or decline in active customer number across the various segments and demography. **Progress on Implementing Targets** We have continued to implement the initiatives listed above through collaborative efforts. We have made progress in deepening our financial inclusion strategy and the women empowerment initiatives.
 **Principle 3: Clients and Customers** **We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**	The bank has developed several frameworks to improve our relationship and engagement with our customers. Some of the frameworks include the Customer Engagement Model, Financial Literacy Strategy, Youth Mentorship and Empowerment Model, Communications Strategy, Customer Complaint and Resolution Policy, Sara by Wema Platform and Sara Health Scheme. The bank organised programmes aimed at promoting engagement, human centred design, vocational skill acquisition and financial literacy, mentorship and empowerment programmes for the youth. We run monthly campaigns to encourage our customers to own a bank account to improve inclusion thereby alleviating poverty and reducing hunger SDGs 1 &2 and NSBP 2 Quarterly vocational training and capacity building for women running micro and small medium enterprises with the aim of improving equality and decent work and economy SDG 5, 8 &10 and NSBP 4.
 **Principle 4: Stakeholders** **We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.**	The Bank has collaborated with several organisations with similar focus to provide support in actualizing these goals. Some of the organisations include She Can Nigeria, FOCAD, Wise Planner Consulting, AIICO Insurance, Bank of Industry (BOI). We also worked with sustainability champions and state governments to implement some of the initiatives.

Governance & culture **Principle 5: Governance & Culture** **We will implement our commitment to these Principles through effective governance and a culture of responsible banking**	The Board Nomination and Governance Committee is responsible for driving the sustainability agenda of the Bank. Committee reviews and approves decisions that govern the environmental, socio-economic and governance policies within the organization through the Sustainability Committee. All sustainability initiatives are executed by the Corporate Sustainability and Responsibility Department. In addition, the department is responsible for advising the board and executive management on best sustainability practices and relevant regulatory expectations. Sustainability has been embedded in the culture and strategy of the bank. Every employee is aware of the bank's commitment to sustainability and have gone through the basic training while the champions drive sustainability implementation at the business level. Board and management is committed to driving equity and fairness in renumeration with clear communication of our corporate objectives and focus. Milestones achieved are reported to the Chief Finance and Strategy Officer who is the Divisional Head responsible for Sustainability Department. The Sustainability Advisory Committee meets on a quarterly basis to review progress and align focus with the strategic business units. The Corporate Sustainability team also reports progress on sustainability related matters to the Board Nomination & Governance Committee quarterly.
Transparency & accountability **Principle 6: Transparency & Accountability** **We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**	We are beginning to see impact on the progress made in implementation of the PRBs on our business operations and customers. We have witnessed consistent growth while making meaningful impact. We liaise with the champions to review progress made and other opportunities that are beneficial to the society. We collaborate with NGOs, regulatory authorities, sustainability champions and state government to implement these principles in line with our sustainability strategy. We will continue to align our targets with the SDGs, NSBPs and UN-WEP for collective growth and effective implementation of our target areas.

Wema Bank Compliance Risk Framework

Compliance is "adhering to the requirements of law, industry and organizational codes, principles of good governance and ethical standards."

The Compliance and Conduct Department is at the forefront of supporting the compliance goals of the bank by implementing programs that identify potential risks, deter misconduct and potentially reduce penalties.

The continued changes in legislation aimed at combating Money Laundering, Terrorist Financing, and proliferations of equipment for mass destruction has placed great emphasis on the formal and structured monitoring of compliance with legal, regulatory, and supervisory requirements.

Our Compliance Risk Framework reflects the following core principles and practices:

1. Our responsibilities as employees, our culture, systems, and processes.
2. Compliance with the letter and spirit of regulatory standards and ensuring that the standards are embedded in our processes.
3. Visibility and accountability of senior management in ensuring a strong compliance culture.
4. Engagement with regulatory bodies and industry fora to ensure the maintenance of high standards across the Bank.

The Compliance function reports to the Board Risk & Management Committee and Board Audit Committee through the Executive Compliance Officer (ECO) and the Chief Compliance Officer (CCO) respectively.
The Compliance Risk Framework utilizes a range of methods, including compliance audit, file reviews, customer surveys and operational risk assessments to measure the effectiveness of our compliance program. The Compliance and Conduct Department is supervised by the Chief Compliance Officer (CCO), who ensures the implementation of the Compliance Risk Management Framework. The team facilitates compliance planning and reporting, specialist advice to business and operational units of the bank as trusted Compliance Advisors. The Department operates a Cluster Compliance structure. Each Cluster/ Compliance Officer implements regulatory initiatives and ensures internal policies are adhered to at the Cluster level.

Key components of the Compliance framework:

Board and Management Responsibilities

The overall responsibility of establishing broad business strategy, significant policies and understanding significant risks of the bank rests with the Board of Directors. In Wema Bank, through the establishment of Board Risk & Management Committee (BRMC), the Board of Directors oversees the effectiveness and sets the risk acceptance criteria of the AML/CFT programme and compliance to internal policies.

The Bank's Management sets a strong compliance culture within the bank, with governance & guidance from the Board of Directors. The Executive Committee (EXCO) puts in place approved policies and procedures to identify, measure, monitor and control risks. The Bank has a Compliance structure, which assigns clear responsibility, authority and reporting relationships among members of staff. The Management through its monthly Management Risk Committee (MRC) monitors the adequacy and effectiveness of the Compliance function based on the bank's established policies & procedures.

The Chief Compliance Officer and Chief Financial Officer regularly attests to returns to the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), other regulatory bodies and the public.

Reports to Senior Management and the Board of Directors

Compliance issues and risks identified in the financial environment are discussed at the Board and Management Risk Committee meetings as detailed below:

- Management Risk Committee – Monthly
- Board Risk & Management Committee – Quarterly
- Statutory Audit Committee – Quarterly
- Board Audit Committee - Quarterly

Critical emerging issues requiring immediate attention are promptly reported to Management and Board.

Cooperation with Regulators and Law Enforcement Agencies
Wema Bank will continually cooperate with the law enforcement agencies within the limits of the rule governing confidentiality. The Bank shall comply promptly with all requests made pursuant to the provisions of relevant AML/CFT laws and regulations.

Compliance and Conduct Department serves as a liaison office between the bank and regulators and a point of contact for all employees on issues relating to money laundering, terrorist financing and proliferation of weapons for mass destruction.

Customer Due Diligence (CDD)
Wema Bank ensures that due diligence and proper KYC practices are carried out on prospective customers. All parties to a business are properly identified before relationships are established.
In Wema Bank, the level of KYC carried out is determined by the level of risk associated with the customer. High risk customers attract Enhanced Due Diligence (EDD).

Risk Recognition and Assessment
Wema Bank recognizes and assesses all risks (internal and external factors) that can adversely affect the achievement of the bank's goals and business objectives.

The risk assessment by the bank focuses on the review of business strategies to maximize risk/reward trade-off within the different areas of the bank. This is based on compliance with regulatory requirements, social, ethical, and environmental risks that affect the banking industry.

Customer Identification Program (CIP)
A business relationship with Wema Bank will **NOT** be established until the identity of the potential customer is satisfactorily established. Where a customer declines to provide any account initiation information, the relationship will **NOT** be established.

Politically Exposed Persons (PEPs)
In line with regulatory requirements, Wema Bank classifies Politically Exposed Persons (PEPs) as high-risk customers. Senior Management approval is required before such accounts are opened and for a continuous relationship where an existing customer subsequently becomes a PEP.
Due to the peculiarity of transactions of PEPs, such accounts are subjected to a continuous account monitoring process. This is to mitigate money laundering and terrorist financing risks as well as strict adherence to regulatory policies and FATF recommendations.

Preservation of Customers' Records
In line with applicable laws and regulations, Wema Bank keeps all documents and transaction records of customers during business relationship for a minimum period of five (5) years after the severance of business relationship with the Bank.

Compliance Training (AML/CFT & Compliance to Internal Policies)
Considering the role of Employees, Management and Board of Directors in the fight against money laundering, terrorist financing and proliferation of weapons for mass destruction, formal AML/CFT and other Compliance related trainings are conducted for all members of staff, Senior Management and Board of Directors at least once a year.

Additional trainings and sensitizations are conducted through the bank's intranet, nuggets and knowledge sharing sessions (KSS). The knowledge base of all employees is periodically assessed and forms part of the employees' appraisal.

Whistle Blowing/Employees' Responsibilities
All employees are responsible for complying with the Bank's policy on whistle blowing. Employees having information on any prohibited, unlawful act or unethical activity affecting the Bank must promptly report via our robust whistle blowing system. This also enables our external stakeholders to report unethical activities.

The whistle blowing reports are received by the Head, Investigation Team, Chief Audit Executive, Chief Human Resource Officer and Chief Compliance Officer of the Bank. This enables the Bank to take measures to address such reports before they escalate into future liabilities, business threats and losses.
The whistle blowing policy protects the whistle blower from any reprisal for reporting unlawful or unethical act. Employees have been trained via various platforms (such as e-learning, face-to-face etc.) on how to report contraventions without their identity being revealed.

Details of the whistle-blowing channels are provided below:
Phone Numbers: +2348022245818; +2348022230169; +2348025015605 & +2348033448971
Email: whistle-blowing@wemabank.com

Anti-Bribery and Corruption
Wema Bank Plc is strongly committed to high ethical standards and integrity. We continue to create awareness amongst our staff on the importance of ethical conduct. The Bank maintains a corporate culture that rewards honest practices and discourages unethical activities.

The Bank has an approved Anti-Bribery and Corruption policy, indicating rules that must be adhered to by employees and stakeholders.

Role of Internal Auditors in Evaluating AML/CFT & Compliance to Internal Policies.

The Internal Auditors provide unbiased recommendations on the strength and weakness of the AML/CFT and Internal Compliance programme of the bank. They examine the records and transactions of the bank and evaluate its accounting and disclosure policies as well as methods of financial estimation made by the Bank.

The Internal Audit function reviews the AML/CFT programme of the bank bi-annually.

Customer Complaints Management and Feedback

Introduction

It's the dawn of a new phase at Wema Bank, building on the vision to be the dominant digital platform in Africa, delivering seamless financial services. This vision puts a huge responsibility and obligation on us as critical stakeholders in addressing customers' complaints and this, we seek to achieve in the most proactive and customer-centric manners.

Also, we are continuously coming up with innovative ways to empower the lives of our esteemed Customers by thinking plenty to meet their needs. The transformation of our Digital Interaction Centre (Contact Centre) to be one of the best in the industry, has positioned us as a bank that is constantly dynamic and has the ears of our customers, thereby building a family of loyal customers.

We are strong advocates of customer feedback as we believe that feedback is the breakfast of champions and an opportunity to improve our Services and product offerings. We are continually taking proactive measures to reduce and mitigate against reoccurrence of these complaints by constantly proactively conducting root cause analysis. This enables us to, not only resolve complaints from our loyal customers who choose to speak up, but to also champion initiatives and engagements that help prevent reoccurrence of these complaints

In line with our DD3 Strategy and new philosophy we are constantly reviewing our customer journey to ensure its seamless irrespective of the channel of interaction/Service Points (In-branch, Alat, ATM, POS, Agents, Web etc.). Several initiatives have been taken up in various pillars to improve customer journey (Physically and digitally). It is continuous journey to ensure we maintain the trust of our customers in line with our Service Promise.

Our Interaction Channels

We value the feedback provided by our customers, as such the following channels/touch points are available to encourage our customers' interaction with the Bank:

Telephone:	0-7000 PURPLE, 08039003700, 01-2777700
Email:	purpleconnect@wemabank.com
SMS & WhatsApp:	07051112111
Live Chat:	www.wemabank.com
Letters	Customer Protection Unit Wema Bank Plc Wema Towers 54 Marina, Lagos
Ombudsman:	01-2779960, cpu@wemabank.com
Fraud Desk	01-2779836; Frauddesk@wemabank.com
Social Media	facebook.com/wemabankplc Youtube.com/wemabank Instagram.com/wemabank Twitter.com/Wemabank

Complaints Handling

At Wema Bank we comply with the consumer Protection laws enacted by the Central Bank of Nigeria by handling customers complaint in a sensitive and timely manner. Our empathetic nature enables us to put in time and efforts to resolve complaints at first level. Escalating to other dependencies for resolution where we are unable to do so.

In our quest to improve resolution time and customer experience we deployed the Freshdesk for the Contact Centre and all our branches (branch portal) from the CSMS. All complaints are logged and tracked for resolution and feedback is provided to the customer.

Complaints Tracking and Reporting

Been a digitally focus bank we continuously analyze complaints for service improvement purposes. Lessons learnt from the root cause analysis conducted are cascaded to all staff to mitigate against future reoccurrence.

Customer complaint metrics are analyzed, and reports presented to Executive Management and the Management Risk Committee. Reports on customer complaints are also sent to the Central Bank as required.

Solicited Customer Feedback

We make deliberate efforts to constantly get customers' feedback (staff/internal customers inclusive) on the services and products of the Bank through the following:

- Customer Surveys (Internal & External)
- Customers' forum
- Business review sessions
- One-on-one business review meetings with customers
- Our "Talk to the MD" sessions

The feedback obtained during these engagements and lessons learnt are used for service improvement across board.

Our Resolution Structure

The process flow for customer complaint resolution is as follows:

- We received Complaints/Inquiries through all our available service channels (Website, Telephone, Electronic Mail, SMS, WhatsApp, Live Chats, Letters/Visits to the Branches/Head Office, social media)
- Complaints are acknowledged within 24 hours of receipt
- The complaint is resolved immediately or escalated to the appropriate unit for resolution
- An update is given within 48 hours of receipt and regular feedback on the resolution status of the received complaints is given to the customer subsequently
- The complaint is closed upon satisfactory resolution of the issue raised and feedback is provided to the customer.
- Periodic reports on all customer complaints and feedback received in the Bank are collated, grouped based on type/frequency, analyzed to determine the root cause(s) and circulated to our management team and other relevant departments to prevent recurrences.

In the year 2021, we received **220,028 (including the 3,256 pending complaints from the previous year)** operational complaints which are everyday feedback from customers on concerns they observed while using our alternate channels. From the total number of feedbacks received, **198,347 (including the 3,256 pending complaints)** were resolved to leave a total of **21,681** pending complaints as of December 31, 2021.

Table 1: shows the total number of complaints and amount claims received as at the end of the Financial Year 2021 in comparison with those received in 2020.

	Number		Total Amount Claimed (N)		Amount Refunded (N)	
Description	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Pending Complaints B/F	3,256	1,712	8,147,478,279.86	1,384,938,300	N/A	N/A
Received Complaints	216,772	237,911	4,747,424,760.29	8,778,903,499.31	1,247,203,708.54	546,529,246.68
Resolved Complaints	198,347	236,367	2,069,562,254.10	2,016,363,519.45	1,247,203,708.54	546,529,246.68
Unresolved Complaints escalated to CBN for Intervention	N/A	N/A	N/A	N/A	N/A	N/A
Unresolved Complaints pending with the bank C/F	21,681	3,256	2,612,209,407.19	8,147,478,279.86	N/A	N/A

Chairman's Statement

Introduction

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, welcome to the 2021 Annual General Meeting of Wema Bank.

In my stead as the Chairman of the Board, it gives me great pleasure to present the 2021 financial results of the Bank to you all, as well as a review of the operating environment which we faced last year and how we ensured growth throughout the period and our projections and expectations for 2022.

2021 witnessed significant changes to the Board of Directors as follows:

- Folake Sanu retired as an Executive Director effective March 2021
- Emeka Obiagwu was appointed as an Executive Director also in March 2021
- Samuel Durojaiye also retired as a Non-Executive Director in March 2021
- Omobosola Ojo retired as an Independent Director in August 2021
- Olusegun Adesegun was appointed as a Non-Executive Director July 2021
- Yemi Adefarakan was appointed as a Non-Executive Director in July 2021
- Adefioye Adebode retired as a Non-Executive Director May 2021

Two new Independent Non-Executive Directors were appointed in January 2022 as follows:

- Mrs. Bolarin Okunowo
- Dr. Mrs. Oluwayemisi Olorunshola

I would like to take this opportunity to really appreciate the retired board members and acknowledge their invaluable contribution to our Bank. We also eagerly anticipate the impact of the diverse experience that the new-- board members are bringing.

The global & domestic economy in 2021 continued to battle with the disruptive impact of the Covid-19 pandemic, with resurgent waves of infection (and attendant lockdowns) breaking out periodically all over the globe. As nations all over the world struggled to regain their footing and adapt to the realities of a virus that would not go away, inflation, driven by the expansionary fiscal measures of 2020 and exacerbated by worldwide supply chain disruptions, became the new, burning concern. Nigeria, however, in a welcome deviation from the global norm reported steadily declining inflation rates in 2021, starting from the end of the first quarter of the year, to close the year at a rate of 15.63%. Additionally, the domestic economy put up an impressive performance, leading to commendable quarterly GDP growth rates, all significantly above the year's opening GDP rate of 0.11%. 2nd quarter GDP was 5.01%, 3rd quarter was 4.03% while the 4th Quarter was 3.98%.

Despite tumultuous regulatory and socio-political headwinds, I am pleased to report that Wema Bank delivered on its strategic targets for the year and was able to make significant progress towards the actualization of its mid-term goal of digital dominance. It is satisfying to note that the Bank continues to record significant achievements in various areas while undertaking bold steps to ensure that our immediate future consolidates on the good work done in previous years. ALAT, our pioneering digital platform, continues to record a stellar performance as it maintains its status as an industry leader in the digital space.
-

Operating Environment

Global Environment – The long hand of COVID-19

The year 2021 was marked with what one would call the "growing pains" of a world coming to terms with the realities of the new normal of the COVID era — heightened inflation, supply chain disruptions, increased digitization, and resurging waves of infection compelled by new virus variants.

Even as global economic recovery picked up over the course of the year, further resurgences of the pandemic led to widespread doubt over the ability to distribute the vaccines that had hitherto been touted as the panacea to the health problems of 2020. Furthermore, widespread vaccine hesitancy and radically differing governmental approaches to the management of the outbreak lead to discontent and often conflicting regulations that had telling impacts on global business and post-pandemic recovery.

Amid concerns about the impact of newer variants of the coronavirus and a constrained global supply chain, rising inflation became a significant issue for policy support initiatives that were intended to keep growth and recovery on track. This was accompanied by a spike in energy prices and knock-on growth in the prices of crude oil and natural gas. Policymakers in many major economies were faced with the difficult conundrum of supporting economic growth while keeping inflation under control, even as they struggled with domestic and external supply disruptions. Additionally, the rifts in the global network of trade and business, created by the original outbreak, continued to grow even wider and are now expected to leave lasting impacts on medium-term performance.

Key events of the year include:

Commodities prices challenge: these surged throughout the year on the back of increased demand and supply chain challenges globally. Changing weather patterns and several geopolitical concerns also impacted prices, particularly the prices of crude oil, natural gas, and coal, all of which soared in the third quarter of 2021 with forecasts projecting this increase to continue through to 2022.

US-China relations: relations between the two global superpowers were markedly tense as both nations butted heads on several issues, ranging from Beijing's crackdown on democratic movements in Hong Kong to its alleged abuse of local minorities and restrictions on human rights. There was also some concern over its intentions towards the island of Taiwan. The leaders of both countries held a meeting in November to address these issues.

The United States economy: the US economy battled record-setting levels of inflation—primarily driven by increases in the price of gasoline—as well as muted job growth and labor shortages in several sectors. Legislative bickering also led to delays in the passage of key legislations intended to spur growth in the American economy. The country was also hit by several well-documented cyberattacks on key infrastructure—attacks that were attributed to players under the control of foreign governments.

The Chinese economy: despite posting strong growth early in the year, the Chinese economy lost some of that growth momentum as the government moved to tackle long-standing imbalances as part of its shared prosperity dogma while coping with the disruptive effects of an energy shortage and sporadic resurgences of the COVID-19 virus. Complications in its real estate sector and government crackdowns on tech companies, also added to a rather dampened economic performance as the year wound to a close.

The African market: while gains from the Africa Continental Free Trade Agreement (AfCFTA) were still yet to materialize, several countries were able to take significant steps towards post-pandemic economic recovery even as the prospects for near-term growth and a slow vaccine rollout in the continent's largest economies weighed down on fiscal efforts. The continent was also racked by several security challenges, both to the institutions of democracy and the safety and wellbeing of citizens, in the form of coups that toppled legitimate governments; and local tensions that erupted into civil war, as in the case of the Ethiopian-Tigrayan conflict.

Domestic Economy

Slow march to recovery

Gross domestic product (GDP) grew by 0.11% in Q1, 2021, 5.01% in Q2, 2021, 4.03% in Q3,2021 and 3.98% in Q4, 2021. This showed that Nigeria had three consecutive quarters of strong growth and posits a strong recovery from the 2020 recession. The average growth rate so far in 2021 is 3.18%, which exceeds the IMF and World Bank forecasts of 2.6% and 2.4% respectively. The positive growth was largely supported by sustained recovery in the non-oil sectors, especially rail transport (59.93%), air transport (33.31%), financial institutions (25.50%), telecoms (10.87%) and construction (4.10%). The International Monetary Fund has projected that Nigeria's economy is expected to grow by 2.7% in 2022 which will allow stabilization of the economy.

We see green shots and opportunities for the bank in 2022 as we expect to see growth from both the public and private sectors. The federal government has proposed an expansionary budget for 2022 focused on a sizeable increase in capital spending and social intervention schemes. Rail transportation is starting to be ubiquitous and will be increasingly used for moving goods across the country. Port dredging and movement of goods by barge into hinterlands areas also offers significant opportunities for cost reduction and increased business activities. There however continues to be significant issues within the economy around insecurity, inflation, fiscal stability, high youth unemployment and the value of the local currency. Forex exchange rates continue to be a significant problem as the gap between the parallel and official market rates have trended up while the various official exchange rates have converged largely around N414/N420/$1).

The Banking industry saw significant developments in 2021 including the issuing of banking licenses to Lotus Bank (Interest Free Banking) and Parallax Bank (regional banking license). In addition, two telcoms companies have received approval in principle for Payment Services Banking licenses (MTN and Airtel), which will increase the competition within the banking space. This increasing pace of competition is something all banks are learning to live with as fintech and other allied firms focus on providing services to their customers around the financial ecosystem.

2022 Economic Outlook

In 2022 & beyond, we expect the covid pandemic to transit into something more closely resembling the flu virus. There will continue to be covid lockdowns and other social distancing measures. However, as vaccinations ramp up above the 75% herd immunity space in most countries, there will be a corresponding drop in hospitalization and an attendant return in growth across the industry's worst impacted by the pandemic like tourism, aviation, and hospitality.

During the year, we also expect the start of moderation of monetary accommodation and fiscal stimulus across the world, which propels investment spending and consumption. We have started to see glimpses of this as the US Federal Reserves highlighted its resolve to start winding down its bond buying endeavors. The IMF is projecting global growth for 2022 at 4.9% while the World Bank projects 5.1%.

With regards to the domestic economy, going into 2022, we believe that growth will be sustained by the continuous increase in crude prices above the $80/barrel threshold and improved production levels above 1.6m/per day. We also expect that OPEC will expand production by its members and Nigeria will further benefit from this. The expansionary Federal Government budget will drive increased spending in the capital expenditure space as well as the social intervention space while the new Petroleum Industry Act and the unbundling of various oil industry regulators will drive growth within the Oil & Gas Industry.

The mix of fiscal and monetary initiatives are expected to bolster domestic investment and increase consumer spending while the increasing lending to the critical Manufacturing and Trade sectors should increase the growth within that space. The forex regime remains a hinderance to dramatic growth as most manufacturing firms face constrained supply and we expect this to continue in 2022 however there will be an increase in diaspora remittance after the dramatic collapse in 2020.

While we expect 2022 to be a difficult year, we will position ourselves to seize the best opportunities to grow our earnings, improve our profitability and asset quality while improving return on earnings for our shareholders. The key things to watch out for in 2022 will include inflation in the global & domestic economic spaces and its impact on government's rates which might translate to an exodus of foreign investments, supply chain disruptions, commodities prices, crude oil price & production, increase in domestic & international borrowing leading to a fiscal crisis.

Financial Scorecard

The Bank continued to record improved performance, as gross earnings grew by 15.35% from N79.87 billion in 2020 to N92.14 billion in 2021. In keeping with a pattern of strong quarterly performances in last year (Q1 2021: 34% Y-o-Y; H1 2021: 149% Y-o-Y; Q3 2021: 135.8% Y-o-Y), Profit before Tax (PBT) and Profit after Tax (PAT) increased by 108.1% and 94.55% respectively to N12.38 billion and N8.93 billion against N5.95 billion and N4.59 billion in 2020.

Total Assets as of December 2021 stood at N1,164.52 billion, representing a 20.23% increase over the N968.58 billion recorded in the corresponding year of 2020 and placing the bank squarely above the N1 trillion mark—a milestone we surpassed in Q3 2021. Additionally, loans to customers rose by 16.13% to close the year 2021 at N418.86 billion from the N360.08 billion recorded in 2020.

Impressively, the Bank, during the year under consideration, maintained its Non-Performing Loans (NPL) ratio at 4.88%, significantly below the regulatory limit of 5%, despite the challenges of the macro-economic and domestic environments. Furthermore, as the Wema and ALAT brands continue to win public acceptance and market relevance, the Bank continues to record growth in its retail deposit drive. Customer deposits grew by 15.19% from N804.87 billion to N927.47 billion with a continuously improving deposit mix that is edging ever closer to the ideal.

Our Strategic Focus

Since our founding, Wema Bank has always worked to place its customers first and meet their needs at every step of the way, whether this is in the form of their neighbourhood bank branch or via ALAT, the digital banking platform. We will continue to work towards the attainment of our goal of becoming the dominant digital banking platform in Nigeria and this entails an unrelenting focus on our digital business which is a key lever for customer acquisition, retention, and engagement. This will be in tandem with our sustained efforts to consolidate our corporate commercial play. We will also continue our aggressive strategy to improve our commercial lending business alongside trade and other revenue lines and work to drive growth through digital capabilities in the long term.

As announced earlier, we will also continue to explore both organic and inorganic paths to growth, which will build on our gains in market share and deposit base. We also intend to complete the capital raise exercise which we commenced in 2021.

In summary, we will continue to seek to reposition ourselves in the banking industry by:

- Driving a digital banking strategy designed to strengthen our push towards becoming a leading digital banking player.
- Improving key financial indicators as we seek to transition into a Systemically Important Bank.
- Improving our PAT to strengthen our returns to our shareholders.
- Shoring our capital base up with additional N40 billion so as to be better capitalized and well positioned ahead of a potential capital increase by the CBN.
- Optimizing our shareholding by reducing the number of Outstanding Shares to ensure efficiency of share volume vis-a-vis share value.
- Creating headroom in Paid-Up Shares for further capital whilst reducing the cost to increase Authorised Share Capital to accommodate such capital raises.

Our Achievements

Our performance in the past year speaks to the spirit of resilience that runs through the bank, as we have bounced back strongly from the covid-impacted performance of 2020. We recorded impressive year-on-year growth across key metrics in the midst of a highly constrained regulatory and economic environment.

In line with our changing aspirations and self-assessment, we also changed our vision and mission statements and core values to better reflect the new realities of the Wema brand. This will also serve to ensure that the bank remains top-of-mind in the market as a purveyor of financial services.

We rolled out the innovative and first-of-its-kind Wema SME Business School, which is open to all business owners as a means of deepening our engagement with the crucial MSME sector in Nigeria and supporting businesses in the country by bridging existing knowledge gaps amongst business owners.

ALAT continues to be a key growth driver and success story for the bank, recording a year-on-year increase of over 45% in the number of actively transacting customers on the platform. With the rollout of new and innovative features on ALAT, and its sister-app, ALAT 4 Business, we are sure of increased growth and heightened performance on both platforms in the coming year.

As a customer-first organization, we will continue to work towards delivering top quality customer service as we go into the new year. This will consolidate on the wins we have attained in the space by crossing into the top 5 banks in customer service in 2020 and our ranking as 3rd (SME) in 2021.

Capital Raise Update

At the Annual General Meeting of the bank in May 2021, the Board and Management of the Bank brought a request to the shareholders to raise additional capital of N40billion. There were two specific requests:

- A request for Share Reconstruction to reconstruct our share base to enable the Bank achieve an optimal shares outstanding base that favorably compares with its listed banking peers as well as achieve cost efficiency from a transaction execution standpoint
- A request to raise additional capital for the bank through a rights issue to existing shareholders.

Sequel to that approval, we engaged the appropriate regulatory authorities (Central Bank of Nigeria and Securities Exchange Commission) and received approval at a court ordered Extraordinary General meeting to reconstruct the shares and raise N40billion additional capital.

We are currently in the process of raising the capital through a rights issue and expect to conclude the process in 2022.

2022 Outlook

The bank will continue to push for growth and the attainment of its strategic goals in the coming year. Projected GDP growth rates of 3.8% (Sub-Saharan Africa) and 2.7% (Nigeria) are indicators of steady, if modest, growth in the year, which will offer up increased business opportunities and open up new markets. This outlook is, however, uncertain, as the attendant risks are skewed towards the downside, with attainment hinged on several factors.

The bank's move towards growth will be impacted by certain factors which could be seen as threats or drivers to the bank's progress given their anticipated impacts on the global and domestic economic landscapes.

They include:

The continued resurgence of waves of the COVID-19 pandemic, driven by newer and more deadly variants, sustained vaccine hesitancy, and poor government action towards the containment of the disease.

Heightened insecurity in large areas of the country in the build-up to the 2023 elections and as a corollary of currently developing tensions in areas like the South-East and Northern regions.

Deterioration in oil production which would have a knock-on impact on fiscal revenues and economic output.

The move toward deglobalization as companies all over the world move from efficient, global supply chains, to resilient, localized ones. this will depress growth over the long term.

Labor shortages exacerbated by increased international demand, harnessing the benefits of remote work, and changing global perceptions towards work and their expectations of employers.

We will continue to pursue all avenues towards delivering on our promise of peerless and seamless customer service and superior returns, while empowering customers and non-customers alike through the provision of innovative products and services.

Thank you all for your continued support and loyalty.

Babatunde Kasali
Chairman Board of Directors
FRC/2017/ICAN/00000016973

Directors' Report

The directors present their annual report on the affairs of Wema Bank Plc (the "Bank"), the audited financial statements and the independent auditor's report for the financial year ended 31 December 2021.

Legal Form

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

Principal Activity

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

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

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

In thousands of Nigerian Naira	Group 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-21	Bank 31-Dec-20
Gross earnings	93,632,483	81,382,795	92,137,079	79,876,995
Profit on ordinary activities before taxation	12,377,495	5,931,687	12,384,143	5,946,523
Taxation	(3,450,939)	(1,354,306)	(3,450,939)	(1,354,306)
Profit on ordinary activities after taxation	8,926,556	4,577,381	8,933,203	4,592,217
Profit attributable to equity holders	8,926,556	4,577,381	8,933,203	4,592,217
Appropriation:				
Transfer to statutory reserve	2,679,961	1,377,665	2,679,961	1,377,665
Transfer to/(from) regulatory risk reserve	553,752	(2,041,579)	553,752	(2,041,579)
Transfer to general reserve	5,692,843	5,241,295	5,699,491	5,256,131
Basic earnings per share	23.1	11.9	23.2	11.9

Proposed Dividend

The Board of Directors recommends the payment of Dividend from the present year earnings based on the Bank's improved performance, subject to approval at the Annual General Meeting. The payment will be made from the audited earnings of 2021 and not from the accumulated reserves in line with the regulatory policy. The payment of dividend is in line with the bank's dividend policy and will go a long way to provide support to our shareholders. (See note 35)

Pursuant to the powers conferred on them by Section 426 of the Companies and Allied Matters Act, 2020, the Directors shall propose a dividend of 8 kobo per share in compliance with all regulatory requirements.

Compliance with the CBN Circular on Dividend Payment

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

S/N	Condition	Wema Position
1.	The DMB must meet minimum capital adequacy ratio	The Banks Audited Capital Adequacy ratio is 11.71%
2.	Where CRR is Above average and NPL between 5% & 10%, payout must not be more than 30%	The Banks CRR is Moderate
3.	Where CRR is Above average and NPL between 5% & 10%, payout must not be more than 30%	The Banks NPL is 4.88%
4.	There shall be no regulatory restriction on dividend payouts for DMB that meet minimum capital adequacy ratio, has a CRR of "low" to "moderate" and NPL ratio of not more than 5%. However, it is expected that the Board of such institutions will recommend payouts based on effective risk assessment and economic realities	The Proposed dividend payout is 35% of PAT and the Bank has set aside additional reserves to ensure that Capital adequacy is significantly above regulatory threshold of 10%
5.	No Dividend should be paid from reserves	Dividend not being paid from reserves
6.	Banks shall submit board approved dividend payout policy to CBN	Dividend payout policy has been sent to the CBN

The Directors seek to pay dividend based on the justifications below:

The Bank has largely met all the requirements of the CBN circular on dividend payout and is not in contravention.

The payment of dividend will not impact negatively on any of the bank's ratios

The payment of dividend as proposed has been ratified by the Board of Directors of the bank based on effective risk assessment and economic realities.

Fraud and Forgeries

Item	Count
No. of Cases	**1,195**
Amount Involved (₦)	**263,853,398.31**
Actual loss (₦)	**119,089,040**
Amount Involved ($)	**NIL**
Actual loss ($)	**NIL**

FRAUD TYPE/CHANNEL	AMOUNT INVOLVED (₦'000)	AMOUNT LOST BY THE BANK (₦'000)	AMOUNT INVOLVED ($)	AMOUNT LOST BY THE BANK ($)	PERCENTAGE OF LOSS TO AMOUNT INVOLVED	PERPETRATORS	
						INTERNAL %	EXTERNAL %
INTERNET FRAUD	97,110	50,176	-	-	51.67%	0%	100%
MOBILE BANKING	60,334	38,305	-	-	63.49%	0%	100%
POS	21,770	-	-	-	0.00%	0%	100%
ATM	5,519	-	-	-	0.00%	0%	100%
WEB	35,490	-			0.00%	0%	100%
OPERATIONS & OTHERS	43,630	30,608	-	-	70.15%	15%	85%
TOTAL	**263,853**	**119,089**	**-**	**-**	**45.13%**	**3%**	**97%**

Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2021 is as stated below:

Share Range	Number Of Shareholders	Shareholders %	Number Of Holdings	Shareholding %
1-1,000	31,597	12.93	15,669,335	0.04
1,001-5,000	145,684	59.61	302,688,673	0.78
5,001-10,000	28,291	11.58	196,603,523	0.51
10,001-50,000	29,952	12.26	600,181,515	1.56
50,001-100,000	4,399	1.80	315,247,623	0.82
100,001-500,000	3,671	1.50	697,431,166	1.81
500,001-1,000,000	368	0.15	271,873,148	0.70
1,000,001-5,000,000	347	0.14	670,057,198	1.74
5,000,001-10,000,000	35	0.01	250,006,950	0.65
10,000,001- 500,000,000	42	0.02	4,006,191,785	10.39
500,000,001- 000,000,000	4	0.00	2,547,875,325	6.61
1,000,000,000 and Above	8	0.00	28,700,639,840	74.40
TOTAL:-	**244,398**	**100.00**	**38,574,466,081**	**100.00**

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

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

Substantial Interests in Shares

According to the Register of Members, as at 31 December 2021, the following shareholders held more than 5% of the issued share capital of the Bank:

S/N	NAME	HOLDING	% HOLDING	Representative on the Board
1.	NEEMTREE LIMITED	10,835,509,443	28.09	Babatunde Kasali & Abolanle Matel- Okoh
2.	SW8 INVESTMENT LTD	5,745,816,867	14.90	Adeyemi Adefarakan
3.	PETROTRAB LIMITED	3,295,880,000	8.54	-
4.	ODU'A INVESTMENT COY.	3,060,643,134	7.93	Olusegun Adesegun

**As at December 2021*

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

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

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

Directors' Shareholding

The following directors of the Bank held office during the year and had direct and or indirect interests in the issued share capital of the Bank as recorded in the Register of Directors Shareholding as noted below:

DIRECTORS	Direct Holdings in 2021*	Indirect Holdings in 2021*	Direct Holdings in 2020	Indirect Holdings in 2020
Babatunde Kasali	-	10,835,509,443	-	10,835,506,943
Ademola Adebise	10,265	2,243,208	10,265	2,243,208
Mr. Adebode Adefioye*	6,988		6,988	5,745,816,867
Mrs. Omobosola Ojo*				
Mr. Samuel Durojaye*				3,191,190,608
Emeka Obiagwu	231,250	-	N/A	N/A
Oluwole Ajimisinmi	6,170,996	-	6,170,996	-
Folake Sanu *	12,677		12,677	
Moruf Oseni	-	-	-	-
Abubakar Lawal	1,000,000	427,917,143	1,000,000	567, 917, 143
Abolanle Matel-Okoh	1,750,000,000	10,835,509,443	1,750,000,000	10,835,506,943
Oluwole Akinleye	1,641,800	-	1,641,800	-
Ibiye Ekong	-	-	-	-
Olusegun Adesegun	-	3,060,643,134	N/A	N/A
Adeyemi Adefarakan	-	5,745,816,867	N/A	N/A

Retired during the year ended 31 December 2021

Babatunde Kasali has indirect holding with Neemtree Limited
Ademola Adebise has indirect holdings with AIICO Insurance
Abubakar Lawal has indirect holdings with L.A. Proshares Limited and GTI Asset Management Ltd
Olusegun Adesegun has indirect holdings with Odua Group
Adeyemi Adefarakan has indirect holdings with SW8 Investment Ltd

Directors' Interests in Contracts

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

Property and Equipment

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

Donations

The Bank made contributions to charitable and non-political organizations amounting to N703.85m (31 December 2020: N221.02m) during the year, as listed below:

Donation And Charitable Gifts	₦
Annual Bankers’ Dinner Charitable Endowment Fund	25,000,000.00
Contribution - Renovation of Damaged Police Stations	79,828,392.86
Support to Police Equipment Fund by Banks	500,000,000.00
Alatsocialiga 2021 Football League	10,750,000.00
Wema Bank’s Annual Contribution to LSSTF	10,000,000.00
Donation of 50 Desktop Computers to ABUAD	14,973,310.00
Contribution for Financial Literacy	5,500,000.00
Bank's Contribution to 2021 Annual Bankers	3,500,000.00
Shecan 3.0 Event	5,000,000.00
Donation-Security Patrol Van for the Polytechnic	16,500,000.00
Support 1st Ekiti State Economic Development	10,000,000.00
Various Sponsorship	22,800,000.00
Total	**703,851,702.86**

Several other humanitarian services were rendered during the year under review, for example, One Day Salary for Love Campaign donated by members of staff, which amounted to N4.92m.

Events after Reporting Date
Events that occurred after the end of the reporting year and before the financial statements were authorised for issue by the Management of the Bank has been adequately disclosed in note 34.

There are no other events after the reporting date which could have a material impact on the financial position of the Bank as at 31 December 2021 or the profit for the year then ended, that have not been adequately provided for or disclosed in the financial statements.

Remuneration Policy

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

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

Purpose
Amongst others, this policy attempts to:

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

Executive Directors' Remuneration Components

Fixed Remuneration

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

Performance-Based Remuneration

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

Pension Schemes

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

Severance Pay

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

Other Benefits

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

Non-Executive Directors Remuneration Components

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

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

Directors' annual fees are paid in arrears. The fees for 2020 was N9,500,000.00 (Nine million, five hundred naira only) for the chairman and N7,500,000.00 (Seven million, five hundred naira only) for other directors, gross per annum. The annual fee for 2021 shall be presented for approval at the 2021 Annual General Meeting. The sitting allowance for each meeting attended is N250,000.00 for members and N300,000.00 for Chairmen of Board Committees.

Human Capital Management

Our Digital Journey

As the banking landscape evolves, Wema Bank is poised at building a future ready workforce that focuses on innovation leveraging data science, design thinking and artificial intelligence. These skills will be critical in strategy development and decision making in businesses.

To equip employees with these skills, the Bank developed a robust learning and development campaign. Basic Design Thinking and Data Science skill for problem solving and innovation was deployed to every staff of the Bank while advance and expert learning was deployed to critical role holder/grade level. We went into partnership with Utiva -a global leader in digital skills learning and enterprise transformation; to provide a Master class in Digital Science learning.

We continue to partner with Coursera, a leading e-learning platform, to provide world class learning to all staff of the Bank.

Staff Welfare and Recognition

The Bank's most important asset is its employees. We continue to give attention to employee welfare, providing a safe and conducive work environment that promotes productivity. The staff medical scheme was revamped to give staff and their dependence access to a wider range of medical coverage A-class hospitals, travel insurance, etc. This action was a clear message that the Bank cares about staff health thus impacting staff morale and created an emotional bonding with staff families.
In addition, focus was given to mental health with group, gender and individual sessions with experts to educate and address mental health issues.

A broad-based recognition programme tagged "KUDOS" was instituted to celebrate behaviors that drive performance. Thirteen staff were recognized over a period of one year. The celebration was crowned with the admission of the awardees into Hall of Fame at the End of Year town hall meeting.

Leadership & Career Development

Our Line managers are key towards driving productivity and achieving the Bank's strategic intent. In order to equip them to deliver. We embarked on series of learning /development intervention focused at building a sense of accountability and responsibility, drive performance and build people-management skills. Over 400-line Managers went through quarterly intervention programme to build these skills. It was also a forum for senior leaders to share experiences.

Our contract staff were also key consideration in the development drive as the creation of career path gave a sense of belonging to these cadre thereby improving their performance. 78 contract staff were absorbed into permanent staff status while another 80 were upgraded to experienced hire cadre.

Culture

The culture of an organization defines the path of success in its strategy. The bank has undertaken various initiatives to strengthen its culture. This includes the review of the Bank's staff value proposition. To ensure that employees understood the values, its impact on achieving our strategic intent and encourage behaviors that deepen these values, a robust campaign was developed. This started with an official launch by management team, appointment, and training of champions as ambassadors and creation of a culture guide. The Bank also incorporated the values into the staff appraisal system as a way of reinforcing the right behavior.

Talent acquisition

The year witness what the global Leaders tagged the "the great resignation". The realization that work can be done remotely from any part of the world gave rise to the expansion of war for talent going beyond the shores of the country. This trend became predominant in the technology space. In order to ensure that our strategy of being Digitally dominant is not negatively impacted by lack of adequate skills, we implemented the "Bankers in Training" (BIT) programme.

BIT focused on recruiting and developing young talents in the following critical skill areas: Software Engineering, Data Science and Information security. The talents were selected through rigorous process from over 10,000 applications.
The program is a fifteen (15) week technical training with bespoke training curriculum (inclusive of three weeks soft skill learning). The talents were exposed to the best-in-class training experience with learning interventions aligned to our DD3 business, best-in-class training vendors with the support of key stakeholders in the business who were also available to work with the candidates during the training program.

Employment of Disabled Persons

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

Health, Safety and Welfare at Work

The Bank enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. In addition, medical facilities are provided for staff and their immediate families at the Bank's expense.
Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.
The Bank operates both Group Personal Accident and Workmen's Compensation Insurance cover for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act, 2004.

Employee Involvement and Training

The Bank ensures, through various fora, that employees are informed of matters concerning them. Formal and informal channels are also employed to communicate with employees with an appropriate two-way feedback mechanism.
In accordance with the Bank's policy of continuous development, the Bank draws up annual training programmes. The programmes include on-the-job training, classroom sessions and web-based training programmes which are available to all staff.

Additionally, in line with Section 18.2 of the Central Bank of Nigeria Code of Corporate Governance, the Directors were enrolled for some training programmes for enhanced expertise and to update their knowledge in view of the Bank's strategic direction. All the Directors underwent training on Anti Money-Laundering & Combating the Financing of Terrorism, Companies and Allied Matter Act (CAMA) and Banking and Other Financial Institution Act 2020 (BOFIA).

Code of Conduct and Business Ethics

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

Employee Gender Analysis

The number and percentage of women in the bank during the 2021 financial year vis-a-vis the total workforce is as follows:

TOTAL EMPLOYEES	GENDER			PROPORTION	
	M	F	TOTAL	M	F
Employee -Bank	**743**	**560**	**1303**	**57%**	**43%**
Board & Top Management					
Assistant General Manager	5	1	6	83%	17%
Deputy General Manager	8	1	9	89%	11%
General Manager	2	1	3	67%	33%
Executive Director	3	0	3	100%	0%
Deputy Managing Director	1	0	1	100%	0%
Managing Director	1	0	1	100%	0%
Non-Executive Director	4	3	7	57%	43%
TOTAL	24	6	30	80%	20%

Customer Complaints Management and Feedback

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

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

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

Shareholder Complaint Management Channels

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

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

Greenwich Registrars and Data Solutions Ltd 274, Murtala Mohammed Way, Alagomeji, Yaba Lagos.
Telephone: +234 1 2793160-2; 8131925-2

Email Address: Info@gtlregistrars.com Website: www.gtlregistrars.com

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

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

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

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

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

Auditors

KPMG Professional Services were appointed as auditors, following the resignation of Deloitte & Touche in line with the Central Bank of Nigeria's directive on ten years maximum tenor for external auditors of banks. They have indicated their willingness to continue to serve as auditors.

In accordance with Section 401 (1) of the Companies and Allied Matters Act, 2020, a resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

By Order of The Board

Johnson Lebile
FRC/2018/NBA/00000019017
Company Secretary Wema Towers
54 Marina Lagos
09 March, 2022

Report of the Audit Committee

To the Members of Wema Bank Plc

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

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

We are of the opinion that the accounting and reporting policies of the Group are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2021 were satisfactory and reinforce the Group's internal control systems.

We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Insider Related Credits in the financial statements of Banks". We hereby confirm that an aggregate amount of N1.52billion (31 December 2020: N2.82billion) was outstanding as at 31 December 2021 of which Nil (31 December 2020: Nil) was non- performing.

We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Group's system of accounting and internal control.

Prince Adekunle Olodun
FRC/2013/NIM/00000003105
Chairman, Audit Committee
02 March 2022

Members of the Audit Committee are:

Prince Adekunle Olodun	-	Shareholder (Chairman)
Mr. Anosikeh Joe Ogbonna	-	Member
Mrs. Esther Osijo	-	Member
Mrs. Ibiye Ekong	-	Member
Mr. Abubakar Lawal	-	Member

In attendance:

Mr. Johnson Lebile	-	Secretary

Statement of Directors' Responsibilities

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

The Directors of WEMA Bank Plc accept responsibility for the preparation of the [consolidated and separate] financial statements that give a true and fair view of the financial position of the group's and the bank's as at 31 DECEMBER 2021, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act 2020 and the Financial Reporting Council of Nigeria Act, 2011.

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

properly selecting and applying accounting policies;

presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

Going Concern

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

Babatunde Kasali
Chairman
FRC/2017/ICAN/00000016973

Ademola Adebise
Managing Director
FRC/2013/ICAN/00000002115

Statement of Corporate Responsibility for the Financial Statements for the year ended 31 December 2021

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

(i) audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading, in the light of the circumstances under which such statement was made, and

(ii) audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the bank as of and for, the periods covered by the audited financial statements;

We state that management and directors:

(i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Bank and its subsidiary is made known to the officer by other officers of the Group's and the Bank's, particularly during the period in which the audited financial statement report is being prepared,

(ii) has evaluated the effectiveness of the Group's and the Bank's internal controls within 90 days prior to the date of its audited financial statements, and

(iii) certifies that the Group's and the Bank's internal controls are effective as of that date;

We have disclosed;

(i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Group and the Bank's ability to record, process, summarise and report financial data, and has identified for the Group's/Bank's auditors any material weaknesses in internal controls,

(ii) and whether or not, there is any fraud that involves management or other employees who have a significant role in the Group's and Bank 's internal control and

(iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

The financial statements of the Group and Bank for the year ended **31 DECEMBER 2021** were approved by the directors on **09 March 2022**.

Ademola Adebise
Managing Director
FRC/2013/ICAN/00000002115

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

DCSL Corporate Services Limited
235 Ikorodu Road
Ilupeju, Lagos

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1st Avenue, Off Shehu Shagari
Way, Abuja

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Tel: +234 9 461 4902
RC NO. 352393

1st March 2022

REPORT OF THE EXTERNAL CONSULANTS ON THE PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE AUDIT OF WEMA BANK PLC FOR THE YEAR ENDED DECEMBER 31, 2021.

DCSL Corporate Services Limited (DCSL) was engaged by Wema Bank Plc ("Wema Bank") to carry out a performance evaluation of the Board of Directors and a Corporate Governance Compliance Audit for the year-ended December 31, 2021 in line with the provisions of the Nigerian Code of Corporate Governance 2018 (NCCG), the CBN Code of Corporate Governance for Banks & Finance Houses 2014 (CBN Code), the Securities and Exchange (SEC) Code of Corporate Governance, Securities and Exchange Commission Regulations, the Nigerian Stock Exchange (NSE) Rules and Regulations, Wolfsberg Antibribery & Corruption Compliance Programme Guidance (Wolfsberg ABC Guidance), Companies and Allied Matters Act 2020 (CAMA) as well as global best practices on Corporate Governance.

The appraisal entailed a review of the Company's Corporate and Statutory documents, Minutes of Board and Committee meetings, Policies and other ancillary documents made available to us and the administration of questionnaires to Directors.

To ascertain the extent of compliance with relevant corporate governance principles and appraise the performance of the Board, we benchmarked the Company's corporate governance structures, policies and processes against the above-mentioned Codes and regulations as well as global Best Practices and considered the following seven key corporate governance themes:

1. Board Structure and Composition;
2. Strategy and Planning;
3. Board Operations and Effectiveness;
4. Measuring and Monitoring of Performance;
5. Risk Management and Compliance;
6. Corporate Citizenship; and
7. Transparency and Disclosure

The Board has the responsibility for putting in place adequate corporate governance structures and practices and approving policies that will ensure the Company carries on its business in accordance with its Memorandum and Articles of Association, Policies as well as in conformity with applicable laws, codes and regulations to guarantee sustainability. Subsequent to the conclusion of the Corporate Governance Audit and the Performance Evaluation Engagements, we confirm that the Board and Bank substantially complied with the provisions of the applicable Codes and regulations. In our opinion, the Board and individual Directors have displayed laudable commitment to enhancing the Bank's growth, developing, and monitoring corporate strategy to achieve sustainable growth.

The commendable average attendance recorded by Directors at Board and Committee meetings held during the period is a clear indication of the dedication and genuine interest of the Board in the Bank's affairs and overall success.

Details of our key findings and recommendations are contained in our Report.

Yours faithfully,
For: DCSL Corporate Services Ltd

Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716

Directors: • Abel Ajayi (Chairman) • Obi Ogbechi • Adeniyi Obe • Dr. Anino Emuwa • Adebisi Adeyemi (Managing Director)

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Wema Bank Plc.

Report on the Audit of the Consolidated and separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Wema Bank Plc.("the Bank") and its subsidiaries (together, "the Group"), which comprise:

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

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

Basis for Opinion

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

Other Matter

The financial statements of Wema Bank Plc. for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on these financial statements on 26 April 2021

Key Audit Matters

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

Impairment of loans and advances

The Group uses an Expected Credit Loss (ECL) model to determine the impairment allowance for its loans and advances. The ECL methodology incorporates information about past events, current conditions, forecasts of future economic conditions in determining impairment allowances.

The Group's ECL model includes certain judgments and assumptions such as:

- the possibility of a loan becoming past due and subsequently defaulting; the rate of recovery on the loans that are past due and in default; and the market values and estimated time and cost to sell the collaterals; and

- the incorporation of forward-looking information related to the expected outlook on the country's exchange rate, unemployment rate, gross domestic product and bank wide non-performing loan ratio used in determining the expected credit losses in the loans and advances portfolios.

Impairment allowance on loans that have shown a significant increase in credit risk is based on the Group’s estimate of losses expected to result from default events over the life of the loans. Impairment allowance on other loans that have not shown a significant increase in credit risk is recognized based on an estimate of the losses expected to result from default events within 12 months after the reporting year. This estimate is also an output of models, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting (which is reflected in the classification of loans into stages) and the rate of recovery on the loans that are past due and in default.

The judgment involved in classifying loans into stages, the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances, application of industry knowledge and prevailing economic conditions in arriving at the level of impairment required, the inputs estimated, the complexity of the estimation process and the significant judgment involved in applying these estimates to determine the level of impairment allowance required, make the impairment of loans and advances a matter of significance to the audit.

How the matter was addressed in our audit

Our procedures included the following with respect of the impairment allowances as at 31 December 2021:

• We evaluated the design and implementation of the key controls over the impairment determination process. The key controls evaluated includes management review of significant increase in credit risk and the resultant classification of loans into the various stages and management review of the accuracy of the relevant data used in the calculation of parameters included in the impairment model like the probability of default and loss given default.

• For a selected sample of loans and advances to customers, we assessed the appropriateness of the Group’s determination of significant increase in credit risk and the resultant classification of loans into the various stages by reviewing the loan staging done by the Group. For loans and advances to customers which have shown a significant increase in credit risk, we evaluated the level of past due obligations using qualitative factors such as available information about the obligor’s business or project being financed and qualitative backstop indicators such as number of days past due to determine the impairment based on the losses expected over the life of the facilities.

- With the assistance of our Financial Risk Management specialists we:
  - o assessed the appropriateness of the Group's ECL methodology by considering whether it reflects probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;
  - o challenged the appropriateness of the modelling approach and the historical movement in the balances of facilities between default and non-default categories by reviewing the underlying data used in determining the Probability of Default (PD) in the ECL calculations;
  - o reviewed the segmentation of loans and advances based on similar credit risk characteristics to ensure consistency with the internal credit management of the Group and Bank;
  - o evaluated the appropriateness of the data used in determining the Exposure at Default, including the contractual cash flow, outstanding loan balance, loan contractual repayment pattern and loan tenor;
  - o tested the accuracy of the calculation of the Loss Given Default (LGD) used by the Group;
  - o reviewed the valuation of the collaterals used in the ECL model;
  - o challenged the appropriateness of management's forward-looking assumptions comprising the country's exchange rate, unemployment rate, gross domestic product and industry wide non-performing loan ratio used in the ECL calculations using publicly available information from external sources;
  - o determined the staging of facilities through the consideration of days past due as well as other qualitative characteristics (multiple restructuring during the loan term, history of default of loan customer etc.) that signified an increase in the credit risk of a loan customer.
  - o tested the accuracy of the Group's ECL provision by re-performing the calculations of the ECL impairment allowance for loans and advances. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which the Group may not recover throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year after the reporting year.

The Group and Bank's accounting policy on impairment allowance for loans and advances, disclosure on judgment and estimate and relevant financial risk disclosures are shown in the notes to the consolidated and separate financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Directors' Report, Statement of Directors' Responsibilities in relation to the Consolidated and separate financial statements, Statement of Corporate Responsibility for the Financial Statements and Other National Disclosures but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and separate Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.

iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

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

i. The Group and Bank paid N124million as penalties during the year ended 31 December 2021.

ii. Related party transactions and balances are disclosed in note 32 to the financial statements incompliance with the Central Bank of Nigeria circular BSD/1/2004.

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
31 March 2022.
Lagos, Nigeria.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
1149654

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

In thousands of Nigerian Naira	Notes	Group 12 Months 31-Dec-21	12 Months 31-Dec-20	Bank 12 Months 31-Dec-21	12 Months 31-Dec-20
Gross Earnings		**93,632,481**	**81,382,795**	**92,137,078**	**79,876,995**
Interest income	7	74,798,291	64,552,522	73,302,888	63,046,722
Interest expense		(34,921,553)	(33,702,510)	(33,428,346)	(32,189,452)
Net interest income	7	**39,876,738**	**30,850,012**	**39,874,542**	**30,857,270**
Net impairment loss on financial assets	11	(2,104,393)	(5,635,165)	(2,104,393)	(5,635,165)
Net interest income after impairment charge for credit losses		**37,772,345**	**25,214,847**	**37,770,149**	**25,222,105**
Net gain on FVTPL investment securities		557,330	326,274	557,330	326,274
Net fee and commission income	8	13,424,103	8,422,108	13,424,103	8,422,108
Net trading income	9	1,556,099	3,940,031	1,556,099	3,940,031
Other income	10	3,296,658	4,141,860	3,296,658	4,141,860
		18,834,190	16,830,273	18,834,190	16,830,273
Operating income		**56,606,535**	**42,045,120**	**56,604,339**	**42,052,378**
Personnel expenses	12	(16,677,420)	(14,082,228)	(16,677,420)	(14,082,228)
Depreciation and amortization	13b	(3,399,318)	(3,136,273)	(3,399,318)	(3,136,273)
Other operating expenses	13a	(24,152,302)	(18,894,932)	(24,143,460)	(18,887,354)
Profit before tax		**12,377,495**	**5,931,687**	**12,384,142**	**5,946,523**
Income tax expense	26	(3,450,940)	(1,354,306)	(3,450,940)	(1,354,306)
Profit for the year		**8,926,555**	**4,577,381**	**8,933,202**	**4,592,217**
Other comprehensive income, net of income tax Items that will not be subsequently reclassified to profit or loss					
Net change in fair value of investments FVTOCI		3,621,287	544,616	3,621,287	544,616
		3,621,287	544,616	3,621,287	544,616
Items that will be subsequently reclassified to profit or loss					
Net change in fair value of investments FVOCI		-	104,576	-	104,576
Income tax relating to items that may be reclassified subsequently to profit or Loss		-	-	-	-
Other comprehensive income for the year		3,621,287	649,192	3,621,287	649,192
Total comprehensive income for the year		**12,547,842**	**5,226,573**	**12,554,489**	**5,241,409**
Profit attributable to:					
Equity holders of the Bank		8,926,555	4,577,381	8,933,202	4,592,217
Total comprehensive income for the year		12,547,842	5,226,573	12,554,489	5,241,409
Earnings per share-basic/diluted	14	23.1	11.9	23.2	11.9

The accompanying notes are an integral part of these consolidated and separate financial statements

Consolidated and Separate Statements of Financial Position

	Notes	Group 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-21	Bank 31-Dec-20
In thousands of Nigerian Naira					
Cash and cash equivalents	15	109,726,640	97,524,936	109,714,649	97,527,858
Restricted Deposit with CBN	15b	313,847,420	246,974,959	313,847,420	246,974,959
Pledged assets	16	83,723,119	27,454,662	83,723,119	27,454,662
Investment securities:					
Fair value through other comprehensive income	17a	5,455,873	56,580,275	5,456,873	56,581,275
Fair Value through profit or loss	17b	38,693,696	78,225,951	38,693,696	78,225,951
Held at amortised cost	17c	129,931,955	48,992,774	118,970,687	38,052,786
Loans and advances to customers	18	418,864,303	360,076,079	418,864,303	360,076,079
Investment properties	19	-	38,388	-	38,388
Right of Use	29	851,249	621,528	851,249	621,528
Property and equipment	20	22,418,542	21,517,323	22,418,542	21,517,323
Intangible assets	21	2,170,640	1,391,549	2,170,640	1,391,549
Other assets	23	34,305,993	21,883,615	34,305,993	21,883,615
Deferred tax assets	22	15,500,694	18,236,111	15,500,694	18,236,111
Total Assets		**1,175,490,124**	**979,518,151**	**1,164,517,865**	**968,582,084**
Deposits from banks	24	40,700,000	-	40,700,000	-
Deposits from customers	25	927,471,175	804,873,392	927,471,175	804,873,392
Lease Liabilities	29	26,879	22,875	26,879	22,875
Current tax liabilities	26	716,120	394,511	716,120	394,511
Other liabilities	27	63,697,672	41,562,148	63,637,778	41,522,098
Other borrowed funds	28	72,731,661	73,523,471	61,601,569	62,416,375
Total Liabilities		**1,105,343,507**	**920,376,397**	**1,094,153,521**	**909,229,251**
EQUITY					
Share capital	30	19,287,233	19,287,233	19,287,233	19,287,233
Share premium	30	8,698,230	8,698,230	8,698,230	8,698,230
Regulatory risk reserve		6,089,871	5,536,119	6,089,871	5,536,119
Retained earnings	30	11,023,900	7,103,647	11,241,627	7,314,727
Other reserves		25,047,383	18,516,524	25,047,383	18,516,524
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**70,146,617**	**59,141,754**	**70,364,344**	**59,352,833**
TOTAL LIABILITIES AND EQUITY		**1,175,490,124**	**979,518,151**	**1,164,517,865**	**968,582,084**
CONTINGENTS		**118,568,967**	**78,692,203**	**118,568,967**	**78,692,203**

The financial statements were authorized for issue by the directors on the 9th of March 2022 and signed on its behalf by:

Babatunde Kasali
Chairman
FRC/2017/ICAN/00000016973

Ademola Adebise
Managing Director
FRC/2013/ICAN/00000002115

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

The accompanying notes are an integral part of these consolidated and separate financial statements

Consolidated Statement of Changes in Equity

Group
In thousands of Nigerian naira (000s)

2021	Share Capital	Share premium	Credit risk reserve	Regulatory risk reserve	Statutory reserve	AGSMEIS reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2021	19,287,233	8,698,230	781,612	5,536,119	14,974,982	673,148	2,086,782	7,103,647	59,141,753
Dividend Payout	-	-	-	-	-	-	-	(1,542,978)	(1,542,978)
SMEIS Charge	-	-	-	-	-	229,611	-	(229,611)	**-**
Profit or loss	-	-	-	-	-	-	-	8,926,555	8,926,555
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments									**-**
Fair value reserve FVTOCI financial assets	-	-	-	-	-	-	3,621,287	-	**3,621,287**
Total comprehensive income for the period	**19,287,233**	**8,698,230**	**781,612**	**5,536,119**	**14,974,982**	**902,759**	**5,708,069**	**14,257,613**	**70,146,617**
									-
Transactions with owners, recorded directly in equity									**-**
Contributions by and distributions to owners									**-**
Regulatory risk reserve	-	-	-	553,752	-	-	-	(553,752)	**-**
Credit risk reserve	-	-	-	-	-	-	-	-	**-**
transfer to statutory reserves	-	-	-	-	2,679,961	-	-	(2,679,961)	**-**
Total contribution and distributions to owners	-	-	-	553,752	2,679,961	-	-	(3,233,713)	**-**
Balance as at 31 December 2021	**19,287,233**	**8,698,230**	**781,612**	**6,089,871**	**17,654,943**	**902,759**	**5,708,069**	**11,023,900**	**70,146,617**
2020									
Balance at 1 January 2020	**19,287,233**	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**526,908**	**1,437,590**	**3,254,018**	**55,160,607**
Dividend Payout	-	-	-	-	-		-	(1,542,979)	**(1,542,979)**
SMEIS Charge	-	-	-	-	-	146,240	-	151,313	**297,553**
Profit or loss	-	-	-	-	-	-	-	4,577,381	**4,577,381**
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments									-
Fair value reserve FVTOCI financial assets	-	-	-	-	-	-	649,192	-	649,192
Total comprehensive income for the period	**19,287,233**	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**673,148**	**2,086,782**	**6,439,733**	**59,141,754**
									-
Transactions with owners, recorded directly in equity									-
Contributions by and distributions to owners									-
Regulatory risk reserve				(2,041,579)				2,041,579	-
Credit risk reserve			-					-	
transfer to statutory reserves					1,377,665			(1,377,665)	-
Total contribution and distributions to owners	-	-	-	(2,041,579)	1,377,665	-	-	663,914	-
Balance at 31 December 2020	**19,287,233**	**8,698,230**	**781,612**	**5,536,119**	**14,974,982**	**673,148**	**2,086,782**	**7,103,647**	**59,141,754**

The accompanying notes are an integral part of these consolidated and separate financial statements

Separate statement of changes in equity

Bank
In thousands of Nigerian naira (000s)

2021	Share Capital	Share premium	Credit risk reserve	Regulatory risk reserve	Statutory reserve	AGSMEIS reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2021	**19,287,233**	**8,698,230**	**781,612**	**5,536,119**	**14,974,982**	**673,148**	**2,086,782**	**7,314,727**	**59,352,833**
Dividend Payout	-	-	-	-	-		-	(1,542,978)	**(1,542,978)**
SMEIS Charge	-	-	-	-	-	229,611	-	(229,611)	**-**
Profit or loss	-	-	-	-	-	-	-	8,933,202	**8,933,202**
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments	-	-	-	-	-	-	-	-	-
Fair value reserve FVTOCI financial assets	-	-	-	-	-	-	3,621,287	-	3,621,287
Total comprehensive income for the period	**19,287,233**	**8,698,230**	781,612	5,536,119	14,974,982	902,759	5,708,069	14,475,340	**70,364,344**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
Regulatory risk reserve	-	-	-	553,752	-	-	-	(553,752)	**-**
Credit risk reserve	-	-	-	-	-	-	-	-	**-**
transfer to statutory reserves	-	-	-	-	2,679,961	-	-	(2,679,961)	**-**
Total contribution and distributions to owners	-	-	-	553,752	2,679,961	-	-	(3,233,713)	**-**
Balance at 31 December 2021	**19,287,233**	**8,698,230**	**781,612**	**6,089,871**	**17,654,943**	**902,759**	**5,708,069**	**11,241,627**	**70,364,344**
2020									
Balance at 1 January 2020	**19,287,233**	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**526,908**	**1,437,590**	**3,450,262**	**55,356,851**
Dividend Payout	-	-	-	-	-	-	-	(1,542,979)	**(1,542,979)**
SMEIS Charge	-	-	-	-	-	146,240	-	151,313	**297,553**
Profit or loss	-	-	-	-	-	-	-	4,592,217	**4,592,217**
Other comprehensive income									
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments								-	
Fair value reserve FVTOCI financial assets	-	-	-	-	-	-	649,192	-	649,192
Total comprehensive income for the period	**19,287,233**	**8,698,230**	**781,612**	**7,577,698**	**13,597,317**	**673,148**	**2,086,782**	**6,650,813**	**59,352,833**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners	-	-	-	-	-	-	-		-
Regulatory risk reserve	-	-	-	(2,041,579)	-	-	-	2,041,579	-
Credit risk reserve	-	-	-	-	-	-	-		-
transfer to statutory reserves	-	-	-	-	1,377,665	-	-	(1,377,665)	-
									-
Total contribution and distributions to owners	-	-	-	(2,041,579)	1,377,665	-	-	663,914	-
Balance at 31 December 2020	**19,287,233**	**8,698,230**	**781,612**	**5,536,119**	**14,974,982**	**673,148**	**2,086,782**	**7,314,727**	**59,352,833**

The accompanying notes are an integral part of these consolidated and separate financial statements

Consolidated and Separate Statements of Cash Flow

		Group		Bank	
In thousands of Nigerian Naira	**Notes**	**31-Dec 2021**	**31-Dec 2020**	**31-Dec 2021**	**31-Dec 2020**
Cash flows from operating activities					
Profit for the year		8,926,555	4,577,381	8,933,202	4,592,217
Adjustments for:					
Taxation expense	26	3,450,940	1,354,306	3,450,940	1,354,306
Depreciation and amortization	13b	3,399,318	3,136,273	3,399,318	3,136,273
Adjustment for transfer out of PPE now expensed		-	(33)	-	(33)
(Gain)/Loss on disposal of property and equipment	10	(167,030)	(1,266,904)	(167,030)	(1,266,904)
Net interest income	36(xii)	(39,876,738)	(30,850,012)	(39,874,542)	(30,857,270)
Dividend received from equity investment	10	(168,873)	(67,315)	(168,873)	(67,315)
Impairment loss on financial assets	11	2,104,393	5,635,165	2,104,393	5,635,165
Right of Use – Payment during the year	29b	-	52,810	-	52,810
Operating cashflow before movement in working capital		(22,331,435)	(17,428,329)	(22,322,591)	(17,420,751)
Change in pledged assets	36(i)	(56,268,457)	(529,135)	(56,268,457)	(529,135)
Change in loans and advances to customers	36(ii)	(60,892,616)	(76,471,374)	(60,892,616)	(76,471,374)
Change in other assets	36(iii)	(12,422,378)	(17,003,826)	(12,422,378)	(17,003,826)
Change in deposits from banks	36(iv)	40,700,000	(3,638,400)	40,700,000	(3,638,400)
Change in restricted deposit with CBN	36(v)	(66,872,461)	(109,582,258)	(66,872,461)	(109,582,258)
Change in deposits from customers	36(vi)	122,597,783	227,589,923	122,597,783	227,589,923
Change in other liabilities	36(vii)	22,139,528	11,473,355	22,119,683	11,475,779
Cashflow generated by operations		(33,350,036)	14,409,956	(33,361,037)	14,419,958
Income tax paid	26.2	(393,914)	(905,364)	(393,914)	(905,364)
Interest received	36(xii)	74,798,291	64,552,522	73,302,888	63,046,722
Interest paid	36(viii)	(29,696,049)	(29,704,156)	(29,696,049)	(29,704,157)
Net cash from operating activities		**11,358,293**	**48,352,957**	**9,851,888**	**46,857,158**
Cash flows from investing activities					
Disposal/Acquisition of investment securities-At Amortised Cost	36(ix)	(80,929,175)	(5,849,850)	(80,907,896)	(5,817,826)
Disposal/Acquisition of investment securities-FVTOCI	36(x)	54,735,684	(54,137,540)	54,735,684	(54,137,540)
Change in FVTPL investments	36(xi)	39,532,256	26,938,332	39,532,256	26,938,332
Dividend received from equity investment	10	168,873	67,315	168,873	67,315
Acquisition of property and equipment	20	(3,783,054)	(3,707,336)	(3,783,054)	(3,707,336)
Proceeds from the sale of property and equipment	10	337,983	1,475,658	337,983	1,475,658
Payment of lease liability	29	(486,700)	(337,292)	(486,700)	(337,292)
Acquisition of intangible assets	21	(1,172,161)	(708,158)	(1,172,161)	(708,158)
Net cash(used in)/generated by investing activities		**8,403,706**	**(36,258,871)**	**8,424,986**	**(36,226,847)**
Cash flows from financing activities					
Proceed from borrowings	28b	3,261,495	26,765,784	3,261,495	26,726,669
Repayment of borrowings	28b	(4,207,506)	(2,753,221)	(4,230,502)	(2,753,221)
Effect of changes in exchange rate		154,201	740,601	154,201	740,601
Transfer To/From Reserves		-	297,553	-	297,553
Interest paid on borrowings	36(viii)	(5,225,504)	(3,998,354)	(3,732,297)	(2,485,295)
Dividend paid to shareholders		(1,542,978)	(1,542,979)	(1,542,978)	(1,542,979)
Right of Use – Payment during the year	29b	-	(52,810)	-	(52,810)
Net cash from financing activities		**(7,560,292)**	**19,456,575**	**(6,090,081)**	**20,930,518**
Net increase in cash and cash equivalents		12,201,706	31,550,662	12,186,792	31,560,830
Cash and cash equivalents at beginning of period		97,687,796	65,701,155	97,690,719	65,693,910
Effect of exchange rate changes on cash balances		(162,861)	273,118	(162,861)	273,118
Cash and cash equivalents at end of year	15	**109,726,641**	**97,524,935**	**109,714,650**	**97,527,858**

The accompanying notes are an integral part of these consolidated and separate financial statements

Notes to the financial statements

1. Reporting Entity

Wema Bank Plc (the "Bank") is a Company domiciled in Nigeria. The address of the Bank's registered office is 54 Marina, Lagos, Nigeria. The Bank is primarily involved in investment, corporate, commercial and retail banking. The bank has a wholly owned subsidiary which is WEMA Funding SPV Plc.
The consolidated and separate financial statements as at and for the year ended 31 December 2021 comprise the Bank and its subsidiary (together "the Group").

1.1 Going Concern

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

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

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

2. Basis of Preparation

(a) Statement of compliance

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

The financial statements comply with the requirements of the Companies and Allied Matters Act. The Banks and Other Financial Institutions Act 2020 and the Guidelines and Circulars issued by the Central Bank of Nigeria to the extent that they are not in conflict with the International Financial Reporting Standards and the Financial Reporting Council of Nigeria Act 2011.

The financial statements were authorized for issue by the Board of Directors on 9th of March 2021

(b) Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Bank’s functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

(c) Basis of measurement

The financial statements have been prepared under the historical cost convention except for the following:

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

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

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

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

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

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

(g) Determination of regulatory risk reserves

Provisions under Prudential Guidelines are determined using the time-based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the requirements of the International Financial Reporting Standards. As a result of the differences in the methodology/provision regime, there may be variances in the impairment allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans and other financial assets as prescribed in the relevant IFRS standards when IFRS is adopted. However, Banks would be required to comply with the following:

Provisions for loans and other financial assets recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS impairments should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in general reserves should be treated as follows:

- If Prudential provisions are greater than IFRS impairments, the resultant excess provision should be transferred from the retained earnings account to a "regulatory risk reserve".
- If Prudential provisions are less than IFRS impairments; IFRS determined impairments are charged to the income statement. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

The Bank has complied with the requirements of the Prudential Guidelines.

The Revised Central Bank of Nigeria (CBN) Prudential Guidelines require that if the IFRS based impairment is lower than the CBN Prudential Guidelines provisions, the extent of the difference should be recognised as regulatory risk reserve in the statement of changes in equity.

The reconciliation of the impairment based on relevant IFRS standards and CBN Prudential Guidelines provision is shown in the statement below:

Statement of Prudential Adjustments

	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Prudential Provisions:				
Loans and advances	22,398,425	21,921,475	22,398,425	21,921,475
Other financial assets	4,013,150	2,313,255	4,013,150	2,313,255
	26,411,576	**24,234,730**	**26,411,576**	**24,234,730**
Impairment assessment under IFRS:				
Loans and advances				
Specific allowance for impairment	-	-	-	-
Collective allowance for impairment	-	-	-	-
12-months ECL credit	5,366,908	8,768,264	5,366,908	8,768,264
Life-time ECL Not impaired	94,781	783,944	94,781	783,944
Life-time ECL credit impaired	11,225,979	5,411,370	11,225,979	5,411,370
	16,687,668	**14,963,578**	**16,687,668**	**14,963,578**
Investment securities				
12-months ECL	1,078,707	1,282,095	1,078,707	1,282,095
	1,078,707	**1,282,095**	**1,078,707**	**1,282,095**
Off balance sheet exposures				
12-months ECL (see note 27)	1,336,032	1,401,431	1,336,032	1,401,431
	1,336,032	**1,401,431**	**1,336,032**	**1,401,431**
Other financial assets				
specific allowance for impairment on other assets	-	-	-	-
12 months ECL Lifetime ECL	1,219,298	1,051,506	1,219,298	1,051,506
Other non-financial assets	-	-	-	-
	1,219,298	**1,051,506**	**1,219,298**	**1,051,506**
Total IFRS Impairment	**20,321,705**	**18,698,611**	**20,321,705**	**18,698,611**
Excess of Prudential impairment over IFRS impairment transferred to regulatory reserve	**6,089,871**	**5,536,119**	**6,089,871**	**5,536,119**

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

(i) Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7. In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The adoption of phase 2 of the Interbank Offer Rates (IBOR) reform did not lead to a change in the Bank's accounting policies and do not have any interest hedge accounting.

(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 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021);
c) There is no substantive change to other terms and conditions of the lease.

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

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

In the current year, the Group has applied the amendments below to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

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

The Standards which are amended are IFRS 16, IFRS 9, IAS 39, IFRS 7, IFRS 4, IAS 1, IAS 8.

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

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these consolidated (or separate) financial statements. Those Standards, Amendments to Standards and Interpretations which may be relevant to the Group (or Company) are set out below

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

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

- IFRS 17 Insurance Contracts
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 8 Definition of Accounting Estimates
- Amendments to IAS 12 Deferred Tax Related to Assets and Liabilities Arising from Single Transaction
- Amendments to IFRS 10 and IAS 28 Sales and Contribution of Assets between and Investor and its Associate or Joint Ventures
- Annual Improvements to IFRS Standards 2018–2020
- Disclosure of Accounting Polices (Amendments to IAS 1 and IFRS Practice Statement 2)

Except for those Standards, Amendments to Standards and Interpretations that are not applicable to the entity, all Standards, Amendments to Standards and Interpretations will be adopted at their effective date unless otherwise indicated, except as noted below:

IFRS 17 Insurance Contracts

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

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

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the

asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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

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

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

Amendments to IAS 8 – Definition of Accounting Estimates

Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. To clarify the interaction between an accounting policy and an accounting estimate, paragraph 32 of IAS 8 has been amended to state that: "An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy.

Disclosure of Accounting Polices (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
• requiring companies to disclose their material accounting policies rather than their significant accounting policies;
• clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

• clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;

The amendments are consistent with the refined definition of material: *"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements"*

The amendments are effective from 1 January 2023 and are not expected to have a material impact on the Group

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

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

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

IFRS 9 Financial Instruments

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

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

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

IFRS 16 Leases

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022.

IAS 41 Agriculture

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

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

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

3. Significant Accounting Policies

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

a). Business combination

Business Combination under common controls are accounted for in the consolidated accounts prospectively from the date the Bank obtains ownership interests. Assets and liabilities are recognized upon reconsolidation at their carrying amount in the consolidated financial statement of the Group. Any difference between the fair values of consideration paid and the amounts at which the assets and liabilities are recorded is recognized directly in equity reserve.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, “Business Combinations”, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants.

A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. For acquisitions meeting the definition of business, the acquisition method is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicated the need for an impairment. If the cost of acquisition is less than the fair value of the Group’s share of the net assets acquired, the difference is recognized directly in the consolidated income statement.

For acquisitions not meeting the definition of business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IFRS 9, “Financial instruments”; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

b). Foreign currency

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

c). Interest Income and Expense

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

d). Fees and commission

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

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

e). Net trading income

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

f). Dividend Income

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

g). Foreign exchange gains and losses

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

Specifically;

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

h). Lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in definition of a lease mainly relates to the concept of control.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and

• The right to direct the use of that asset.
The Group/Bank applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (where the Group is a lessee in the lease contract).
At inception or on reassessment of a contract that contains a lease component, the Group/Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single component.

The Bank as the Lessee

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

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

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

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

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

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

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

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

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

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

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

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

The Bank as the Lessor

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

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

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

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

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

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

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

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

I.) Taxation

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

(I) Current tax

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

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

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

(II) Finance Act 2021

In accordance with Finance Act 2021 applicable rate for Minimum Tax for 2022 Year of Assessment will is 0.25%.
The Act also increased Tertiary Education Tax from 2% to 2.5%.
Police Trust Fund is provided for at the rate of 0.005% of Net Profit and
Provision is also made for National Agency Science and Engineering Infrastructure Levy (NASENI) of 0.025% of PBT

(III) Deferred tax

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

Deferred tax is not recognised for:

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

Temporary differences in relation to a right-of -use asset and a lease liability for a specific lease regarded as a net package (the lease) for the purpose of recognizing deferred tax.

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

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

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

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

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

J.) Financial Instruments

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

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

I) Financial Assets

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

Classification of Financial Assets

Debt Instruments

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

- A debt instrument is measured at FVOCI only if it meets both of the following conditions:

The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Business Model Assessment

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

Solely payments of principal and interest

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

Equity instruments Designated as at FVTOCI

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

A financial asset is held for trading if:

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

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

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

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment
- That is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.
- In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly
- Reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Amortised cost and effective interest method

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

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

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

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

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

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

II) Impairment of financial assets

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

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

1. Significant increase in credit risk

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

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

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

- The risk of default on the exposure as at the reporting date; with the risk of default on the exposure as at the date of initial recognition
- Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.
- For certain revolving facilities (e.g. overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

Individual or collective assessment of significant increase in credit risk

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

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

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

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

2. Default

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

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

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

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

- Qualitative: e.g. Breach of covenants that are deemed as default events;
- Quantitative: e.g. 90 days overdue status and non-payment of another obligation of the same issuer to the group; and
- Based on internally and external objective evidence of impairment.

3. Credit-impaired financial assets

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

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

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

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

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

4. Write off Policy

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off and this is taken as a derecognition event. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. Additionally, the Bank also follows the CBN regulation regarding write-off of non-performing loans.

5. Measurement and recognition of expected credit losses

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

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

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

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

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

Reclassifications

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

Financial liabilities
Financial liabilities are not reclassified.

iii Modifications of financial assets and financial liabilities

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

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

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

b. Financial liabilities

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

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

iv Offsetting of financial assets

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

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

v Derecognition

- **Financial assets**

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

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

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

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

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

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

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

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

- **Financial liabilities**

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

vi Trading assets and liabilities

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

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

vii Derivative financial assets

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

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

viii Fair value measurement

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

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

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

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

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

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

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

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

ix Restructured financial assets

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

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows;
If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset is included in calculating the cash shortfalls from the existing asset.
If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

x Regulatory Probationary Period

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

However, where there is significant evidence of reduction in credit risk, the CBN requires banks to observe the following probationary periods;
90 days probationary period to move a loan from Lifetime ECL not credit impaired (stage 2) to 12 months ECL (stage 1)
90 days probationary period to move a loan from Lifetime ECL credit-impaired
(stage 3) to Lifetime ECL not impaired (stage 2) o 180 days probationary period to move a loan from Lifetime ECL credit-impaired (stage 3) to 12 months ECL (stage 1).

xi Financial liabilities

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

Deposits, debt securities issued and subordinated liabilities

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

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

k). Cash and cash equivalents

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

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

l). Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Bank holds some investment properties consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less accumulated depreciation and impairment losses in line with the cost model in IAS 40. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

m). Property and equipment

i. Recognition and measurement

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

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

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

ii Subsequent costs

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

iii Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

• Buildings	50 years
• Furniture and office equipment	5 years
• Computer equipment	5 years
• Motor vehicles	5 years
• Right of use of assets	Lower of lease term or the useful life for the specified class of item
• Work in progress	Not depreciated

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

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

iv. De-recognition

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

n). Intangible assets

Software

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

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

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

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

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

o) Impairment of non-financial assets

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

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

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

p) Deposits and subordinated liabilities

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

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

q) Provisions

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

i Restructuring

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

ii Onerous contracts

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

r) Financial guarantees

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

s) Employee benefits

i Defined contribution plans

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

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

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

The Group operates a funded, defined contribution pension scheme for employees in Nigeria. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit and loss account on an annual basis. The employee and the Group contribute 8% and 12.5% of basic salary, housing, luncheon and transport allowance respectively to each employee's retirement savings account maintained with their nominated Pension Fund Administrators in accordance with the Pension Reform Act 2014.

ii Termination benefits

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

iii Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

t) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystallise. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent assets are never recognised rather they are disclosed in the financial statements when an inflow of economic benefit is probable.

u) Share Capital and Reserves

(i) Share issue costs

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

(ii) Dividend on the Bank's ordinary shares

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

(iii) Share premium

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

(iv) 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.

(v) AGSMIEIS reserve

The SMIEIS 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 first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, The Banker's Committee at its 331st meeting held on the 9th February, 2017, approved the Agric-Business/Small and Medium Enterprises Scheme (AGSMEIS) to support the Federal Government's effort in promoting Agricultural Business/Small and Medium Enterprises (SMEs) as a vehicle for sustainable economic development and employment generation.

All Deposit Money Banks (DMBs) pursuant thereof, are hereby required to set aside and remit to the designated account domiciled in Central Bank of Nigeria (CBN), 5% of annual Profit After Tax (PAT) for equity investment in permissible activities as stipulated in the scheme guidelines.

(vi) Regulatory risk reserve

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

(vii) Retained earnings

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

(vii) Fair value reserve

Comprises fair value movements on equity instruments carried at FVOCI.

(viii) Credit risk reserve

Comprises of special reserve for certain credits outside impairment.

v) Earnings per share

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

w) Segment reporting

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

x) Non-current assets held for sale

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

y) Related party transactions

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

4. Key sources of estimation uncertainty

Allowances for credit losses

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

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

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

Determining fair values

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

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

Valuation of financial instruments

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

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

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

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

(i) Valuation of financial instruments

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

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

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

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

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

Valuation of financial instruments (cont'd)

In thousands of Naira

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Dec-21				
Treasury Bills	152,326,804	-	-	152,326,804
Investment Securities (Bonds)	11,892,584	4,396,258	-	16,288,842
Equity Securities	-	5,465,878	-	5,465,878
Pledged Assets	83,723,119	-	-	83,723,119
	247,942,507	**9,862,136**	**-**	**257,804,643**
Bank				
31-Dec-21				
Treasury Bills	152,326,804	-	-	152,326,804
Investment Securities (Bonds)	931,316	4,396,258		5,327,574
Equity Securities	-	5,466,878	-	5,466,878
Pledged Assets	83,723,119	-	-	83,723,119
	236,981,239	**9,863,136**	**-**	**246,844,375**
Group				
31-Dec-20				
Treasury Bills	161,572,989	-	-	161,572,989
Investment Securities (Bonds)	15,377,283	5,004,138		20,381,420
Equity Securities	-	1,844,591	-	1,844,591
Pledged Assets	27,454,662	-	-	27,454,662
	204,404,934	**6,848,729**	**-**	**211,253,663**
Bank				
31-Dec-20				
Treasury Bills	161,572,989	-	-	161,572,989
Investment Securities (Bonds)	4,437,295	5,004,138	-	9,441,432
Equity Securities	-	1,845,591	-	1,845,591
Pledged Assets	27,454,662	-	-	27,454,662
	193,464,946	**6,849,729**	**-**	**200,314,675**

Operating segments

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

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

Geographical segments

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

31-Dec-21					
Group					
Derived from external	**South- West**	**South- South**	**Abuja**	**Lagos**	**Total**
customers	20,392,066	7,165,908	4,060,849	62,013,660	93,632,483
Interest and similar expenses	(6,066,192)	(1,883,804)	(896,232)	(28,179,716)	(37,025,944)
Operating income	14,325,874	5,282,104	3,164,617	33,833,944	56,606,538
Operating expenses	(11,206,632)	(3,148,973)	(2,538,535)	(27,334,902)	(44,229,043)
Profit on ordinary activities before taxation	3,119,242	2,133,131	626,081	6,499,041	12,377,495
Income tax expense	(798,919)	(346,601)	(192,485)	(2,112,934)	(3,450,939)
Profit on ordinary activities after taxation	2,320,323	1,786,530	433,596	4,386,107	8,926,556
Assets and liabilities:					
Total assets	217,571,267	70,910,902	52,585,299	822,981,538	1,164,049,006
Total liabilities	(204,890,773)	(62,757,423)	(48,614,342)	(777,639,849)	(1,093,902,387)
Net Asset	12,680,494	8,153,479	3,970,957	45,341,689	70,146,619

31-Dec-21					
BANK					
Derived from external	**South- West**	**South- South**	**Abuja**	**Lagos**	**Total**
customers	20,392,066	7,165,908	4,060,849	60,518,256	92,137,079
Interest and similar expenses	(6,066,192)	(1,883,804)	(896,232)	(26,686,509)	(35,532,737)
Operating income	14,325,874	5,282,104	3,164,617	33,831,747	56,604,342
Operating expenses	(11,206,632)	(3,148,973)	(2,538,535)	(27,326,058)	(44,220,199)
Profit on ordinary activities before taxation	3,119,242	2,133,131	626,081	6,505,689	12,384,143
Income tax expense	(798,919)	(346,601)	(192,485)	(2,112,934)	(3,450,939)
Profit on ordinary activities after taxation	2,320,323	1,786,530	433,596	4,392,755	8,933,203
Assets and liabilities:					
Total assets	217,571,267	70,910,902	52,585,299	812,009,278	1,153,076,746
Total liabilities	(204,890,773)	(62,757,423)	(48,614,342)	(766,449,862)	(1,082,712,400)
Net Asset	12,680,494	8,153,479	3,970,957	45,559,416	70,364,346

	Group		**Bank**	
	12 Months	**12 Months**	**12 Months**	**12 Months**
In thousands of Nigerian Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
7 Interest income				
Cash and cash equivalents	2,870,287	3,405,659	2,870,287	3,405,659
Loans and advances to banks and customers	63,825,273	53,695,287	63,825,273	53,695,287
Investments securities	8,102,731	7,451,576	6,607,328	5,945,776
Total interest income	**74,798,291**	**64,552,522**	**73,302,888**	**63,046,722**

Included in interest income on loans and advances is modification loss of N600million for group and bank. It represents the changes in gross carrying amount of the financial asset from immediately before to immediately after modification. The modifications were as a result of regulator-induced incentive for loan customers to ameliorate the impact of COVID-19

Interest expense				
Deposits from banks	2,728,905	430,498	2,728,905	430,498
Interest expense on lease liabilities	-	-	-	-
Deposits from customers	26,967,144	29,273,659	26,967,144	29,273,659
Other borrowed funds	5,225,504	3,998,353	3,732,297	2,485,295
Total interest expense	**34,921,553**	**33,702,510**	**33,428,346**	**32,189,452**
Net interest income	**39,876,738**	**30,850,012**	**39,874,542**	**30,857,270**

8 Fees and commission income

	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Credit related fees	1,000,152	652,371	1,000,152	652,371
Account maintenance fees	2,101,761	1,246,621	2,101,761	1,246,621
Management fees	4,240,802	1,534,077	4,240,802	1,534,077
Fees on electronic products	2,635,079	2,606,787	2,635,079	2,606,787
Fees on financial guarantees	567,040	856,272	567,040	856,272
Other fees and charges	2,879,269	1,525,980	2,879,269	1,525,980
Total fee and commission income	**13,424,103**	**8,422,108**	**13,424,103**	**8,422,108**

9 Net trading income

Fixed income securities	9,461	25,879	9,461	25,879
Treasury bills	1,269,433	3,601,634	1,269,433	3,601,634
Foreign exchange trading (note 9.1)	277,205	312,518	277,205	312,518
Other gains	-	-	-	-
	1,556,099	**3,940,031**	**1,556,099**	**3,940,031**

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

	Group		Bank	
	12 Months	**12 Months**	**12 Months**	**12 Months**
10 Other income	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Dividends on equity securities	168,873	67,315	168,873	67,315
Gains on disposal of property and equipment	167,030	1,266,904	167,030	1,266,904
Rental income	40,019	48,643	40,019	48,643
Insurance claim received	50,000	63,262	50,000	63,262
Income on contingents	30,686	68,600	30,686	68,600
Income on deposit accounts	83,911	170,703	83,911	170,703
Digital Income	332,764	145,963	332,764	145,963
FX Revaluation	2,022,150	1,772,202	2,022,150	1,772,202
Swift transactions	93,101	157,913	93,101	157,913
Service charge	59,893	37,209	59,893	37,209
Advisory fees	27,527	82,071	27,527	82,071
Other recoveries	-	130,000	-	130,000
Others	220,704	277,038	220,704	131,075
	3,296,658	**4,287,823**	**3,296,658**	**4,141,860**

Impairment loss on financial/non-financial instruments

		Group		Bank	
		12 Months 31-Dec-21	12 Months 31-Dec-20	12 Months 31-Dec-21	12 Months 31-Dec-20
11	**Impairment loss on financial/non-financial instruments**				
	Impairment loss/(write back) on financial and non-financial instruments				
	Impairment charge on financial instruments				
	Total impairment charge on loans and advances	2,241,746	4,711,535	2,241,746	4,711,535
	Investment securities/Treasury bills	(86,988)	213,799	(86,988)	213,799
	Cash and cash equivalent	47,764	20,901	47,764	20,901
	Other non financial assets	8,152	189,809	8,152	189,809
	Impairment charge on non-financial instruments				
	Off balance sheet	(65,399)	633,050	(65,399)	633,050
	Recoveries on loans	(40,882)	(133,929)	(40,882)	(133,929)
	Total impairment charge on financial instruments	**2,104,393**	**5,635,165**	**2,104,393**	**5,635,165**
12	**Personnel expenses**				
	Wages and salaries	12,267,392	11,629,614	12,267,392	11,629,614
	Pension Contribution	1,022,584	588,349	1,022,584	588,349
	Contributions/Reversals to defined contribution plans	-	(360,000)	-	(360,000)
	Other staff costs	3,387,444	2,224,265	3,387,444	2,224,265
		16,677,420	**14,082,228**	**16,677,420**	**14,082,228**

Notes to the financial statements

Personnel expenses

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

	Group		Bank	
	31-Dec-21 Number	31-Dec-20 Number	31-Dec-21 Number	31-Dec-20 Number
Executive Directors	4	5	4	5
Management	22	66	22	66
Non-management	1,117	1,161	1,117	1,161
	1,143	**1,232**	**1,143**	**1,232**

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

	31-Dec-21 Number	31-Dec-20 Number	31-Dec-21 Number	31-Dec-20 Number
N2,370,001 - N2,380,000	-	-	-	-
N2,720,001 - N2,730,000	-	-	-	-
N3,060,001 - N5,070,000	7	7	7	7
N7,360,001 - N7,370,000	5	5	5	5

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

	31-Dec-21 Number	31-Dec-20 Number	31-Dec-21 Number	31-Dec-20 Number
N500,000 - N1,000,000	-	-	-	-
N1,490,001 - N2,500,000	15	5	15	5
N2,510,001 - N3,020,000	229	3	229	3
N3,240,001 - N3,750,000	172	245	172	245
N3,990,001 - N4,500,000	254	181	254	181
N4,710,001 - N5,220,000	10	271	10	271
N5,390,001 - N5,900,000	188	168	188	168
N5,990,001 - N6,600,000	132	116	132	116
N6,900,001 - N7,710,000	18	85	18	85
Above N7,710,000	259	158	259	158

12 Personnel expenses (cont'd)

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

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Executive compensation/fees	297,839	297,839	297,839	297,839
Other emoluments	178,446	142,790	178,446	142,790
	476,285	**440,629**	**476,285**	**440,629**
The directors' remuneration shown above includes:				
Chairman	8,366	6,266	8,366	6,266
Highest paid director	70,050	70,050	70,050	70,050

13a Other operating expenses

	Group		Bank	
	12 Months	12 Months	12 Months	12 Months
In thousands of Nigerian Naira	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Advertising and marketing	1,258,042	1,652,720	1,258,042	1,652,720
AMCON Levy (i)	5,291,832	3,999,690	5,291,832	3,999,690
Auditors' remuneration	103,000	150,000	98,000	140,000
Business Expenses	161,855	163,141	161,855	163,141
Cash movement expenses	435,891	515,382	435,891	515,382
Diesel Expenses	649,722	430,057	649,722	430,057
Directors Expenses	32,200	27,300	32,200	27,300
Directors' fees	76,946	37,162	76,946	37,162
Donations	723,782	228,977	723,782	228,977
Electricity	496,462	465,484	496,462	465,484
General administrative expenses	1,192,958	893,645	1,189,114	896,067
Legal expenses	318,663	313,939	318,663	313,939
Insurance	328,767	316,431	328,767	316,431
NDIC Premium	3,749,476	2,400,075	3,749,476	2,400,075
Other premises and maintenance costs	366,141	474,856	366,141	474,856
Printing and stationery	349,316	414,028	349,316	414,028
Other Professional fees	1,376,028	841,005	1,376,028	841,005
Digital Bank Professional fees (ii)	162,640	190,856	162,640	190,856
Repairs and maintenance	2,481,811	1,933,390	2,481,811	1,933,390
Security expenses	483,396	437,702	483,396	437,702
Service charge	1,930,543	933,525	1,930,543	933,525
SMS Expenses & Others	34,047	53,729	34,049	53,729
Statutory expenses	155,551	77,872	155,551	77,872
Technology and alternative channels	1,430,459	1,468,995	1,430,459	1,468,995
Transport & Communications	562,773	474,971	562,773	474,971
	24,152,302	**18,894,932**	**24,143,460**	**18,887,354**

13a Other operating expenses (cont'd)

i AMCON levy relates to contribution towards the fund set up by the Central Bank of Nigeria for the bailout of the banking sector. The cost is charged at 0.5% of the preceding year's total assets and contingent exposures.

This represents expenses incurred by the bank on electronic and digital platforms

ii. Included in professional fees for the year ended 31 December 2021 is N27.3m fees relating to non-audit services provided by KPMG Professional Services (2020: Not applicable as KPMG was not the Bank's auditor). The details of fees earned during the year are as follows:

Non- audit services	**Fees paid (₦'000)**
Board evaluation services	9,000
Banking customer survey insight	3,800
CRS compliance services	7,500
Data protection compliance audit	3,000
Stamp duty compliance review	4,000
Total non-audit services	27,300

	Group		**Bank**	
In thousands of Nigerian Naira	**12 Months 31-Dec-21**	**12 Months 31-Dec-20**	**12 Months 31-Dec-21**	**12 Months 31-Dec-20**
13b Depreciation and amortization				
Property and equipment	2,748,330	2,618,927	2,748,330	2,618,927
Right of use of assets	256,980	225,727	256,980	225,727
Investment property	939	942	939	942
Intangible assets	393,069	290,678	393,069	290,678
	3,399,318	**3,136,273**	**3,399,318**	**3,136,273**

14 Earnings per share

Basic and diluted earnings per share

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

The calculation of basic earnings per share as at 31 December 2021 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

In thousands	**Group**		**Bank**	
	12 Months 31-Dec-21	**12 Months 31-Dec-20**	**12 Months 31-Dec-21**	**12 Months 31-Dec-20**
Weighted average number of ordinary shares - basic; '000	38,574,466	38,574,466	38,574,466	38,574,466
Profit attributable to ordinary shareholders -basic				
Profit for the year attributable to equity holders of the Bank ₦'000	8,926,555	4,577,381	8,933,202	4,592,217
Earnings per share -basic (Kobo)	23.1	11.9	23.2	11.9

The Bank does not have any potentially dilutive shares. Consequently, basic and diluted earnings per share are the same.

Notes to the financial statements

	Group		Bank	
	12 Months	**12 Months**	**12 Months**	**12 Months**
15 Cash and cash equivalents	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
In thousands of Nigerian Naira				
Cash and balances with banks	58,699,020	25,829,497	58,687,029	25,832,418
Unrestricted balances with central bank	16,246,827	42,842,345	16,246,827	42,842,345
Money market placements	34,855,322	28,873,996	34,855,322	28,873,996
ECL Allowance	(74,529)	(20,901)	(74,529)	(20,901)
	109,726,640	**97,524,936**	**109,714,649**	**97,527,858**

15b Restricted Deposit with CBN

Mandatory reserve deposit is reported net of N12.82 billion (December 31, 2020: N17.07 billion) which relates to Differentiated Cash Reserve Requirement (DCRR) Scheme. Under the DCRR scheme, Deposit Money Banks (DMBs) interested in providing credit financing to Greenfield (New) and Brownfield (expansion) projects in the Real Sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects.

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

	Group		Bank	
	12 Months	**12 Months**	**12 Months**	**12 Months**
16 Pledged assets - Held at amortised cost	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
In thousands of Nigerian Naira				
Treasury bills (note 16.1)	57,476,435	4,473,801	57,476,435	4,473,801
Bonds (16.2)	26,246,684	22,980,861	26,246,684	22,980,861
	83,723,119	**27,454,662**	**83,723,119**	**27,454,662**

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

The Bonds are pledged as collateral for intervention credit granted to the Bank by the Bank of Industry and Development Bank of Nigeria for the purpose of refinancing existing loans to Small and Medium Scale Enterprises Scheme under secured borrowing with related liability of N13.05 billion (2020: N15.64 billion) as disclosed in note 28.

Notes to the financial statements

	In thousands of Nigerian Naira	Group 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-21	Bank 31-Dec-20
17	**Investment securities**	**174,081,524**	**183,799,001**	**163,121,256**	**172,860,013**
	Current	152,326,804	161,572,989	152,326,804	161,572,989
	Non-current	21,754,720	22,226,012	10,794,452	11,287,024
17a	**Investment securities measured at FVTOCI**				
	Treasury bills	-	54,735,684	-	54,735,684
	Equity (see note (i) below)	5,465,878	1,844,591	5,466,878	1,845,591
	ECL Allowance on FVTOCI Investments	(10,005)	(26,894)	(10,005)	(26,894)
		5,455,873	**56,553,381**	**5,456,873**	**56,554,381**
17b	**Investment securities measured at FVTPL**				
	Treasury Bills	**38,693,696**	**78,225,951**	**38,693,696**	**78,225,951**
17c	**Investment securities measured at amortised cost**				
	Treasury Bills	113,633,108	28,611,354	113,633,108	28,611,354
	FGN Bonds	11,892,584	15,377,283	931,316	4,437,295
	Other Bonds (see (ii) below)	5,400,435	6,265,331	5,400,435	6,265,331
	ECL Allowance - Investments at Amortised Cost	(994,172)	(1,234,299)	(994,172)	(1,234,299)
		129,931,955	**49,019,669**	**118,970,687**	**38,079,681**
(i)	**Equity**				
	Quoted Investments:	-	**-**	-	-
	Unquoted Investments:				
	Unified Payment Services Limited	7,474	7,474	7,474	7,474
	FMDQ	15,000	15,000	15,000	15,000
	Nigeria Inter-Bank Settlement System	47,482	47,482	47,482	47,482
	WEMA Funding SPV Plc (a)	-	-	1,000	1,000
	Fair value gain on (FVTOCI) financial assets (b)	5,395,922	1,774,635	5,395,922	1,774,635
		5,465,878	1,844,591	5,466,878	1,845,591
		5,465,878	**1,844,591**	**5,466,878**	**1,845,591**

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

(b) The breakdown of fair value gain on FVTOCI financial assets is as follows:

	Group		Bank	
In thousands of Nigerian Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Unified Payment Services Limited	582,360	375,431	582,360	375,431
FMDQ	1,104,302	298,093	1,104,302	298,093
Nigeria Inter-Bank Settlement System	3,709,260	1,101,111	3,709,260	1,101,111
FV gain on (FVTOCI) financial assets- See 17(c)(i) above	5,395,922	1,774,635	5,395,922	1,774,635

(c) Description of Valuation Methodology and inputs

Market Approach

We adopted the market multiples (guideline public companies and transaction) valuation approach in estimating the fair value of Wema's investment in the three entities. This methodology expounds that similar assets should sell for the same value or similar prices.
According to the standard, the fair value measurement of unquoted equity instruments under the market multiples approach consists of the following steps:

i **Identifying guideline public companies and transactions**.
The bank obtained a list of guideline public companies using the S&P Capital IQ platform.

Entities	**Approach**
Financial Market Dealers Quote	We have selected a universe of guideline public companies that operate in emerging markets within the Financial Exchange and Data Industry using the S&P Capital IQ platform.
Nigerian Inter-bank Settlement System	We have selected a universe of guideline public companies that operate in emerging markets within the payment processing services industry using the S&P Capital IQ platform.
Unified Payment Services	We have selected a universe of guideline public companies that operate in emerging markets within the data and outsourced services industry using the S&P Capital IQ platform.

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

iii. Applying the appropriate valuation multiple to the relevant performance measure of the investee to obtain an indicative fair value of the investee's equity value as at the valuation date.

iv. Making appropriate adjustments to ensure comparability between the unquoted equity instruments held by the Company and the equity instruments of the guideline public companies.

v. Making appropriate adjustments to the equity values obtained from the guideline public companies methodology to reflect the marketability of each company's shares and the ownership in the companies (majority or minority stake).

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

ADJUSTMENTS	
Marketability discount	We made adjustments to the guideline comparable companies and transactions to account for the lack of marketability of the firm's share. The discount of 21.07% applied is the average of 10% - 30%, sourced from the result of an industry survey of discounts and premiums typically applied to valuations in West Africa.
Minority discount	We made no adjustment for minority discounts in the guideline companies' methodology as the multiples are on a minority basis already.

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

Determine the indicative valuation ranges

In order to derive the applicable market multiple for the Company, we computed the harmonic mean, the mean and the median of the multiples from the guideline public companies.

17c Investment securities measured at amortised cost

Other bonds - these are held to maturity securities for state and corporate entities, stated at amortised cost as shown below:

	Group		**Bank**	
CORPORATE	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
I. 7YR: DANA Group Bond Series 1				
Opening balance	1,155,737	1,271,400	1,155,737	1,271,400
Movement in the year	(226,592)	(115,663)	(226,592)	(115,663)
Closing balance	929,145	1,155,737	929,145	1,155,737
STATE BONDS				
I. EKITI State Govt Bond Tranche 11				
Opening balance	1,005,360	198,649	1,005,360	198,649
Movement in the year	(143,620)	806,711	(143,620)	806,711
Closing balance	861,740	1,005,360	861,740	1,005,360
III. ONDO State Govt Bond				
Opening balance	4,104,234	232,641	4,104,234	232,641
Movement in the year	(494,684)	3,871,593	(494,684)	3,871,593
Closing balance	3,609,550	4,104,234	3,609,550	4,104,234
Total Other Bonds	**5,400,435**	**6,265,331**	**5,400,435**	**6,265,331**
ECL	(951,241)	(1,177,833)	(951,241)	(1,177,833)
	4,449,194	**5,087,498**	**4,449,194**	**5,087,498**

Notes to the financial statements

18 Loans and advances to customers at amortised cost

	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
In thousands of Nigeria Naira				
Overdrafts	37,665,992	33,802,861	37,665,992	33,802,861
Term Loans	391,517,198	335,699,322	391,517,198	335,699,322
Advances under finance lease	6,368,781	5,537,475	6,368,781	5,537,475
Gross loans and receivables	**435,551,971**	**375,039,658**	**435,551,971**	**375,039,658**
Less ECL allowances				
12-months ECL credit	(5,366,908)	(8,768,264)	(5,366,908)	(8,768,264)
Life-time ECL Not impaired	(94,781)	(783,944)	(94,781)	(783,944)
Life-time ECL credit impaired	(11,225,979)	(5,411,370)	(11,225,979)	(5,411,370)
	(16,687,668)	**(14,963,578)**	**(16,687,668)**	**(14,963,578)**
Net loans and advances to customers	**418,864,303**	**360,076,079**	**418,864,303**	**360,076,079**

31 December 2021	**Term loan**	**Overdrafts**	**Finance lease**	**Total**
Gross loans	391,517,198	37,665,992	6,368,781	435,551,971
12 months ECL loans and advances	(3,569,740)	(1,550,904)	(246,264)	(5,366,908)
Lifetime ECL not credit-impaired loans and advances	(61,825)	(32,956)	-	(94,781)
Lifetime ECL credit-impaired loans and advances	(7,937,608)	(3,233,274)	(55,097)	(11,225,979)
	379,948,025	**32,848,859**	**6,067,420**	**418,864,303**

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

In thousands of Nigerian Naira	Overdraft	Term Loan	Advances under finance lease	Totals
Balance as at 1 January 2021	**2,035,504**	**12,584,878**	**343,196**	**14,963,578**
12-months ECL credit	979,427	7,594,678	194,159	8,768,264
Life-time ECL Not impaired	45,307	737,487	1,150	783,944
Life-time ECL credit impaired	1,010,770	4,252,713	147,887	5,411,370
Amortised Cost Interest	1,798,065	-	37,457	1,835,522
ECL allowance during the year	1,496,114	730,951	14,681	2,241,746
Written off in the year as uncollectible	(512,549)	(1,705,774)	(93,973)	(2,312,296)
Amounts recovered during the year	-	(40,882)	-	(40,882)
Balance as at 31 December 2021	**4,817,134**	**11,569,173**	**301,361**	**16,687,668**
12-months ECL credit	1,550,904	3,569,740	246,264	5,366,908
Life-time ECL Not impaired	32,956	61,825	-	94,781
Life-time ECL credit impaired	3,233,274	7,937,608	55,097	11,225,979

Contingent Liabilities & Commitments:

	Group		**Bank**	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Guarantees and Indemnities	79,270,996	63,007,244	79,270,996	63,007,244
Bonds	8,846,615	3,146,415	8,846,615	3,146,415
Clean-Line Facilities& Irrevocable LCs	31,787,388	13,939,975	31,787,388	13,939,975
ECL	(1,336,032)	(1,401,431)	(1,336,032)	(1,401,431)
	118,568,967	**78,692,203**	**118,568,967**	**78,692,203**

19 Investment properties

In thousands of Nigeria Naira	Group 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-21	Bank 31-Dec-20
Cost				
Balance at 1 January 2021	47,079	47,079	47,079	47,079
Additions	-	-	-	-
Write -off	-	-	-	-
Disposals	(47,079)	-	(47,079)	-
Balance as at 31 December 2021	**-**	**47,079**	**-**	**47,079**
Accumulated depreciation and impairment				
Balance at 1 January 2021	*8,691*	*7,749*	*8,691*	*7,749*
Charge for the year	*939*	*942*	939	*942*
Write -off				
Disposals	(9,630)	-	(9,630)	-
Balance as at 31 December 2021	**-**	**8,691**	**-**	**8,691**
Cost	-	47,079	-	47,079
Accumulated depreciation	-	8,691	-	8,691
Net Book Value	**-**	**38,388**	**-**	**38,388**

Notes to the financial statements

20 Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2021	**1,590,773**	**16,758,481**	**9,142,777**	**3,422,270**	**11,369,720**	**190,660**	**42,474,680**
Additions		287,300	1,379,163	422,512	673,234	1,020,845	**3,783,054**
Disposals		(50,425)	(78,850)	(327,999)	(11,305)		**(468,580)**
Balance as at 31 December 2021	**1,590,773**	**16,995,356**	**10,443,090**	**3,516,783**	**12,031,649**	**1,211,505**	**45,789,155**
Accumulated depreciation and impairment							
Balance at 1 January 2021	-	5,179,558	6,417,656	1,892,322	7,467,821	-	**20,957,357**
Charge for the year	-	329,837	965,695	478,470	974,327	-	**2,748,330**
Disposals	-	(39,803)	(76,346)	(208,801)	(10,124)	-	**(335,074)**
Balance as at 31 December 2021	**-**	**5,469,592**	**7,307,005**	**2,161,991**	**8,432,024**	-	**23,370,613**
Carrying amounts							
Balance at 1 January 2021	**1,590,773**	**11,578,923**	**2,725,120**	**1,529,948**	**3,901,898**	**190,660**	**21,517,323**
Balance as at 31 December 2021	**1,590,773**	**11,525,764**	**3,136,085**	**1,354,791**	**3,599,624**	**1,211,505**	**22,418,542**

Property and equipment
Group / Bank

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

Notes to the financial statements

- There were no impairment losses on any class of property and equipment during the year (December 31, 2020: Nil)
- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2020: Nil).
- All property and equipment are non-current. None of the Bank's assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.
- There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2020: Nil)
- There were no capital commitments as at year end. (31 December 2020: Nil)

	Group		Bank	
In thousands of Nigerian Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
21 Intangible assets				
Cost				
Cost 1 January, 2021	5,502,221	4,794,063	5,502,221	4,794,063
Additions	1,172,161	708,158	1,172,161	708,158
Balance as at 31 December 2021	**6,674,382**	**5,502,221**	**6,674,382**	**5,502,221**
Amortization and impairment losses				
Cost 1 January, 2021	4,110,672	3,819,994	4,110,672	3,819,994
Amortization for the year	393,069	290,678	393,069	290,678
Balance as at 31 December 2021	**4,503,741**	**4,110,672**	**4,503,741**	**4,110,672**
Carrying amounts	**2,170,640**	**1,391,549**	**2,170,640**	**1,391,549**

- The intangible assets have got finite lives and are amortised over the higher of 5 years or the contractual licensing period. No impairment losses were recognised against intangible assets. .
- The authorised and contracted capital commitments as at the balance sheet date was nil (31 December 2020 nil).
- There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (31 December 2020: nil).
- There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2020: Nil)
- There were no capital commitments as at year end. (31 December 2020: Nil)

22 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to Reversal)/origination of temporary differences:

Deferred tax asset	**Group and Bank**	
In thousands of naira	**31-Dec-21**	**31-Dec-20**
Property and equipment	(4,498,357)	(2,998,901)
Lease liabilities	(109,743)	(98,433)
Impairment	2,361,188	1,690,549
Provisions	606,669	(394,169)
unrealised gains	(606,645)	(531,661)
carry forward loss	6,456,952	10,705,617
unutilised capital allowance	11,290,630	9,863,108
Deferred tax asset as at 31 December 2021/2020	**15,500,694**	**18,236,111**

Deferred taxes are calculated on temporary differences under the liability method using a statutory tax

Movements in temporary differences 1 January 2021 to 31 December 2021:

In thousands of Naira	**1-Jan-21**	**Recognized in profit or loss**	**31-Dec-21**
Property and equipment	(2,998,901)	(1,499,456)	(4,498,357)
Lease liabilities	(98,433)	(11,310)	(109,743)
Impairment	1,690,549	670,638	2,361,188
Provisions	(394,169)	1,000,838	606,669
unrealised gains	(531,661)	(74,984)	(606,645)
carry forward loss	10,705,617	(4,248,664)	6,456,952
unutilised capital allowance	9,863,108	1,427,522	11,290,630
Deferred tax asset as at 31 December 2021	**18,236,111**	**(2,735,417)**	**15,500,694**

There is an unrecognized Deferred Tax Asset of N2.54 billion relating to unutilized/carried forward tax losses during the year ended 31 December 2021 (2020: NIL)

Notes to the financial statements

In thousands of Nigerian Naira	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
23 Other assets				
Accounts receivables	13,367,358	7,487,207	13,367,358	7,487,207
Prepayments	927,929	837,197	927,929	837,197
Stock	478,767	352,347	478,767	352,347
Collaterised Placement	52,917	52,917	52,917	52,917
Clearing Balance	195,335	332,239	195,335	332,239
Fraud & Burglary	670,731	643,277	670,731	643,277
CBN Special Reserve (see 23.1 below)	10,677,214	10,677,214	10,677,214	10,677,214
AGSMEIS Investment with CBN	902,759	673,148	902,759	673,148
Receivable on E-business Channels	691,482	1,446,033	691,482	1,446,033
Other Settlements	7,050,536	-	7,050,536	-
Others	15,763	47,298	15,763	47,298
	35,030,791	22,548,877	35,030,791	22,548,877
Specific impairment on other assets	(724,798)	(665,262)	(724,798)	(665,262)
	34,305,993	**21,883,615**	**34,305,993**	**21,883,615**

Classified as:

Current	23,151,162	10,823,122	23,151,162	10,823,122
Non-current	11,879,629	11,725,755	11,879,629	11,725,755
	35,030,791	**22,548,877**	**35,030,791**	**22,548,877**

23.1 CBN Special Reserve

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

24 Deposits from banks

In thousands of Nigeria Naira	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Money market deposits	**40,700,000**	**-**	**40,700,000**	**-**

Deposits from customers

	Group		Bank	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Retail customers:				
Term deposits	112,531,039	89,281,376	112,531,039	89,281,376
Current deposits	27,929,504	29,286,032	27,929,504	29,286,032
Savings	152,328,228	120,103,127	152,328,228	120,103,127
Corporate customers:				
Term deposits	343,571,256	340,530,243	343,571,256	340,530,243
Current deposits	214,609,899	183,028,084	214,609,899	183,028,084
Others	76,501,249	42,644,530	76,501,249	42,644,530
	927,471,175	**804,873,392**	**927,471,175**	**804,873,392**

25b The maturity profile of customers' deposit is as follows:

	Group		Bank	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Under 3 months	642,985,826	558,209,008	642,985,826	558,209,008
3 - 6months	186,564,123	161,965,894	186,564,123	161,965,894
6 - 12months	64,884,092	56,017,258	64,884,092	56,017,258
Over 12months	33,037,134	28,681,232	33,037,134	28,681,232
	927,471,175	**804,873,392**	**927,471,175**	**804,873,392**

At 31 December 2021 N33.07billion (31 December 2020: N28.68billion) of deposits from customers are expected to be settled more than 12 months after the reporting date.

Notes to the financial statements

In thousands of Nigerian Naira	Group 31-Dec-21	31-Dec-20	Bank 31-Dec-21	31-Dec-20
26 Taxation				
26.1 Income tax expense				
Company income tax	405,135	199,524	405,135	199,524
Education Tax	140,378	22,086	140,378	22,086
NITDA Levy	122,237	59,465	122,237	59,465
Nigerian Police Trust Fund	586	297	586	297
Capital Gains Tax	16,227	113,139	16,227	113,139
NASENI	30,960	-	30,960	-
Current Income Tax expense	715,523	394,511	715,523	394,511
Deferred tax expenses	2,735,417	959,795	2,735,417	959,795
	3,450,940	1,354,306	3,450,940	1,354,306

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

	%	Group 31-Dec-21	%	31-Dec-20	%	Bank 31-Dec-21	%	31-Dec-20
Profit before tax from continuing operations		12,377,495		5,931,687		12,384,142		5,946,528
Adjustment for NITDA Levy		(122,237)		(59,465)		(122,237)		(59,465)
Profit after adjustment for NITDA Levy		12,255,258		5,872,222		12,261,905		5,887,063
Income tax using the tax rate	30%	3,678,572	30%	1,761,303	30%	3,678,090	30%	1,761,303
Non-deductible expenses	3%	379,167	0%	-	3%	379,167	0%	-
Tax exempt income	-23%	(2,799,520)	-14%	(801,211)	-23%	(2,799,038)	-14%	(801,211)
Origination and reversal of temporary differences	-9%	(1,062,499)	0%	-	-9%	(1,062,499)	0%	-
Unrecognised deferred tax asset	21%	2,539,697	0%	-	21%	2,539,697	0%	-
Minimum tax adjustment	0%	-	3%	199,524	0%	-	3%	199,524
Excess dividend tax	3%	405,135	0%	-	3%	405,135	0%	-
Tertiary education tax	1%	140,378	0%	22,086	1%	140,378	0%	22,086
NITDA levy	1%	122,237	1%	59,465	1%	122,237	1%	59,465
Police Trust Fund	0%	586	0%	-	0%	586	0%	-
Capital gains tax	0%	16,227	2%	113,139	0%	16,227	2%	113,139
NASENI	0%	30,960	0%		0%	30,960	0%	-
Tax expense	**28%**	**3,450,940**	**22%**	**1,354,306**	**28%**	**3,450,940**	**22%**	**1,354,306**

		Group		Bank	
		31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
26.2	**Current tax liabilities**				
	At 1 January	394,511	905,364	394,511	905,364
	Payment during the year	(393,914)	(905,364)	(393,914)	(905,364)
	Charge for the year	715,523	394,511	715,523	394,511
	Closing balance	**716,120**	**394,511**	**716,120**	**394,511**

The charge for taxation is based on the provision of the Company Income Tax Act 2020 as amended under the Finance Act 2020. Education Tax is based on 2.5% of the assessable profit for the year in accordance with the Education Tax Act 2020. NITDA levy is based on 1% of profit before tax in accordance with NITDA levy Act 2007.
NASENI Levy is computed based on 0.25% of Profit before tax.

27 Other liabilities

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Financial Liabilities				
Impairment on off balance sheet exposures	1,336,032	1,401,431	1,336,032	1,401,431
Staff Deductions	36,142	58,202	36,142	58,202
Provision for Others	30,730	62,663	30,730	62,663
Other current liabilities	91,541	130,293	31,647	90,243
Insurance Claim	99,399	71,890	99,399	71,890
Swift Payables	218,537	79,046	218,537	79,046
Western Union	2,997	3,430	2,997	3,430
Salary Suspense	17,369	26,931	17,369	26,931
Accounts payable	1,088,125	442,950	1,088,125	442,950
Electronic products payable	655,457	287,192	655,457	287,192
Certified cheques	1,214,283	2,195,972	1,214,283	2,195,972
Customer deposits for letters of credit	20,241,971	13,167,868	20,241,971	13,167,868
Discounting Line	25,837,365	18,831,877	25,837,365	18,831,877
Other Settlements	1,936,151	1,872,742	1,936,151	1,872,742
Remittances	10,129,871	2,160,396	10,129,871	2,160,396
	62,935,970	40,792,883	62,876,076	40,752,833
Non-Financial Liabilities				
Litigation claims provision (i)	494,500	386,244	494,500	386,244
Other payables	267,202	383,021	267,202	383,021
	63,697,672	**41,562,148**	**63,637,778**	**41,522,098**
Classified as:				
Current	59,459,113	37,050,485	59,399,219	37,010,434
Non-current	4,238,559	4,511,664	4,238,559	4,511,664

	63,697,672	**41,562,148**	**63,637,779**	**41,522,098**
(i) Movement in litigation claims provision				
Opening balance	386,244	328,571	386,244	328,571
Additions	108,256	189,809	108,256	189,809
Payment	-	(132,135)	-	(132,135)
	494,500	**386,244**	**494,500**	**386,244**

Notes to the financial statements

Notes to the financial statements

In thousands of Nigerian Naira	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
28 Other borrowed funds				
Due to BOI (see (i) below)	3,626,451	3,521,955	3,626,451	3,521,955
Osun Bailout Fund (see v below)	8,756,239	9,003,590	8,756,239	9,003,590
CBN Agric. loan (see ii below)	2,609,968	1,517,075	2,609,968	1,517,075
CBN MSMEDF (see iv below)	506,525	526,381	506,525	526,381
Wema SPV (see iv below)	24,758,018	24,749,414	13,627,926	13,642,318
Anchor Borrowers fund	3,137,555	3,137,555	3,137,555	3,137,555
National Housing Fund	59,301	73,137	59,301	73,137
Shelter Afrique (see vi below)	4,560,483	1,403,485	4,560,483	1,403,485
AFDB (see vii below)	3,156,092	4,404,490	3,156,092	4,404,490
DBN	9,418,708	12,115,397	9,418,708	12,115,397
AGSMEIS/RSSF	12,142,321	13,070,992	12,142,321	13,070,992
	72,731,661	**73,523,471**	**61,601,569**	**62,416,375**

Other borrowed funds (cont'd)

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

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

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

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

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

The Wema SPV of 2021: N24,758,018 (2020: N24,749,414,000) represents amortized cost of the fixed rate

Notes to the financial statements

unsecured bond issued by Wema Funding SPV Plc. The outstanding bond of N6,295,000,000 and N17,675,000,000 (principal) were issued on 12 October 2016 and 2018 respectively for a period of 7 years at 18.5% and 16.5% per annum with interest payable semi-annually and principal payable at maturity in October 2023 and 2025 respectively.

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

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

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

	Group		Bank	
28b	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
At 1 January	73,523,471	48,770,306	62,416,375	37,702,326
Additions	3,261,495	26,765,784	3,261,495	26,726,669
Changes in accrued interest	-	-	-	-
Effect of exchange rate changes [loss/(profit)]	154,201	740,601	154,201	740,601
Payments made	(4,207,506)	(2,753,220)	(4,230,502)	(2,753,220)
Closing balance	**72,731,661**	**73,523,471**	**61,601,569**	**62,416,375**

29. Right of use

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

	31-Dec-21	31-Dec-20
COST	**₦**	**₦**
At 1 January 2021	1,056,941	719,649
Additions	486,700	337,292
Terminated contracts		
Balance as at 31 December 2021	1,543,641	1,056,941
DEPRECIATION CHARGE		
At 1 January 2021	435,413	209,686
Charge for the period	256,980	225,727
Balance as at 31 December 2021	692,393	435,413
CARRYING AMOUNT		
As at 31 December, 2020	**621,528**	**509,963**
Balance as at 31 December 2021	**851,249**	**621,528**

Notes to the financial statements

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

b. **LEASE LIABILITY**	**31-Dec-21**	**31-Dec-20**
	N	**N**
At 1 January 2021	22,875	72,584
Addition during the year	-	-
Finance charge for the year	4,004	3,101
Payment during the year		(52,810)
Balance as at 31 December 2021	26,879	22,875

	Group		**Bank**	
In thousands of Nigerian Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
30 Share capital and Reserves				
(a) **The share capital comprises:**				
(i) Authorised -				
40,000,000 Ordinary shares (2020 - 40,000,000,000) Ordinary shares of 50k each (2020- 50k)	20,000,000	20,000,000	20,000,000	20,000,000
(ii) Issued and fully paid - 38,574,466,000 Ordinary shares (2020- 38,574,466,000) shares of 50k each (2020 - 50k)	**19,287,233**	**19,287,233**	**19,287,233**	**19,287,233**

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

Shareholders	**No of Ordinary Shares**	**% Holdings**
Strategic Shareholding	19,877,203,810	51.53
Directors Direct Shareholding	2,189,214,662	5.68
Government Shareholding	3,060,643,134	7.93
Staff Schemes	-	-
Free Float	13,447,404,475	34.86
Total	**38,574,466,081**	**100**

Strategic Shareholding

Name	**Holding**	
SW8 Invest Coy	5,745,816,867	14.90
Petrotrab Limited	3,295,880,000	8.54
Neemtree Limited	10,835,506,943	28.09
	19,877,203,810	**51.53**
	15,636,619,137	**40.54**

Notes to the financial statements

Directors Shareholding

Mr. Babatunde Kasali	-	0.00
Mr. Ademola Adebise	2,253,473	0.01
Mr. Chukwuemeka Obioha Obiagwu	231,250	0.00
Mrs. Ekong Ibiye Asime	-	0.00
Mrs. Omobosola Dideolu Ojo	-	0.00
Mr. Morufu Abiola Oseni	-	0.00
Mr. Oluwole Albert Ajimisinmi	6,170,996	0.02
Mr. Abubakar Lawal	428,917,143	1.11
Mrs. Abolanle Matel-Okoh	1,750,000,000	4.54
Mr. Akinleye Oluwole Stephen	1,641,800	0.00
	2,189,214,662	**5.68**
Government Shareholding		
Oyo State	414,000	0.00
Ogun State	666,670,000	1.73
Osun State	666,670,000	1.73
Ekiti State	-	0.00
FOUNTAIN	536,122,526	1.39
Odua Invest Coy	1,190,766,608	3.09
	3,060,643,134	**7.93**

Declaration:

Wema Bank Plc with a free float of 34.86% as at 31 Dec 2021, is complaint with The Nigerian Exchange's free float requirements for companies listed on the Main Board.

Reconstruction of the Bank's Share Capital

During the year, the Bank commenced a right sizing of the Bank's paid up share capital. The Bank's share capital of N19,287,233,041 (Nineteen Billion, Two Hundred and Eighty-Seven Million, Two Hundred and Thirty-Three Thousand, Forty-One Naira only) comprising of 38,574,466,082 (Thirty-Eight Billion, Five Hundred and Seventy-Four Million, Four Hundred and Sixty-Six Thousand, Eighty-Two) ordinary shares of a nominal value on N0.50 each was to be reconstructed at 33% of the current figure by way of a Scheme.

The resultant number of shares will be 12,858,155,360 (Twelve Billion, eight Hundred and Fifty-Eight Million, One Hundred and Fifty-Five Thousand, Three Hundred and Sixty) ordinary shares of N0.50 each.

Effectively, this means that the Bank's Paid -Up Capital will be reconstructed such that the sum of N6,429,077,680 (Six Billion, Four Hundred and Twenty-Nine Million, Seventy-Seven Thousand, Six Hundred and Eighty Naira Only) will be the Bank's Paid Up share Capital and 12,858,155,360 (Twelve Billion, Eight Hundred and Fifty-Eight Million, One Hundred and Fifty-Five Thousand, Three Hundred and Sixty) ordinary shares of N0.50k each will be retained as the issued ordinary shares attributable to Existing Shareholders of the Bank. The Reconstruction of the Bank's share capital had not been completed as at the reporting date.

B	**Share Premium**				
	At 1 January	8,698,230	8,698,230	8,698,230	8,698,230
	Capital Reduction (Note 30i)	-	-	-	-
	Closing balance	**8,698,230**	**8,698,230**	**8,698,230**	**8,698,230**

Statutory reserves

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

Fair value reserve

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

SMEIES Reserve

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

Retained earnings

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

	Group		Bank	
In thousands of Nigeria Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
At 1 January	7,103,647	3,254,018	7,314,728	3,450,263
Profit or loss	8,926,555	4,577,381	8,933,202	4,592,217
Opening balance adjustment		-	-	-
Transfer from Regulatory risk reserve	(553,752)	2,041,579	(553,752)	2,041,579
Transfer to Statutory Reserve	(2,679,960)	(1,377,665)	(2,679,961)	(1,377,665)
Dividend Paid to Shareholders	(1,542,978)	(1,542,979)	(1,542,978)	(1,542,979)
Transfer to Credit Risk Reserve	-	-	-	-
Regulatory charge to SMEIS	(229,611)	151,313	(229,611)	151,313
Closing balance	11,023,901	7,103,647	11,241,628	7,314,728

Regulatory risk reserve

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

Credit Risk Reserve

The credit risk reserve warehouses a special reserve in respect of Pan Ocean credit in line with Central Bank of Nigeria requirement on the facility in addition to the prudential provisions.

Other Reserves

	Group		Bank	
In thousands of Nigeria Naira	**31-Dec-21**	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Credit Risk reserve	781,612	781,612	781,612	781,612
Statutory Reserve	17,654,943	14,974,982	17,654,943	14,974,982
AGSMEIS Reserve	902,759	673,148	902,759	673,148
Fair Value Reserves	5,708,069	2,086,782	5,708,069	2086781.97
	25,047,383	**18,516,524**	**25,047,383**	**18,516,524**

31. Contingencies

(a) Litigation and claims

There are litigation claims against the Bank as at 31 December 2021 amounting to N8,001,705,835.00 (31 December 2020: N6,966,079,919.00 These litigations arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallise from these claims; other than as recognised in these financial statements.

Twenty (21) cases have been decided against the Bank, these are all being appeal at different levels.

Break down	No of Cases	Claim For	Claim Against	Total Provisions
Bank as Plaintiff	40	5,726,038,021	-	-
Bank as Defendant	221	25,077,153,404	8,001,705,835	494,500,644
Total	**261**	**30,803,191,425**	**8,001,705,835**	**494,500,644**

(b) Contingent liabilities and commitments

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

(c) Nature of instruments

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

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

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

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period or have no specific maturity but are cancellable by the lender subject to notice requirements.
Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

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

In thousands of Nigerian naira	Group Group 31-Dec-21	Group 31-Dec-20	Bank Bank 31-Dec-21	Bank 31-Dec-20
Contingent liabilities:				
Guarantees and indemnities	79,270,996	63,007,244	79,270,996	63,007,244
Bonds	8,846,615	3,146,415	8,846,615	3,146,415
Clean-line facilities & irrevocable letters of credit	31,787,388	13,939,976	31,787,388	13,939,976
ECL	(1,336,032)	(1,401,431)	(1,336,032)	(1,401,431)
Closing balance	**118,568,967**	**78,692,203**	**118,568,967**	**78,692,203**

The following tables show reconciliations from the opening to the closing balance of the loss allowance on off balance sheet exposures.

In thousands of Nigerian naira	GROUP AND BANK - December 2021			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Off Balance sheet exposures				
Balance at 1 January 2021	1,401,431	-	-	**1,401,431**
Net re-measurement of loan loss allowance (see note 11)	(65,399)	-	-	**(65,399)**
Closing Balance	**1,336,032**	**-**	**-**	**1,336,032**
Gross Amount	**119,904,998**	-	-	**119,904,998**

In thousands of Nigerian naira	GROUP AND BANK - December 2020			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Off Balance sheet exposures				
Balance at 1 January 2020	768,381	-	-	**768,381**
Net re-measurement of loan loss allowance (see note 11)	633,050	-	-	**633,050**
Closing Balance	**1,401,431**	**-**	**-**	**1,401,431**

Gross Amount	**78,692,203**	-	-	**78,692,203**

Disclosure

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

32. Related party transactions

Transactions with key management personnel

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

Key management compensation

	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
Short term benefits	476,284	440,629	476,284	440,629
Post employment benefits	218,400	-	218,400	-
Fees and sitting allowances	76,946	37,162	76,946	37,162
	771,630	477,791	771,630	477,791

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

Loans and advances:

	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
At 1 January	2,821,578	5,275,664	2,821,578	5,275,664
Granted during the year	482,508	1,285,520	482,508	1,285,520
Repayments during the year	(1,967,958)	(3,739,606)	(1,967,958)	(3,739,606)
At 31 December	**1,336,128**	**2,821,578**	**1,336,128**	**2,821,578**
Interest earned	231,122	352,697	231,122	352,697
Deposit Liabilities				
Deposit	**372,233**	**438,354**	**372,233**	**438,354**

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate, equities and other assets of the respective borrowers. Impairment losses of ₦30,010,836.65 (2020 - ₦88,176,424.00) have been recorded against balances outstanding during the period with key management personnel and their immediate relatives at the year end.

Notes to The Financial Statements

Related party transactions

Transactions with other related parties		**Loans**	**Deposit**	**Interest Receive**	**Interest Paid**
31-Dec-21	**Relationship**	**N'Million**	**N'Million**	**N'Million**	**N'Million**
Diamed Centre Limited	Related Company to a Mgt. Staff	96	12	32	0
Solomon Kesinton Agro Allied Ltd	Related Company to a Mgt. Staff	118		12	0
WemaBod Limited	Related Company to a Mgt. Staff	375	19	37	0

Transactions with other related parties		**Loans**	**Deposit**	**Interest Receive**	**Interest Paid**
31-Dec-20	**Relationship**	**N'Million**	**N'Million**	**N'Million**	**N'Million**
Folly-Yem Allied Services Limited	Related Company to a Mgt. Staff	81	13	10	0
Oladiran Engineering and Trade Ltd	Related to a Principal Shareholder	98	0	12	0
Petrolex Oil & Gas Limited	Related to a Principal Shareholder	295	64	37	1
Solomon kesinton Agro Allied Ltd	Related to a Principal Shareholder	474	1	59	0
WemaBod Estates Limited	Related to a Principal Shareholder	554	3	69	0
Diamed Centre Limited	Related to a Principal Shareholder	517	2	65	0

SIGNIFICANT SHAREHOLDERS AND THEIR RELATED INTERESTS AS AT 31 DEC, 2021						
S/N	**ACCT_NAME**	**FACILITY TYPE**	**RELATIONSHIP**	**DIRECTOR'S NAME**	**AMORTISED COST BALANCE**	**LOAN STATUS**
1	ADEBISE ABIMBOLA ADEMOLA	TERM LOAN	SERVING DIRECTOR	ADEMOLA ABIMBOLA ADEBISE	786.36	PERFORMING
2	ADEMOLA ABIMBOLA ADEBISE	TERM LOAN	SERVING DIRECTOR	ADEMOLA ABIMBOLA ADEBISE	233,502,699.81	PERFORMING
3	DIAMED CENTRE LIMITED	TERM LOAN	SERVING DIRECTOR	KESSINGTON ADEBUTU	95,551,212.85	PERFORMING
4	DUROJAYE SAMUEL OLADIPUPO	OVERDRAFT	SERVING DIRECTOR	SAMUEL DUROJAIYE	4,742,951.64	PERFORMING
5	MORUF ABIOLA OSENI	TERM LOAN	SERVING DIRECTOR	MORUF OSENI	171,007,184.77	PERFORMING
6	OLADIPUPO OLATUNDE ADEBUTU	TERM LOAN	RELATED OBLIGOR TO A SIGNIFICANT SHAREHOLDER	KESSINGTON ADEBUTU	117,192,044.88	PERFORMING
7	OLADIPUPO OLATUNDE ADEBUTU	OVERDRAFT	RELATED OBLIGOR TO A SIGNIFICANT SHAREHOLDER	KESSINGTON ADEBUTU	5,972,847.10	PERFORMING
8	OLANIPEKUN OREKOYA ADEBUTU	EQUIPMENT LEASE	RELATED OBLIGOR TO A SIGNIFICANT SHAREHOLDER	KESSINGTON ADEBUTU	17,849,680.26	PERFORMING
9	OLANIPEKUN OREKOYA ADEBUTU	EQUIPMENT LEASE	RELATED OBLIGOR TO A SIGNIFICANT SHAREHOLDER	KESSINGTON ADEBUTU	72,679,048.01	PERFORMING
10	OLUWOLE ALBERT AJIMISINMI	OVERDRAFT	SERVING DIRECTOR	OLUWOLE AJIMISINMI	93.95	PERFORMING
11	OLUWOLE ALBERT AJIMISINMI	TERM LOAN	SERVING DIRECTOR	OLUWOLE AJIMISINMI	185,728,361.58	PERFORMING
12	OLUWOLE STEPHEN AKINLEYE	OVERDRAFT	SERVING DIRECTOR	OLUWOLE AKINLEYE	87,253.85	PERFORMING
13	OLUWOLE STEPHEN AKINLEYE	TERM LOAN	SERVING DIRECTOR	OLUWOLE AKINLEYE	174,524,908.87	PERFORMING
14	SAMUEL OLADIPUPO DUROJAYE	OVERDRAFT	SERVING DIRECTOR	SAMUEL DUROJAIYE	317,906.69	PERFORMING
15	SOLOMON KESINTON AGRO ALLIED LTD	TERM LOAN	RELATED OBLIGOR TO A SIGNIFICANT SHAREHOLDER	KESSINGTON ADEBUTU	117,462,084.05	PERFORMING
16	WEMABOD LIMITED	TERM LOAN	RELATED COY TO A SIGNIFICANT SHAREHOLDER	ODUA GROUP	374,563,303.62	PERFORMING
					1,571,182,368.29	

Loans granted to related parties are secured over real estate and other assets of the respective borrowers and all loans are performing.
No lifetime impairment has been recognized in respect of loans granted to related parties and the carrying amount of the insider related loans as at December 31, 2021 totaled N1.52 billion.

33. Contraventions

The bank contravened the following legislations during the year and paid penalties to the tune of N124,000,000:

In thousands of Nigeria Naira	
Nature of contravention	**Penalties**
Penalty for employing 2 staff without clearance	4,000
Penalty for contravening extant FX regulation on betting	10,000
Spot Check on employment without prior approval	10,000
Penalty for contravening CBN circular on cryptocurrency	100,000
Total penalties	**124,000**

34. Events after reporting period

During the year, the Bank embarked on Capital reconstruction exercise, this was approved by SEC subsequent to December 31, 2021.

35. Dividend per share

	Group		Bank	
	31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
Proposed Dividend per share (₦)	0.08*	0.04	0.08*	0.04
Dividend proposed (₦'000)	3,085,957	1,542,978	3,085,957	1,542,978
Number of shares in issue and ranking for dividend (₦'000)	38,574,466	38,574,466	38,574,466	38,574,466
Dividend paid per share (₦)	0.04	0.04	0.04	0.04
Dividend paid during the year (₦'000)	1,542,978	1,542,978	1,542,978	1,542,978

** Proposed dividend per share of 8kobo per share is based on the number of shares existing as at 31 December 2021. Subsequent to year end, the Bank obtained all regulatory approvals relating to the share capital reconstruction as disclosed in Note 30. The implication of this is that the proposed dividend per share of 8kobo per share would translate to 24kobo per share as its number of shares would have reduced from 38,574,466,082 units as at 31 December 2021 to 12,858,155,360 units while the amount of dividend declared remains the same. The Dividend declared is subject to shareholders' ratification at the next Annual General Meeting of the Bank.*

Pursuant to the powers conferred on them by Section 426 of the Companies and Allied Matters Act, 2020, the Directors shall propose a dividend of 8 kobo per share in compliance with all regulatory requirements.

This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at December 31, 2021 and December 31, 2020 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

36. Reconciliation of changes in working capital

Reconciliation of the movement in assets and liabilities for the purpose of the statement of cashflows is as follows:

	In thousands of Nigerian Naira	Group		Bank	
		31-Dec-21	**31-Dec-20**	**31-Dec-21**	**31-Dec-20**
(i)	Pledged assets				
	As at January 1	27,454,662	26,925,527	27,454,662	26,925,527
	Closing Balance	(83,723,119)	(27,454,662)	(83,723,119)	(27,454,662)
	Cash flow movement	**(56,268,457)**	**(529,135)**	**(56,268,457)**	**(529,135)**
(ii)	Loans and advances to customers				
	Changes in Loans and Advances	(58,788,224)	(70,836,209)	(58,788,224)	(70,836,209)
	ECL allowance	(2,104,393)	(5,635,165)	(2,104,393)	(5,635,165)
	Cash flow movement	**(60,892,616)**	**(76,471,374)**	**(60,892,616)**	**(76,471,374)**
(iii)	Other assets				
	As at January 1	21,883,615	4,879,789	21,883,615	4,879,789
	Closing Balance	(34,305,993)	(21,883,615)	(34,305,993)	(21,883,615)
	Cash flow movement	**(12,422,378)**	**(17,003,826)**	**(12,422,378)**	**(17,003,826)**
(iv)	Deposit from banks				
	As at January 1	-	(3,638,400)	-	(3,638,400)
	Closing Balance	(40,700,000)	-	(40,700,000)	-
	Cash flow movement	**(40,700,000)**	**(3,638,400)**	**40,700,000**	**(3,638,400)**
(v)	Restricted deposit with CBN				
	As at January 1	246,974,959	137,392,701	246,974,959	137,392,701
	Closing Balance	(313,847,420)	(246,974,959)	(313,847,420)	(246,974,959)
	Cash flow movement	**(66,872,461)**	**(109,582,258)**	**(66,872,461)**	**(109,582,258)**
(vi)	Deposits from customers				
	As at January 1	804,873,392	577,283,469	804,873,392	577,283,469
	Closing Balance	(927,471,175)	(804,873,392)	(927,471,175)	(804,873,392)
	Cash flow movement	**(122,597,783)**	**(227,589,923)**	**(122,597,783)**	**(227,589,923)**
(vii)	Other Liabilities				
	Movement in other liabilities	22,135,524	11,525,488	22,115,679	11,525,488
	Movement in lease liabilities	4,004	(49,709)	4,004	(49,709)

	Cash flow movement	**22,139,528**	**11,475,779**	**22,119,683**	**11,475,779**
(viii)	Interest Paid				
	Interest expense on deposits	(29,696,048)	(29,704,157)	(29,696,048)	(29,704,157)
	Interest paid on borrowings	(5,225,504)	(3,998,354)	(3,732,297)	(2,485,295)
	Total Interest	**(34,921,552)**	**(33,702,510)**	**(33,428,345)**	**(32,189,452)**
(ix)	Investment securities-At Amortised Cost				
	As at January 1	48,992,774	43,142,925	38,052,786	32,234,960
	Closing Balance	(129,921,950)	(48,992,774)	(118,960,682)	(38,052,786)
	Cash flow movement	**(80,929,175)**	**(5,849,850)**	**(80,907,896)**	**(5,817,826)**
(x)	Investment securities-FVTOCI				
	Fair value reserve FVTOCI financial assets	3,621,287	649,192	3,621,287	649,192
	Movement in Fair value through OCI	51,114,397	(54,786,732)	51,114,397	(54,786,732)
		54,735,684	**(54,137,540)**	**54,735,684**	**(54,137,540)**
(xi)	Fair Value through profit or loss				
	As at January 1	78,225,951	105,164,284	78,225,951	105,164,284
	Closing Balance	(38,693,696)	(78,225,951)	(38,693,696)	(78,225,951)
	Cash flow movement	**39,532,256**	**26,938,332**	**39,532,256**	**26,938,332**
(xii)	Net Interest Income				
	Total interest income	74,798,291	64,552,522	73,302,888	63,046,722
	Total interest expense	34,921,552	33,702,510	33,428,345	32,189,451
		39,876,739	**30,850,012**	**39,874,542**	**30,857,271**

Risk Overview

Enterprise Risk Management

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

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

Introduction

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

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

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

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

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

Risk management framework and governance

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

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

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

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

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

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

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

Balancing Risk and Return

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

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

- Understand the nature of the risks we are taking and the range of possible outcomes under various scenarios
- Understand the capital required to assume these risks
- Understand the range of returns that we can earn on the capital allocated to these risks; and
- Attempt to optimize the risk-adjusted return on investments
- Our objective of balancing risk returns, and capital has led us to enhance substantially our risk management methodologies, to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve a desired outcome.
- Enterprise-wide scenario and stress testing

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

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

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

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

Enterprise risk management report

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

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

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

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

The various risk management related committees and sub committees of the Board and Management improved substantially in the discharge of their statutory and oversight functions. The committees include:
the Board Risk Management Committee (BRMC);

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

Credit Risk Management

Overview

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

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

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

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

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

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

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

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

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

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

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

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

To achieve these objectives, the Bank does the following:

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

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

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

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

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

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

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

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

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

Matching risk and return

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

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

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

Independent verification

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

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

Complying with government regulations

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

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

Credit risk policy

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

Target market & client focus

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

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

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

Credit concentration risk

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

Below is the table of the geographical concentration risk:

Region	Amortised Cost	Concentration	Impairment Allowance	Net Loans
	N'000		N'000	N'000
Lagos	334,629,420	76.83%	14,047,170	320,582,250
South-West	59,659,255	13.70%	2,040,111	57,619,145
South-South	22,631,928	5.20%	439,635	22,192,292
North	17,845,381	4.10%	156,524	17,688,857
South-East	785,987	0.18%	4,228	781,759
Grand Total	**435,551,971**	**100%**	**16,687,668**	**418,864,303**

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

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

Gross Loans and Advances To Customers And The Non-Performing Loan Portion Per Industry Sector As At December 31, 2021

In millions of Naira	Group				Bank			
	Loans and advances to customers				Loans and advances to customers			
SECTORS	Gross Loans	Impairment Allowance	NPL	Carrying Amount	Gross Loans	Impairment Allowance	NPL	Carrying Amount
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	924,880	10,889	17,815	913,991	924,880	10,889	17,815	913,991
AGRICULTURE, FORESTRY AND FISHING	20,659,284	297,045	192,920	20,362,239	20,659,284	297,045	192,920	20,362,239
ARTS, ENTERTAINMENT AND RECREATION	1,460,881	1,464	0	1,459,417	1,460,881	1,464	0	1,459,417
CAPITAL MARKET	89,258	160	0	89,099	89,258	160	0	89,099
CONSTRUCTION	41,810,267	127,469	779,044	41,682,798	41,810,267	127,469	779,044	41,682,798
EDUCATION	5,706,614	90,915	287,714	5,615,698	5,706,614	90,915	287,714	5,615,698
FINANCE AND INSURANCE	10,705,814	312,008	427,397	10,393,807	10,705,814	312,008	427,397	10,393,807
GENERAL	75,135,823	4,023,777	6,909,630	71,112,046	75,135,823	4,023,777	6,909,630	71,112,046
GENERAL COMMERCE	79,620,874	7,958,221	7,206,395	71,662,653	79,620,874	7,958,221	7,206,395	71,662,653
GOVERNMENT	26,484,944	356,838	40,740	26,128,106	26,484,944	356,838	40,740	26,128,106
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	5,577,661	9,952	0	5,567,709	5,577,661	9,952	0	5,567,709
INFORMATION AND COMMUNICATION	2,342,702	4,555	27,163	2,338,147	2,342,702	4,555	27,163	2,338,147
MANUFACTURING	46,735,310	53,588	1,516,019	46,681,722	46,735,310	53,588	1,516,019	46,681,722
OIL AND GAS	56,120,220	297,412	191,839	55,822,808	56,120,220	297,412	191,839	55,822,808
POWER AND ENERGY	6,697,800	123,624	0	6,574,177	6,697,800	123,624	0	6,574,177
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	13,018,312	488,683	426,546	12,529,629	13,018,312	488,683	426,546	12,529,629
REAL ESTATE ACTIVITIES	14,662,855	14,666	67,879	14,648,189	14,662,855	14,666	67,879	14,648,189
TRANSPORTATION AND STORAGE	27,045,116	2,515,532	3,172,220	24,529,584	27,045,116	2,515,532	3,172,220	24,529,584
WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL	753,355	872	15	752,483	753,355	872	15	752,483
Grand Total	**435,551,971**	**16,687,668**	**21,263,336**	**418,864,303**	**435,551,971**	**16,687,668**	**21,263,336**	**418,864,303**

Notes to the financial statements Credit concentration risk (cont'd)

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

In millions of Naira	Group				Bank			
	Loans and advances to customers				Loans and advances to customers			
SECTORS	**Gross Loans**	**Impairment Allowance**	**NPL**	**Carrying Amount**	**Gross Loans**	**Impairment Allowance**	**NPL**	**Carrying Amount**
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	221,805	11,366	17,770	210,439	221,805	11,366	17,770	210,439
AGRICULTURE, FORESTRY AND FISHING	10,948,058	91,680	752,883	10,856,379	10,948,058	91,680	752,883	10,856,379
ARTS, ENTERTAINMENT AND RECREATION	1,478,147	17,936	-	1,460,211	1,478,147	17,936	-	1,460,211
CAPITAL MARKET	217,322	-	-	217,322	217,322	-	-	217,322
CONSTRUCTION	45,467,557	959,270	332,084	44,508,286	45,467,557	959,270	332,084	44,508,286
EDUCATION	7,274,431	349,248	68,577	6,925,184	7,274,431	349,248	68,577	6,925,184
FINANCE AND INSURANCE	2,345,643	112,818	82,318	2,232,825	2,345,643	112,818	82,318	2,232,825
GENERAL	52,307,012	6,250,866	4,774,716	46,056,146	52,307,012	6,250,866	4,774,716	46,056,146
GENERAL COMMERCE	61,244,362	4,945,380	6,881,392	56,298,983	61,244,362	4,945,380	6,881,392	56,298,983
GOVERNMENT	23,789,067	46,910	25,747	23,742,157	23,789,067	46,910	25,747	23,742,157
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	6,177,583	127,432	183,125	6,050,151	6,177,583	127,432	183,125	6,050,151
INFORMATION AND COMMUNICATION	878,821	21,104	20,430	857,717	878,821	21,104	20,430	857,717
MANUFACTURING	29,150,905	127,716	1,634,932	29,023,188	29,150,905	127,716	1,634,932	29,023,188
OIL AND GAS	60,511,143	180,563	98,361	60,330,579	60,511,143	180,563	98,361	60,330,579
POWER AND ENERGY	14,449,499	58,337	-	14,391,162	14,449,499	58,337	-	14,391,162
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	10,132,338	228,212	787,051	9,904,125	10,132,338	228,212	787,051	9,904,125
REAL ESTATE ACTIVITIES	26,065,909	384,608	80	25,681,301	26,065,909	384,608	80	25,681,301
TRANSPORTATION AND STORAGE	21,674,741	997,691	1,461,215	20,677,050	21,674,741	997,691	1,461,215	20,677,050
WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL	705,316	52,442	477,622	652,874	705,316	52,442	477,622	652,874
Grand Total	**375,039,658**	**14,963,578**	**17,598,302**	**360,076,079**	**375,039,658**	**14,963,578**	**17,598,302**	**360,076,079**

Responsibilities of Business and Credit Risk Management

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

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

Credit process

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

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

Credit risk rating policy

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

Risk rating methodology and process

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

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

1. Measuring the riskiness of the total portfolio of loans (for instance a weighted average).
2. Monitoring the trend in the quality of loans (for instance from January to December average risk rating fell 2 points from A to BBB).

3. Establishing guidelines for Risk Based Pricing (e.g. Rating A may be priced as prime while Rating C may be priced at prime + 3%).

4. Providing performance measures (for instance, recognition could be given to the team with the lowest average risk rating).

5. Providing criteria for taking action on loans (for instance all loans of risk rating CCC will be mentioned at MCC to ensure they do not deteriorate further).

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

Credit risk rating models in Wema Bank

The following are the credit risk rating models deployed by the Bank. Obligor Risk Rating Models have been developed for:

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

Facility Risk Rating Models have been developed for:

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

Credit approval and lending authorities

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

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

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

Authority level	Approval limit
Board	Above N3.5 billion
Board Credit Committee	N3.5 billion
Management Credit Committee	N1 billion

Managing Director	N360 million
Other Approving Authorities	As approved & delegated by the Managing Director

Some other specific control and mitigation measures are outlined below:

Collateral
In line with the Bank's credit policy, security is taken for all credits granted. In order to ensure adequacy of collateral in the event of default of principal loan and interest, the Bank's policy requires a minimum of 150% of the Forced Sale Value (FSV) of all non-cash collateral and 110% cover for cash collaterised loans.
Furthermore, in order to ensure credibility and integrity of security valuation, the Bank has limited acceptable security valuation to two (2) prominent accredited estate valuers in Nigeria.

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

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

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

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

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2021 are as follows:

In thousands of Naira	Group		Bank	
	Total exposure	*Value of collateral*	*Total exposure*	*Value of collateral*
Secured against property/real estate	151,343,480	147,624,714	151,343,480	147,624,714
Secured by equities	69,619,579	67,484,186	69,619,579	67,484,186
Secured by debenture on stock and companies' assets	185,276,471	180,968,884	185,276,471	180,968,884
Cash collateral, lien over fixed and floating assets	27,264,895	23,241,013	27,264,895	23,241,013
Unsecured	2,047,546	2,042,067	2,047,546	2,042,067
Total Gross amount	**435,551,971**	**421,360,864**	**435,551,971**	**421,360,864**
Impairment allowance	16,687,668		16,687,668	
Net carrying amount	**418,864,303**	**421,360,864**	**418,864,303**	**421,360,864**

Group

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	107,057,436	21,502,243	15,220,750	3,844,285	147,624,714
Equities	56,896,097	6,703,927	2,774,892	1,109,269	67,484,186
Debenture on stock and companies' assets	161,972,114	3,838,227	14,694,856	463,687	180,968,884
Cash	20,360,659	1,784,077	426,572	669,705	23,241,013
Grand total: Fair value of collateral	346,286,306	33,828,473	33,117,071	6,086,946	419,318,796
Grand total: Gross loans	359,210,810	36,500,522	33,464,517	6,376,122	435,551,971
Grand total: Impairment	10,962,879	5,032,171	542,582	150,036	16,687,668
Grand total: Net amount	348,247,931	31,468,351	32,921,935	6,226,085	418,864,303
Grand total: Amount of undercollaterization	12,924,503	2,672,049	347,446	289,176	16,233,174

Stage 1

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	97,899,876	16,877,069	14,989,619	3,829,454	133,596,020
Equities	55,212,623	4,479,426	2,774,423	1,088,514	63,554,985
Debenture on stock and companies' assets	145,030,021	3,838,227	13,908,594	463,687	163,240,529
Cash	19,111,433	1,777,072	424,356	608,266	21,921,128
Fair value of collateral	317,253,954	26,971,794	32,096,993	5,989,921	382,312,662
Gross loans	326,779,134	29,398,348	32,443,801	6,234,258	394,855,540

Impairment	5,053,222	135,210	113,309	91,032	5,392,772
Net amount	321,725,911	29,263,138	32,330,492	6,143,226	389,462,767
Amount of undercollaterization	9,525,180	2,426,554	346,808	244,336	12,542,878

Stage 2

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	4,186,194	107,533	195,607	-	4,489,333
Equities	201,925	385,131	-	-	587,057
Debenture on stock and companies' assets	13,877,055	-	-	-	13,877,055
Cash	208,720	-	-	-	208,720
Fair value of collateral	18,473,894	492,664	195,607	-	19,162,165
Gross loans	20,754,129	492,664	195,607	-	21,442,400
Impairment	84,464	10,134	66	-	94,665
Net amount	20,669,665	482,530	195,541	-	21,347,736
Amount of undercollaterization	2,280,235	-	-	-	2,280,235
Gross loans	19,302,680	210,163	-	-	19,512,843
Impairment	273,194	4,901	-	-	278,096
Net amount	19,029,485	205,262	-	-	19,234,747
Amount of undercollaterization	4,041,761	-	-	-	4,041,761

Stage 3

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	4,971,366	4,517,641	35,524	14,830	9,539,361
Equities	1,481,549	1,839,370	469	20,755	3,342,144
Debenture on stock and companies' assets	3,065,038	-	786,262	-	3,851,300
Cash	1,040,505	7,005	2,216	61,439	1,111,165
Fair value of collateral	10,558,459	6,364,015	824,471	97,025	17,843,970

Gross loans	11,677,547	6,609,510	825,109	141,864	19,254,031
Impairment	5,825,192	4,886,826	429,207	59,005	11,200,231
Net amount	5,852,355	1,722,684	395,902	14,972	7,985,913
Amount of undercollaterization	1,119,088	245,495	638	44,839	1,410,061

Bank

31 December 2021

Disclosure by Collateral	Term loan	Overdrafts	On lending	Finance lease	Total
Property/Real estate	107,057,436	21,502,243	15,220,750	3,844,285	147,624,714
Equities	56,896,097	6,703,927	2,774,892	1,109,269	67,484,186
Debenture on stock and companies' assets	161,972,114	3,838,227	14,694,856	463,687	180,968,884
Cash	20,360,659	1,784,077	426,572	669,705	23,241,013
Grand total: Fair value of collateral	346,286,306	33,828,473	33,117,071	6,086,946	419,318,796
Grand total: Gross loans	359,210,810	36,500,522	33,464,517	6,376,122	435,551,971
Grand total: Impairment	10,962,879	5,032,171	542,582	150,036	16,687,668
Grand total: Net amount	348,247,931	31,468,351	32,921,935	6,226,085	418,864,303
Grand total: Amount of undercollaterization	12,924,503	2,672,049	347,446	289,176	16,233,174

Stage 1

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	97,899,876	16,877,069	14,989,619	3,829,454	133,596,020
Equities	55,212,623	4,479,426	2,774,423	1,088,514	63,554,985
Debenture on stock and companies' assets	145,030,021	3,838,227	13,908,594	463,687	163,240,529
Cash	19,111,433	1,777,072	424,356	608,266	21,921,128

Fair value of collateral	317,253,954	26,971,794	32,096,993	5,989,921	382,312,662
Gross loans	326,779,134	29,398,348	32,443,801	6,234,258	394,855,540
Impairment	5,053,222	135,210	113,309	91,032	5,392,772
Net amount	321,725,911	29,263,138	32,330,492	6,143,226	389,462,767
Amount of undercollaterization	9,525,180	2,426,554	346,808	244,336	12,542,878

Stage 2

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	4,186,194	107,533	195,607	0	4,489,333
Equities	201,925	385,131	0	0	587,057
Debenture on stock and companies' assets	13,877,055	0	0	0	13,877,055
Cash	208,720	0	0	0	208,720
Fair value of collateral	18,473,894	492,664	195,607	0	19,162,165
Gross loans	20,754,129	492,664	195,607	0	21,442,400
Impairment	84,464	10,134	66	0	94,665
Net amount	20,669,665	482,530	195,541	0	21,347,736
Amount of undercollaterization	2,280,235	0	0	0	2,280,235

Stage 3

31 December, 2021	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	4,971,366	4,517,641	35,524	14,830	9,539,361
Equities	1,481,549	1,839,370	469	20,755	3,342,144
Debenture on stock and companies' assets	3,065,038	0	786,262	0	3,851,300
Cash	1,040,505	7,005	2,216	61,439	1,111,165

Fair value of collateral	10,558,459	6,364,015	824,471	97,025	17,843,970
Gross loans	11,677,547	6,609,510	825,109	141,864	19,254,031
Impairment	5,825,192	4,886,826	429,207	59,005	11,200,231
Net amount	5,852,355	1,722,684	395,902	14,972	7,985,913
Amount of undercollaterization	1,119,088	245,495	638	44,839	1,410,061

Group

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

Stage 1

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

Net amount	254,632,130	25,862,697	32,886,956	4,772,235	318,154,018
Amount of undercollaterization	(2,648,910)	(1,527,828)	(949,843)	(414,552)	(5,541,134)

Stage 2

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

Stage 3

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

Bank

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

Stage 1

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

Stage 2

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

Stage 3

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

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

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

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

Credit Definitions

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

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

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

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

All loans and advances are categorised as either:

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

Market Risk Management

Overview

Market risk is the risk that earnings or capital could be adversely impaired due to changes in market factors such as interest and foreign exchange rates amongst others, arising from both the trading and investment activities.

The Bank has put in place sound market risk management processes to identify, measure, monitor, control and report exposures to these material market risks as appropriate, while optimizing returns and preserving shareholders value.

The main objective of sound market risk practices in the Bank is to ensure that market risk exposures are within acceptable risk appetite as approved by the Board.

The Board dictates the level of market risk appetite of the Bank and delegates its authority downward in a logical manner and in accordance with a hierarchy of authority levels and mandates

A dedicated market risk team is responsible for implementing/enforcing the market risk policy framework and assumes day-to- day responsibility for market risk management in the Bank. This unit is independent of the trading and business units.

Market risk limits are set within the context of Board-approved risk appetite and these limits are consistently monitored and reported to Management and Board on a regular basis. Market risk limits/metrics include notional/position limits, marking-to- market, stress testing, value-at-risk, liquidity gap analysis, repricing gap analysis and factors sensitivities amongst others. The Bank maintains a realistic view of its daily trading exposures through fair value accounting of its trading portfolio.

The subsisting 65 percent loan to deposit ratio policy of the CBN, in its bid to simulate the recovery of the domestic economy, has constrained the Bank's ability to effectively manage its liquidity position and funding capabilities.

To improve the Bank's ability to meet funding obligations and also, build adequate liquidity buffers the following strategies are being implemented amongst other to guide the bank during normal and abnormal business situations:

- Wema Bank has a robust FCY credit position in the interbank market. This interbank placement portfolio could be used for FX swap with the CBN under a worst-case situation.
- The Bank is presently boosting its LCY funding base via capital raising initiatives.
- The Bank will leverage on its trade lines with foreign banks/correspondent banks when needed.

- Lending focus on short-term, self-liquidating, and capital-light transactions to support liquidity and capital.
- The issuance of Special Bills in respect of Cash Reserve (CRR) related to Loan to Deposit ratio policy of the CBN to the Bank will significantly improve LCY liquidity.
- Continue to monitor the foreign exchange market, while maintaining a long foreign currency balance sheet position, considering the negative outlook on the Naira exchange rate
- Aggressive focus on loan recoveries and collections to support and improve liquidity management
- Focus on strategic build-up of cheap funds and deliberate efforts to build liquid asset portfolio

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

Exposure to market risk
Exposure to market risk is separated into two portfolios:

Trading portfolios comprise positions arising from market making.

The models/tools used to measure and control traded market risk (interest rate and foreign exchange risk) include daily valuation of positions, limit monitoring, sensitivity analysis, value-at-risk, and stress testing analyses amongst others.

Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, and non-traded financial instruments.
The principal objective of market risk management of non-trading portfolios is to optimize net interest income.

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

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

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

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

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

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

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

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

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

Market Risk Measures

Monitoring and limiting market risk exposures

We aim to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.
Quantification of market risks is based on some internally developed key risk metrics/tools as well as regulatory defined market risk approaches.

Limits setting

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

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

Mark-to-Market (MTM)

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

Sensitivity analysis

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

Value at risk

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

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

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

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

VaR model limitations

The Group trading VaR for the year is shown in the table below:

Historical VaR (99%, oneday) by risk type	**Average**		**Minimum**		**Maximum**		**Period end**	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
In thousands of Nigerian Naira	NGN	NGN	NGN	NGN	NGN	NGN	NGN	NGN
Foreign exchange	206	98	20	2	405	288	310	8
Interest rate	127,992	278,586	92,579	4,179	204,521	829,775	92,579	4,179
Total VaR exposure	128,198	278,684	92,599	4,181	204,926	830,063	92,889	4,186

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- use of historical data as a proxy for estimating future events may not encompass all potential events, particularly extreme ones;
- the use of a holding period assumes that all positions can be liquidated, or the risks offset during that period, which may not fully reflect the market risk arising at times of severe illiquidity, when the holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99% confidence level does not take into account losses that might occur beyond this level of confidence: and
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures.

Risk factors are reviewed on a regular basis and incorporated directly in the VaR models, where possible.

Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling.

Scenarios are tailored to capture the relevant potential events or market movements for risk factors. The risk appetite around potential stress losses for the Bank is set and monitored. Market risk reverse stress tests are undertaken on the premise that there is a fixed loss. The stress testing process identifies which scenarios lead to this loss. The rationale behind the reverse stress test is to understand scenarios beyond normal business settings that could have contagion and systemic implications.
Stressed VaR and stress testing, together with reverse stress testing and the management of gap risk, provide management with insights regarding the 'tail risk' beyond VaR, for which Wema Bank's appetite is limited.

Back-testing

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

Structural foreign exchange exposures

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

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

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

Interest rate risk in the banking book

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

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

Measurement of interest rate risk in the banking book

Interest rate risk in the banking book is measured and controlled using three metrics:
re-pricing gap analysis
net interest income sensitivity; and
economic value of equity.

Re-pricing gap analysis

This allows the Bank to maintain a positive or negative gap depending upon the forecast of interest rate trend. The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to anticipate increase net interest income, in line with market outlook

Net interest income sensitivity

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant. Projected net interest income sensitivity figures represent the effect of the pro forma movements in projected yield curves based on a static balance sheet size and structure assumption, other than instances where the size of the balances or repricing is deemed interest rate sensitive (non-interest-bearing current account migration and fixed rate loan early prepayment). In reality, Wema Bank proactively seeks to change the interest rate risk profile to optimize net revenues.

Economic value of equity (EVE)

An economic value of equity ('EVE value') represents the present value of future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This represents the current book value of equity plus the present value of future net interest income under a managed run-off scenario. The present value of net interest income under a managed run-off and under any interest rate scenario can therefore be assessed by deducting the book value of equity from the EVE value calculated. An EVE sensitivity is the extent to which the EVE value will change due to a pre-specified movement in interest rates, where all other economic variables are held constant. The EVE sensitivity represents the sensitivity of discounted net interest income plus the sensitivity of the net present value of any transactions used to hedge the interest income earned on equity. If the EVE sensitivity is adjusted to remove the sensitivity in net present value of any transactions used to hedge the interest income earned on equity, the resulting adjusted EVE sensitivity represents the extent to which, under a managed run-off scenario, discounted net interest income is sensitive to a pre-specified movement in interest rates.

When assessing the sensitivity of economic value of equity to interest rate movements, the timing of principal cash flows can vary but the amount remains constant.

EVE can also be used for assessing the economic capital required to support interest rate risk in the banking book ('IRRBB'):

Where EVE under any scenario is higher than the current balance sheet carrying value of equity, the banking book income stream is positive (i.e. profit) and therefore capital accretive under that scenario and no economic capital for IRRBB is required.

Where EVE of any scenario is lower than the current balance sheet carrying value of equity, the banking book income stream is negative (i.e. loss) and therefore capital deductive under that scenario and economic capital for IRRBB should be held against this loss.

In thousands of Nigerian Naira

Sensitivity of projected net interest income	**200bps parallel increase**	**200bps parallel decrease**
2021		
Period ending 31 December	(7,927,185)	7,927,185
2020		
Year ending 31 December	(6,399,766)	6,399,766

Managing Interest Rate Benchmark Reform and Associated Risk

Overview:
On March 5, 2021, the UK's Financial Conduct Authority (FCA) formally announced the discontinuation of the London Interbank Offered Rate (LIBOR).

Following the 2008-2009 global financial crisis, the LIBOR has come under sharp scrutiny from regulators across the world due to reputational and operational issues associated with the methodology for the construction of the rates.

The timeline for the discontinuance of the LIBOR settings is as follows:

LIBOR Currency	LIBOR Settings	Last Date	Proposed Replacement	Administered By
USD	1-week, 2-month	December 31, 2021	Secured overnight funding rate (SOFR)	Federal Reserve Bank of New York
USD	All other settings (i.e., Overnight/ Spot Next, 1-month, 3-month, 6-month, and 12-month)	June 30, 2023	Secured overnight funding rate (SOFR)	Federal Reserve Bank of New York
GBP	All settings	December 31, 2021	Sterling overnight index average (SONIA)	Bank of England
EUR	All settings	December 31, 2021	Euro short-term rate (ESTR)	The European Central Bank
CHF	All settings	December 31, 2021	Swiss average rate overnight (SARON)	Swiss Infrastructure and Exchange (SIX)
JPY	All settings	December 31, 2021	Tokyo overnight average rate (TONAR)	Bank of Japan

Financial institutions have been encouraged to cease executing new contracts referenced to LIBOR as soon as realistically possible and by not later than 31 December 2021. Any new contracts executed before this date should either utilize a reference rate other than LIBOR or have robust fallback clause that includes a clearly defined alternative reference rate after LIBOR's discontinuation.

The Bank has conducted an impact analysis of the LIBOR transition on our portfolio and has taken the following actions to ensure a smooth transition:

- The Bank's main IBOR exposure as at 31 December 2021 was indexed to US dollar LIBOR and this has been quantified to determine our transition strategy to alternative rates.
- Ongoing implementation of appropriate fall-back provisions for all US dollar LIBOR indexed exposures.
- Ongoing assessment on potential changes in terms of technology and systems, contracts, and legal agreements, products, and processes.

- Ongoing communications and engagement with stakeholders to keep them informed of IBOR reform and inherent changes as well as the potential impact.

Liquidity Risk Management

Overview

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. The objective of the Bank's liquidity risk management framework is to ensure that the Bank can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework considers relevant and significant drivers of liquidity risk, whether on-balance sheet or off-balance sheet

Liquidity risk management framework

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

The Bank has an internal liquidity and funding risk management framework which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is primarily undertaken by the Asset and Lability Management Committee (ALCO) in compliance with the Bank's policy and international best practices.

The Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Chief Risk Officer (CRO) through the Asset and Liability Management Committee (ALCO). At least annually, the Board approves the Bank's Liquidity Policy and Contingency Funding Plan, including establishing liquidity risk tolerance levels which are used by the Bank to measure and control liquidity risks, as well as our long term funding plan.

Treasury is mandated to manage the overall liquidity and funding position of the Bank, with Market Risk acting as an independent control function, responsible for reviewing the liquidity risk framework, proposing the risk appetite through the Chief Risk Officer (CRO) and the validation of liquidity risk models which are used to measure and manage the Bank's liquidity risk profile.

In addition, dedicated business targets are allocated to ensure the Bank meets its overall liquidity and funding appetite.

The relevant management committees and Board is informed of performance against the risk appetite metrics via periodic Liquidity Scorecard. As part of the annual strategic planning process, we project the development of the key liquidity and funding metrics based on the underlying business plans to ensure that the plan is in compliance with our risk appetite.

The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

Quantifications

The Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

a) Funding and Liquidity plan;
b) Gap Analysis; and
c) Ratio Analysis.

The Funding and Liquidity plan defines the Bank's sources and application of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The liquidity gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the 30-day and 1-year cumulative gaps as a +/- 20% and 10% of the total on/off balance sheet size.

The Gap Analysis tracks all contractual cash flows based on defined maturity buckets over a 12-month horizon. The Bank has implemented a set of approved limits to restrict the Bank's exposure to wholesale counterparties, which have historically shown to be the most susceptible to market stress.

Limit management and monitoring

The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Treasury is responsible for maintaining sufficient liquidity by keeping optimal level of liquid assets and available funding for near-term liabilities. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

Contingency Funding Plan

The Bank has a contingency funding plan which incorporates early warning signals to monitor market conditions. The contingency funding plan covers the following considerations:

- available sources of secondary funding to supplement cash flow shortages
- the lead times to obtain such funding
- the roles and responsibilities of those involved in the contingency plans; and
- the communication and escalation plans when there are signs of deteriorating liquidity conditions.

The Bank monitors its liquidity position and funding strategies on an ongoing basis, while recognizing that unexpected and/or unplanned events which could be company specific or systemic could cause either a short or long-term liquidity crisis. It reviews its Contingency Funding Plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Bank's Treasury in collaboration with Market Risk prepares a liquidity worksheet that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and adverse crisis situations. The worksheet is an integral component of the Contingency Funding Plan. Although it is unlikely that a funding crisis of any significant degree could materialize, we consider it important to evaluate this risk and formulate contingency plans should one occur.

Maturity Risk Profile

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

Residual Contractual Maturities of Financial Assets and Liabilities

Group

31 December 2021 *In thousands of Nigerian Naira*	**Carrying amount**	**Gross nominal Inflow/(Outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**5 years**	**More than 5 years**
Non-derivative assets:							
Cash and cash equivalents	109,517,797	109,801,169	109,801,169	-	-	-	-
Pledged assets	83,723,120	83,723,119	18,936,000	21,840,000	16,700,435	-	26,246,684
Non-pledged trading assets	38,693,696	45,163,751	18,872,351	5,480,000	20,811,400	-	-
Loans and advances to customers	418,864,303	435,551,971	165,725,962	55,562,987	69,425,585	107,816,192	37,021,244
Investment securities	135,397,037	130,926,127	3,797,878	27,111,894	57,531,496	2,599,718	39,885,141
	786,195,952	805,166,138	317,133,361	109,994,881	164,468,916	110,415,910	103,153,069
Non-derivative liabilities							
Deposits from banks	40,700,000	40,700,000	40,700,000	-	-	-	-
Deposits from customers	927,471,174	927,471,175	837,525,884	71,854,601	14,228,696	-	3,861,992
Other borrowed funds	72,731,660	72,731,661	18,795,518	7,299,758	2,357,828	38,634,989	5,643,567
Interest bearing financial liability	45,870,493	46,079,336	16,586,946	7,299,758	22,192,632	-	-
	1,086,773,327	1,086,982,171	913,608,348	86,454,116	38,779,157	38,634,989	9,505,559
Gap (asset - liabilities)	(300,577,375)	(281,816,034)	(596,474,988)	23,540,765	125,689,759	71,780,920	93,647,510
Cumulative liquidity gap			(596,474,988)	(572,934,223)	(447,244,463)	(375,463,543)	(281,816,033)

Residual Contractual Maturities of Financial Assets and Liabilities

Bank

31 December 2021	**Carrying amount**	**Gross nominal Inflow/(Outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**5 years**	**More than 5 years**
In thousands of Nigerian Naira							
Non-derivative assets:							
Cash and cash equivalents	109,505,806	109,789,178	109,789,178	-	-	-	-
Pledged assets	83,723,120	83,723,119	18,936,000	21,840,000	16,700,435	-	26,246,684
Non-pledged trading assets	38,693,696	45,164,751	18,873,351	5,480,000	20,811,400	-	-
Loans and advances to customers	418,864,303	435,551,971	165,725,962	55,562,987	69,425,585	107,816,192	37,021,244
Investment securities	124,436,768	119,964,859	3,796,878	27,111,894	57,531,496	2,599,718	28,924,873
	775,223,692	794,193,878	317,121,369	109,994,881	164,468,916	110,415,910	92,192,801
Non-derivative liabilities							
Deposits from banks	40,700,000	40,700,000	40,700,000	-	-	-	-
Deposits from customers	927,471,174	927,471,174	837,525,884	71,854,601	14,228,696	-	3,861,992
Other borrowed funds	61,601,568	61,601,569	18,795,518	7,299,758	2,357,828	27,504,897	5,643,567
Interest bearing financial liability	45,870,493	46,079,336	16,586,946	7,299,758	22,192,632	-	-
	1,075,643,235	1,075,852,079	913,608,348	86,454,116	38,779,157	27,504,897	9,505,559
Gap (asset - liabilities)	(300,419,543)	(281,658,201)	(596,486,979)	23,540,765	125,689,759	82,911,012	82,687,242
Cumulative liquidity gap			(596,486,979)	(572,946,214)	(447,256,455)	(364,345,442)	(281,658,200)

Residual Contractual Maturities of Financial Assets and Liabilities

Group 31 December 2020 *In thousands of Nigerian Naira*	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	3 - 6 months	6 - 12 months	5 years	More than 5 years
Non-derivative assets:							
Cash and cash equivalents	97,510,899	97,524,936	97,524,936	-	-	-	-
Pledged assets	27,454,662	27,454,662	-	18,212,210	2,246,025	-	6,996,427
Non-pledged trading assets	78,225,951	81,220,051	6,418,233	335,545	74,466,273	-	-
Loans and advances to customers	360,076,079	375,039,658	112,127,039	49,998,639	57,301,052	113,165,836	42,447,092
Investment securities	105,573,050	103,501,030	54,757,836	9,617,226	14,461,065	1,557,055	23,107,848
	668,840,641	684,740,338	270,828,045	78,163,620	148,474,415	114,722,891	72,551,367
Non-derivative liabilities							
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	804,873,392	804,873,392	799,508,452	855,828	4,509,112	-	-
Other borrowed funds	73,523,471	73,523,471	75,644	-	33,400	43,399,377	30,015,050
Interest bearing financial liability	32,433,460	32,433,461	10,848,427	7,875,438	13,709,596	-	-
	910,830,323	910,830,324	810,432,523	8,731,266	18,252,108	43,399,377	30,015,050
Gap (asset - liabilities)	(241,989,682)	(226,089,986)	(539,604,478)	69,432,354	130,222,307	71,323,514	42,536,317
Cumulative liquidity gap			(539,604,478)	(470,172,124)	(339,949,817)	(268,626,303)	(226,089,986)

Residual contractual maturities of financial assets and liabilities

Bank

31 December 2020	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	3 - 6 months	6 - 12 months	5 years	More than 5 years
In thousands of Nigerian Naira							
Non-derivative assets:							
Cash and cash equivalents	97,513,820	97,524,936	97,524,936	-	-	-	-
Pledged assets	27,454,662	27,454,662	-	18,212,210	2,246,025	-	6,996,427
Non-pledged trading assets	78,225,951	81,220,051	6,418,233	335,545	74,466,273	-	-
Loans and advances to customers	360,076,079	375,039,658	112,127,039	49,998,639	57,301,052	113,165,836	42,447,092
Investment securities	94,634,062	92,434,078	43,690,884	9,617,226	14,461,065	1,557,055	23,107,848
	657,904,574	673,673,386	259,761,093	78,163,620	148,474,415	114,722,891	72,551,367
Non-derivative liabilities							
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	804,873,392	804,873,392	799,508,452	855,828	4,509,112	-	-
Other borrowed funds	62,416,375	62,416,375	75,644	-	33,400	32,292,281	30,015,050
Interest bearing financial liability	32,433,460	32,433,461	10,848,427	7,875,438	13,709,596	-	-
	899,723,227	899,723,228	810,432,523	8,731,266	18,252,108	32,292,281	30,015,050
Gap (asset - liabilities)	(241,818,653)	(226,049,842)	(550,671,430)	69,432,354	130,222,307	82,430,610	42,536,317
Cumulative liquidity gap			(550,671,430)	(481,239,076)	(351,016,769)	(268,586,159)	(226,049,842)

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

Group			At 31 December 2021			At 31 December 2020
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	NGN	NGN	NGN	NGN	NGN	NGN
Assets subject to market risk						
Cash and cash equivalents	58,415,648	-	58,415,648	25,794,558	-	25,794,558
Cash and bank balances with Central Bank	330,094,246	-	330,094,246	289,817,304	-	289,817,304
Treasury Bills	113,642,317	-	113,642,317	83,347,038	-	83,347,038
Trading assets	38,693,696	38,693,696	-	78,225,951	78,225,951	-
Assets pledged as collateral	83,723,120	-	83,723,120	11,470,228	-	11,470,228
Due from other banks	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to banks	34,855,322	-	34,855,322	28,873,996	-	28,873,996
Loans and advances to customers	418,864,303	-	418,864,303	368,748,114	-	368,748,114
Investment securities	21,754,720	-	21,754,720	37,705,581	-	37,705,581
Other financial assets	11,632,890	-	11,632,890	11,403,279	-	11,403,279
	1,111,676,262	**38,693,696**	**1,072,982,566**	**935,386,050**	**78,225,951**	**857,160,098**
Liabilities subject to market risk						
Trading liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from banks	40,700,000	-	40,700,000	-	-	-
Deposits from customers	927,471,174	-	927,471,174	811,506,242	-	811,506,242
Debt securities issued	72,731,660	-	72,731,660	73,387,198	-	73,387,198
Other financial liabilities	45,897,372	-	45,897,372	32,456,615	-	32,456,615
Subordinated liabilities	-	-	-	-	-	-
	1,086,800,206	**-**	**1,086,800,206**	**917,350,055**	**-**	**917,350,055**

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

Bank		At 31 December 2021			At 31 December 2020	
	Carrying amount NGN	Trading portfolios NGN	Non-trading portfolios NGN	Carrying amount NGN	Trading portfolios NGN	Non-trading portfolios NGN
Assets subject to market risk						
Cash and cash equivalents	58,403,657	-	58,403,657	25,797,479	-	25,797,479
Cash and bank balances with Central Bank	330,094,246	-	330,094,246	289,817,304	-	289,817,304
Treasury Bills	113,642,317	-	113,642,317	83,347,038	-	83,347,038
Trading assets	38,693,696	38,693,696	-	78,225,951	78,225,951	-
Assets pledged as collateral	83,723,120	-	83,723,120	11,470,228	-	11,470,228
Due from other banks	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to banks	34,855,322	-	34,855,322	28,873,996	-	28,873,996
Loans and advances to customers	418,864,303	-	418,864,303	368,748,114	-	368,748,114
Investment securities	10,794,452	-	10,794,452	26,766,593	-	26,766,593
Other financial assets	11,632,890	-	11,632,890	11,403,279	-	11,403,279
	1,100,704,002	**38,693,696**	**1,062,010,306**	**924,449,983**	**78,225,951**	**846,224,031**
Liabilities subject to market risk						
Trading liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from banks	40,700,000	-	40,700,000	-	-	-
Deposits from customers	927,471,174	-	927,471,174	811,506,242	-	811,506,242
Debt securities issued	61,601,568	-	61,601,568	62,280,102	-	62,280,102
Other financial liabilities	45,897,372	-	45,897,372	32,456,615	-	32,456,615
Subordinated liabilities	-	-	-	-	-	-
	1,075,670,114	**-**	**1,075,670,114**	**906,242,959**	**-**	**906,242,959**

Foreign currency concentrations risk as at 31 December 2021

Group

In thousands of Nigerian Naira	US Dollar	Euro	Pound	Naira	Others	Total
31 December 2021						
Cash and cash equivalents	60,529,197	1,705,162	1,315,815	45,806,962	160,662	109,517,797
Pledged assets	-	-	-	83,723,120	-	83,723,120
Non-pledged trading assets	-	-	-	38,693,696	-	38,693,696
Loans and advances to customers	48,382,099	1,382,582	13,036	369,086,585	-	418,864,303
Investment securities	-	-	-	135,397,037	-	135,397,037
Other assets	-	-	-	11,632,890	-	11,632,890
Total financial assets	**108,911,296**	**3,087,744**	**1,328,851**	**684,340,289**	**160,662**	**797,828,842**
Deposits from banks	-	-	-	40,700,000	-	40,700,000
Deposit from customers	57,360,553	258,085	1,658,938	868,193,595	3	927,471,174
Other borrowed funds	7,280,081		-	65,451,579	-	72,731,660
Other liabilities	31,201,765	3,245,018	13,123	10,923,634	513,832	45,897,372
Total financial liabilities	**95,842,399**	**3,503,104**	**1,672,060**	**985,268,808**	**513,835**	**1,086,800,206**

Bank

In thousands of Nigerian Naira	US Dollar	Euro	Pound	Naira	Others	Total
31 December 2021						
Cash and cash equivalents	60,529,197	1,705,162	1,315,815	45,794,970	160,662	109,505,806
Pledged assets	-	-	-	83,723,120	-	83,723,120
Non-pledged trading assets	-	-	-	38,693,696	-	38,693,696
Loans and advances to customers	48,382,099	1,382,582	13,036	369,086,585	-	418,864,303
Investment securities	-	-	-	124,436,768	-	124,436,768
Other assets	-	-	-	11,632,890	-	11,632,890
Total financial assets	**108,911,296**	**3,087,744**	**1,328,851**	**673,368,029**	**160,662**	**786,856,582**
Deposits from banks	-	-	-	40,700,000	-	40,700,000
Deposit from customers	57,360,553	258,085	1,658,938	868,193,595	3	927,471,174
Other borrowed funds	7,280,081	-	-	54,321,487	-	61,601,568
Other liabilities	31,201,765	3,245,018	13,123	10,923,634	513,832	45,897,372
Total financial liabilities	**95,842,399**	**3,503,104**	**1,672,060**	**974,138,716**	**513,835**	**1,075,670,114**

Foreign currency sensitivity analysis

The Group is mainly exposed to the currencies of the United States of America (USD), the European Union (EUR) and the United Kingdom (GBP) respectively.

The following table details the Group's sensitivity to a per cent increase and decrease in currency units against the relevant foreign currencies. Per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a per cent change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where currency units weakens per cent against the relevant currency. For a per cent strengthening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	[USD] impact		[EUR] impact		[GBP] impact	
In thousands of Nigerian Naira	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Profit or loss	130,689	86,917	(4,154)	347	(3,432)	(78)
Other equity	(130,689)	(86,917)	4,154	(347)	3,432	78

The Bank has prudently adopted the ruling I&E rate for the translation of financial assets and liabilities denominated in foreign currencies for period ended December 2021.

In view of the current global and domestic macro-economic trends/outlooks amidst the negative impact of Coronavirus outbreak on global trade, the likely convergence of rates in the short to medium term is not unexpected.

The sensitivity analysis shows that the Bank is positioned to record gain on its net financial assets denominated in foreign currencies in the short to medium term.

Operational Risk Management

Introduction
Regardless of its size or the economic sector, every organisation faces internal and external factors and influences that make it uncertain whether and when the organisation's business objectives will be achieved. According to the International Organization for Standardization (ISO), this uncertainty's effect on an organisation's objectives is "risk".

Organisations carry out various activities in other to achieve various objectives. All these activities involve various risks and in diverse degrees. Risk management is inevitable in achieving organisational objectives. Risks are identified, analysed, and evaluated for modification through risk treatment to satisfy set risk criteria. At every stage in this process, there is communication and consultation with stakeholders and monitoring and reviewing the risks and controls that modify the risk to ensure that no additional risk treatment is required.

Wema Bank's Operational Risk Management

Operational risks arise from executing an institution's business functions, a broad concept with a key focus on the risks arising from people, process, systems and external events.

People risks are associated with failures/inadequacies of the bank staff such as; lack of experience and knowledge, insufficient resources, inadequate supervision, and lack of integrity. Process risks are associated with inadequate/process failures such as; process complexity, inadequate process documentation and process flaws. System risks are associated with system/IT failures such as security breaches, programming errors, application failures, and system suitability. External risks arise from events outside the bank's control, such as natural disasters, terrorism, and other man-made forces.

Operational Risk Management Philosophy

In Wema Bank we understand that there are inherent risks in all of the Bank's products, activities, processes, and systems; and that sound operational risk management is a reflection of the effectiveness of the Board of Directors and Senior Management in administering its portfolio of products, activities, processes, and systems; creating value for all stakeholders and entrenching a competitive advantage for the Bank. Against this backdrop, our ORM Philosophy is anchored on the implementation of a process-driven framework that ensures that all principal risks in the Bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision making.

Operational Risk Management Framework

Implementing a process-driven framework ensures that all principal risks in the Bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision making. It will also provide a robust basis for demonstrating the value of operational risk management activity.

The implementation of a process-driven framework ensures that all principal risks in the Bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision making.

The Framework documents: -
- Governance structures, including reporting lines and accountabilities;

- Operational risk management tools and how they are used;
- Operational risk profile, permissible thresholds or tolerances for inherent and residual risk, and approved risk mitigation strategies;
- Approach to establishing and monitoring thresholds or tolerances for inherent and residual risk exposure;
- Management risk reporting;
- Independent review and assessment of operational risk; and
- Revision of policies whenever a material change in the operational risk profile of the bank occurs.

Policies and Procedures

Operational risk management policies and procedures that clearly define how all aspects of operational risk are managed are documented and communicated. These policies and procedures are aligned with the overall business strategy and support the continuous improvement of the risk management function.
Wema Bank's Operational risk management policies and procedures address the review and approval of new products, activities, processes and systems. The review and approval process considers: -

- Inherent risks in the new product, service, or activity;
- Resulting changes to the bank's operational risk profile and appetite and tolerance, including the risk of existing products or activities;
- The necessary controls, risk management processes, and risk mitigation strategies;
- The residual risk;
- Changes to relevant risk limits;
- The procedures and metrics to measure, monitor, and manage the risk of the new product or activity; and
- The availability of the required human resources and technology infrastructure before the introduction of new products.

Operational Risk Exposure

Operational risk exposures are managed through a robust and consistent set of management processes that drives risk identification, assessment, control, reporting, and monitoring. These activities keep operational risk at an acceptable level relative to our businesses' nature and the markets in which Wema Bank plays, our capital and liquidity, and the competitive, economic and regulatory environment. With the array controls, operational losses are inevitable. Our operational risk strategy seeks to minimise the impact of operational risk and losses on the Bank.

The Bank's promotes operational risk management culture that reduces the probability of expected events and cost implications by managing the risk profile and implementing loss prevention techniques to reduce erosion of the organisation's earnings. Also, to minimise the impact of unexpected and catastrophic events and related costs through sound Business Continuity Management to support the Bank's long-term growth. These are further being managed by:

Implementing global Standards into the operational risk management framework to ensure that we abide by global best practices in managing operational risks
Frequently Increased monitoring and enhanced preventive/detective controls to manage risks associated with new technologies and new/emerging banking terrain;

Promote a culture that strengthens internal security controls to prevent cyber/technologically related attacks;
Improved controls and security to protect customers when using digital channels;
Enhanced third-party risk management capability to enable the consistent risk assessment of any third-party service.

The following are some of the key tools adopted for managing operational risk in Wema Bank.
Business Process Mapping: Business process maps identify the key steps in business processes, activities and organisational functions. They also identify the key risk points in the overall business process. Process maps can reveal individual risks, risk interdependencies, and areas of control or risk management weakness.

Scenario Analysis: Scenario analysis involves obtaining an expert opinion of business line and risk managers to identify potential operational risk events and assess their potential outcomes.

Risk & Control Self-Assessment (RCSA); Risk & Control Self-Assessment (RCSA) is the process through which the likelihood (probability) of identified risks (inherent and residual) occurring and the impact in the event of occurrence are assessed. It enables process owners to develop a risk profile for their respective business/support functions and assess the effectiveness of mitigating controls.

Key Risk Indicators (KRIs): Key Risk Indicators are metrics used to show changes in risk profile and are designed to monitor the development of significant risks. Key Risk Indicators are defined for high or medium risk areas in each business/support unit as part of the Bank's approach to assessing operational risk and setting its risk appetite. Thresholds are also defined for each key risk indicator to serve as a proxy for risk appetite for each risk area and business/support unit.

Key Performance Indicators (KPIs): Key Performance Indicators are metrics used to define
performance targets for the business/support unit based on its goals and objectives and monitor its progress towards achieving these targets.

Internal Loss Data Collection and Analysis: Internal operational loss data such as loss arising from fraud, forgeries, robbery, and system downtime provides meaningful information for assessing a bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events provides insight into the causes of large losses and whether control failures are isolated or systematic.

Business Continuity Management

Wema Bank has implemented a Business Continuity Management System (BCMS) in accordance with ISO 22301:2019 international standards to support the bank's strategic priorities/objectives and address the needs and expectations of interested parties.

By integrating business continuity management into an overall Enterprise Risk Management Framework, banks can ensure they are prepared for future challenges against several natural and human-made events which could have a big effect on the financial industry.

The internal and external factors influencing business operations have been identified, and the potential consequences of a business interruption. This will allow the most appropriate level of measures to be put in place to reduce the level of risk and ensure that plans are available and tested to manage interruptions.
The Bank promotes a culture that describes the methodologies used by the Business for risk assessment, risk analysis, risk mitigation, monitoring and reporting while providing for consistent program administration, senior management oversight with clearly defined roles and responsibilities. Sound business continuity management helps to:

- Ensure business continuity in a cost-effective manner

- Provide safety and ensure the protection of:
    - People,
    - Stakeholders,
    - Reputation,
    - Assets,
    - Systems,
    - Technology, and
    - Information.
- Provide a methodology for analysing the business impacts of adverse events
- Comply with statutory and regulatory provisions.

Strategic Risk Management
Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It could significantly impact on the achievement of the bank's vision and strategic objectives as documented in the strategic plan.

Strategic risk management is the process of identifying, assessing, measuring, monitoring and managing the risk in the bank's business strategy. Strategic risk management involves evaluating how a wide range of possible events and scenarios will affect the strategy and its execution and the ultimate impact on the bank's value.

Strategic Risk Management Policies and Procedures
To effectively manage strategic risk, the bank has established policies, procedures and limits which ensure that the responsiveness to the business environment is objectively evaluated. The business segments that the bank focuses on short term and long term

are clearly defined in the bank's business strategy document. There are clear guidelines on how the business strategy will be reviewed and the frequency of review. This is to ensure that critical aspects such as inherent strengths, identified weaknesses, external opportunities and threats are adequately considered. Limits are also set to define sectoral exposures, business growth and staff strength and branch expansion.

Strategic Risk Management Process
To adequately manage the strategic risks faced by Wema bank, the Board and senior management are involved in the strategic risk management process includes:

- Formulating strategic goals and objectives, consistent with the bank's corporate mission and values and translating the goals and objectives into a well-structured strategic plan for delivery and measurement of desired outcomes;
- Personnel, technology, funding and capital resources allocation, prioritisation compatible with implementation strategies;
- Communication, implementation and modification of strategies;
- Performance evaluation and feedback mechanism, and
- Design of a strategic risk management framework to the bank's risk profile and level of sophistication to ensure that strategic risk is consistently and comprehensively identified, assessed, monitored, controlled and reported.

Reputational Risk Management
Reputational risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from an institution's failure to effectively manage, any or all of the other risk types.

Wema bank recognises that managing reputational risk begins with acknowledging that reputation is a matter of perception. Management understands that the bank's overall reputation is a function of its reputation among its various stakeholders (investors, customers, suppliers, employees, regulators, politicians, non-governmental organisations, the communities in which the firm operates) in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues). A strong positive reputation among stakeholders across multiple categories will result in a strong positive reputation for Wema Bank.

Wema Bank has put processes in place to articulate, analyse and manage reputational risk factors properly, in response to reputational risk challenges.

The bank has recognised the following potential factors as having an impact on the bank's reputation:

- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely affect its reputation (e.g. corporate governance crises);
- Consolidation activities ignited by the Central Bank of Nigeria (CBN), resulting in a fusion of different cultures;
- Keen competition and largely homogeneous products and services lead customers not to perceive significant differences between financial service providers;
- The financing nature of products and services banks provide puts both the reputation of the bank and the customers at stake;
- Banks operate and compete in a global environment; risks emerge from a host of different sources and locations this makes it is difficult to keep up with potential risks and to know how best to respond if they occur, and
- Negative news.

Reputational Risk Management Philosophy

Reputational risk management involves anticipating, acknowledging and responding to changing values and behaviours on the part of a range of stakeholders. The following principles govern the Bank's Reputational Risk Management Philosophy:

The Board of Directors of Wema Bank has set the tone for reputational risk management by defining and demanding adherence to a code of conduct for the Board, officers and staff of the Bank. Reputational risk is both an individual and collective responsibility of the Board and all employees. To enhance its reputation in the market, the Bank ensures the following:

- Zero tolerance for non-compliance with laws and regulatory guidelines in all the Bank's locations
- Full compliance with the Bank's code of conduct and other internal policies
- Strict ethical behaviour by board members and executive management
- Transparency and probity in the management of resources
- Professionalism, ethics and corporate social responsibility
- Effective communication of the Bank's vision and strategy to all key stakeholders

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. This measurement complies with the regulatory requirement guideline of the Central Bank of Nigeria.

The details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	Group		Bank	
	31-Dec-21	31-Dec-20	31-Dec-21	31-Dec-20
At the end of the year	29.80%	31.04%	29.80%	31.04%
Average for the year	28.77%	22.39%	28.77%	22.39%
Maximum for the year	30.43%	31.04%	30.43%	31.04%
Minimum for the year	27.27%	13.74%	27.27%	13.74%

Capital Management

Regulatory capital

The Bank's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria.

The Bank, in 2008 took a proactive step of commencing the process of disencumbering the books of doubtful and classified assets so as to lay a solid foundation for a more virile and prosperous Bank.
In the aftermath of this our capital management objectives have been to:

Stop further erosion of shareholders' wealth;

- Take all necessary measures to bring the Bank's capital to the level set by the regulatory authorities; and
- Sustain the Bank's capability to continue as a going concern.

The Bank has instituted effective mechanisms for the daily monitoring of movement in our capital base and measurement of our capital adequacy ratio by deploying techniques stipulated by the Central Bank of Nigeria (CBN) banks' supervisory guidelines. Throughout the reporting year, the Bank complied strictly with the requirement of monthly rendition of report on same to the CBN. The Auditors are also required to comply with the Nigeria Deposit Insurance Corporation (NDIC) requirement of submitting an annual certificate that consist the computed capital adequacy ratio of the Bank.

To align with the CBN current reforms, we are taking a multiple approach to raising the Bank capital base to the required level through:

Increasing the Bank's revenue base while ensuring efficient management of operating expenses.
Vigorously implementing debt recovery strategies.

Our Bank's regulatory capital, managed by the Financial Control and Treasury Units is divided into two tiers.

Tier 1 capital, which includes share capital, share premium, other reserves and retained earnings.
Tier 2 capital, which includes revaluation reserves and other borrowings

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, capital market and other risks associated with each asset and counterparty, taking into consideration any eligible collateral guarantee. A similar treatment is accorded to off-balance sheet transactions with adjustments in line with the contingent nature of the underlining potential losses.

Capital Adequacy Ratio

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

Capital Adequacy Ratio

In thousands of Nigeria naira	**31-Dec 2021**	**31-Dec 2020**
Tier 1 capital		
Ordinary share capital	19,287,233	19,287,233
Share premium	8,698,230	8,698,230
Statutory reserves	14,974,982	14,974,982
SMEIES	902,759	673,148
RRR applied for IFRS 9 Impact	-	-
Retained earnings	5,771,749	7,314,727
Total qualifying Tier 1 capital	49,634,953	50,948,320
Deferred tax assets	18,236,111	18,236,111
Intangible assets	1,391,549	1,391,549
Investment in capital of financial subsidiaries	-	-
	19,627,660	19,627,660
Adjusted Total qualifying Tier 1 capital	30,007,294	31,320,660
Tier 2 capital		
Other comprehensive income (OCI)	5,708,069	2,086,782
Subordinated Debt	13,627,926	13,642,318
Total qualifying Tier 2capital	19,335,995	15,729,100
Investment in capital and financial subsidiaries	-	-
Net Tier 2 Capital	10,001,431	10,440,220
Total regulatory capital	40,008,725	41,760,881
Risk -weighted assets		
Credit risk	255,317,710	189,252,969
Market risk	6,980,995	5,166,510
Operational risk	83,714,264	75,712,112
Total risk-weighted assets	346,012,969	270,131,591
Risk-weighted Capital Adequacy Ratio (CAR)	11.71%	15.01%
Total tier 1 capital expressed as a percentage of risk-weighted assets	8.67%	11.26%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon regulatory capital, but in some cases, the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.,

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making.

Account also is taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the Bank's longer term strategic objective.

Other National Disclosures

Statement of Value Added

	Group				Bank			
In thousands of Nigerian Naira	**2021**	**%**	**2020**	**%**	**2021**	**%**	**2020**	**%**
Gross Income	93,632,481		81,382,795		92,137,078		79,876,995	
Interest paid	(34,921,553)		(33,702,510)		(33,428,346)		(32,189,452)	
	58,710,928		47,680,285		58,708,732		47,687,543	
Write back/(Impairment) charge on financial assets	(2,104,393)		(5,635,165)		(2,104,393)		(5,635,165)	
Bought-in materials and services	(24,152,302)		(18,894,932)		(24,143,460)		(18,887,354)	
Value added	**32,454,234**	**100**	**23,150,188**	**100**	**32,460,879**	**100**	**23,165,024**	**100**
Distribution								
Employees								
Salaries and benefits	16,677,420	51	14,082,228	61	16,677,420	51	14,082,228	61
Government								
Income tax	715,523	2	394,511	2	715,523	2	394,511	2
Retained in the Bank								
Deferred Tax	2,735,417	8	959,795	4	2,735,417	8	959,795	4
Assets replacement (depreciation & amortisation)	3,399,318	10	3,136,273	14	3,399,318	10	3,136,273	14
Profit transferred to reserve	8,926,555	28	4,577,381	20	8,933,202	28	4,592,217	20
	32,454,233	**100**	**23,150,188**	**100**	**32,460,879**	**100**	**23,165,023**	**100**

Financial Summary

In thousands of Nigerian Naira	Group 31-Dec-21	Bank 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-19	Group 31-Dec-18	Bank 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-17
Assets:										
Cash and cash equivalents	109,726,640	109,714,649	97,524,936	97,527,858	65,974,273	65,967,028	42,122,799	42,122,799	22,427,586	22,425,891
Restricted Deposit with CBN	313,847,420	313,847,420	246,974,959	246,974,959	137,392,701	137,392,701	58,054,204	58,054,204	26,495,664	26,495,664
Pledged assets	83,723,120	83,723,120	27,454,662	27,454,662	26,925,527	26,925,527	20,583,433	20,583,433	25,420,137	25,420,137
Investment securities	174,081,524	163,121,255	183,799,001	172,860,013	150,100,752	139,193,787	71,617,784	60,729,210	44,467,181	41,647,599
Loans and advances to customers	418,864,303	418,864,303	360,076,079	360,076,079	289,239,870	289,239,870	252,189,613	252,189,613	215,840,031	215,840,031
Investment property	0	0	38,388	38,388	39,330	39,330	40,273	40,273	45,671	45,671
Right of use	851,249	851,249	621,528	621,528	509,963	509,963	-	-	-	-
Property Plant and equipment	22,418,543	22,418,543	21,517,323	21,517,323	20,637,634	20,637,634	18,602,696	18,602,696	17,078,789	17,078,789
Intangible assets	2,170,640	2,170,640	1,391,549	1,391,549	974,069	974,069	927,391	927,391	759,092	759,092
Other assets	22,864,874	22,864,874	21,883,615	21,883,615	4,879,789	4,879,789	4,459,906	4,459,906	14,349,673	14,405,728
Deferred tax assets	15,500,694	15,500,694	18,236,111	18,236,111	19,195,906	19,195,906	20,206,217	20,206,217	21,269,702	21,269,702
	1,164,049,006	**1,153,076,746**	**979,518,151**	**968,582,084**	**715,869,814**	**704,955,604**	**488,804,317**	**477,915,742**	**388,153,526**	**385,388,304**
Finance by:										
Share capital	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233
Share premium	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230
Retained earnings	11,023,901	11,241,628	7,103,647	7,314,727	3,254,018	3,450,262	5,992,622	6,102,353	4,089,570	4,166,460
Other reserve	31,137,254	31,137,254	24,052,644	24,052,644	23,921,126	23,921,126	16,911,064	16,911,064	17,540,217	17,540,217
Deposits from banks	40,700,000	40,700,000	-	-	3,638,400	3,638,400	-	-	26,575,260	26,575,260
Deposits from customers	927,471,174	927,471,174	804,873,392	804,873,392	577,283,469	577,283,469	369,199,768	369,314,164	254,460,881	254,487,050
Lease liabilities	26,878.97	26,878.97	22,875.00	22,875.00	72,584.00	72,584.00	-	-	-	-
Current tax liabilities	716,120	716,120	394,511	394,511	905,364	905,364	429,079	429,079	359,878	359,878
Other liabilities	52,256,554	52,196,659	41,562,147	41,522,098	30,039,084	29,996,610	22,837,603	22,772,597	17,682,745	17,646,215
Other borrowed funds	72,731,660	61,601,568	73,523,471	62,416,375	48,770,306	37,702,326	45,448,718	34,401,024	39,459,512	36,627,761
	1,164,049,005	**1,153,076,746**	**979,518,150**	**968,582,084**	**715,869,813**	**704,955,604**	**488,804,317**	**477,915,742**	**388,153,526**	**385,388,304**
Guarantees and other commitments	**118,568,967**	**118,568,967**	**78,692,203**	**78,692,203**	**83,890,369**	**83,890,369**	**62,872,234**	**62,872,234**	**48,300,504**	**48,300,504**

	Group 31-Dec-21	Bank 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-19	Group 31-Dec-18	Bank 31-Dec-18	Group 31-Dec-17	Bank 31-Dec-17
Gross earnings	93,632,483	92,137,079	81,382,795	79,876,995	94,890,127	93,389,811	71,529,939	70,907,759	65,268,831	62,678,571
Profit/(loss) before taxation	12,377,495	12,384,143	5,931,687	5,946,523	6,760,021	6,770,828	4,797,709	4,830,549	3,009,203	3,054,873
Income tax	(3,450,939)	(3,450,939)	(1,354,306)	(1,354,306)	(1,560,080)	(1,560,080)	(1,471,290)	(1,471,290)	(753,715)	(753,715)
Profit/(loss) after taxation	**8,926,556**	**8,933,203**	**4,577,381**	**4,592,217**	**5,199,940**	**5,210,748**	**3,326,419**	**3,359,259**	**2,255,488**	**2,301,158**