FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

FIDELITY BANK PLC

Statement Of Directors' Responsibilities In Relation To The Preparation Of The Financial Statements
For the year ended 31 December 2022

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

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

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

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

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

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

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

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

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

Signed on behalf of the Directors by:
Date: January 30, 2023

Kevin Ugwuoke	**Nneka Onyeali-Ikpe**
Executive Director	*Managing Director/ Chief Executive Officer*
FRC/2020/003/00000022290	**FRC/2013/NBA/00000016998**

Statement Of Corporate Responsibility For The Preparation Of The Financial Statements
For the year ended 31 December 2022

In line with the provision of S. 405 of CAMA 2020, the Chief Executive Officer and Chief Financial officer of Fidelity Bank Plc have reviewed the Financial Statement of the bank for the year ended **31 December 2022** and accept responsibility for the financial and other information within the report based on the following:

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

ii The financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and result of operation of the bank as of and for the year ended **31 December 2022**

iii The bank's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2022

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

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

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

Signed on behalf of the Directors by:
Date: January 30, 2023

Victor Abejegah
Chief Financial Officer

FRC/2013/ICAN/00000001733

Nneka Onyeali-Ikpe
Managing Director/Chief Executive Officer

FRC/2013/NBA/00000016998

FIDELITY BANK PLC

Interim Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

	Notes	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Gross Earnings		**94,004**	**75,092**	**335,897**	**250,774**
Interest and similar income using effective interest rate method	*6*	78,959	52,807	277,264	186,783
Other interest and similar income	*12.1*	5,125	12,025	17,172	16,781
Interest and similar expense using effective interest rate method	*7*	(43,121)	(34,870)	(141,623)	(108,687)
Net interest income		**40,963**	**29,962**	**152,813**	**94,877**
Credit loss expense	*8*	(2,723)	(3,061)	(6,414)	(7,035)
Net interest income after credit loss expense		**38,239**	**26,901**	**146,399**	**87,842**
Fee and commission income	*9*	9,376	7,644	34,418	29,406
Fee and commission expense	*9*	(3,248)	(2,580)	(12,694)	(8,624)
Other operating income	*11*	543	2,616	7,044	17,803
Net gains/(losses) from financial assets at fair value through profit or loss	*12*	(128)	136	(932)	(4,904)
Personnel expenses	*13*	(7,578)	(4,902)	(29,731)	(23,470)
Depreciation and amortisation	*14*	(1,631)	(1,850)	(6,614)	(7,174)
Other operating expenses	*15*	(21,304)	(15,380)	(85,825)	(52,814)
Profit before income tax		**14,271**	**12,583**	**52,063**	**38,066**
Income tax expense	*16*	(2,066)	(972)	(4,900)	(2,487)
PROFIT FOR THE PERIOD		**12,205**	**11,612**	**47,163**	**35,579**
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Fair value gains on equity instruments at fair value through other comprehensive income**	*23.3*	-	5,345	619	7,917
Total items that will not be reclassified subsequently to profit or loss		**-**	**5,345**	**619**	**7,917**
Items that will be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income**:					
- Net change in fair value during the period/year		(4,238)	3,199	(4,403)	(6,777)
- Changes in allowance for expected credit losses		(68)	139	25	(617)
- Reclassification adjustments to profit or loss	*17*	415	(2,634)	(693)	(5,494)
Net gains/(losses) on debt instruments at fair value through other comprehensive income		(3,890)	704	(5,071)	(12,888)
Total items that will be reclassified subsequently to profit or loss		**(3,890)**	**704**	**(5,071)**	**(12,888)**
Other comprehensive (loss)/income for the period/year, net of tax		**(3,890)**	**6,049**	**(4,451)**	**(4,971)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX		**8,314**	**17,661**	**42,712**	**30,608**
Earnings per share					
Basic and diluted (in kobo)	*18*	**42**	**40**	**163**	**123**

*** Income from these instruments is exempted from tax*

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

FIDELITY BANK PLC

Interim Statement of Financial Position
as at 31 December 2022

	Note	31 December 2022 N'million	31 December 2021 N'million
ASSETS			
Cash and Cash equivalents	*19*	300,346	219,253
Restricted balances with central bank	*20*	863,090	686,097
Loans and advances to customers	*21*	2,115,833	1,658,412
Derivative financial assets	*22a*	3,977	49,574
Investment securities:			
Financial assets at fair value through profit or loss	*23.1*	2,036	5,207
Debt instruments at fair value through other comprehensive income	*23.2*	29,230	100,009
Equity instruments at fair value through other comprehensive income	*23.3*	27,736	26,207
Debt instrument at amortised cost	*23.4*	479,591	441,452
Deferred tax assets	*27.1*	5,306	-
Other assets	*28*	124,467	58,383
Right of Use Assets	*25*	1,318	1,477
Property, plant and equipment	*24*	42,659	39,440
Intangible assets	*26*	4,023	3,968
TOTAL ASSETS		**3,999,612**	**3,289,479**
LIABILITIES			
Deposits from customers	*29*	2,591,791	2,024,806
Derivative financial liabilities	*22b*	305	425
Current income tax payable	*16*	7,093	3,899
Deferred tax liabilities	*27.2*	5,306	-
Other liabilities	*30*	800,703	490,755
Provision	*31*	5,620	3,413
Debts issued and other borrowed funds	*32*	261,347	468,413
TOTAL LIABILITIES		**3,672,164**	**2,991,710**
EQUITY			
Share capital	*33*	14,481	14,481
Share premium	*34*	101,272	101,272
Retained earnings	*34*	87,400	67,716
Other equity reserves:			
Statutory reserve	*34*	51,417	44,343
Small scale investment reserve (SSI)	*34*	764	764
Non-distributable regulatory reserve (NDR)	*34*	32,391	27,440
Fair value reserve	*34*	30,193	34,644
AGSMEIS reserve	*34*	9,530	7,109
Total equity		**327,448**	**297,769**
TOTAL LIABILITIES AND EQUITY		**3,999,612**	**3,289,479**

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

The financial statements were approved by the Board of Directors on **30 January 2023** and signed on its behalf by:

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

Nneka Onyeali-Ikpe
Managing Director/ Chief Executive Officer
FRC/2017/NBA/00000016998

FIDELITY BANK PLC

Interim Statement of Changes In Equity
for the year ended 31 December 2022

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2022	**14,481**	**101,272**	**67,716**	**44,343**	**764**	**27,440**	**34,644**	**7,109**	**297,769**
Profit for the period	-	-	47,163	-	-	-	-	-	47,163
Other comprehensive income						-	-	-	-
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	(4,403)	-	(4,403)
Net change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	619	-	619
Changes in allowance for expected credit losses	-	-	-	-	-	-	25	-	25
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(693)	-	(693)
Total comprehensive income for the period	**-**	**-**	**47,163**	**-**	**-**	**27,440**	**(4,451)**	**-**	**42,712**
Dividends paid	-	-	(13,033)	-	-	-	-		(13,033)
Transfers between reserves (Note 42)	-	-	(14,446)	7,074		4,951	-	2,421	-
At 31 December 2022	**14,481**	**101,272**	**87,400**	**51,417**	**764**	**32,391**	**30,193**	**9,530**	**327,448**

Statement of changes in equity for the period ended 31 December 2021	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2021	**14,481**	**101,272**	**66,700**	**39,006**	**764**	**6,365**	**39,615**	**5,330**	**273,533**
Profit for the period	-	-	35,579	-	-	-	-	-	35,579
Other comprehensive income								-	-
Net change in fair value of debt instruments at FVOCI	-	-	-	-	-	-	(6,777)	-	(6,777)
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	-	7,917	-	7,917
Changes in allowance for expected credit losses	-	-	-	-	-	-	(617)	-	(617)
Reclassification adjustment for realised net gains	-	-	-	-	-	-	(5,494)	-	(5,494)
Total comprehensive income for the period	**-**	**-**	**35,579**	**-**	**-**	**-**	**(4,971)**	**-**	**30,608**
Dividends paid	-	-	(6,372)	-	-	-	-	-	(6,372)
Transfers between reserves (Note 43)	-	-	(28,191)	5,337	-	21,075	-	1,779	-
At 31 December 2021	**14,481**	**101,272**	**67,716**	**44,343**	**764**	**27,440**	**34,644**	**7,109**	**297,769**

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

FIDELITY BANK PLC

Interim Statement of Cash Flows
for the year ended 31 December 2022

	Note	30 Dec 2022 N'million	30 Dec 2021 N'million
Operating Activities			
Cash flows from /(used in) operations	*35*	166,550	(211,706)
Interest received		199,928	179,317
Interest paid		(158,456)	(84,032)
Income tax paid	*16c*	(1,707)	(581)
Net cash flows from /(used in) operating activities		**206,315**	**(117,002)**
Investing activities			
Purchase of property, plant and equipment	*25*	(7,123)	(4,352)
Proceeds from sale of property plant and equipment		(56)	145
Purchase of intangible assets	*26*	(2,246)	(578)
Purchase of debt Instruments at FVOCI	*24.6.1*	(20,138)	(82,947)
Purchase of debt Instruments at amortised cost		(277,011)	(357,284)
Redemption of financial assets at amortised cost	*24.6.2*	241,715	65,812
Redemption of debt financial assets at FVOCI	*24.6.1*	77,817	214,502
Purchase of equity instruments at FVOCI		(909)	(622)
Dividend received	*10*	387	817
Net cash flows (used in) /from investing activities		**12,436**	**(164,509)**
Financing activities			
Dividends paid		(13,033)	(6,372)
Unclaimed dividend received		(429)	-
Acquisition Right of Use (ROU) Assets	*25*	(691)	(676)
Proceeds of debts issued and other borrowed funds	*32*	-	226,657
Payment of interest portion of debts issued and other bor	*32*	(28,625)	(29,299)
Repayment of principal portion of debts issued and other	*32*	(213,379)	(29,601)
Net cash flows from / (used in) financing activities		**(256,158)**	**160,709**
Net decrease / increase in cash and cash equivalents		**(37,407)**	**(120,802)**
Net foreign exchange difference on cash and cash equiva	*11*	9,259	11,562
Cash and cash equivalents as at 1 January	*19*	**328,493**	**328,493**
Cash and cash equivalents as at 31 December	*19*	**300,346**	**219,253**

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

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Notes To The Financial Statements:

1. Corporate Information

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

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

2. Summary of accounting policies

2.1 Introduction to summary of accounting policies

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

2.1.1 Basis of Preparation

The Bank's financial statements for the year ended **31 December 2022** have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in the manner required by the Companies and Allied Matters Act of Nigeria , the Financial Reporting Council Act of Nigeria , Banks and Other Financial Institutions Act of Nigeria and relevant Central Bank of Nigeria Circulars, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2021. Additional information required by national regulations is included where appropriate.

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

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

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

2.1.2 Changes in accounting policies and disclosures

New and amended standards and interpretations.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

a IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

IFRS 16 Leases - Continued
Nature of the effect of adoption of IFRS 16

The Bank has lease contracts for various buildings used as branches, offices and other outlets. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Bank; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.
Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

IFRS 16 recognized the basis for lease liability as the lenght of non - concellable period of a lease. The Bank applies the definition of a contract and determines the period for which the contract is enforceable. A lease is no longer enforceable when the leasee and leasor each has the right to terminate the lease without permission from the other party with more than an insignificant penalty . The bank assessed its leases on this basis (No terminal penalty) which have been applied by the Bank as such no lease liability was recognized.

2.1.3 Accounting judgements, estimates and assumptions

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

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

Estimates and Assumptions:

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

Going Concern

The huge amount of stimulus deployed by various countries to ease the downsides of the COVID-19 pandemic, particularly in 2021, has predisposed the global economy to huge debt levels, considering the rapid growth and increase in global private and public debt portfolios.

Business continues to function well and largely uninterrupted. The Bank continues to provide access to vital materials for modern life which it has proven to be done responsibly and efficiently in challenging circumstances.
Uncertainties will remain with doubts about reasonably estimation of the future impact. However, the financial situation of the Bank remains healthy and it does not believe that the impact of the Covid-19 pandemic will have any material adverse effect on our financial condition or liquidity. Therefore, based on the Bank's liquidity and expected yearly cash outflow, the Bank expects that it will be able to meet its financial obligations and therefore continues to adopt a going concern assumption as the basis for preparing its financial statements.

2.1.3 Accounting Judgements, Estimates and Assumptions - continued

Depreciation and Carrying Value Of Property, Plant and Equipment

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

Allowances for credit losses

Measurement of the expected credit loss allowance

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

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

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

The extended uncertainties caused by Covid-19, and the volatility in macro economic variables required the Bank to update the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2021. No futher update was done in the current period .

Determination of Collateral Value

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

In determining the collateral value, the Bank has considered potential impacts of the current economic volatility as a result of Covid-19 variations and the impact of Russian/Ukrain war.

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

Fair Value Measurement of Financial Instruments

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

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

Deferred Tax

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

2.2 Standards Issued But Not Yet Effective

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

IFRS 17 Insurance Contracts

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

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts

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

• The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
• The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
• Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet.
• Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
• Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

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

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

2.2.1 IBOR Transition

Interbank Offered Rates (IBORs) are average rates at which certain banks (Contributor Panel bank) could borrow in the interbank market. The rate range in tenors from overnight to 12 months and includes a spread reflecting the credit risk involved in lending money to banks. These rates have been a major benchmark for financial transactions since the 1980s. As at 2018, USD LIBOR and EURIBOR (types of IBOR) together represent 80% of IBOR referenced transactions (Bloomberg, 2018) worth approximately $400 trillion (The World Bank, 2021). Examples of such transactions using LIBOR as reference rates are Loans, Deposits, Bonds, Adjustable-rate Mortgages, Over-the-counter Derivatives, Securitised products, Credit Cards, and more.

There are three major administrators of these interest reference rates- Euro Interbank Offered Rate (EURIBOR), London Interbank Offered Rate (LIBOR), and Tokyo Interbank Offered Rate (TIBOR). IBORs are published in different currencies/pairs namely, GBP LIBOR, USD LIBOR, EURIBOR/EURO LIBOR, CHF LIBOR, JPY LIBOR, JPY TIBOR, EUROYENTIBOR, and for overnight (O/N), 1week, 1month, 2months, 3months, 6months, and 12months tenors. Globally, Transactions referencing IBOR are now being transitioned to alternative reference rates (ARR), likewise, new contracts and the alternative reference rates per currency are as follows:

IBORs	GPB LIBOR	USD LIBOR	EURIBOR, Euro LIBOR	CHF LIBOR	JPY LIBOR, JPY TIBOR,
ARRs	Reformed Sterling Overnight Index Average (SONIA)	Secured Overnight Financing Rate (SOFR)	Euro Short-term Rate (ESTER)	Swiss Average Rate Overnight (SARON)	Tokyo Overnight Average Rate (TONIA)

Key Timelines

In March 2021, the ICE Benchmark Administration (IBA), the administrator of LIBOR, announced the following cessation dates for USD, GBP, JPY, CHF, and EUR LIBOR.

• All tenors across CHF, and EUR LIBOR, as well as 1week and 2months USD LIBOR ceased from December 31, 2021.
• Overnight, 1week, 2months, 12months GBP, and JPY LIBOR have ceased to be published from December 31, 2021.
• Overnight, 1M, 3M, 6M & 12M tenors for USD LIBOR will cease June 30, 2023. (The Intercontinental Exchange, 2021)

The effect:

All new contracts entered will either utilize a reference rate other than IBOR or have robust fallback language that includes a clearly defined ARR (Alternative Reference Rates) after IBOR's discontinuation by June 2023 (for USD LIBOR Tenors other than I week and 2 months).

For existing contracts that are indexed to an IBOR and mature after the expected cessation of the IBOR rate, the fidelity team has established policies to transition the affected contracts .

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

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

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

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

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

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

Relief from discontinuing hedging relationships

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

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

Relief from discontinuing hedging relationships continued

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

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

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

Separately Identifiable Risk Components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 18 months..

Additional Disclosures :- Fidelity IBOR transition.

IFRS 7 lingering impact of the Disclosures include the following:

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

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

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

Fidelity Bank is working with leading experts to assess the impact of IBOR transition on products and financial instruments based on exposure, maturity profile, and product features, as well as the impact on legal contracts to determine the potential need for base rate and fallback language amendment, re-pricing, re-papering, and client outreach.

Fidelity Bank is also working with various stakeholders and improving areas like processes, policies, and systems that may be affected by the transition. This is done to ensure that the transition's impact is fully addressed. The Bank has also developed a robust communication plan to engage with customers and ensure they understand this transition and its significance to them. Client relationship managers are also prepared to further support customers on inquiries regarding the LIBOR transition.

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

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

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

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

• What is meant by a right to defer settlement

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

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

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

Right to Defer Settlement

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

Existence at the end of the reporting period

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

Management Expectations

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

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

Meaning of the term 'Settlement'

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

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

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

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.
The Bank will apply this amendment when it becomes effective on 1 January 2023.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended ;
IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

Amendments to IFRS 3 - Reference to the Conceptual Framework

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

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

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

These amendments did not have any impact on the financial statements of the Bank in the period ,

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

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

These amendments did not have any impact on the financial statements of the Bank in the period.

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

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

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

These amendments have no impact on the financial statements of the Bank, and it became effective annual reporting period beginning on 1 January 2022.

Annual Improvements 2018-2020 cycle (issued in May 2020)

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter

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

These amendments have no impact on the financial statements of the Bank, and it became effective annual reporting period beginning on 1 January 2022.

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

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

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

• An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
These amendments will currently have no impact on the financial statements of the Bank.

IFRS 16 Leases Illustrative Example accompanying - Lease incentives

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

IAS 41 Agriculture - Taxation in fair value measurements

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

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

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

• IAS 23 Borrowing Costs

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

• IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

• right-of-use assets and lease liabilities, and

• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable.

The effective date is 1 January 2023 . These amendments did not have any impact on the financial statements of the Bank in the period ,

2.3 Foreign currency translation and transaction

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

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

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

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

2.4.1 Initial recognition

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

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

Day 1 profit or loss

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

Amortised cost and gross carrying amount

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

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

Effective interest method

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

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

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

Interest income

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

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

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

2.4.2 Financial Assets - Subsequent Measurement

a) Debt Instruments

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

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

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

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

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

Business Model Assessment

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

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

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

Business Model Assessment - continued

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

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

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

Solely Payments of Principal and Interest (SPPI) Assessment

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

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

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

Reclassifications

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

Modifications

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

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

b) **Equity Instruments**

The Bank subsequently measures all Quoted and Unquoted equity investments at fair value through other comprehensive income. Where the Bank has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established. These investments are held for strategic purposes rather than for trading purposes .

c) **Derivative Financial Instruments**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value.

The Bank uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable markets prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

d) **Non-derivative financial assets**

The Bank has revised its internal treasury and risk management systems to support the transition to SOFR. During the course of this transition, the Bank's IBOR Transition team will establish policies for amending the interbank offered rates on existing floating-rate loan portfolio indexed to IBORs. Loan products will be amended in a uniform way, while syndicated products, will be amended in bilateral negotiations with syndicated loan partners.

The IBOR transition working group is monitoring the progress of transition from IBORs to SOFR by reviewing the total amounts of impacted contracts. The Bank also considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, (referred to as an ‘unreformed contract’).

e) **Non-derivative financial Liabilities**

The Bank has floating-rate liabilities indexed to USD LIBOR. The IBOR Transition team and the Bank's treasury team is in discussions with the counterparties of our financial liabilities to amend the contractual terms in response to IBOR reform.

2.4.3 Impairment of Financial Assets

Overview of the ECL principles

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

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

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

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

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

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

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

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

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

The calculation of ECLs

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

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

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

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

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1

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

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

Stage 2

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

Stage 3

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

POCI

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

Loan Commitments and Letters of Credit

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

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

Financial Guarantee Contracts

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

Bank Overdraft and Other Revolving Facilities

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

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

• if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset.

• if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-Impaired Financial Assets

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

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

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

A loan that has been renegotiated due to a deterioration in the borrower's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Collateral Valuation

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

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

Collateral Repossessed

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

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

2.4.4 Presentation of Allowance for ECL

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

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

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

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

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

Write-Off

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

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

2.4.5 Financial Liabilities

Initial and Subsequent Measurement

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

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

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

Derecognition

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

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

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

Financial Guarantee Contracts and Loan Commitments

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

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

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

Notes To The Financial Statements:

2.5 Revenue Recognition

Interest income and expense

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

Fees and Commission Income

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

Income From Bonds or Guarantees and Letters of Credit

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

Dividend Income

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

2.6 Impairment of Non-Financial Assets

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

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

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

2.7 Statement of Cash Flows

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

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

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

2.8 Cash and Cash Equivalents

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

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

2.9 Leases

a The Bank is the lessee

i Right-of-use assets

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

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

The Bank applies the short-term lease recognition exemption to its **short-term leases** (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of **low-value assets recognition exemption to leases** (i.e., below USD 5000). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

B The Bank is the lessor

i Operating Lease

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

ii Finance Lease

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

2.10 Property, Plant and Equipment

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

Property, Plant and Equipment - continued

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

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

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

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

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss

2.11 Intangible Assets

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

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

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

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

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.12 Income Taxation

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

i Current Income Tax

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

ii Deferred Income Tax

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

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

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

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

2.13 Provisions

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

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

2.14 Retirement Obligations and Employee Benefits

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

2.14.1 Defined Contribution Pension Scheme

The Bank operates a defined contributory pension scheme for eligible employees. Bank contributes 10% of the employees' Basic, Housing and Transport allowances in line with the provisions of the Pension Reform Act 2014 while employee contributes 8% summing to 18% annual contribution . The Bank pays the contributions to a pension fund administrator. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Bank has no further obligation beyond the its 10% contribution at the terminal date or disengagement .

2.14.2 Short-Term Benefits

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

2.14. Termination Benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed , without realistic possibility of withdrawal , to a formal detailed plan to either terminate employment before the normal retirement date , or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized in the statement of other comprehensive income if the company has made an offer for voluntary redundancy ,it is probable that the offer will be accepted , and the number of acceptances can be estimated reliably.

2.15 Share Capital

(a) Share Issue Costs

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

(b) Dividends on Ordinary Shares

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

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

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

2.16 Fair Value Measurement

The Bank measures some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

2.17 Comparatives

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

2.18 Segment Reporting

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

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

Retail Banking

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

Corporate Banking

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

Investment Banking

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

3. Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

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

Enterprise Risk Management

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

i) Comprehensive and well defined policies and procedures designed to identify, assess, measure, monitor and report significant risk exposures of the entity. These policies are clearly communicated throughout the Bank and are reviewed annually.

ii) Clearly defined governance structure.

iii) Clear segregation of duties within the Risk Management Division and also between them and the business groups.

iv) Management of all classes of banking risk broadly categorized into credit, market, liquidity, operational risk independently but in a co-coordinated manner at all relevant levels within the Bank.

v) Incorporate the volatility in macro economic variables caused by Covid-19 in the inputs and assumptions used for the determination of expected credit losses ("ECLs")

Risk Management Governance Structure

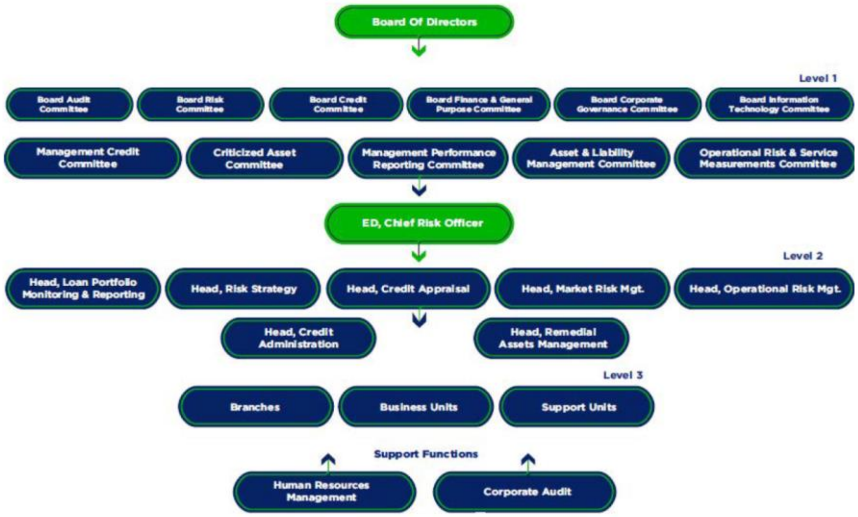
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

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

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

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

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



Enterprise Risk Philosophy
Fidelity Enterprise Risk Mission

Risk Culture
The Bank's risk culture proactively anticipates and curtails losses that may arise from its banking risk underwriting. This culture evolved out of

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

The Bank defines the Bank's Risk Appetite quantitatively at two levels: Enterprise level and Business/Support Unit level.

To give effect to the above, the Board of Directors of the Bank sets target Key Performance Indicators (KPIs) at both enterprise and business/support unit levels based on recommendations from the Executive Management Committee (EXCO).

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

3.2 Credit Risk

3.2.1 Management of credit risk

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

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

The Bank measures and manage credit risk following the principles below:

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

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

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

3.2.2 Credit Risk Ratings

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

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

3.2.2 Credit risk ratings - continued

Bank rating	Applicable score band	Agusto & Co	Description of the grade
			Investment grade
AAA	90% - 100%	AAA	Exceptionally strong business fundamentals and overwhelming capacity to meet obligations in a timely manner.
			Standard Monitoring
AA	80% - 89%	AA	Very good business fundamentals and very strong capacity to meet obligations
A	70% - 79%	A	Good business fundamentals and strong capacity to meet obligations
BBB	60%- 69%	BBB	Satisfactory business fundamentals and adequate capacity to meet obligations
BB	50% - 59%	BB	Satisfactory business fundamentals but ability to repay may be contingent upon refinancing.
B	40% - 49%	B	Weak business fundamentals and capacity to repay is contingent upon refinancing.
CCC	30% - 39%	CCC	Very weak business fundamentals and capacity to repay is contingent upon refinancing.
CC	20% - 29%	CC	Very weak business fundamentals and capacity to repay in a timely manner may be in doubt.
			Default
C	0% - 19%	C	Imminent Solvency

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

Internal Rating Categories	Interpretation	Mapping to External Rating (S&P)
AAA	Impeccable financial condition and overwhelming capacity to meet obligations in a timely manner	AAA
AA	Very good financial condition and very low likelihood of default	AA
A	Good financial condition and low likelihood of default	A
BBB to BB	Satisfactory financial condition and adequate capacity to meet obligations	BBB to BB
B to CCC	Weak financial condition and capacity to repay is in doubt and may be contingent upon refinancing	B to D

3.2.3 Credit Limits

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

Monitoring Default Risk

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

3.2.4 Expected Credit Loss Measurement

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

Change in credit quality since initial recognition

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

(a) Significant Increase In Credit Risk

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

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

Backstop Indicators

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

For assessing increase in credit risk, the Bank sets the origination date of revolving and non-revolving facilities as the last reprice date i.e. the last time the lending was re-priced at a market rate.

(b) Definition of Default

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

Quantitative criteria

• Internal credit rating - Downgrade from Performing to Non-performing (rating grids CC and below)
• Days past due (Dpd) observation – DPDs of 90 days and above
• Prudential classification of sub-standard, doubtful or lost

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

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

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

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

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

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

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

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

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

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

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

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

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Bank's strategy team on a quarterly basis. The specific macro-economic model applied is a Markov multi-state model of transitions in continuous time with macroeconomic co-variates. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's strategy team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2022 and 30 September 2022, the Bank concluded that three scenarios appropriately captured non-linearities for all its portfolios.

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

Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at **31 December 2022** are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		6M	2023	2024	2025
Foreign exchange rate (₦)					
	Base Case	451	469	502	533
	Best Case	408	410	432	457
	Worse Case	498	536	583	623
Inflation rate					
	Base Case	20.94%	19.83%	18.52%	19.31%
	Best Case	15.63%	14.27%	13.31%	13.77%
	Worse Case	24.67%	24.41%	22.64%	23.98%
Crude Oil ($)					
	Base Case	90.49	84.74	79.70	77.34
	Best Case	131.14	132.34	129.39	126.88
	Worse Case	62.45	54.26	49.09	47.14
Foreign Reserves ($ Bn)					
	Base Case	35.07	32.15	33.09	35.47
	Best Case	39.16	36.70	38.20	42.49
	Worse Case	31.41	28.17	28.66	29.61
USD Index					
	Base Case	113.91	112.80	107.50	105.40
	Best Case	108.80	107.04	101.44	98.36
	Worse Case	119.26	118.87	113.93	112.94
Unemployment rate					
	Base Case	39.63%	50.22%	65.36%	72.09%
	Best Case	34.65%	43.56%	55.26%	59.55%
	Worse Case	45.32%	57.90%	77.31%	87.28%
Share Index					
	Base Case	42.39	37.67	39.70	45.21
	Best Case	45.50	38.06	42.05	52.75
	Worse Case	32.21	26.16	26.81	32.00

(e) Grouping Financial Instruments For Collective Assessment

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

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

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

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

The Bank's maximum exposure to credit risk as at **31 December 2022** and 31 December 2021 is represented by the gross carrying amounts of the financial assets set out below:

	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets		**31 December 2022**		
	N'million	**N'million**	**N'million**	**N'million**
Balances with central bank	121,216	-	-	121,216
Restricted balances with central bank	863,090			863,090
Due from banks	146,101	-	-	146,101
Loans and advances to customers	2,196,759	12,562,622	10,365,863	-
Derivative finacial assets	3,977		-	3,977
Investments:			-	-
Financial assets at fair value through profit or loss	2,036	-	-	2,036
Debt instruments at fair value through other comprehensive income	29,229	-	-	29,229
Equity instruments at fair value through other comprehensive income	28,395	-	-	28,395
Debt instruments at amortised cost	480,422	-	-	480,422
Other assets	107,495	-	-	107,495
	3,978,720.29	**12,562,622.13**	**10,365,862.66**	**1,781,960.81**
Financial Guarantee contracts:				
Performance bonds and guarantees	489,618	-	-	489,618
Letters of credit	215,696	-	-	215,696
Undrawn portion of overdraft	74,577	-	-	74,577
	779,892	**-**	**-**	**779,892**

	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets		**31 December 2021**		
	N'million	**N'million**	**N'million**	**N'million**
Balances with central bank	42,720	-	-	42,720
Restricted balances with central bank	686,097			686,097
Due from banks	134,302	-	-	134,302
Loans and advances to customers	1,732,543	39,047,841	37,315,296	-
Derivative finacial assets	49,574		-	49,574
Investments:			-	-
Financial assets at fair value through profit or loss	5,207	-	-	5,207
Debt instruments at fair value through other comprehensive income	100,009	-	-	100,009
Equity instruments at fair value through other comprehensive income	26,207	-	-	26,207
Debt instruments at amortised cost	442,277	-	-	442,277
Other assets	45,287	-	-	45,287
	3,264,223	**39,047,841**	**37,315,296**	**1,531,680**
Financial Guarantee contracts:				
Performance bonds and guarantees	287,993	-	-	287,993
Letters of credit	153,725		-	153,725
Undrawn portion of overdraft	45,563			45,563
	487,281	**-**	**-**	**487,281**

*Excluding equity instruments

3.2.7 Credit Quality

A Maximum Exposure to Credit Risk – Financial instruments subject to impairment

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

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

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The

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

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	103,498	17,129	-	120,626
Standard monitoring	890,463	324,565	-	1,215,028
Default	-	-	17,726	17,726
Gross carrying amount	**993,961**	**341,693**	**17,726**	**1,353,380**
Loss allowance	(10,375)	(25,753)	(7,322)	(43,451)
Carrying amount	**983,586**	**315,940**	**10,404**	**1,309,929**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	82,016	-	-	82,016
Standard monitoring	631,402	288,733	-	920,136
Default	-	-	12,177	12,177
Gross carrying amount	**713,418**	**288,733**	**12,177**	**1,014,328**
Loss allowance	(6,211)	(24,590)	(6,403)	(37,204)
Carrying amount	**707,207**	**264,144**	**5,774**	**977,125**

b) Government, Public Sector & NBFIs portfolio

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	16,497	-	-	16,497
Standard monitoring	193,781	728	-	194,509
Default	-	-	9,698	9,698
Gross carrying amount	**210,278**	**728**	**9,698**	**220,703**
Loss allowance	(1,128)	(0)	(8,355)	(9,484)
Carrying amount	**209,149**	**728**	**1,342**	**211,220**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL	
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	139,053	-	-	139,053
Standard monitoring	41,155	1	-	41,155
Default	-	-	9,104	9,104
Gross carrying amount	**180,208**	**1**	**9,104**	**189,312**
Loss allowance	(1,185)	(0)	(5,599)	(6,784)
Carrying amount	**179,022**	**1**	**3,505**	**182,528**

c) Transport, Communication, Commerce & General portfolio

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	16,975	37,212	-	54,187
Standard monitoring	396,969	19,145	-	416,114
Default	-	-	20,670	20,670
Gross carrying amount	**413,944**	**56,357**	**20,670**	**490,971**
Loss allowance	(7,077)	(2,815)	(10,028)	(19,920)
Carrying amount	**406,867**	**53,542**	**10,642**	**471,051**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	253.98	-	-	254
Standard monitoring	364,909	26,323	-	391,232
Default	-	-	18,884	18,884
Gross carrying amount	**365,163**	**26,323**	**18,884**	**410,369**
Loss allowance	(8,980)	(2,040)	(10,963)	(21,982)
Carrying amount	**356,183**	**24,284**	**7,921**	**388,387**

d) Automobile, Equipment & Mortgage Loans portfolio

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	31,369	3,705	-	35,074
Default	-	-	11	11
Gross carrying amount	**31,369**	**3,705**	**11**	**35,085**
Loss allowance	(127)	(34)	(6)	(168)
Carrying amount	**31,241**	**3,671**	**4**	**34,917**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	13,303	3,189	-	16,492
Default	-	-	28	28
Gross carrying amount	**13,303**	**3,189**	**28**	**16,520**
Loss allowance	(225)	(34)	(11)	(271)
Carrying amount	**13,078**	**3,155**	**17**	**16,249**

e) Medium and Small Scale Enterprises portfolio

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	61	-	-	61
Standard monitoring	25,009	1,843	-	26,853
Default	-	-	2,721	2,721
Gross carrying amount	**25,071**	**1,843**	**2,721**	**29,635**
Loss allowance	(93)	(10)	(2,013)	(2,116)
Carrying amount	**24,977**	**1,834**	**708**	**27,519**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	31,735	164	-	31,899
Default	-	-	3,456	3,456
Gross carrying amount	**31,735**	**164**	**3,456**	**35,355**
Loss allowance	(119)	(0)	(1,850)	(1,970)
Carrying amount	**31,616**	**163**	**1,606**	**33,385**

f) Personal & Employee Loans portfolio

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	52,634	1,163	-	53,797
Default	-	-	13,189	13,189
Gross carrying amount	**52,634**	**1,163**	**13,189**	**66,986**
Loss allowance	(68)	(81)	(5,639)	(5,788)
Carrying amount	**52,566**	**1,082**	**7,550**	**61,198**

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	N'million	N'million	N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	58,743	1,390	-	60,133
Default	-	-	6,525	6,525
Gross carrying amount	**58,743**	**1,390**	**6,525**	**66,658**
Loss allowance	(1,740)	(317)	(3,863)	(5,921)
Carrying amount	**57,003**	**1,072**	**2,662**	**60,738**

A Maximum Exposure To Credit Risk – Financial instruments subject to impairment - continued

	31 December 2022				
	Cash and balance with Central bank	Due from banks	Loans and advances to customers	Debt securities	Other assets
	N'million	N'million	N'million	N'million	N'million
Not Due & Not impaired	984,306	146,101	1,713,691	511,688	107,495
Past due and not impaired (0-30 days)	-		13,564		
Past due and not impaired (31-90 days)	-	-	405,490	-	-
Past due and impaired (aged above 90 days)	-	-	64,014	-	-
Gross	984,306	146,101	2,196,759	511,688	107,495
Impairment allowance	-	(271)	(80,926)	(830)	(1,351)
Net	**984,306**	**145,829**	**2,115,833**	**510,857**	**106,143**

	31 December 2021				
	Cash and balance with Central bank	Due from banks	Loans and advances to customers	Debt securities	Other assets
	N'million	N'million	N'million	N'million	N'million
Not Due & Not impaired	728,817	134,342	1,356,048	547,490	45,261
Past due and not impaired (0-30 days)	-		6,458		
Past due and not impaired (31-90 days)	-	-	319,866	-	-
Past due and impaired (aged above 90 days)	-	-	50,174	-	-
Gross	728,817	134,342	1,732,545	547,490	45,261
Impairment allowance	-	(524)	(74,131)	(993)	(1,648)
Net	**728,817**	**133,818**	**1,658,414**	**546,498**	**43,613**

(a) Financial assets collectively impaired (Stage 1 and Stage 2)

The credit rating of the portfolio of financial assets that were collectively impaired can be assessed by reference to the internal rating system adopted by the Bank.

31 December 2022	**Due from Banks N'million**	**Overdrafts N'million**	**Term loans N'million**	**Finance lease N'million**	**Total Loan N'million**	**Other assets N'million**
Grades:						
1. AAA to AA	110,052	10,508	178,095	3,312	191,916	-
2. A+ to A-	11,674	1,184	78,560	-	79,743	-
3. BBB+ to BB-	9,640	152,616	591,847	3,151	747,614	107,495
4. Below BB-	14,735	60,298	791,943	8,450	860,691	-
5. Unrated	-	1,072	251,489	220	252,781	-
	146,101	225,678	1,891,934	15,134	2,132,746	107,495
Collective Impairment	(271)	(1,599)	(45,659)	(303)	(47,783)	(1,351)
Net amount	**145,829**	**224,079**	**1,846,274**	**14,831**	**2,084,963**	**106,143**

31 December 2021	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Grades:						
1. AAA to AA	87,491	8,104	215,627	5,198	228,929	-
2. A+ to A-	36,865	706	24,630	506	25,842	-
3. BBB+ to BB-	9,986	96,284	579,774	22,163	698,220	45,261
4. Below BB-	-	56,675	665,148	3,060	724,881	-
5. Unrated	-	1	4,495	-	4,497	-
	134,342	161,770	1,489,674	30,926	1,682,369	45,261
Collective Impairment	(892)	(1,991)	(43,054)	(397)	(45,442)	(1,648)
Net amount	**133,451**	**159,779**	**1,446,621**	**30,530**	**1,636,928**	**43,613**

B Maximum Exposure To Credit Risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment i.e. fair value through profit or loss (FVTPL):

	Maximum exposure to credit risk	
	2022 N'million	2021 N'million
Financial assets designated at fair value through profit or loss		
• Debt securities		
Federal Government bonds	351	352
Treasury bills	1,685	4,855
Placements	-	-
	2,036	**5,207**
Derivative financial assets	-	49,574

The credit rating of cash and cash equivalents, short-term investments and investments in government and corporate securities that were neither past due nor impaired can be assessed by reference to the bank's internal ratings as at **31 December 2022** and 31 December 2021:

		Investments in Government Securities				
	Cash & cash equivalents	**Treasury bills**	**Federal Govt bonds**	**State bonds**	**Corporate bonds**	**Total**
31 December 2022	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
AAA to AA	110,052	280,277	208,409	-	-	598,738
A+ to A-	11,674	-	-	2,254	20,748	34,676
BBB+ to BB-	9,640	-	-	-		9,640
Below BB-	14,735	-	-	-	-	14,735
Unrated	-	-	-	-	-	-
	146,101	**280,277**	**208,409**	**2,254**	**20,748**	**657,788**

		Investments in Government Securities				
	Cash & cash equivalents N'million	**Treasury bills N'million**	**Federal Govt bonds N'million**	**State bonds N'million**	**Corporate bonds N'million**	**Total N'million**
31 December 2021						-
AAA to AA	87,451	330,441	204,498	-	-	622,390
A+ to A-	36,865	-	-	4,127	-	40,992
BBB+ to BB-	9,986	-	-	-	8,426	18,412
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	134,302	**330,441**	**204,498**	**4,127**	**8,426**	**681,794**

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

3.2.8 Description of Collateral Held

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

(a) Key Collateral Management Policies

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

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

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

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

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

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

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

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

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

	31 December 2022		31 December 2021	
	Exposure	**Collateral Value**	**Exposure**	**Collateral Value**
	N'million	**N'million**	**N'million**	**N'million**
Secured against real estate	502,967	1,594,056	307,548	1,198,067
Secured by shares of quoted companies	-	-	-	-
Secured by others	1,683,724	10,968,566	1,410,895	37,849,774
Unsecured	10,069	-	14,102	-
Gross Loans and Advances to Customers	**2,196,759**	**12,562,622**	**1,732,545**	**39,047,841**

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

3.3 Liquidity Risk

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

3.3.1 Management of Liquidity Risk

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

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

Short-Term Liquidity

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

Asset Liquidity

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

Management of Liquidity Risk - continued

Funding Diversification

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

Stress Testing

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

3.3.2 Maturity Analysis

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

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2022	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Non-deivative assets						
Restricted balances with central bank	248,556	-	-	614,535	-	863,090
Cash and Cash equivalents	287,015	13,601	-	-	-	300,616
Loans and advances to customers	118,601	344,663	512,682	679,733	796,081	2,451,759
Derivative financial assets	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
- Financial instrument at FVTPL	227	375	1,006	78	851	2,536
- Debt instruments at amortised	17,462	20,846	222,644	56,446	220,674	538,072
- Debt instruments at FVOCI	1,067	1,326	15,026	7,265	8,053	32,738
Other Assets	10,794	53,722	42,978			107,495
Total financial assets	**683,722**	**434,534**	**794,335**	**1,358,056**	**1,025,659**	**4,296,306**
Derivaitive assets						
Trading :						
Gross settled	**-**	**3,977**		**-**	**-**	**3,977**
Net settled						
	-	**3,977**	**-**	**-**	**-**	**3,977**
Total financial assets	**683,722**	**438,510**	**794,335**	**1,358,056**	**1,025,659**	**4,300,283**
Financial liabilities						
Non-derivative liabilities						
Customer deposits	318,332	378,886	447,098	754,151	784,037	2,682,504
Other liabilities	114,904	53,112	98,293	239,654	346,780	852,744
Debt issued and other borrowed funds	-	27,158	18,746	181,125	51,307	278,335
	433,236	**459,157**	**564,137**	**1,174,930**	**1,182,124**	**3,813,583**
Derivative Liabilities						
Trading :						
Gross settled	**-**	**305**	-	**-**	**-**	305
Net settled						
	-	**305**	**-**	**-**	**-**	**305**
Total financial liabilities	433,236	459,461	564,137	1,174,930	1,182,124	3,813,887
Gap (assets-liabilities)	250,487	(20,951)	230,199	183,126	(156,465)	
Cumulative liquidity gap	**250,487**	**229,536**	**459,734**	**642,860**	**486,395**	
Financial Guarantee Contracts:						
Performance bonds and guarantees	8,293	75,908	248,141	157,276	-	489,618
Letters of credit	32,840	56,001	126,856		-	215,696
	41,134	**131,909**	**374,996**	**157,276**	**-**	**705,314**

3.3.2 Maturity Analysis - continued

31 December 2021	Up to 1 month N'million	1-3 months N'million	3-12 months N'million	1-5 years N'million	Over 5 years N'million	Total N'million
Restricted balances with central bank	179,593	-	-	506,504	-	686,097
Cash and Cash equivalents	207,777	12,000	-	-	-	219,777
Loans and advances to customers	134,986	149,183	408,713	490,502	549,161	1,732,545
Derivative financial assets	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
- Held for trading	1,897	542	2,309	399	59	5,207
- Available for sale	18,102	35,154	193,883	45,624	149,514	442,277
- Held to maturity	16,632	8,256	50,348	24,773	-	100,009
Other Assets	4,597	22,119	18,571			45,287
Total financial assets	**563,583**	**227,255**	**673,824**	**1,067,803**	**698,734**	**3,231,199**
Derivaitive assets						
Trading :						
Gross settled	**9,821**	**3,428**	**36,324**	**-**	**-**	**49,574**
Net settled						
	9,821	**3,428**	**36,324**	**-**	**-**	**49,574**
Total financial assets	**573,405**	**230,683**	**710,148**	**1,067,803**	**698,734**	**3,280,772**
Financial liabilities						
Non-derivative liabilities						
Customer deposits	125,556	485,107	390,629	515,704	507,810	2,024,806
Other liabilities	76,998	92,218	137,103	181,989	2,446	490,755
Debt issued and other borrowed funds	22,024	7,716	169,582	228,816	40,275	468,413
	224,577	**585,041**	**697,315**	**926,509**	**550,531**	**2,983,973**
Derivative Liabilities						
Trading :						
Gross settled	-	-	425	-	-	425
Net settled						
		-	**425**	**-**	**-**	**425**
Total financial liabilities	224,577	585,041	697,740	926,509	550,531	2,984,398
Gap (assets-liabilities)	348,827	(354,357)	12,408	141,294	148,203	
Cumulative liquidity gap	**348,827**	**(5,530)**	**6,878**	**148,171**	**296,374**	
Financial Guarantee Contracts:						
Performance bonds and guarantees	5,479	16,817	103,975	76,938	84,784	287,993
Letters of credit	20,424	50,169	29,325	53,806	-	153,725
Total	**25,904**	**66,986**	**133,301**	**130,744**	**84,784**	**441,718**

3.4 Market Risk

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

3.4.1 Management of Market Risk

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

3.5 Operational Risk Management

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

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

• The event of Covid-19 situation made the Bank put additional focus on several operational risk aspects, such as:

– Business continuity plans to support our employees, customers and overall businesses.

– Potential increase of cyber risk due to new conditions in business management and remote working. Our cyber security programme continued to be improved by strengthening detection, response and protection mechanisms.

– Increase in technological support in order to ensure adequate customer service and correct performance of our services, especially in online banking and call centres.

Organizational Set-up

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

Operational Risk Framework

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

Loss Data Collection

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

Risk and Control Self Assessments (RCSA)

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

3.5 Operational Risk Management - contnued

Key Risk Indicators (KRIs)

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

Business Continuity Management (BCM)

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

4. Capital Management

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

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

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

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

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

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

In 2016, the Central Bank of Nigeria issued circular BSD/DIR/CIR/GEN/LAB/06/03 to all Bank's and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes to the regulatory capital measurement and management for the Nigerian Banking System for the implementation of Basel II/III in Nigeria. The capital adequacy ratio for the period ended 30 September 2022 and the comparative period 31 December 2021 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II ACord (Interenal Convergence of capital measurement and Capital Standards. Although the guidelines comply with the requirement of the Basel II accord certain sections were adjusted to reflect the peculiarities of the Nigerian enviroment.

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

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

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

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

1 The Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines which was effective on 1 July 2010 is excluded from regulatory capital for the purposes of capital adequacy assessment;

2 Collective impairment on loans and receivables and other financial assets no longer forms part of Tier 2 capital; and

3 Other Comprehensive Income (OCI) Reserves is recognized as part of Tier 2 capital subject to the limits on the Calculation of Regulatory Capital.

4. **Capital Management - continued**

The table below summarises the composition of regulatory capital and the ratios of the Bank as at **31 December 2022** and as at 31 December 2021. During those two periods, the Bank as an entity complied with all of the externally imposed capital requirements to which it is subject to.

	31 December 2022 N'million	**31 December 2021 N'million**
Tier 1 capital		
Share capital	14,481	14,481
Share premium	101,272	101,272
Retained earnings	92,351	88,792
Statutory reserve	51,417	44,343
Small scale investment reserve	10,294	7,873
Tier 1 Deductions - Intangible Assets	(4,023)	(3,968)
Total qualifying Tier 1 capital	265,792	252,792
Regulatory adjustment	4,951	21,075
Adjusted qualifying Tier 1 capital	**260,841**	**231,717**
Tier 2 capital		
Eurobond Issue	-	-
Local Bond Issue	41,307	40,275
Revaluation reserve	-	-
Fair value reserve	30,193	34,644
Total Tier 2 capital	**71,499**	**74,919**
Qualifying Tier 2 Capital restricted to lower of Tier 2 and 33.33% of Tier 1		
Total Tier 1 & Tier 2 Capital	332,340	306,636
Risk-weighted assets:		
Credit Risk Weighted Assets	1,356,565	1,230,370
Market Risk Weighted Assets	17,977	86,351
Operational Risk Weighted Assets	210,001	210,001
Total risk-weighted assets	1,584,542	1,526,722
Capital Adequacy Ratio (CAR)	**20.97%**	**20.08%**
Minimum Capital Adequacy Ratio	15%	15%

6 Interest and similar income using effective interest rate method

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Loans and advances to customers	66,601	46,467	229,810	159,370
Advances under finance lease	1,051	1,374	4,857	5,125
Treasury bills and other investment securities:	-		-	
-Fair value through other comprehensive income	1,444	(104)	7,734	4,712
-Amortised cost	9,715	4,982	34,329	17,453
Placements and short term funds	148	89	534	123
	78,959	**52,807**	**277,264**	**186,783**

Interest and similar income represents interest income on financial assets measured at amortised cost and Fair value through other comprehensive income.

Interest income accrued on impaired financial assets amount to **N2,214 million** (31 December 2021: **N3,186 million**) in the financial Statement.

7 Interest expense calculated using the effective interest rate method

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Term deposits	29,632	23,170	84,529	67,135
Debts issued and other borrowed funds	7,052	9,789	40,164	32,340
Savings deposits	3,989	1,003	8,800	4,007
Current accounts	1,140	908	4,251	3,835
Inter-bank takings	-	-	33	8
Intervention loan	1,308	-	3,846	1,363
	43,121	**34,870**	**141,623**	**108,687**

Total interest expense is calculated using the effective interest rate method as reported above and does not include interest expense on financial liabilities carried at fair value through profit or loss.

8 Credit loss reversal/(expense)

The table below shows the ECL charges on financial instruments for the period ended 31 December 2022 recorded in profit or loss:

Note	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3 Collective	POCI	Total
		N'million	N'million	N'million	N'million	N'million	N'million
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks (Note 20.3)	-	(253)	-	-	-	-	(253)
Loans and advances to customers (Note 22)	-	408	-	1,712	-	-	6,792
Debt instruments measured at FVOCI (24.6.1)	-	25	-	-	-	-	25
Debt instruments measured at amortised costs (24.6.2)	-	6	-	-	-	-	6
Financial guarantees (Note 31.3.1)	-	353	-	-		-	353
Letters of credit (Note 32.3.2)	-	(522)	-	-	-	-	(522)
	-	**18**	**-**	**1,712**		**-**	**6,402**
Other assets (Note 29)	12	-	-	-		-	**12**
	-	-	-	-		-	-
	12	**18**	**-**	**1,712**		**-**	**6,414**

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

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
		N'million	N'million	N'million	N'million	N'million	N'million
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks (Note 20.3)	-	(368)	-	-	-	-	(368)
Loans and advances to customers (Note 22)	-	8,792	-	5,671	(7,850)	-	6,613
Debt instruments measured at FVOCI (24.6.1)	-	(617)	-	-	-	-	(617)
Debt instruments measured at amortised costs (24.6.	-	461	-	-	-	-	461
Financial guarantees (Note 31.3.1)	-	352	-	-	-	-	352
Loan Commitments	-	-	-	-	-	-	-
Letters of credit (Note 32.3.2)	-	520	-	-	-	-	520
	-	**9,141**	**-**	**5,671**	**(7,850)**	**-**	**6,961**
Other assets (Note 29)	-	73	-	-	-	-	**73**
	-	73	-	-	-	-	73
	-	**9,213**	**-**	**5,671**	**(7,850)**	**-**	**7,034**

9 Net fee and commission income

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

Segments	**Q4 2022 N'million**	**Q4 2021 N'million**	**31 Dec 2022 N'million**	**31 Dec 2021 N'million**
Fee and commision type:				
ATM charges	2,311	1,839	8,832	5,663
Accounts maintenance charge	1,480	1,206	5,040	4,148
Commision on E-banking activities	855	844	3,099	2,992
Commission on travellers cheque and foreign bills	934	828	3,212	2,954
Commission on fidelity connect	657	555	2,135	2,005
Letters of credit commissions and fees	946	563	2,932	1,778
Commissions on off balance sheet transactions	614	311	2,347	1,797
Other fees and commissions	107	100	434	633
Commision and fees on banking services	154	107	555	597
Commision and fees on NXP	257	231	866	841
Collection fees	87	90	316	306
Telex fees	292	351	1,182	1,142
Cheque issue fees	17	22	72	119
Remittance fees	24	38	124	123
Total revenue from contracts with customers	**8,735**	**7,085**	**31,146**	**25,099**
Other non-contract fee income:				
Credit related fees	642	**559**	3,272	4,307
Total fees and commission income	**9,376**	**7,644**	**34,418**	**29,406**
Fee and commission expense	(3,248)	(2,580)	(12,694)	(8,624)
Net fee and commission income	**6,129**	**5,064**	**21,724**	**20,782**

The fees and commission income reported above excludes amount included in determining effective interest rates on financial assets that are not carried at fair value through profit or loss.

10 Modification loss on financial asset

The table below shows the modification charge on financial instruments for the period 31 December 2022 recorded in profit or loss :

	31 Dec 2022 N'million	31 Dec 2021 N'million
Modified Loan Assets (Carrying Amount)	2,253	4,663
Specific allowances for impairment	-	-
	2,253	**4,663**
Modification loss	0.37	(1)
	0.37	**(1)**

In line with IFRSs, Modification is carried out when the cash flows of the modified assets are substantially different from the contractual cash flows of the original financial assets. Based on this, A modification was carried out on affected customers loans, the cash flows of the original financial assets were deemed to have expired and therefore derecognized and a new financial assets was recognized at fair value. The reported gross carrying amount of the loan before modification (N2.25 billion) was as at **June 2022**. The financial assets is not deemed to be credit impaired.

11 Other operating income

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Net foreign exchange gains	325	1,946	2,681	11,562
Dividend income	17	468	387	817
Profit on disposal of property, plant and equipment	19	69	(56)	69
Profit on disposal of unquoted securities	-	-	-	-
Loan Recoveries	171	89	3,967	5,214
Other income	12	43	66	141
	543	**2,616**	**7,044**	**17,803**

11a Dividend income represent dividend received from the Bank's investment in equity instruments held for strategic purposes and for which the Bank has elected to present the fair value and loss in other comprehensive income. See note 2.4.2.b

11b Net foreign exchange gain represent unrealised gains from the revaluation of foreign currency-denominated assets and liabilities held in the non-trading books.

11c Loan recoveries represents amount recovered for previously written-off facilities. The amount is recognised on a cash basis only.

12 Net gains/(losses) from financial instruments classified as fair value through profit or loss

	Q4 2022 N'million	Q4 2022 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Net losses from financial instruments classified as held for trading				
Net (losses)/gains arising from:				
- Bonds	20	17	52	(3,840)
- Treasury bills	(187)	(40)	3	(765)
- Placements	-	-	-	-
- Derivatives	39	159	(987)	(299)
	(128)	**136**	**(932)**	**(4,904)**
12.1 Other interest and similar income measured at FVTPL	**5,125**	**12,025**	**17,172**	**16,781**

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

13 Personnel expenses

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Wages and salaries	6,798	5,524	26,103	21,995
End of the year bonus (see note 32)	652	(739)	3,138	1,014
Pension contribution	128	117	490	461
	7,578	**4,902**	**29,731**	**23,470**

14 Depreciation and Amortisation

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Property, plant and equipment (Note 24)	991	863	3,730	3,283
Computer software (Note 26)	450	822	2,192	3,216
Depreciation of ROU asset (Note 25)	190	165	691	675
	1,631	**1,850**	**6,614**	**7,174**

15 Other operating expenses

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Marketing, communication & entertainment	8,475	2,767	21,795	5,824
Banking sector resolution cost	-	3,844	18,276	15,348
Outsourced cost	1,484	1,280	5,613	5,094
Deposit insurance premium	2,151	1,839	8,238	7,393
Repairs and maintenance	1,589	1,137	5,395	3,604
Other expenses	31	631	2,621	2,409
Computer expenses	1,592	316	4,421	1,136
Security expenses	400	401	1,484	1,568
Rent and rates	94	113	389	320
Cash movement expenses	200	290	817	948
Training expenses	225	169	568	502
Travelling and accommodation	424	233	1,363	897
Consultancy expenses	2,537	382	6,111	1,025
Corporate finance expenses	564	405	2,675	1,202
Legal expenses	87	211	624	399
Electricity	164	164	565	585
Office expenses	95	81	313	334
Directors' emoluments	355	195	982	654
Insurance expenses	117	133	411	553
Stationery expenses	210	130	658	415
Bank charges	392	234	1,677	777
Auditors' remuneration	16	46	358	195
Donation	33	317	196	1,377
Telephone expenses	31	28	124	107
Postage and courier expenses	38	34	153	147
	21,304	**15,380**	**85,825**	**52,814**

15a Banking sector resolution cost represents AMCON levy, which is applicable on total balance sheet size of the Bank. The current applicable rate in Nigeria based on AMCON Act of 2021 is 0.5% of total assets (inclusive of off-balance sheet)

15b The Bank paid external auditors' professional fees for the provision of non-audit services. The total amount of non-audit services provided to the external auditors during the period was **N75.49million**. These non-audit services were for Competency and Capability Assessment (Competency Framework; Competency Catalogue; Critical Workforce Segmentation; Staff Competency Evaluation) **(N66.43 million)** from the previous year, Common Reporting Standard Reporting **(N1 million)**, Corporate Tax Reporting **(8.06 million)**. These services in the Bank's opinion, did not impair the independence and objectivity of the external auditors as adequate safeguards were put in place .

15c The bank paid a total of **N294.79 million** as contribution to the Industrial Training Fund.

16 Taxation

a Income tax expense	31 December 2022 N'million	31 December 2021 N'million
Current taxes on income for the period (Minimum tax)	2,840	625
Tertiary education tax (note 16g)	1,407	1,384
Police Trust Fund (note 16e)	3	2
National Agency for science and engineering infrastructure 0.25%	130	95
Information Technology levy (note 16f)	521	381
Capital Gain Tax	-	-
Current income tax payable	**4,900**	**2,487**
Deferred tax asset	(5,306)	-
Deferred tax liability	5,306	-
Current income tax expense	**4,900**	**2,487**

b Total income tax expense in profit or loss	31 December 2022 N'million	31 December 2021 N'million
Profit before income tax	52,063	38,066
Income tax using the domestic corporation tax rate of 32.5% (Dec 2021 : 32.5%)	16,921	12,371
Non-deductible expenses	11,854	1,954
Tax exempt income	(7,653)	40,417
Utilization of previously unrecognised tax losses	(21,111)	(54,742)
Unrecognised deferred tax assets		-
Income Tax expense based on Minimum tax (note 16d)	2,840	625
Effect of concessions (research and development and other allowances)	-	-
Tertiary education tax (note 16g)	1,395	1,384
Capital gain tax	-	-
Police Trust Fund (note 16e)	3	2
National Agency for science and engineering infrastructure 0.25%	130	95
Information Technology levy (note 16f)	521	381

Effective tax rate

The effective income tax rate is 9.4% (31 December 2021: 6.4%).

c The movement in the current income tax payable is as follows:	31 December 2022 N'million	31 December 2021 N'million
At 1 January	3,899	2,307
Income tax paid	(1,707)	(581)
WHT recovered	-	(314)
Current income tax expense	4,900	2,487
At 31 December	**7,093**	**3,899**

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

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

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

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

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

17 Net reclassification adjustments for realised net gains

The net reclassification adjustments for realised net gains from other comprehensive income to profit or loss are in respect of debt instruments measured at fair value through other comprehensive income which matured during the period. See Other Comprehensive Income

18 Earnings per share (EPS)

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

	Q4 2022 N'million	Q4 2021 N'million	31 Dec 2022 N'million	31 Dec 2021 N'million
Profit attributable to equity holders of the Bank (N'million)	12,205	11,612	47,163	35,579
Weighted average number of ordinary shares in issue (N'million)	28,963	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**42**	**40**	**163**	**123**

a Basic and diluted earnings per share are the same, as the Bank has no potentially dilutive ordinary shares.

19 Cash and Cash equivalents

	31 December 2022 N'million	31 December 2021 N'million
Cash	33,300	42,755
Balances with central bank other than mandatory reserve deposits	121,216	42,720
Due from banks	145,830	133,777
Total cash and cash equivalents	**300,346**	**219,253**

19.1 Due from Banks

	31 December 2022 N'million	31 December 2021 N'million
Current accounts with foreign banks	132,499	122,301
Placements with other banks and discount houses	13,602	12,000
Sub-total	146,102	134,302
Less: Allowance for impairment losses	(271)	(524)
	145,830	**133,777**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of less than three months. See Note 44

20 Restricted balances with central bank

	31 December 2022 N'million	31 December 2021 N'million
Mandatory reserve deposits with central bank (see note 20.1 below)	614,535	506,504
Special cash reserve (see note 20.2 below)	248,556	179,593
Carrying amount	**863,090**	**686,097**

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

20.2 Special cash reserve represents special Intervention funds held with Central Bank of Nigeria as a regulatory requirement.

20.3 Cash and Bank Balances was seperated into Cash and Cash Equivalent ,and Balances with Central Bank to reflect best practice.

Impairment Allowance for Due from Banks

The table below shows the credit quality and the maximum exposure to credit risk based on the external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the external rating system are explained in Note 3.2.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2022			
	Stage 1 individual **N'million**	Stage 2 Individual **N'million**	Stage 3 **N'million**	Total **N'million**
External rating grade				
Performing				
High grade	121,726	-	-	121,726
Standard grade	19,007	-	-	19,007
Sub-standard grade	5,368	-	-	5,368
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**146,101**	**-**	**-**	**146,101**

	31 December 2021			
	Stage 1 individual **N'million**	Stage 2 Individual **N'million**	Stage 3 **N'million**	Total **N'million**
External rating grade				
Performing				
High grade	87,451	-	-	87,451
Standard grade	36,865	-	-	36,865
Sub-standard grade	9,986	-	-	9,986
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**134,302**	**-**	**-**	**134,302**

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

	31 December 2022			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at **1 January 2022**	134,302	-	-	**134,302**
New assets originated or purchased	14,162	-	-	**14,162**
Assets derecognised or repaid (excluding write offs)	(12,155)	-	-	**(12,155)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition		-	-	-
Unwind of Discount	-			-
Amounts written off		-	-	-
Changes in PD/LGD/EAD and Accrued Interest	(1,715)	-	-	**(1,715)**
Foreign exchange adjustments	11,507	-	-	**11,507**
At 31 December 2022	**146,101**	**-**	**-**	**146,101**

	31 December 2021			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at **1 January 2021**	214,808	-	-	**214,808**
New assets originated or purchased	13,383	-	-	**13,383**
Assets derecognised or repaid (excluding write offs)	(100,672)	-	-	**(100,672)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition		-	-	-
Amounts written off	-	-	-	-
Accrued Interest	-	-	-	-
Foreign exchange adjustments	6,782	-	-	**6,782**
At 31 December 2021	**134,302**	**-**	**-**	**134,302**

	31 December 2022			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at **1 January 2022**	524	-	-	**524**
New assets originated or purchased	190	-	-	**190**
Assets derecognised or repaid (excluding write offs)	(440)	-	-	**(440)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	-	-	-	-
Unwind of discount		-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition		-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Changes in PD/LGD/EAD and Accrued Interest	(9)	-	-	**(9)**
Amounts written off	-	-	-	-
Foreign exchange adjustments	7	-	-	**7**
At 31 December 2022	**271**	**-**	**-**	**271**

	31 December 2021			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	892	-	-	**892**
New assets originated or purchased	45	-	-	**45**
Assets derecognised or repaid (excluding write offs)	(440)	-	-	**(440)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on Year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount		-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition		-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	27	-	-	**27**
At 31 December 2021	**524**	**-**	**-**	**524**

Contractual amounts outstanding in relation to Due from banks that were still subject to enforcement activity, but otherwise had already been written off, were nil both at 31 December 2022 and at 31 December 2021.

21 Loans and Advances to Customers

	31 December 2022 N'million	31 December 2021 N'million
Loans to corporate and other organisations	2,129,774	1,665,885
Loans to individuals	66,986	66,658
	2,196,759	1,732,543
Less: Allowance for ECL/impairment losses	(80,926)	(74,131)
	2,115,833	**1,658,412**

	31 December 2022 N'million	31 December 2021 N'million
Loans to corporate entities and other organisations		
Overdrafts	256,424	187,122
Term loans	1,856,537	1,447,686
Advance under finance lease	16,813	31,077
	2,129,774	1,665,885
Less: Allowance for ECL/impairment losses	(75,138)	(68,210)
	2,054,636	**1,597,675**
Loans to individuals		
Overdrafts	14,038	12,553
Term loans	51,559	51,310
Advance under finance lease	1,389	2,795
	66,986	66,658
Less: Allowance for ECL/impairment losses	(5,788)	(5,921)
	61,198	60,737
Net loans and advances include	**2,115,833**	**1,658,412**

21.1 **Impairment allowance for loans and advances to customers**

21.1.1 **Corporate and Other Organisations**

The table below shows the credit rating of corporate obligors and the maximum exposure to credit risk based on the Bank’s internal credit rating system period-end and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank’s internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2022				
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
Internal rating grade					
Performing					
High grade (AAA - A)	283,833	54,489	-	-	**338,322**
Standard grade (BBB - B)	1,242,951	232,930	-	-	**1,475,882**
Sub-standard grade (CCC - CC)	147,837	116,907		-	**264,745**
Past due but not impaired (C)				-	-
Non- performing:				-	-
Individually impaired	- -	-	50,825	-	**50,825**
Total	**1,674,621**	**404,327**	**50,825**	**-**	**2,129,774**

	31 December 2021				
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
Internal rating grade					
Performing					
High grade (AAA - A)	241,864	12,905	-	-	254,769
Standard grade (BBB - B)	899,652	227,714	-	-	1,127,366
Sub-standard grade (CCC - CC)	162,311	77,791	-	-	240,101
Past due but not impaired (C)	- -	-	-	-	-
Non- performing:	- -	-	-	-	-
Individually impaired	-	-	43,648	-	43,648
Total	**1,303,827**	**318,410**	**43,648**	**-**	**1,665,885**

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

	31 December 2022				
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
Gross carrying amount as at **1 January 2022**	1,303,827	318,410	43,648	-	1,665,885
New assets originated or purchased	963,441	-	-	-	963,441
Assets derecognised or repaid (excluding write offs)	(551,915)	(15,038)	(28,644)	-	(595,597)
Transfers to Stage 1	(95,649)	88,843	6,806	-	-
Transfers to Stage 2	18,319	(18,290)	(29)	-	-
Transfers to Stage 3	(2,163)	41	2,122	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Unwind of discount	12,412	8,217	401		21,030
Amounts written off	(50)	(86)	(490)		(626)
Changes in PD/LGD/EAD Including Accrued Interest	22,934	20,386	25,835	-	69,155
Foreign exchange adjustments	3,465	1,845	1,176	-	6,486
At 31 December 2022	**1,674,622**	**404,327**	**50,825**	**-**	**2,129,774**

	31 December 2021				
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
Gross carrying amount as at **1 January 2021**	1,027,743	263,045	49,414	-	1,340,202
New assets originated or purchased	678,194	-	-	-	678,194
Assets derecognised or repaid (excluding write offs)	(419,956)	(27,554)	(10,534)	-	(458,045)
Transfers to Stage 1	28,870	(26,252)	(2,619)	-	-
Transfers to Stage 2	(7,200)	7,215	(15)	-	-
Transfers to Stage 3	(51,645)	69,999	(18,354)	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	-		-
Accrued Interest	39,777	29,802	24,516	-	94,095
Foreign exchange adjustments	8,044	2,155	1,240	-	11,440
At 31 December 2021	**1,303,827**	**318,410**	**43,648**	**-**	**1,665,885**

21 Loans and Advances to Customers - continued

	31 December 2022				
	Stage 1 Collectively	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at **1 January 2022** under IFRS 9	16,720	26,663	24,829	-	68,213
New assets originated or purchased	11,279	-	-	-	11,279
Assets derecognised or repaid (excluding write offs)	(2,491)	(6,417)	(3,743)	-	(12,651)
Transfers to Stage 1	(11,693)	6,166	5,527	-	-
Transfers to Stage 2	386	(376)	(10)	-	-
Transfers to Stage 3	(405)	402	3	-	-
Impact on year end ECL of exposures transferred between stages during the year				-	-
Unwind of discount	392	244	31	-	667
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes in PD/LGD/EAD Including Accrued Interest	4,564	1,990	1,577		8,131
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Amounts written off	(50)	(86)	(490)	-	(626)
Foreign exchange adjustments	98	26	-	-	124
At 31 December 2022	**18,800**	**28,612**	**27,725**	**-**	**75,138**

	31 December 2021				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at **1 January 2021** under IFRS 9	9,605	21,300	36,038	-	66,943
New assets originated or purchased	5,100	-	-	-	5,100
Assets derecognised or repaid (excluding write offs)	(5,078)	(1,560)	(6,134)	-	(12,771)
Transfers to Stage 1	1,192	(0)	(1,192)	-	-
Transfers to Stage 2	(16)	15	-	-	(1)
Transfers to Stage 3	(2,432)	-	2,432	-	-
Impact on year end ECL of exposures transferred between stages during the year	8,270	6,290	(6,318)	-	8,242
Unwind of discount	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	79	618	3	-	697
At 31 December 2021	**16,720**	**26,663**	**24,829**	**-**	**68,210**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at **31 December 2022** (31 December 2021: nil).

21.1.2 Loans to individuals

The table below shows the credit rating of loans to individuals and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2022				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
Internal rating grade					
Performing					
High grade (AAA - A)			-	-	-
Standard grade (BBB - B)	51,504	1,163	-	-	52,667
Sub-standard grade (CCC - CC)	1,130	-		-	1,130
Past due but not impaired (C)				-	-
Non- performing				-	-
Individually impaired	-	-	13,189	-	13,189
Total	**52,634**	**1,163**	**13,189**	**-**	**66,986**

	31 December 2021				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
Internal rating grade					
Performing					
High grade (AAA - A)	-	-		-	-
Standard grade (BBB - B)	53,271	1,390	-	-	54,660
Sub-standard grade (CCC - CC)	976	-	-	-	976
Past due but not impaired (C)	4,497	-	-	-	4,497
Non- performing	-	-	-	-	-
Individually impaired			6,525	-	6,525
Total	**58,743**	**1,390**	**6,525**	**-**	**66,658**

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

	31 December 2022				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at					
1 January 2022	58,743	1,390	6,525	-	66,658
New assets originated or purchased	25,883	-	-	-	25,883
Assets derecognised or repaid (excluding write offs)	(19,954)	(407)	(840)	-	(21,201)
Transfers to Stage 1	293	(91)	(203)	-	-
Transfers to Stage 2	(439)	446	(8)	-	-
Transfers to Stage 3	(5,660)	(244)	5,905	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Unwind of discount	351	122	89		562
Changes in PD/LGD/EAD Including Accrued Interest	(6,417)	(43)	1,776		(4,684)
Amounts written off	(166)	(10)	(133)	-	(308)
Foreign exchange adjustments	-	-	76	-	76
At 31 December 2022	**52,634**	**1,163**	**13,189**	**-**	**66,986**

	31 December 2022				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at **1 January 2022**	1,740	318	3,863	-	5,921
New assets originated or purchased	1,250	-	-	-	1,250
Assets derecognised or repaid (excluding write offs)	(441)	(195)	(439)	-	(1,075)
Transfers to Stage 1	186	(4)	(182)	-	-
Transfers to Stage 2	(65)	65	(0)	-	-
Transfers to Stage 3	(1,486)	(102)	1,588	-	-
Impact on year end ECL of exposures transferred between stages during the period				-	-
Unwind of discount	21	10	3		34
Changes in PD/LGD/EAD Including Accrued Interest	(971)	(1)	938	-	(34)
Amounts written off	(166)	(10)	(133)	-	(308)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2022	**68**	**81**	**5,639**	**-**	**5,788**

	31 December 2021				
	Stage 1 Collectively N'million	**Stage 2 Collectively N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
Gross carrying amount as at					
1 January 2021	49,492	294	3,636	-	53,422
New assets originated or purchased	20,760	-	-	-	20,760
Assets derecognised or repaid (excluding write offs)	(12,913)	(70)	(279)	-	(13,262)
Transfers to Stage 1	548	(61)	(487)	-	-
Transfers to Stage 2	(88)	127	(39)	-	-
Transfers to Stage 3	(1,033)	(156)	1,188	-	-
Amounts written off	1,857	1,184	2,374		5,416
Accrued Interest	-	-	-	-	-
Foreign exchange adjustments	119	70	132	-	322
At 31 December 2021	**58,743**	**1,390**	**6,525**	**-**	**66,658**

	31 December 2021			
	Stage 1 Collectively N'million	**Stage 2 Collectively N'million**	**Stage 3 N'million**	**Total N'million**
Gross Carrying amount as at **1 January 2021**	63	10	502	575
New assets originated or purchased	1,708	-	-	1,708
Assets derecognised or repaid (excluding write offs)	(14)	-	(80)	(94)
Transfers to Stage 1	76	-	(76)	
Transfers to Stage 2	-	31	(31)	
Transfers to Stage 3	(1)	-	1	0
Impact on year end ECL of exposures transferred between stages during the year	(92)	276	3,547	3,732
Unwind of discount				-
Amounts written off				-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**1,740**	**318**	**3,863**	**5,921**

21.1 Advances under finance lease may be analysed as follows:

	31 December 2022 N'million	31 December 2021 N'million
Gross investment		
- No later than 1 year	6,621	10,113
- Later than 1 year and no later than 5 years	11,448	33,783
- Later than 5 years	133	158
	18,202	44,054
Unearned future finance income on finance leases	(70)	(10,182)
Net investment	**18,132**	**33,872**
The net investment may be analysed as follows:		
- No later than 1 year	6,617	8,824
- Later than 1 year and no later than 5 years	11,382	24,890
- Later than 5 years	134	158
	18,132	**33,872**

21.2 Nature of security in respect of loans and advances:

	31 December 2022 N'million	31 December 2021 N'million
Secured against real estate	502,967	307,548
Secured by shares of quoted companies	-	-
Secured others	1,640,770	1,381,154
Advances under finance lease	42,954	29,739
Unsecured	10,069	14,102
Gross loans and advances to customers	**2,196,759**	**1,732,543**

22 Derivative Financial Instruments

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

22a Derivative financial Assets	**31 December 2022 N'million**	**31 December 2021 N'million**
Total return swap contracts	3,977	49,574
Futures Contracts	-	-
Total derivative financial Assets	**3,977**	**49,574**
Notional Amount		
Total return swap contracts	3,723	50,109
Futures Contracts	-	-
Total	**3,723**	**50,109**

22b Derivative financial liabilities	**31 December 2022 N'million**	**31 December 2021 N'million**
Non-deliverable forwards	305	425
Futures Contracts	-	-
Total derivative financial Liabilities	**305**	**425**
Notional Amount		
Non-deliverable forwards	16,761	42,098
Futures Contracts	-	-
Total	**16,761**	**42,098**

i The Bank enters into currency forward contracts with counterparties. On initial recognition, the Bank estimates the fair value of derivatives transacted with the counterparties in line with IFRS 13. In many cases, all significant inputs into the valuation techniques are wholly observable (e.g with reference to similar transactions in the dealer market.) See note 2.4.2 c

ii During the period, various derivative contracts entered into by the Bank generated a net loss which was recognized in the statement of profit or loss and other comprehensive income, while additional liability was recognized for the liabilities .

iii All derivative contracts are current .

23 Investment Securities

23.1 Financial assets at fair value through profit and loss (FVTPL)	**31 December 2022 N'million**	**31 December 2021 N'million**
Held for trading:		
Federal Government bonds	351	352
Treasury bills	1,685	4,855
Total financial assets measured at FVTPL	**2,036**	**5,207**

23.2 Debt instruments at fair value through other comprehensive income (FVOCI)	**31 December 2022 N'million**	**31 December 2021 N'million**
Treasury bills	16,677	75,084
Federal Government bonds	5,393	16,106
State bonds	2,254	4,127
Corporate bonds	4,905	4,691
Total debt instruments measured at FVOCI	**29,230**	**100,009**

	31 December 2022 N'million	31 December 2021 N'million
23.3 Equity instruments at fair value through other comprehensive income (FVOCI)		
Unquoted equity investments:		
- Pay Attitude Global	22	16
- African Finance Corporation (AFC)	5,010	3,321
- Unified Payment Solution (UPSL)	13,972	12,627
- Nigerian Inter Bank Settlement System (NIBBS)	3,756	3,540
- African Export–Import Bank (AFREXIM BANK)	458	275
- The Central Securities Clearing System (CSCS)	2,697	3,164
- Investment in FMDQ	1,764	3,215
Quoted equity investments:		
- Nigerian Exchange Group (NGX)	56	49
Total equity instruments at FVOCI	**27,736**	**26,207**

23.3.1 The Bank has designated its equity investments as equity investments at fair value through other comprehensive income (FVOCI) on the basis that these are not held for trading , see note **2.4.2.b.** During the period ended **30 September 2022**, the Bank recognised dividends of N370 million (December 2021 - N817 million) from its FVOCI equities which was recorded in the profit or loss as other operating income.

	31 December 2022 N'million	31 December 2021 N'million
23.4 Debt instruments at amortised cost		
Treasury bills	261,913	250,502
Federal Government bonds	202,665	186,673
State Government bonds	5,643	-
Corporate bonds	10,200	5,102
Sub-total	480,421	442,277
Allowance for impairment	(830)	(824)
Total debt instruments measured at amortised cost	**479,591**	**441,452**
Reconciliation of allowance for impairment		
At beginning of period	(824)	(364)
additional allowance for impairment	(6)	(460)
At end of period	**(830)**	**(824)**
Total investments	**538,592**	**572,875**

23.5 Pledged Assets

The assets pledged as collateral were given to the counter parties without transferring the ownership to them. These are held by the counterparty for the term of the transaction being collateralized.

Treasury Bills and Bonds are pledged to the Nigerian Inter Bank Settlement System Company Plc (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system. The Bank pledged Treasury bills and Bonds in its capacity as collection bank for government taxes and Interswitch electronic card transactions. The Bank also pledged Federal Government bonds in foreign currency to Standard Chartered Bank (“SCB”) and Meshrek in respect of its short term borrowings.

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

	31 Dec 2021 N'million	31 Dec 2021 N'million
Treasury bills - Amortised cost	40,411	33,768
Federal Government bonds - Amortised cost	107,889	70,014

23.6 Impairment losses on financial investments subject to impairment assessment

23.6.1 Debt Instruments Measured at FVOCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank’s internal credit rating system and Period-end stage classification. Details of the Bank’s internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1:

	31 December 2022			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	22,070	-	-	**22,070**
Standard grade	7,159	-	-	**7,159**
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**29,230**	**-**	**-**	**29,230**

	31 December 2021			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	92,557	-	-	92,557
Standard grade	7,451	-	-	7,451
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	100,009	-	-	100,009

Investments - continued

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

	31 December 2022			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2022	100,009	-	-	100,009
New assets originated or purchased	20,138	-	-	20,138
Assets derecognised or matured (excluding write-offs)	(77,817)	-	-	(77,817)
Change in fair value	(14,564)	-	-	(14,564)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Unwind of Discount	1,214	-	-	1,214
Amounts written off	-	-	-	-
Foreign exchange adjustments	249	-	-	249
At 31 December 2022	29,230	-	-	29,230

	31 December 2022			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2022	168	-	-	168
New assets originated or purchased	35	-	-	35
Assets derecognised or matured (excluding write offs)	(85)	-	-	(85)
Impact on year end ECL of exposures transferred between stages during the period	-	-	-	-
Unwind of discount (recognised in interest income)	64	-	-	64
Changes due to modifications not resulting in derecognition		-	-	-
Changes to models and inputs used for ECL calculations		-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
	10			10
At 31 December 2022	194	-	-	194

	31 December 2021			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	265,980	-	-	265,980
New assets originated or purchased	91,313	-	-	91,313
Assets derecognised or matured (excluding write-offs)	(214,502)	-	-	(214,502)
Change in fair value	(42,782)	-	-	(42,782)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At December 2021	100,009	-	-	100,009

	31 December 2021			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	785	-	-	**785**
New assets originated or purchased	140	-	-	**140**
Assets derecognised or matured (excluding write offs)	(808)	-	-	**(808)**
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	**-**
Unwind of discount (recognised in interest income)	51	-	-	**51**
Changes due to modifications not resulting in derecognition		-	-	**-**
Changes to models and inputs used for ECL calculations		-	-	**-**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
At 31 December 2021	**168**	**-**	**-**	**168**

23.6.2 Debt Instruments Measured at Amortised Cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1:

	31 December 2022			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	464,578	-	-	**464,578**
Standard grade	15,843	-	-	**15,843**
Sub-standard grade	-	-	-	**-**
Past due but not impaired	-	-	-	**-**
Non- performing				**-**
Individually impaired	-	-	-	**-**
Total	**480,421**	**-**	**-**	**480,421**

	31 December 2021			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	437,175	-	-	**437,175**
Standard grade	5,102	-	-	**5,102**
Sub-standard grade	-	-	-	**-**
Past due but not impaired	-	-	-	**-**
Non- performing				**-**
Individually impaired	-	-	-	**-**
Total	**442,277**	**-**	**-**	**442,277**

Investments - continued

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

	31 December 2022			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2022	442,277	-	-	**442,277**
New assets originated or purchased	277,011	-	-	**277,011**
Assets derecognised or matured (excluding write-offs)	(241,715)	-	-	**(241,715)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-			-
Unwind of Discount	2,849			**2,849**
Amounts written off		-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2022	**480,421**	**-**	**-**	**480,421**

	31 December 2022			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2022	824	-	-	**824**
New assets purchased	282	-	-	**282**
Assets derecognised or matured (excluding write offs)	(359)	-	-	**(359)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the period		-	-	-
Unwind of discount (recognised in interest income)	83	-	-	**83**
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-		-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2022	**830**	**-**	**-**	**830**

	31 December 2021			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	138,168	-	-	**138,168**
New assets originated or purchased	363,812	-	-	**363,812**
Assets derecognised or matured (excluding write-offs)	(65,812)	-	-	**(65,812)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes Other than modifications not derecognised	6,109			**6,109**
Amounts written off		-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**442,277**	**-**	**-**	**442,277**

	31 December 2021			
	Stage 1 Collectively	Stage 2 Collectively	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	364	-	-	**364**
New assets purchased	462	-	-	**462**
Assets derecognised or matured (excluding write offs)	(146)	-	-	**(146)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year		-	-	-
Unwind of discount (recognised in interest income)	144	-	-	**144**
Changes Other than modifications not derecognised	-	-	-	-
Changes to models and inputs used for ECL calculations	-		-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**824**	**-**	**-**	**824**

24 Property, Plant and Equipment	Land	Buildings	Leasehold improvements	Office equipment	Furniture, fittings	Computer equipment	Motor vehicles	Work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Cost									
At 1 January 2022	**15,669**	**17,379**	**3,852**	**6,638**	**1,744**	**13,706**	**4,936**	**1,402**	**65,327**
Additions	355	573	77	625	167	1,913	907	2,507	7,123
Reclassifications	(345)	366	17	259	-	349	-	(645)	-
Disposals	-	(6)	(17)	(134)	(15)	(125)	(377)	-	(674)
At 31 December 2022	**15,678**	**18,312**	**3,929**	**7,388**	**1,896**	**15,843**	**5,467**	**3,264**	**71,776**
Accumulated depreciation									
At 1 January 2022	-	(3,785)	(2,877)	(5,258)	(1,507)	(9,083)	(3,377)	-	(25,887)
Charge for the period	-	(353)	(204)	(639)	(95)	(1,793)	(648)	-	(3,730)
Reclassifications		(8)	(1)	8	-	-	-		
Disposals	-	2	13	131	14	94	246	-	500
At 31 December 2022	**-**	**(4,144)**	**(3,069)**	**(5,757)**	**(1,587)**	**(10,782)**	**(3,780)**	**-**	**(29,117)**
Carrying amount at 31 December 2022	**15,678**	**14,168**	**860**	**1,630**	**310**	**5,062**	**1,687**	**3,264**	**42,659**
Cost									
At 1 January 2021	15,543	17,066	3,835	9,835	2,336	19,132	5,531	998	74,276
Additions	111	46	24	327	150	1,347	1,226	1,122	4,352
Reclassifications	70	290	(0)	219	3	136	-	(718)	(0)
Disposals	(55)	(23)	(6)	(3,742)	(745)	(6,910)	(1,820)	-	(13,302)
At 31 December 2021	**15,669**	**17,379**	**3,852**	**6,638**	**1,744**	**13,706**	**4,936**	**1,402**	**65,327**
Accumulated depreciation									
At 1 January 2021	-	(3,463)	(2,661)	(8,423)	(2,174)	(14,392)	(4,717)	-	(35,830)
Charge for the period	-	(345)	(222)	(571)	(77)	(1,591)	(476)	-	(3,283)
Disposals	-	23	6	3,736	744	6,901	1,816	-	13,226
At 31 December 2021	**-**	**(3,785)**	**(2,877)**	**(5,258)**	**(1,507)**	**(9,083)**	**(3,377)**	**-**	**(25,887)**
Carrying amount at 31 December 2021	**15,669**	**13,594**	**976**	**1,380**	**237**	**4,623**	**1,559**	**1,402**	**39,440**

a Work in progress relates to capital cost incured in setting up new branches. When completed and available for use, they are transfered to the respective property, plant and equipment classes and depreciation commences.

b 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.

c There were no impairment losses on any class of property, plant and equipment during the period (31 December 2021: Nil)

d There were no pledged assets in any class of property, plant and equipment during the period (31 December 2021: Nil)

25 Right-of-Use Asset

	31 December 2022 N'million	31 December 2021 N'million
Cost		
Balance at beginning of year	3,466	3,011
Additions	535	578
Disposal during the year	-	(123)
Balance	**4,001**	**3,466**
Accumulated amortization		
Balance at beginning of year	(1,989)	(1,359)
Amortisation for the year	(691)	(676)
Disposal during the year	(2)	46
Balance	(2,683)	(1,989)
Carrying amount	**1,318**	**1,477**

Expense of Low value Item :
The expense for low value items and short term leases is **N389,30 million** (31 December 2021: N68.86 million) .

26 Intangible Assets - Computer Software

	31 December 2022 N'million	31 December 2021 N'million
Cost		
Balance at 1 January	7,410	8,399
Additions	2,246	3,901
Disposal during the year	(295)	(4,890)
Balance as at 31 December	**9,361**	**7,410**
Accumulated amortization		
Balance at 1 January	(3,442)	(5,116)
Amortisation for the year	(2,192)	(3,216)
Disposal during the year	295	4,890
Balance as at 31 December	(5,339)	(3,442)
Carrying amount	**4,023**	**3,968**

These relate to purchased softwares.
All intangible assets are non-current with finite useful life and are amortised over the year . The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was **N2,192bn for the year ended 31 December 2022** (31 December 2021: N3,216bn).

27 Deferred Taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% or 32.5% as applicable (2021: 30% or 32.5%).

Deferred tax assets and liabilities are attributable to the following items:

27.1 Deferred Tax Assets

	31 December 2022 N'million	31 December 2021 N'million
Deferred tax assets		
Property,plant and equipment	1,253	(4,886)
Allowances for loan losses	7,500	9,337
Tax loss carried forward	-	16,332
Unutilised tax credits (capital allowances)	5,437	-
	14,190	**20,783**
Unrecognised deferred tax assets	**(8,884)**	**20,783**
Net	**5,306**	**-**

27.2 Deferred Tax Liabilities

	31 December 2022 N'million	31 December 2021 N'million
Deferred tax assets		
Property,plant and equipment	5,306	-
Allowances for loan losses	-	-
Tax loss carried forward	-	-
Unutilised tax credits (capital allowances)	-	-
	5,306	**-**
Unrecognised deferred tax liabilities		-
Net	**5,306**	

27.3 The Bank has unutilised capital allowance of **N18.1billion** (31 Dec 2021: N47.4 billion) and unutilized tax losses/tax credit carried forward of **NIL** (31 Dec 2021: N7.1 billion). There is no expiry date for the utilisation of these items.

The Bank has **N13.702** billion deferred tax asset and has applied caution by recognizing 37.4% in its books and has **N8.883** billion unrecognized deferred tax asset which is not considered capable of recovery.

28 Other Assets

	31 December 2022	31 December 2021
Financial assets:	**N'million**	**N'million**
Sundry receivables	18,813	14,956
Electronic payment receivables	81,937	24,951
Investments in SMESIS	7,109	5,330
Shared Agent Network Expansion Facility (SANEF)	50	50
	107,909	**45,287**
Less:		
Specific allowances for impairment	(1,351)	(1,648)
	106,557	**43,639**
Non financial assets		
Prepayments	16,820	13,465
Others	-	460
Other non financial assets	1,090	819
	17,910	**14,744**
Total	**124,467**	**58,383**

Reconciliation of Allowance for Impairment

	31 December 2022 N'million	31 December 2021 N'million
At 1 January	1,648	1,575
Charge for the year	-	73
Reversal of provision	-	-
Write-off during the the year	(296)	-
At 31 December	**1,351**	**1,648**

a The Bank's investments under the Small and Medium Enterprises Equity Investment Scheme ("SMEEIS") is in compliance with the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35).

b Prepayment relates to payments made by the bank on items whose benefits covers specified future year of time beyond the reporting year e.g. Insurance premiums, Adverts and publicity, Computer expenses and Subscriptions. They are short tenured and are quickly settled.

c Other non-financial assets comprises of balances on settlement accounts such as: Stock of ATM cards, stock electronic cards, and stock cheque books and stationeries and sundry receivables. These assets are short tenured and are quickly settled.

29 Deposits from Customers

	31 December 2022 N'million	31 December 2021 N'million
Demand	862,426	636,769
Savings	599,332	477,174
Term	409,985	503,276
Domicilliary	696,745	394,322
Others	23,303	13,264
	2,591,791	**2,024,806**
Current	2,591,791	2,024,806
Non-current	-	-
	2,591,791	**2,024,806**

29a Others relate to accrued interest payable of deposit liabilities which are considered to be component of deposits.

30 Other Liabilities

	31 December 2022 N'million	31 December 2021 N'million
Customer deposits for letters of credit (see note 30.1)	57,221	50,216
Accounts payable (see note 30.2)	191,960	21,145
FGN Intervention fund (see note 30.3)	473,604	377,492
Manager's cheque	4,256	4,622
Payable on E-banking transactions (see note 30.4)	74,981	25,043
Other liabilites/credit balances (see note 30.5)	(1,319)	12,237
	800,703	**490,755**

30.1 Customer deposits for letters of credit relates to liabilities generated from loans granted to customers for trade finance transactions, it mirrors the value of the confirmation line enjoyed by the customer with the offshore bank for the purpose of facilitating the letters of Credit.

30.2 Account payable represents balances in internal accounts drawn for the purpose of settlement of obligations which are due against the bank either from bank expense or customer transaction settlement e.g. accrual/provision for expenses that has or will fall due, Ebanking settlement values drawn from customers account, customers deposit drawn for FX bid with CBN for letters of credit etc.

30.3 FGN Intervention Fund (On Lending facilities)	**31 December 2022 N'million**	**31 December 2021 N'million**
CBN state bailout fund	82,065	89,782
Real Sector Support Facility - Differentiated Cash Reserves Requirement - (DCRR)	211,001	147,227
Real Sector Support Facility - (RSSF)	10,941	15,383
Commercial Agricuture Credit Scheme - (CACS)	8,089	10,217
Bank of Industry BG backed	80,981	71,920
Bank of Industry - Restructured and Refinance scheme	297	457
Bank of Industry on lending	67	123
Develoment Bank of Nigeria - (DBN)	40,015	19,985
Nigeria Export Import Bank - (NEXIM)	19,613	16,094
Power Airline Intervention Fund - (PAIF)	3,871	5,911
CBN PAS Funds	5,000	-
Accelerated Agiculture Credit Scheme - (AADS)	-	375
CBN 100 for 100 PPP - (Policy on Production and Productivity)	11,644	-
Nigerian Incentive-based Risk Sharing system for Agricultural Lending - (NIRSAL)	19	18
	473,604	**377,492**

a FGN Intervention fund is CBN Bailout Fund of **N82.07 billion (31 Dec 2021: N89.78 billion)**. This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum until March 2020 , the rate was reduced to 5% for 1 year year due to Covid 19 pandemic to March 2021 but extended to February 2023 Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation. See Note 31.3 J

b The Real Sector Support Facility (RSSF): The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The facility is disbursed to large enterprises and startups with financing needs of N500 million up to a maximum of N10.0 billion. The activities targeted by the Facility are manufacturing, agricultural value chain and selected service subsectors. The funds are received from the CBN at 1% per annum, and disbursed at 5% per annum to the beneficiary .

c The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represents a credit line granted to the Bank for the purpose of providing concessionary funding to the agricultural sector.The facility attracts an interest rate of 1% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of 5% per annum.Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers. This facility is not secured.

d The Central Bank of Nigeria (CBN) / Bank of Industry (B0I) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing / restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured by Nigerian Government Securities. A management fee of 1% per annum is deductible at source and the Bank is under obligation to on-lend to customers at an all-In interest rate of 5% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default.

e Federal Government through CBN, BOI and DBN to enable DMOs avail loans at single digit rates or rates lower than the normal commercial rate to qualifying institutions in line with the guidelines provided by CBN, BOI and DBN.

f Non-oil Export Stimulation Facility (NESF): This Facility was established by the Central Bank of Nigeria to diversify the economy away from the oil sector, after the fall in crude prices. The Central Bank invested N500billion debenture, issued by Nigerian Export-Import Bank (NEXIM). The facility disbursed per customer shall not exceed 70% of total cost of project, or subject to a maximum of N5billion. Funds disbursed to the Bank from CBN are at a cost of 1% which are then disbursed to qualifying customers at the rate of 5% per annum.

g The purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries is to support Federal Government's focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, with option to renew the facility annually subject to a maximum tenor of five years. The facility attracts an interest rate of 1% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 5% per annum. This facility is not secured.

h CBN PAS FUND - The Paddy Aggregation Scheme (PAS) is for Integrated Rice Millers and Large-Scale Aggregators to enable them to purchase home-grown rice paddy at a single digit interest rate to promote the Federal Government of Nigeria's National Food Security Programme (NFSP). It is to provide credit facilities to Integrated Rice Millers and Large-scale rice paddy aggregators at single digit interest rate to increase local production of rice towards effecting lower prices and enhancing national food security.. The fund is disbursed to the Bank at 6% per annum. Each enterprise is availed the facility at 9% per annum and repayments are made via ISPO deductions

i Accelerated Agricultural Development Scheme (AADS) was established by the Central Bank of Nigeria to help states develop at least 2 crops/agricultural commodities in which they have comparative advantage. The fund is disbursed to the Bank at 1% per annum. Each state is availed the facility at 5% per annum and repayments are made via ISPO deductions.

j CBN 100 for 100 PPP - (Policy on Production and Productivity) was established by the Central Bank of Nigeria to stimulate investments in Nigeria's manufacturing sector with the core objective of boosting production and productivity necessary to transform and catalyse the productive base of the economy. The fund is disbursed to the Bank at 1% per annum. Each enterprise is availed the facility at 5% per annum and repayments are made via ISPO deductions.

k The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum until March 2020 , the rate was reduced to 5% for 1 year year due to Covid 19 pandemic to March 2021 after which it was extended to February 2023 . CBN on August 17 2022 further reviewed the rates in response to economic outlook and approved the following order; All intervention facilities granted effective July 20, 2022 shall be at 9% per annum while all existing intervention facilities granted prior to July 20, 2022 shall be at 9% per annum effective September 1, 2022.

30.4 Payable on E-banking transactions are settlement balances for RTGS/NIBSS transaction and Etransact transactions .

30.5 Other liabilities/credit balances are credit balances for other liabilities, other than the ones relating to customers deposit.

30.6 Maturity Analysis is presented in Note 43.

31 Provision

	31 December 2022 N'million	31 December 2021 N'million
Provisions for year end bonus (see note 31.1)	3,164	1,014
Provisions for litigations and claims	849	623
Provision for guarantees and letters of credit (Note 31.3.1 - 31.3.2)	1,607	1,776
	5,620	**3,413**

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

Movement in provision for year end bonus		
At 1 January	1,014	2,548
Arising during the year	2,150	1,014
Utilised	-	(2,548)
At 31 December	**3,164**	**1,014**

Movement in provision for litigations and claims		
At 1 January	849	623
Arising during the year	-	-
Utilised	-	-
At 31 December	**849**	**623**

31.2 Current Provision	4,771	2,790
Non-current provisions	849	623
	5,620	**3,413**

31.3 Impairment losses on guarantees and letters of credit

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

31.3.1 Performance bonds and guarantees

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank’s internal credit rating system and year-end stage classification. Details of Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	10,042	-	-	**10,042**
Standard grade	474,101	-	-	**474,101**
Sub-standard grade	5,475	-	-	**5,475**
Past due but not impaired	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**489,618**	**-**	**-**	**489,618**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	1,846	-	-	**1,846**
Standard grade	277,663	-	-	**277,663**
Sub-standard grade	8,484	-	-	**8,484**
Past due but not impaired	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**287,993**	**-**	**-**	**287,993**

31.3.1 Financial guarantees - continued

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

	31 December 2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2022	287,993	-	-	**287,993**
New exposures	387,908	-	-	**387,908**
Exposure derecognised or matured/lapsed (excluding write-offs)	(188,042)	-	-	**(188,042)**
Changes due to modifications not resulting in derecognition		-	-	**-**
Amounts written off	-	-	-	-
Foreign exchange adjustments	1,758	-	-	**1,758**
At 31 December 2022	**489,618**	**-**	**-**	**489,618**

	31 December 2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2022	359	-	-	**359**
New exposures	587	-	-	**587**
Exposure derecognised or matured/lapsed (excluding write-offs)	(302)	-	-	**(302)**
Impact on year end ECL of exposures transferred between stages during the year		-	-	-
Unwind of discount		-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	69	-	-	**69**
At 31 December 2022	**712**	**-**	**-**	**712**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	208,433	-	-	**208,433**
New exposures	205,686	-	-	**205,686**
Exposure derecognised or matured/lapsed (excluding write-offs)	(127,146)	-	-	**(127,146)**
Changes due to modifications not resulting in derecognition		-	-	**-**
Amounts written off	-	-	-	-
Foreign exchange adjustments	1,020	-	-	**1,020**
At 31 December 2021	**287,993**	**-**	**-**	**287,993**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	7	-	-	**7**
New exposures	351	-	-	**351**
Exposure derecognised or matured/lapsed (excluding write-offs)	(4)	-	-	**(4)**
Impact on year end ECL of exposures transferred between stages during the year		-	-	**-**
Unwind of discount		-	-	**-**
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	5	-	-	**5**
At 31 December 2021	**359**	**-**	**-**	**359**

31.3.2 Letters of Credit

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	63,940	-	-	**63,940**
Standard grade	150,254	-	-	**150,254**
Sub-standard grade	1,503	-	-	**1,503**
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**215,696**	**-**	**-**	**215,696**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	85,415	-	-	**85,415**
Standard grade	67,683	-	-	**67,683**
Sub-standard grade	626	-	-	**626**
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**153,725**	**-**	**-**	**153,725**

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

	31 December 2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2022	153,725	-	-	**153,725**
New exposures	177,400	-	-	**177,400**
Exposure derecognised or matured/lapsed (excluding write-offs)	(122,896)	-	-	**(122,896)**
Changes due to modifications not resulting in derecognition		-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	7,467	-	-	**7,467**
At 31 December 2022	**215,696**	**-**	**-**	**215,696**

31.3.2 Letters of Credit - contnued

	31 December 2022			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2022	1,417	-	-	**1,417**
New exposures	282	-	-	**282**
Exposure derecognised or matured/lapsed (excluding write-offs)	(1,030)	-	-	**(1,030)**
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition		-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	227	-	-	**227**
At 31 December 2022	**895**	-	-	**895**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2021	134,082	-	-	**134,082**
New exposures	132,696	-	-	**132,696**
Exposure derecognised or matured/lapsed (excluding write-offs)	(114,625)	-	-	**(114,625)**
Changes due to modifications not resulting in derecognition		-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	1,572	-	-	**1,572**
At 31 December 2021	**153,725**	-	-	**153,725**

	31 December 2021			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2021	897	-	-	**897**
New exposures	1,262	-	-	**1,262**
Exposure derecognised or matured/lapsed (excluding write-offs)	(837)	-	-	**(837)**
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition		-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	96	-	-	**96**
At 31 December 2021	**1,417**	-	-	**1,417**

32 Debts Issued and Other Borrowed Funds

	31 December 2022	31 December 2021
	N'million	N'million
Long term loan from African Development Bank (ADB) (see note 32.1)	16,671	20,294
European Investment Bank Luxembourg (see note 32.2)	640	1,813
$400 Million Euro Bond issued (see note 32.4)	178,125	339,165
Local Bond issued (see note 32.5)	41,307	40,275
Repurchased transaction with Renaisance Capital (see note 32.6)	-	22,024
Development Bank of Nigeria (see note 32.7))	15,268	20,099
Afrexim (see note 32.3)	9,338	24,745
	261,347	**468,413**

Reconcilation of Borrowings during the year:	31 December 2022	31 December 2021
	N'million	N'million
At 1 January	468,413	260,971
Additions during the year	-	226,657
Accrued interest	25,680	10,909
Payment of interest	(28,625)	(29,299)
Repayment of principal during the year	(213,379)	(29,601)
Foreign exchange difference	9,259	28,777
At 31 December	**261,347**	**468,413**

32 Debts Issued and Other Borrowed funds - Continued

32.1 The amount of **N16,670.78 billion** (31 Dec 2021: N20,293.89 billion) represents the amortised cost balance in the on-lending facility of $50million granted to the Bank by ADB on 6 October 2014. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75% per annum. Interest is repaid semi-annually, with principal repayment at maturity.The borrowing is an unsecured borrowing.

32.2 The amount of **N639.72 billion** (31 Dec 2021: N1,812.50 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

32.3 The amount of **N9,337.63 billion,** (31 Dec 2021: N24,744.86 billion) represents amortised cost balance of $150 million borrowing from AFREXIM (under the repurchase agreement), with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

32.4 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Unsecured Unsubordinated 2022 Notes at a 10.50 percent coupon p.a. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) was used to support the trade finance business of Fidelity Bank. Also, on 28 October 2021, additional $400 million five year 2026 Senior Notes at a 7.625 percent coupon was issued. The proceed from the new issue is for general corporate purposes including supporting the Bank's trade finance business. The amount of **N178,125 billion** (31 Dec 2021 : N339,164.62 billion) represents the amortised cost of the Issued Notes: $400 million, 5-year, 7.625% Senior Notes issued at 98.98% in October 2021 with maturity in October 2026. Coupon is paid semi-annually.

32.5 “The amount of **N41,306.78 billion** (31 Dec 2021 : N40,274.66billion) represents the amortized cost of 10-Year N41.2 billion Subordinated Unsecured Series I Bonds issued at 8.5% p.a. in January 2021. The coupon is paid semi-annually. The proceeds from the Series I Bonds will support the Bank’s SME and Retail Banking Businesses as well as its Information and Technology Infrastructure”

32.6 The amount of **N22,023.58 billion** of 31 December 2021 represents a $51.6 million dollar borrowing under a repurchase agreement from Renaissance Capital, with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy back. The Principal and Interest have been fully paid as at September 2022.

32.7 The amount of **N15,267.71 billion** (31 Dec 2021: N20,099.00 billion) represents the amortised cost of a N20 billion of wholesale borrowing from Development Bank of Nigeria, to mature 27th April, 2024 at an interest rate of 10% per annum. Interest is paid semi-annually, with principal repayment after 1 year moratorium year, starting 27th October 2022 to maturity. The borrowing is an unsecured borrowing.

32.8 Maturity Analysis is presented in Note 43.

33 Share Capital

	31 December 2022	31 December 2021
	N'million	N'million
Authorised		
32 billion ordinary shares of 50k each (2021: 32 billion ordinary shares)	16,000	16,000
Issued and fully paid		
28,963 million ordinary shares of 50k each (2021: 28,963 million ordinary shares)	14,481	14,481

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

34 Other Equity Accounts

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

Share Premium

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

Retained Earnings

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

34 Other Equity Accounts - Continued

Statutory Reserve

This represents regulatory appropriation to statutory reserve of 30% of profit after tax if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

Small Scale Investment Reserve

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

Non-Distributable Regulatory Reserve

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

Fair Value Reserves

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

AGSMEIS Reserve

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

35 Cash Flows Generated from Operations

	Notes	31 December 2022 N'million	31 December 2021 N'million
Profit before income tax		52,063	38,066
Adjustments for:			
– Depreciation and amortisation	14	6,614	7,174
– Loss/(profit) on disposal of property, plant and equipment	11	56	(69)
– Net foreign exchange difference		2,681	17,215
– Foreign exchange (gains)/losses on deposits from customers		-	-
– Net gains from financial assets at fair value through profit or loss	12	(932)	(4,904)
– Increase in Provisions	31	2,207	(662)
– Credit loss expense/(reversal)	8	6,417	7,035
– Impairment on other debt instrument		-	-
– Impairment reversal / charge on other assets	8	(296)	73
– Dividend income	11	(387)	(817)
– Gain on debt instruments measured at FVOCI reclassified from equity	17	(693)	(5,494)
– Write off of loans and advances			
– Net interest income		(152,813)	(94,877)
		(85,084)	**(37,261)**
Changes in operating assets			
– Net changes in Cash and balances with the Central Bank (restricted cash)	19	(176,993)	(145,968)
– Loans and advances to customers	21	(419,899)	(301,438)
– Financial assets held for Trading		47,715	(6,213)
– Other assets	28	(66,084)	(14,003)
Changes in operating liabilities			
– Deposits from customers	29	556,947	319,515
– Other liabilities	30	309,949	(26,338)
Cash flows from/(used in) operations		**166,550**	**(211,706)**

36 Contingent Liabilities and Commitments

36.1 Capital Commitments

At the reporting date, the Bank had capital commitments amounting to **N5.24 billion** (31 Dec 2021: N4.48billion). The capital commitments relate to property plant and Equipment.

36.2 Confirmed credits and other obligations on behalf of customers

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

	31 December 2022 N'million	31 December 2021 N'million
Performance bonds and guarantees (Note 31.3.1)	489,618	287,993
Letters of credit (Note 31.3.2)	215,696	153,725
Unsettled transactions	-	-
AGSMEIS Disbursement	1	48
	705,315	**441,766**

Included in Performance bonds and guarantees is **N80.19bn** (31 December 2021: N75.91 billion) Bank of industry backed guarantee. Unsettled transactions are transaction that the Bank has entered into, but is either yet to make payment or receive payment in respect of these transactions.

36.3 Litigation

The Bank is a party to legal actions arising out of its normal business operations. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from the proceedings will have a material adverse effect on the financial position of the bank either individually or collectively. As at reporting date, the Bank is currently involved in 58 cases as defendant (December 2021: 54) and 15 cases as Plaintiff (December 2021: 14). The total amount claimed against the Bank is estimated at **N12.06 billion as at 31 December 2022** (31 Dec 2021: N7.26billion) while the amount in the 15 cases instituted by the Bank is **N5.19 billion as at 31 December 2022** (31 Dec 2021: N4.07billion, 14 Cases). Based on the advice of the Bank's legal team and the case facts, the management of the Bank estimates a potential loss of **N849 million** (31 Dec 2021: N623 million) upon conclusion of the cases. A provision for the potential loss of N849 million is shown in