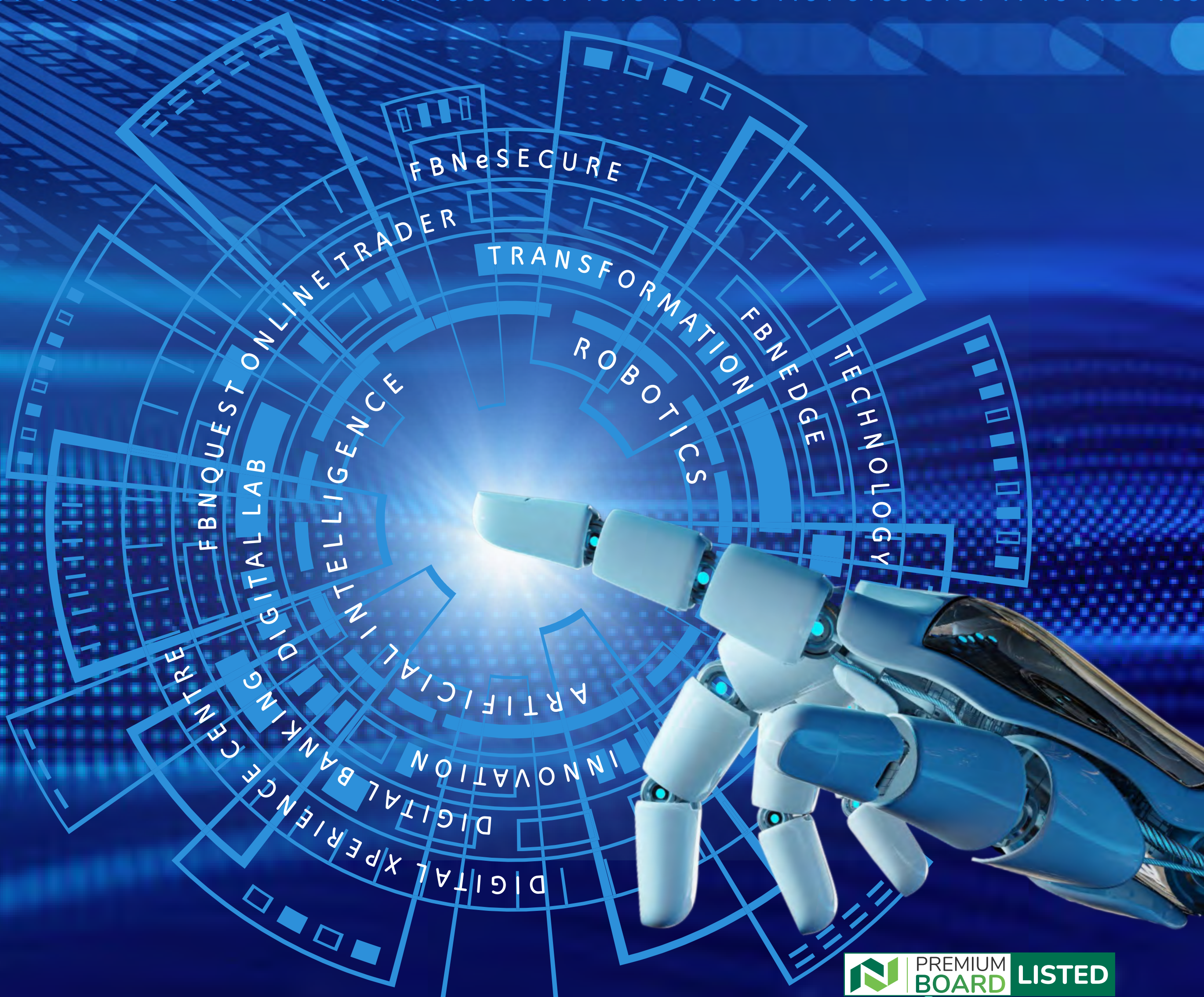
FBNQuest Merchant Bank

FUTURE FOCUSED

FBNQUEST MERCHANT BANK LIMITED ANNUAL REPORT AND ACCOUNTS 2021



PREMIUM BOARD LISTED

In this Report

The FBNQuest Merchant Bank Limited audited financial statements have been prepared under the International Financial Reporting Standards (IFRS), and unless otherwise stated, the income statement compares the 12 months of 2021 to the corresponding 12 months of 2020, while the statement of financial position compares the closing balances as at 31 December 2021 with those of 31 December 2020. Except as otherwise disclosed, all the balances and figures relate to continuous operations. Relevant terms that are used in this document, but not defined under applicable regulatory guidance or the IFRS, are explained in the abbreviation section of this Report.

The term 'FBN Holdings Plc' or the 'Group' means FBNHoldings together with its subsidiaries.

FBN Holdings Plc is a financial holding company incorporated in Nigeria on 14 October 2010. The Company was listed on the Nigerian Stock Exchange (NSE), now Nigeria Exchange Limited (NGX), under the 'Other Financial Services' section on 26 November 2012 and has issued and fully paid-up share capital of 35,895,292,791 ordinary shares of 50 kobo each (₦17,947,646,396). In this Report, the abbreviations '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of Naira respectively.

OVERVIEW

STRATEGIC REPORT

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

GOVERNANCE

RISK OVERVIEW

FINANCIAL STATEMENTS

Overview

Our Business

FBNQuest Merchant Bank is a leading corporate and investment banking house, delivering high-end financial products and services to clients in targeted sectors of the economy. Our world-class team, significant financial capacity, and rich heritage as part of the FBNHoldings Group put us in a unique leadership position within the merchant banking space.

AN UNEQUALLED POWERHOUSE IN FINANCIAL SERVICES

Our broad product platform enables us to cater to the diverse business needs of our clients. We offer corporate, government, institutional clients and high net-worth individuals a full spectrum of services through our Coverage and Corporate Banking, Investment Banking, Agency Services and Fixed Income, Currencies and Treasury, and Wealth Management businesses. These services include financial advisory, investment and wholesale banking solutions, investment management and facility agency.

Since inception, we have built a strong market presence and received several awards while working with our clients on several transactions. We cultivate deep-rooted connections with our diverse clientele, combining market-leading knowledge with cutting-edge technology to create best-in-class financial services that improve efficiency while enhancing customer experience.

Our commitment is to continuously create sustainable value for all our stakeholders, with a clear focus on building an enduring legacy for future generations.

Vision

We believe in setting our own standard, embracing a pioneering spirit that pushes boundaries and opens up bold possibilities.

Mission

To be the leading merchant bank and asset manager in Africa; and a trusted and inspirational partner founded on innovation, deep local roots and insights.

Heritage

FBN Holdings Plc is one of the leading financial service providers in Africa. Our unrivalled heritage ensures we have significant financial capacity and a strong tradition of governance.

Our Business

Anchored by Our Values

Our guiding principles represent who we are as a business, as well as how we think and behave. We strive to be inclusive, sustainable and innovative at all times, and we hold ourselves to strong financial and community stewardship expectations within our brand and our core.

Our Core Values

Teamwork: We believe that working as a team is an important source of competitive advantage.

Integrity: Integrity is the outcome of our thought process as much as our actions. It ensures that our values and deeds are aligned.

Diligence: We take pride in being objective and meticulous in everything we do.

Innovation: Ours is a proactive mindset, in constant search for ways to add more value to our stakeholders.

Excellence: We strive to deliver exceptional performance and uphold the highest professional standards.

Respect: We recognise that there is value for our stakeholders in our diverse backgrounds, skill-sets and views.

Our Structure

FBNHoldings

Our businesses provide financial services to a variety of customers across commercial banking, merchant banking, capital markets, trusteeship and insurance brokerage.

COMMERCIAL BANKING

First Bank of Nigeria Limited

- FBNBank UK Limited
- FBNBank DRC Limited
- FBNBank Ghana Limited
- FBNBank Guinea Limited
- FBNBank Senegal Limited
- FBNBank Sierra Leone Limited
- FBNBank The Gambia Limited
- First Pension Custodian Nigeria Limited

The Group's core business is providing financial services to individuals, corporate institutions and public institutions.
This business segment includes the domestic and international offices offering commercial banking services in 10 countries.

MERCHANT BANKING

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

CAPITAL MARKETS

FBNQuest Capital Limited

- FBNQuest Funds Limited

TRUSTEESHIP

FBNQuest Trustees Limited

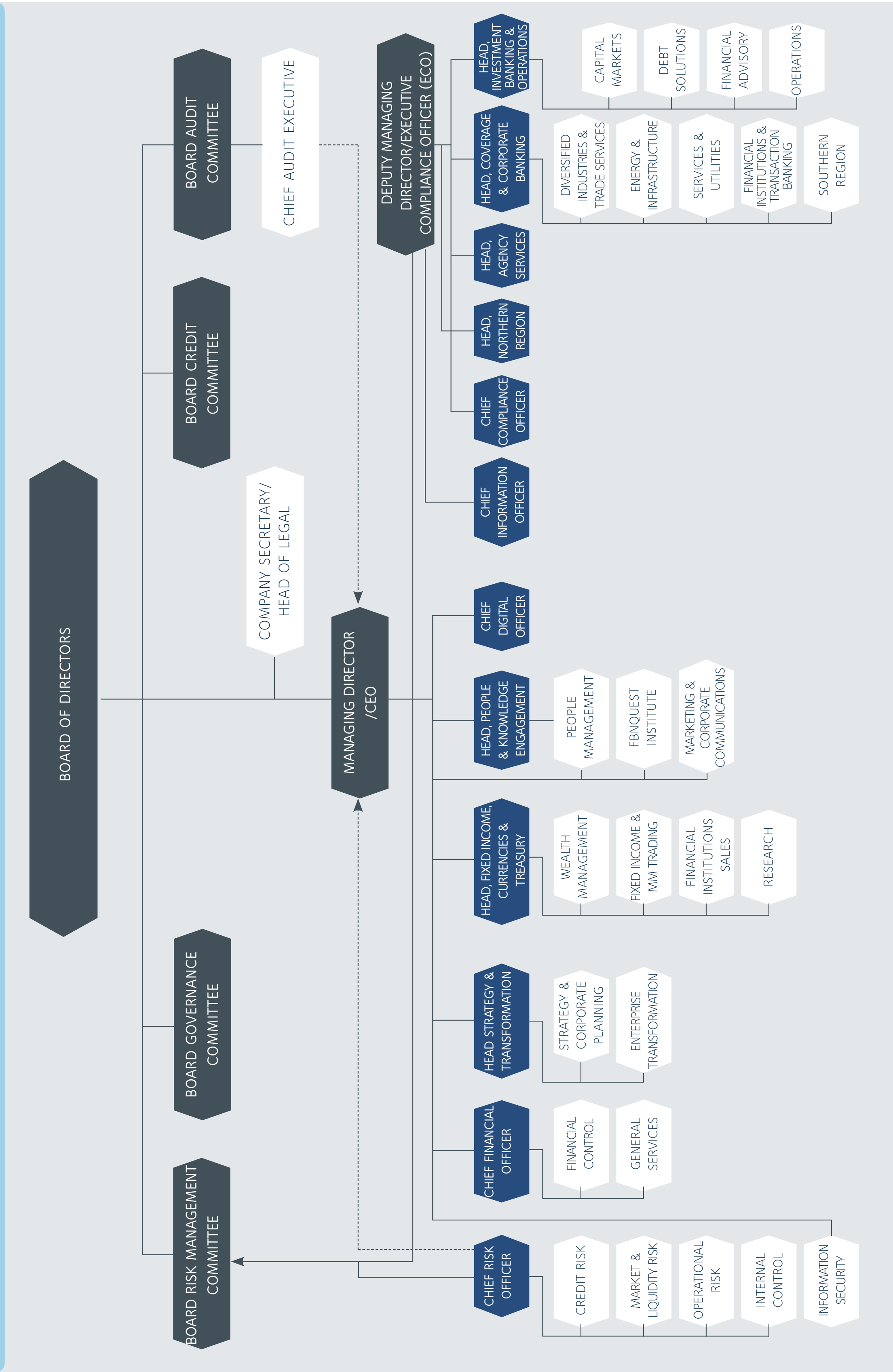
These businesses provide innovative banking solutions to a diverse customer base, including corporate organisations, governments, institutional investors, financial institutions, affluent and high net-worth individuals. This Group arranges finance through capital market and other financial market intermediaries, provides strategic advice, trade/broker securities across asset classes, develops investment solutions, secures assets and ensures wealth creation and preservation.

INSURANCE BROKERAGE

FBN Insurance Brokers Limited

This Company offers expert risk management and insurance brokerage as well as advisory services in life and general insurance businesses.

FBNQUEST MERCHANT BANK LIMITED – ORGANOGRAM



Performance Highlights - Financial

OPERATING INCOME

2021: ₦8.51bn
2020: ₦12.75bn
▼ -33.3%

The 33.3% decline in Operating Income was mainly driven by the 74% drop in net interest income which was due to lower yields on interest-bearing assets and a steep rise in average cost of funds in full-year 2021; the 6% drop in non-interest income and the 83% increase in impairment charge on financial assets.

OPERATING EXPENSES

2021: ₦7.78bn
2020: ₦7.66bn
▲ 1.5%

Despite double digit inflation in the economy in full-year 2021, operating costs marginally increased by 1.5% as cost optimisation strategies were deployed to ensure costs are kept relatively flat year-on-year.

PROFIT BEFORE TAX

2021: ₦0.73bn
2020: ₦5.09bn
▼ -85.7%

The 85.7% decrease in Profit before tax to ₦0.73bn was mainly as a result of the 33.3% drop in operating income in full-year 2021 which was largely due to lower yields, lower non-interest income, higher cost of funds and higher impairment charges in full-year 2021 relative to full-year 2020.

COST-TO-INCOME RATIO

2021: 91.4%
2020: 60.1%
▲ 31.3%

Cost-to-income (CIR) ratio grew year-on-year by 31.3% points on the back of lower operating income and marginally higher operating costs in full-year 2021.

Performance Highlights - Non-Financial

People

Talent Management

Delivered "Step Up Leadership Boot Camp" for employees promoted into mid/senior management cadres.

Launched an Executive Coaching Programme for Senior Managers in line with the strategic goal to optimise leadership effectiveness.

Delivered the FBNQuest Mentoring Programme in line with capacity building and engagement objectives, and introduced mentor development support to boost mentoring skills/potential of participating leaders.

Commenced the FBNQuest Leadership Development Programme designed to build leadership capabilities across all levels of responsibility and strengthen leadership pipeline across the business.

Performance Management

Completed revamp of the Performance Management Framework and Application to facilitate improvements in the performance management lifecycle. The upgraded features support employees career goals for increased accountability, engagement, and productivity.

Reward and Recognition

Revamped the Employee Recognition Programme for a more objective nomination process and inclusive participation. Deployed 2 Cycles in July and December respectively.

Digital and Technology

Digital

- Commenced the development of the FBNQuest Omnichannel platform to offer all customers a seamless and integrated experience across our delivery channels.
- Built the Microservices Architecture Infrastructure to enhance our ability to collaborate with FinTechs and other partners.
- Automated critical in-house processes to improve operational efficiency, reduce turnaround time and improve customer experience.

Technology

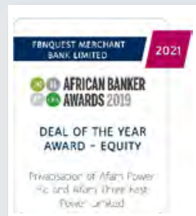
- Enhanced the FBNQuest Enterprise Architecture framework.
- A relational Enterprise Data Warehouse was deployed to enable advanced analytics across the organisation.
- Implemented 2-Factor Authentication (2FA) on the Finacle and Corporate Internet Banking (CIB) platform to improve security and mitigate against fraud on these platforms.
- Commenced the implementation of the COBIT 2019 standards to streamline the IT operations and ensure compliance with regulatory standards.

Awards and Recognition

In our commitment to delivering innovative solutions as a leading merchant bank and asset management firm, we constantly strive for excellent service delivery, innovative product offerings and exceptional work ethics. The independent recognitions below are a further demonstration of our capabilities.

Equity Deal of the Year
THE AFRICAN BANKER

FBNQuest Merchant Bank won the Award for its outstanding financial advisory and leadership role in key transactions across the power sector.

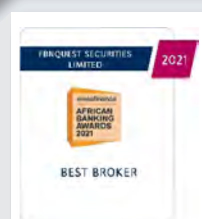


Best Asset Manager in Nigeria
EMEA FINANCE

FBNQuest Asset Management won the Award in recognition of its mutual funds' strong performance across all public funds and bespoke portfolios.

Best Broker in Nigeria
EMEA FINANCE

The Award reflects FBNQuest Securities' exceptional expertise in effectively consolidating deals on the Nigerian Exchange and its market activities.

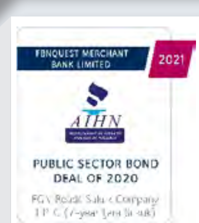


Investment Bank of the Year in Nigeria
BUSINESSDAY

The Award was presented to FBNQuest Merchant Bank in recognition of its outstanding performance and expertise in proffering financial, advisory and debt solutions.

Public Sector Bond Deal
ASSOCIATION OF ISSUING HOUSES OF NIGERIA

The Award was in recognition of FBNQuest Merchant Bank's sterling performance in key transactions across various sectors.



Awards and Recognition

Gold Certification as a Great Workplace
GREAT PLACE TO WORK

In recognition of its unique workplace culture, values and employee experience, FBNQuest Asset Management won the 'Best Workplace' Award in the small corporate category.

Gold Certification as a Great Workplace
GREAT PLACE TO WORK

FBNQuest Merchant Bank won the 3rd 'Best Workplace' Award in the medium corporate category, acknowledging the Company's excellent workplace culture, values and employee experience.

Strategic Report

Bello Maccido
Chairman,
FBNQuest Merchant Bank Limited

Chairman's Statement

Distinguished ladies and gentlemen,

I am delighted to present to you the Annual Report and Financial Statements of the FBNQuest Group ('Group') for the year ended 31 December 2021.

Macroeconomic Overview

As 2021 commenced, the global economy showed signs of a positive recovery from the effects of the COVID-19 pandemic. The release of vaccines meant that many countries lifted their restrictions and witnessed periods of stability that were intermittently interrupted with considerable surges in the number of confirmed cases. New variants were also discovered, leading governments to intermittently re-instate preventive measures. All these factors contributed to the volatility experienced in the financial markets during the year. Towards the end of 2021, the International Monetary Fund cut its global growth forecast, citing supply disruptions and the pandemic. Indeed, IMF expected global GDP to grow by 5.9% in 2021 (0.1% lower than its July estimate of 6.0%).

In tandem with the global economy, the growth of the Nigerian economy was slow and gradual, despite earlier predictions of a faster-paced improvement based on the recovery in crude oil prices and production levels. GDP increased by an average of 3.19% as of third quarter 2021 following the fourth consecutive quarterly economic growth, indicating recovery from the economic recession recorded in 2020.

The Board set high expectations for the Bank in 2021 encouraged by our commendable performance in 2020. The objective was to sustain our growth trajectory as we continue to redefine how we choose to maximise opportunities. The year however came with unanticipated strong headwinds as we experienced economic and unprecedented regulatory hurdles that tested our resolve. Pronounced uncertainty, lower market yields, high cost of funds, contracting margins and the CBN's activities in mopping up liquidity under the CRR regime were some of the factors that adversely impacted the Bank's overall performance in 2021.

Performance

As a result of these headwinds, the Operating Expenditure of the Bank increased by 1.5% year on year, while Net Revenue declined by 33.3% year on year. This slide in performance happened despite the Bank's pushing forward with the execution of its mission plan, founded on three core pillars of Optimisation, Innovation and Partnerships. The combination of the tough macroeconomic environment and regulatory actions on CRR gave rise to a Profit Before Tax (PBT) of ₦0.73bn, which was a decline of 85.7% year on year. Total PBT for the Group as of 31 December 2021 was ₦2.48bn, which represented a decline by 62.5% year-on-year. This points to the fact that our subsidiaries demonstrated resilience in their respective industries despite strong headwinds, delivering more than 50% of the Group PBT.

> "The Board acknowledges that there is a lot of room for improvement as we go into 2022, and Management is committed to ensuring a rebound in performance as well as a significant reduction in its operating expenses to ensure that the Bank attains set targets."

The Board acknowledges that there is a lot of room for improvement as we go into 2022, and Management is committed to ensuring a rebound in performance as well as a significant reduction in operating expenses to ensure that the Bank attains set targets

Interim Dividend

The Bank remains committed to delivering optimum returns to shareholders, bearing in mind considerations for growth as well as its capital requirements. As a result of the Bank's performance following the review of the nine-month audited financial statements for the period ended 30 September 2021, the Directors declared an interim dividend of ₦506.57mn, being 30% of Profit After Tax for the period. This sum has since been paid to FBN Holdings Plc as approved by the regulator.

Chairman's Statement

Governance

In keeping with its commitment to an effective governance structure, the Board continued to pursue good governance to ensure that its governance structures continue to conform with international best practices, the provisions of the Nigerian Corporate Governance Code and other sectoral corporate governance guidelines to effectively meet the expectations of all stakeholders.

The Board remains committed to the Bank's corporate culture and strategy and has the experience, knowledge and dedication required to accomplish its mission. The Board also continued its practice of conducting an independent assessment of itself. The 2021 Board appraisal report confirmed that the Board and Management of FBNQuest Merchant Bank Limited continue to give preference to leading corporate governance practices. A copy of the comprehensive Board appraisal report conducted by PricewaterhouseCoopers (PwC) in respect of the 2021 financial year will be presented to shareholders at the 2022 Annual General Meeting.

In 2021, members of the Board participated in several strategic training sessions specifically organised for Directors in diverse areas, including corporate governance, cybersecurity, AML/CFT and digital innovations. Directors filed regular corporate governance returns to ensure accountability in line with the provisions of relevant regulations. Despite the care taken in ensuring that the Bank did not contravene any regulations, it paid certain penalties during the year as disclosed in the financial statements. The Board and Management have adopted a zero-tolerance mode and we do not expect to see a repeat of this in 2022.

The governance framework for the oversight of the two subsidiaries of the Bank - FBNQuest Asset Management Limited and FBNQuest Securities Limited – was enhanced during the year by the creation of robust systems and processes which ensure that the subsidiary entities reflect similar values, ethics, processes, and controls as the Bank while remaining independent in the conduct of their businesses.

Two Non-Executive Directors resigned from the Board effective 31 December 2021. One of them was the erstwhile Group Managing Director of FBN Holdings Plc, U. K. Eke, *MFR*. His tenure at FBN Holdings Plc expired on 31 December 2021. While the Board takes steps to replace the vacant positions, the size and constitution of the Board continue to reflect best practices.

Outlook

The past year was a challenging one for the financial services industry, and the Bank in particular, especially in terms of revenues. Given that 2022 is a pre-election year, we will approach it with cautious optimism. The Bank will, however, position itself to take advantage of opportunities in 2022, which will enable it to continue to deliver competitive returns to its shareholders. We will also continue to seek ways of reducing the cost of our operations given the uncertainties in the year.

I am however excited by the potential of our employees, who remain our greatest asset, as well as the focused leadership of the Board and the Executive Management to deliver on the targets set for 2022.

Conclusion

I would like to thank all our stakeholders, and specifically the Bank's shareholders whose tremendous support has helped the Bank consistently deliver value and retain customers' confidence and loyalty. I also thank the members of the Board and Management for their support and cooperation during the year even as we look forward to a successful financial year in 2022.

Thank you.

Bello Maccido
Chairman
FBNQuest Merchant Bank Limited

Kayode Akinkugbe
Managing Director/CEO
FBNQuest Merchant Bank Limited

Managing Director's Review

Introduction,

On the back of a strong performance in 2020, we set out with high expectations for the Group in 2021. There was renewed optimism given global efforts to roll out vaccinations en masse, countries lifting restrictions on economic activities, and signs of normalcy returning in some economies.

Our objective for the year was "to sustain our growth trajectory as we re-imagine our business." However, the challenging macro and operating environment tested our resolve, with pronounced uncertainty, contracting margins, and persistent regulatory headwinds adversely impacting our business.

Despite the challenges, we pushed forward with executing our mission plan, which is founded on three core pillars: Optimisation, Innovation, and Partnerships, and though we still have a lot of work to do, I am proud of the tenacity and resilience demonstrated by our people.

The FBNQuest Merchant Bank Group achieved a profit before tax of ₦2.5bn, a 63% decline year on year, while the Group's net revenues declined by 19% year on year. Several factors contributed to the drop in performance, the most significant being a material drop in net interest income. Notwithstanding, we have operated above the threshold set by the regulators on key performance ratios. We attained a Capital Adequacy Ratio (CAR) of 19.5% (well above the regulatory requirement of 10%) and a Liquidity ratio of 33.1% by the end of 2021 (well above the regulatory requirement of 20%), evidencing a strong and resilient balance sheet despite the challenging times.

"Our focus on diversifying our business portfolio and driving annuity/fee-driven income helped shore up the business performance. The Asset Management, Corporate Banking, and Agency Services businesses collectively contributed 64% to net revenues (34%, 27%, and 3% respectively)."

Financial and Non-Financial Highlights

Our focus on diversifying our business portfolio and driving annuity/fee-driven income helped shore up the business performance. The Asset Management, Corporate Banking, and Agency Services businesses collectively contributed 64% to net revenues (34%, 27%, and 3% respectively). The remaining businesses – Fixed Income, Currencies, and Treasury (FICT), Investment Banking, and Equities contributed 25%, 9%, and 2% to net revenues respectively.

Managing Director's Review

As a further demonstration and independent recognition of our capabilities, the following awards were received in 2021:

Award	Awarding Organisation
African Banker Award 2021 – Equity Deal of the Year • FBNQuest Merchant Bank (Privatisation of Afam Power and Afam Three Fast Power Limited)	The African Banker
EMEA Finance African Banking Awards 2021 - Best Asset Manager (Nigeria) • FBNQuest Asset Management	EMEA Finance
EMEA Finance African Banking Awards: Nigeria - Best Broker (Nigeria) • FBNQuest Securities Limited	EMEA Finance
BAFI Awards 2021: Investment Bank of the Year (Nigeria) • FBNQuest Merchant Bank Limited	BusinessDay
AIHN: Public Sector Bond Deal of 2020 • FBNQuest Merchant Bank (FGN Roads Sukuk Company 1 Plc - seven years Ijara Sukuk)	Association of Issuing Houses of Nigeria
A Great Place to Work Survey • Gold Certified and 1st Best Work Place (FBNQuest Asset Management Limited) • Gold Certified and 3rd Best Work Place (FBNQuest Merchant Bank Limited)	Great Place To Work

Strategic Pillars

At the beginning of the year, we set out *"to sustain our growth trajectory as we re-imagine our business."* Although we still have work to do, I am pleased to report that we have made significant progress across all strategic pillars.

Optimisation – Enhancing our platform for success necessitated focusing on our People, Revenue Growth, and the Balance Sheet and Expense base.

People (optimising engagement, efficiency, and performance)

We prioritised the people agenda to drive a high-performance culture and received several awards from The Great Place to Work Institute in December 2021. 89% of staff now say that FBNQuest is a Great Place to Work.

We launched a workforce optimisation exercise to ensure that talent is matched to roles effectively, to support internal mobility efforts, and to drive our high-performance focus. Additionally, we deployed alternative resourcing and employee management strategies to optimise our recruitment and retention approaches in response to business requirements.

Revenue Growth

We completed several key initiatives to shift our focus towards annuity/fee-driven income across our businesses and improve the distribution of our products.

Some notable achievements include:

- Year-on-year net revenue growth of 22% for the Asset Management business;

Managing Director's Review

- The Coverage and Corporate Banking business grew the risk asset portfolio by 38% year-on-year in a responsible manner that also supports economic growth; and
- The Investment Banking business was able to grow net revenues by 25% year-on-year.

Optimising Expenses and Balance Sheet (reducing costs and increasing leverage)

We were proactive about lowering our costs and optimising the balance sheet, successfully instilling greater cost discipline, which resulted in savings of ₦1bn versus budget.

In addition, we issued commercial papers to manage the impact of rising market interest rates on our average cost of funds and grew our loan book by 38% within our risk acceptance criteria.

Innovation

Automation and Digital Transformation were the core drivers of Innovation across the Group. We successfully automated over half of our processes, realising significant efficiency gains that have improved the customer journey and experience. We commenced work on our omnichannel platform, a one-stop gateway to FBNQuest services to further drive seamless interactions with our clients. We also made substantial progress in implementing foundational digital initiatives across the organisation, including enhancements to our digital architecture to facilitate working with technology partners to improve product distribution and process efficiency.

Partnerships

This year, we remained focused on value-adding partnerships and have maintained a strong alliance with our strategic partners to accelerate growth and optimise revenue streams. We successfully consummated 13 new partnerships this year.

Outlook

Whilst the outlook for 2022 remains very uncertain, we remain focused on putting our clients first as we transform for maximum productivity.

There are several risks to the global economy that we cannot ignore;

- Ongoing challenges from COVID-19 due to potentially more severe variants, or vaccines becoming less effective, could considerably dampen economic momentum;
- Global inflationary pressures remain as the surge in demand coming out of the COVID-19 recession, coupled with lingering supply-chain disruptions and labour shortages, has created a perfect storm for price increases. We expect the Central Bank to respond with rate hikes, potentially causing an adverse reaction in financial markets and most likely a significant economic recession; and
- Rising geopolitical tensions could create further uncertainty. Russia's military action against Ukraine has led to the West imposing broad-based sanctions. We cannot predict the impact of these developments but expect that it could be severe for the world due to a reliance on commodities such as wheat, and energy supplies from, and trade with Russia and Ukraine.

Nigeria's economic recovery is expected to be moderate. We anticipate increasing energy and food prices will keep inflation high. The Naira is expected to come under pressure owing to low oil production and exports, which account for the bulk of the country's foreign exchange earnings. Pre-election activities are also expected to be a significant factor that could adversely affect our operating environment in 2022. We anticipate a slowdown in economic activity in the second half of the year as investors defer investment plans.

Despite the uncertainty, we will execute relentlessly as we continue to elevate and propel ourselves to becoming an agile, high-performance organisation whilst we support our clients in a solution-oriented manner. We will need to leverage our potential by investing in technology, digital capabilities, and our people. We have to fund these investments while improving profits and capital returns to our shareholders and will remain very disciplined on operating expenses.

Our goal is to be a:

- Provider of Investment Solutions for all;
- Bank for Entrepreneurs;

Managing Director's Review

- Broker for Institutions; and
- Wealth Advisor to Family Offices, HNIs, and the high-end retail clients.

The combination of cost discipline, targeted investments, and consistent implementation of our strategy will put us on a sustainable growth path.

I want to thank our clients for putting their trust in us, and our people for their unwavering commitment to the Group. We have a long track record of producing value for shareholders, and the FBNQuest Group leadership team is focused on maintaining that record and remains excited by the opportunity ahead.

Thank you.

Kayode Akinkugbe
Managing Director/CEO
FBNQuest Merchant Bank Limited

Our Business Model

FBNQuest Merchant Bank is part of the FBNHoldings Group. Our businesses include Coverage and Corporate Banking, Investment Banking, Sales and Trading of Fixed Income Securities, Currencies and Equities, Wealth Management, Facility Agency Services and Asset Management. We are committed to providing innovative banking solutions for our diverse customer base, which comprises Governments, Corporate Organisations, Financial Institutions, High Net Worth and Affluent individuals. We create value for our clients and shareholders by offering financial advice, investment and risk management products, managing funds, administering assets, and trading securities.

Business Divisions

Corporate and Investment Banking Division		Institutional Securities Division		Investment Management Division	
Investment Banking	**Corporate Banking**	**Fixed Income, Currencies, Sales and Trading (FICT)**	**Securities**	**Asset Management**	**Agency Services**
• Capital Markets • Debt Solutions • Financial Advisory	• Liability Products • Trade Services • Loans and Credit Products	• Wealth Management • Financial Institutional Sales • Asset and Liability Management • Fixed Income Treasury Bills • Fixed Income FGN Bonds • Currencies Foreign Exchange • Correspondent Banking	• Sales and Trading of Equities	• Personal: Affluent, Emerging Affluent, etc. • Mutual Fund • Discretionary Fund	• Facility Agent on syndicated lending transactions, club deals, and project finance transactions

Customer Base: Large or mid-tier corporates, governments, financial institutions, ultra-high net worth individuals, high net worth individuals, family offices, affluent, emerging affluent.

Locations: Lagos, Port-Harcourt and Abuja

Our Business Model

Our world-class team, significant financial capacity, rich heritage as an FBNHoldings Group subsidiary, local insights, and unrivalled network put us in a unique leadership position within the Merchant Banking space. Our broad product platform enables us to cater to the diverse business needs of our clients. Our focus on customer-centricity and leveraging technology and digital platforms differentiates us from our peers as we can anticipate and proactively meet our customers' requirements.

We continue to transform our business in line with the ever-evolving operating environment. We aim to achieve our goal of being the dominant Investment Bank and Asset Management firm in Nigeria.

The Merchant Bank Group provides the following products and services:

Coverage and Corporate Banking	Offers a platform providing a full range of bespoke investment and wholesale banking services (lending, trade services, and transaction banking) to mid-size and large institutions.
Investment Banking	Provides strategic financial advisory and debt arranging services to private and public sector clients across all the key sectors of the Nigerian economy. This includes structuring and arranging bespoke financing solutions to manage clients risks for the growth of their businesses.
Fixed Income Securities, Currencies, Sales and Trading (FICT)	By leveraging technology, the FICT team fuses market knowledge and trading strategies to assist our clients in achieving their financial goals. The Wealth Management and Financial Institutional Sales teams within the FICT group manage investment portfolios for ultra-high net worth and high net worth individuals and a broad segment of investors, including Pension Fund Administrators (PFAs), insurance companies, banks and financial institutions, local and offshore portfolio managers, and co-operative societies.
Securities	Our Equities team provides clients with strong product offerings, sector expertise, and best execution.
Asset Management	Provides a broad range of financial planning and investment management solutions for individuals and institutional investors across various asset classes including fixed income, public equity markets, alternatives, and multi-asset class solutions.
Agency Services	Manages syndicated facilities by providing ongoing administrative services and support to the finance parties. The business serves as a communication link between the borrower and the lenders, handles the flow of funds and provides transaction support.

Operational Overview

The Operations department comprising Trade Services, Treasury Operations, Domestic Operations, Transaction Support, and Customer Experience, is responsible for ensuring all the Bank's transactions are processed efficiently. The department's activities minimises overall processing risks, enhances the quality of customer service delivery and revenues.

The department is also responsible for identifying optimisation gaps and working with relevant stakeholders to deploy the right technologies and solutions to improve operational efficiency and productivity, optimise cost and enhance revenue.

A. Trade Services

The Trade Services team is responsible for processing import and export trade transactions for the Bank. The unit works with the various business teams to engage target customers for processing eligible trade transactions. Their services include registering items for import and export and facilitating trade correspondence with offshore banks by issuing trade instruments, including Letters of Credit (LC), Bills for Collection (BC) and Offshore Bank Guarantees.

The Trade Services team works with the Treasury, and Coverage and Corporate Banking divisions to source foreign exchange for the settlement of offshore trade. The team is also responsible for control checks in line with Central Bank of Nigeria (CBN) foreign exchange guidelines. Periodically, the team attends to the regulators' scheduled and spot check audits.

B. Transaction Support

- Investment Operations: Responsible for settlement of counter-party trades, processing of payments and transfer requests, execution of corporate actions, reconciliation of in-house asset positions with custodians' positions, daily review of valuation reports and processing of fee income and expenses (management fees, custodian fees), among others.

- Fund Administration: Responsible for identification of inflows, unitisation (unit creation) of identified inflows, redemption and cancellation of units, payment of redemption proceeds (cash to beneficiary's registered bank accounts through the custodian bank), preparation and publishing of daily prices/yield, periodic reconciliation of unit holders' positions with the registrar's records, regular processing and payment of returns on investments in line with each investor's mandate, booking and liquidation of investments for the structured notes - Private Banking and Liquidity Management notes.

> "The department is also responsible for identifying optimisation gaps and working with relevant stakeholders to deploy the right technologies and solutions to improve operational efficiency and productivity, optimise cost and enhance revenue."

- Reconciliation and Operations Control: Actively supports FBNQuest Asset Management Limited's business and is responsible for reconciliation of bank statements, execution of End of Day (EoD) processes and creation of portfolio and instrument positions.

- Securities Operations: Supports FBNQuest Securities Limited business and is responsible for the execution of clients' mandates (which include purchase and sale orders), processing of clients' payment and transfer requests, reconciliation of bank statements, handling of inter-member transfers, management of Central Securities Clearing System (CSCS) correspondence on behalf of the customers, processing of signature lodgements, change of name/address, account opening (CSCS/NASD) and processing of IPO/Right issue/FGN savings bond.

C. Domestic Operations

Processes local transfers and payments for FBNQuest Merchant Bank and is responsible for:

- Execution of funds transfer and payment requests (internal and external);

- Booking of invoices, income recognition and receipting of funds;

Operational Overview

- Daily inflow identification in liaison with the relationship managers;
- Transaction postings;
- Cheque processing;
- Reconciliation of local correspondent bank accounts and proofing of internal accounts; and
- Collaboration with relevant stakeholders to continuously improve service delivery.

D. Treasury Operations

The unit ensures timely processing and accurate settlement of all counter-party trades. It also supports our Fixed Income, Currencies and Treasury business and carries out the following functions:

- Settlement of bonds trades, both Federal Government and non-Federal Government bonds;
- Settlement of Treasury Bills and Open Market Operations (OMO);
- Settlement of Foreign Exchange (FX) transactions;
- Settlement of Eurobond transactions;
- Settlement of Money Market - Naira transactions;
- Reconciliation of securities position;
- Reconciliation of Foreign Currency and Money Market Naira positions;
- Rendition of all regulatory returns;
- Regulatory engagements; and
- Liaising with and attending to both External and Internal Auditors.

E. Customer Experience

The Customer Experience team serves as the bridge between the Bank and customers, and works to improve customer experience, deliver excellent service at every interaction and improve service delivery across all touchpoints.

It oversees three client-facing functions across the Operations division, namely:

- Customer Service;
- Customer Care; and
- Contact Centre.

- **Customer Service:** Onboards customers according to relevant regulatory guidelines and the Bank's Standard Operating Procedures (SoP). The unit handles all internal and external customer enquiries and collaborates with specific internal stakeholders to resolve customer issues and provide timely feedback to customers. The unit renders appropriate reports on customers' activities to the regulatory authorities and internally.

  Its duties are:

  - ✓ Account opening;
  - ✓ Management of customer database;
  - ✓ Issuance of operative account withdrawal booklets/ cheque books;
  - ✓ Referencing operative accounts;
  - ✓ Signature verification; and
  - ✓ E-banking administration.

- **Customer Care:** Provides accurate information on the Bank's products and services and resolves customers' complaints while maintaining confidentiality. The unit provides services to customers through the following channels:

  - ✓ Walk-ins;
  - ✓ Email;
  - ✓ Website;
  - ✓ Telephone; and
  - ✓ Social media platforms.

Operational Overview

The front desk officers come under the Customer Care unit.

- Contact Centre: Manages inbound and outbound calls for the organisation. They undertake the following functions:
  - ✓ Handling and resolving customer enquiries, requests, and complaints.
  - ✓ Upselling and cross-selling the Company's products and services.
  - ✓ Tracking and ensuring all pending issues are consistently followed up, resolved, or escalated to the respective relationship manager or back-office function.
  - ✓ Logging of all customer interactions.

Information Technology

The focus of Information Technology in 2021 was to sustain the Bank's growth trajectory using the right technology. The Company accomplished this through proactive monitoring and virtualisation capabilities within our infrastructure domain. The team also embarked on an ambitious infrastructure refresh programme with the upgrade and consolidation of some critical information assets in line with the vision of becoming a data-driven Bank.

The department also deployed the enterprise data warehouse, thus enabling advanced analytics capabilities within critical domains such as financial performance, customer behaviour, transactions, people and payments.

Our Enterprise Architecture (EA) capability will continue to define the effective deployment of technology in alignment with business goals, thus providing a secure and scalable foundation for delivering the digital aspirations of FBNQuest Merchant Bank Limited.

We will continue to deploy technology that enables our staff to work ubiquitously and securely to provide exceptional customer services.

Building Supplier Relationship

In 2021, the Bank adopted a centralised procurement policy leading to greater transparency in our procurement process, superior cost savings and enhanced engagements/ management of supplier relationships and performances.

Similarly, the team deployed an enhanced automation platform for vendor payments, significantly reducing the lead-time for settlement of vendor invoices and utilities company-wide.

During the year, we conducted a biennial Vendor Engagement Forum to re-enforce an environment of effective collaboration and communication with our vendors/suppliers, thus keeping them updated with an understanding of our various products and services.

Despite the lingering impact of COVID-19, which necessitated the restriction of physical interaction with our vendors, the General Services team successfully maintained a proactive and value-adding relationship with vendors and suppliers throughout the year.

Another key highlight was the positive contribution of our cost optimisation initiative and sustainability framework. We achieved an improvement in our sustainability reporting profile with the regulator by ensuring continued collaborations with for-profit social enterprises which led to a reduction in service cost in our bid for continuous process improvement and cost optimisation. The team is diligent in its course to research and deploy supporting initiatives to drive this agenda.

As a continual effort, the team seeks to always maintain the intensity for driving cost optimisation initiatives and deploying automated processes. We believe this will strategically enhance the transparency of related operating expenses and ease administrative functions, respectively.

Operational Overview

The General Services team maintained a safe office environment by ensuring that all laid down protocols were up to date and adhered to by all staff members.

We enhanced the look and feel of our offices and proactively implemented new initiatives to foster an enabling environment for our people in line with COVID-19 protocols.

In 2021, the Bank witnessed increased customer interactions across all our engagement channels despite the economic measures taken by the government to curtail the spread of the virus and the fast-paced, ever-changing customer needs in the digital economy.

Our goal was to provide quality services across all our touchpoints and promptly respond to all requests/inquiries, complaints, and transactions. We tightened controls on our digital platforms, raising the bar of superior service delivery and reducing customer complaints.

Outlook

We continue to serve our customers and engage suppliers through our hybrid work model. Our focus in 2022 is to build upon the improvements from 2021, which are centred around:

1. Implementing standardised and strategic procurement processes to ensure cost optimisation and improved service and product delivery.

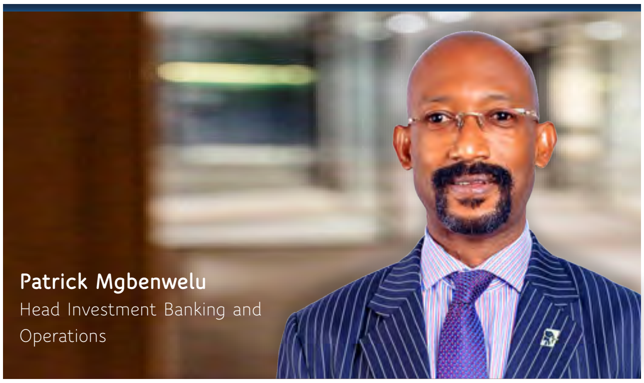
2. Optimise the infrastructure supporting our engagement channels to provide a seamless and user-friendly experience and maintain our service promise of excellence.

3. Propose and implement cost-saving initiatives without compromising on service delivery and quality.

4. Complete the renovation and relocation to the Bank's head office.

5. Improve our sustainability and ESG processes to enhance investor relationships.

Divisional Operating Review



Patrick Mgbenwelu
Head Investment Banking and Operations

> "Since 2012, the team has raised over USD18bn for landmark transactions, and it continues to rely on its deep sector expertise and structuring skills to execute and close the most complicated financings across all key sectors of the Nigerian economy."

INVESTMENT BANKING

Introduction

Debt Solutions, Capital Markets (Debt and Equity), and Financial Advisory are the three primary business verticals within the Investment Banking (IB) division, each organised to handle and execute IB activities within the Nigerian market. As a result, the IB team assists customers in the public and private sectors with structuring, debt arranging and advisory services, equity advisory services, and strategic financial consulting services.

In terms of the quantity of transactions closed, speed of deal execution, complexity of assignments, and unique structuring and distribution capabilities, FBNQuest Merchant Bank has an unrivalled track record. The team has developed strong relationships with both domestic and foreign banks, as well as other specialised fund sources, and has extensive knowledge of key industry sectors that impact national development. The IB team's structuring expertise and track record across a variety of industries has allowed it to maintain its position among the top three in each of its business verticals.

As an industry leader in deal origination, structuring, execution and distribution, we have advised and raised capital for major deals in telecommunications, financial services, power, infrastructure, oil and gas, and the manufacturing sectors of the economy.

Business units

- The Debt Solutions (DS) team is responsible for advising, structuring and raising bank debt financing for private and public sector clients, which include sub nationals, government parastatals and agencies across all the key sectors of the Nigerian economy. Since 2012, the team has raised over USD12bn for landmark transactions, and it continues to rely on its deep sector expertise and structuring skills to execute and close the most complicated financings across all key sectors of the Nigerian economy. DS has become more involved in Public-Private Partnerships (PPP), advising customers on railways, roads, bridges, and power projects, all of which contribute to the country's infrastructure development.
- The Financial Advisory (FA) team advises public and private sector customers in a variety of industries on mergers and acquisitions, as well as restructuring and transaction advisory services. The team uses its extensive market knowledge and product experience to help clients achieve their long-term strategic goals. The team has successfully advised on several historic domestic and cross-border transactions, providing

Divisional Operating Review

support throughout the transaction's entire life cycle. The FA team also assists incorporated companies to structure and raise capital from private sources by issuing equity or equity-linked products.

- In the domestic and international capital markets, the Capital Markets (CM) team oversees public debt and stock issuances. The team develops debt issuance solutions for both private and public sector clients, including the FGN, state governments, government agencies and parastatals, public organisations, supranational entities, and private sector businesses. The CM team also helps incorporated companies to structure and raise capital from public sources by issuing equity or equity-linked instruments.

Our products include:

Capital Markets

- Government and agency bonds
- Corporate bonds
- Ratings advisory
- Asset-backed securities
- Sukuk
- Commercial papers
- Securitisation
- Public equity sourcing (structuring, advising and arranging)

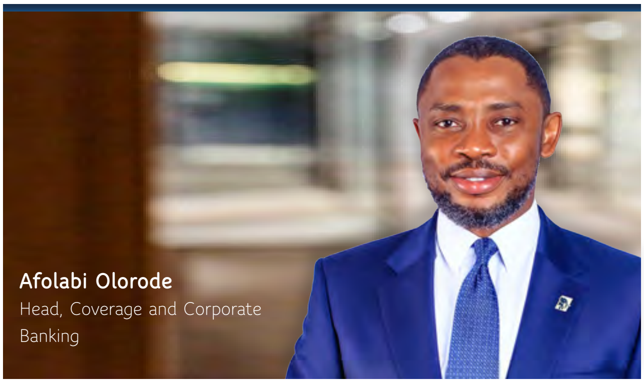
Financial Advisory

- Mergers and acquisition advisory (buy-side and sell-side)
- Restructurings and recapitalisations
- Carve-outs, spin-offs and split-offs
- General corporate finance advisory
- Private equity sourcing (structuring, advising and arranging)
- Privatisation advisory

Debt Solutions

- Project financing (green and brownfield)
- Debt structuring and arranging
- Global facility coordination
- Restructuring and refinancing
- Technical bank and financial modelling
- Bookrunner and documentation bank services
- Leverage and acquisition financing
- Reserve-based lending
- PPP advisory and pre-bid debt advisory
- Syndications
- Bankability assessment, project advisory and due diligence

Divisional Operating Review



Afolabi Olorode
Head, Coverage and Corporate Banking

> "Adopting an enhanced coverage model, the Bank takes a comprehensive approach to attaining specified goals, increasing customer experience, and providing best-in-class service delivery."

COVERAGE AND CORPORATE BANKING

Introduction

Diversified Industries, Services and Utilities, Energy and Infrastructure, Public Sector, and Financial Institutions are the five industrial verticals that our CCB business continues to focus on, reflecting the critical and active sectors of the Nigerian economy.

Relationship Managers collaborate with product specialists in the Bank to meet clients' needs and proactively provide solutions, leveraging in-depth knowledge and understanding of their customers' businesses. Adopting an enhanced coverage model, the Bank takes a comprehensive approach to attain specified goals, increasing customer experience, and providing best-in-class service delivery.

Key Developments

- **COVID-19 Impact:** With the introduction of vaccines, and in tandem with the world economy, the Nigerian economy began to show indications of recovery from the ravages of the pandemic, with GDP increasing by 4 percent y/y in Q3.

- **Foreign Exchange Market:** During the year, the Bank's volume of international trade transactions, such as Letters of Credits (LC) on behalf of its customers, was constrained by a paucity of foreign exchange. The CBN continues to actively fund foreign exchange bids through the Retail SMIS Auction.

- **Tightening Liquidity:** As a result of the Special Cash Reserve Requirement (CRR) debits, the Bank encountered tight liquidity in the money market. To accelerate risk assets growth and find bankable projects to deploy part of the CRR Funds, the Bank will continue to pursue an active low-cost liability generation strategy.

- **Cost of Funding:** Due to tightened liquidity and high-trending Nigerian Inter-Bank Offer Rate (NIBOR) recorded throughout the year, the cost of funding was relatively high. As a result, risk assets' margins were compressed.

Divisional Operating Review

> Our primary goal is to ensure that the Bank's consolidated funds are managed optimally and that its profitability is maintained at appropriate risk levels.

FIXED INCOME CURRENCIES AND TREASURY

Introduction

The Fixed Income, Currencies, and Treasury (FICT) group supervises balancing and managing the Bank's daily cash flow and liquidity of funds, as well as successfully mitigating risk through our treasury products. The Group provides a variety of risk coverage and investment solutions to the Bank's customers, ranging from the most basic to the most sophisticated products and for all types of financial assets, primarily fixed income, interest rates, and exchange rates. Our primary goal is to ensure that the Bank's consolidated funds are managed optimally and that its profitability is maintained at appropriate risk levels.

Asset and Liability Management Unit, Fixed Income Bonds Unit, Fixed Income Treasury Bills Unit, Foreign Exchange Unit, Correspondent Banking Unit, Financial Institutional Sales Unit, and Wealth Management Unit are the seven sub-units that make up the FICT.

By maintaining liquidity requirements, controlling credit quality, and assuring adequate operational capital, the Asset and Liability Management Unit is tasked with long-term stability and profitability. The unit is also in charge of managing the Bank's asset and liability profile, with an emphasis on lowering funding costs by taking advantage of arbitrage possibilities.

The Fixed Income Bonds Unit is responsible for ensuring that the Bank meets its obligations as stipulated by the Debt Management Office (DMO) by providing liquidity to facilitate market efficiency and functioning as one of the authorised Primary Dealers and Market Markers (PDMM) in Federal Government of Nigeria's Bonds. Through its involvement in bond issuances on behalf of the Bank and interested investors, the unit provides a platform for the Bank to contribute to the further development of the Nigerian Bond Market. In addition, the unit is in charge of executing trades and identifying trading strategies and investing possibilities in various classes of local currency bonds.

The Fixed Income Treasury Bills Unit, as one of the earliest Primary Dealers and Market Makers in Treasury Bills appointed by the CBN, is responsible for guaranteeing active participation in CBN auctions and serving as a first point of contact for primary treasury bills issues. The Unit is also in charge of trading in the secondary market on behalf of the Bank and its customers, as well as providing essential information and advice to enable the Bank and its customers manage their treasury bills portfolios successfully.

The Foreign Exchange Unit helps the Bank's customers manage their foreign exchange needs by providing a wide range of foreign exchange products and services, including international trade and cross-border payments, as well as payments for invisibles. The team is also in charge of customising hedging solutions to assist Bank customers in managing their foreign risks. In addition, the unit is responsible for managing the Bank's foreign exchange liquidity position, its

Divisional Operating Review

foreign currency balance sheet, as well as trading Eurobond securities on behalf of the Bank and presenting them to our clients as a viable investment option.

The Correspondent Banking Unit works with financial institutions all around the world to provide specialised services. The unit maintains and develops relationships with banks and financial institutions all over the world, as well as sourcing, arranging, and managing trade finance and other lines of credit from foreign financial institutions. Additionally, the unit is in charge of monitoring the Bank's varied exposures as a result of providing a full range of international trade finance solutions.

Wealth Management

Our Wealth Management unit is responsible for offering financial planning and portfolio management to a diverse customer base of high-net-worth individuals, using a variety of products, innovative solutions, and exceptional services, such as:

- Local and Foreign Currency Premium deposits;
- FBN Easy Retirement Package (which is a retirement investment plan for generational transfer of wealth);
- Fixed Income Securities;
- Commercial Papers;
- Mutual Funds;
- Equities Brokerage Service;
- Extended Services (e.g. financial planning sessions, pre-retirement workshops, webinars); and
- Transactional Banking Services.

The core sales, marketing, and relationship management functions of the Wealth Management units are distributed across the major geographical lines and their environs, including the following locations and their environs:

- Lagos
- Abuja
- Port Harcourt

Financial Institutions Sales

The Financial Institutions sales unit was established to serve a wide range of investors, including PFAs, insurance companies, banks and financial institutions, local and offshore portfolio managers, and cooperative societies with the primary goal of managing their investment portfolio and identifying areas of opportunities and growth. Our products and services include:

- Local Currency and Foreign Currency Fixed deposits;
- Fixed Income Securities (Treasury bills and bonds including FGN bonds, corporate bonds, and Eurobonds);
- Distribution of Debt Capital Market products (Commercial papers/corporate bonds); and
- Investment Advisory Services.

Subsidiary Operating Review

Ike Onyia
Managing Director,
FBNQuest Asset Management Limited

"Our Asset Management business has established a solid track record of consistent performance across different investment strategies focused on capital preservation and capital appreciation."

FBNQUEST ASSET MANAGEMENT

FBNQuest Asset Management Limited, our asset management subsidiary, is one of Nigeria's leading asset and wealth management firms. It is a full-service investment management firm which offers a diverse range of investment solutions that straddle different asset classes, including fixed income, public equity, alternatives, and multi-asset class offerings.

This business serves the financial planning and investment management needs of individuals, institutions, and governments, by applying the team's strong fundamental and quantitative research capabilities and experience to navigate through complex financial markets.

Our Asset Management business has established a solid track record of consistent performance across different investment strategies focused on income generation and capital growth. The size of Assets Under Management (AUM) is a reflection of this business's strong track record of portfolio performance across all its' collective investment schemes and bespoke investment programmes.

Key Offerings

Broadly speaking, this business serves the investment needs of clients by understanding their goals and either co-mingling these various investment objectives into suitable combinations of pooled portfolios with pre-set investment strategies or by constructing customised portfolios. However, irrespective of the model used to serve clients, the same high quality of in-depth research and investment capabilities are employed to deliver superior performance. We summarise our key offerings below:

- **Mutual Funds:** We offer a variety of mutual funds that focus on different asset classes. In addition, our portfolio management team applies a range of investing styles, which comprise of actively managed as well as beta fund strategies, constructed to suit different investment objectives and risk appetites. These mutual funds are regulated by the Nigerian Securities and Exchange Commission (SEC) and patronised by both individual and institutional investors. The business currently offers six mutual funds:

✓ The FBN Money Market Fund is a low risk, liquid portfolio investing in high quality, money market instruments. It offers competitive yields, particularly when compared to more traditional methods of savings.

✓ The FBN Dollar Fund is an income generation portfolio due to its exposure to USD denominated debt instruments issued by the Nigerian government and corporates. It is the pioneer non-Naira fund in the market and enables investors to diversify across currencies.

Subsidiary Operating Review

- ✓ The FBN Smart Beta Equity Fund is designed to enable investors achieve capital growth over the long-term through exposure to equities. This Fund is the pioneer quantitative product; it is factor-based, built on simple, transparent, rule-based strategies intended to outperform the NGX 30 index.
- ✓ The FBN Halal Fund is an ethical investment offering, focused on achieving income generation through exposure to high quality shari'ah compliant instruments.
- ✓ The FBN Bond Fund provides investors with access to a diverse portfolio of long-term debt instruments issued by the Federal Government of Nigeria, state governments, and highly rated corporate organisations.
- ✓ The FBN Balanced Fund offers capital growth through diversification across various asset classes.

- **Independently managed portfolios:** The Investment Management and Research team serves investors who prefer segregated portfolios, by constructing tailored portfolios to meet their specific investment strategies and objectives.
- **Structured products:** Investors can access a variety of synthetic solutions and fully bespoke product structures to achieve their financial goals through collaboration with a variety of specialist teams within the Merchant Banking and Asset Management (MBAM) vertical and global strategic partnerships.

Key Opportunities

Financial markets in Nigeria have become more sophisticated over the last decade owing to technology, regulation, a growing discerning investor base seeking a variety of options, and new and evolving investment products and systems.

The Markets

Nigeria's asset management industry continues to grow, as evidenced by the increase in the AUM of SEC-regulated offerings, from ₦73.78bn at the end of 2011 to ₦1.41tn at the end of 2021.

Despite the growth seen over the last decade, the Nigerian Asset Management Industry had a challenging year in 2021, with the SEC-registered mutual funds space declining by 11%. The SEC-registered mutual funds' book for the top five fund managers shrunk by 5%. This trend was exacerbated by the shrinking size of fixed income solutions, as market yields increased faster than SEC-registered mutual funds could respond.

Despite this, fixed-income mutual funds continue to dominate the market, reflecting investors' preference for capital preservation strategies. Fixed income solutions accounted for about 85% of total AUM at the end of 2021. Participation in the equity market remained muted, and equity-oriented mutual funds accounted for only 3.2% of the mutual fund sector. 2021 was a good year for stocks, with the ASI rising 6.07% in the fourth quarter. Investors are still wary of the asset class's volatility, resulting in flat allocations.

Our product portfolio has continued to assist a variety of investor segments in navigating financial markets influenced by macroeconomic conditions and policy changes. Our experience in a wide range of asset classes, including the money market, fixed-income market, equity market, and alternative investments, has enabled us to offer our clients comprehensive investment options.

Our Capabilities

Our portfolio management and research teams consistently delivered competitive returns across various portfolio types during this period as a result of which, our clients demonstrated a strong appetite for our solutions with the FBN Bond Fund, for example, doubling in size over the last year. All the mutual funds outperformed their benchmarks in 2021 and remained at or near the top of their peer groups.

The Opportunities

Advances in technological innovation and the disruptive effect of digitalisation are two vital opportunities emerging in the financial services industry. Fintechs have focused their efforts on payments and lending, with asset management technology such as the aggregation of savings to offer competitive returns quickly catching up. In the face of a growing number of resourceful digital asset managers, current asset and wealth management businesses will have to redefine their operating model and value chains to be fit for purpose and to serve clients efficiently.

Subsidiary Operating Review

FBNQuest Asset Management continues to invest in its digital platform, as it works toward becoming future-proof and well-positioned to deal with new realities.

Strategies and Outlook for 2022

In line with trends in other emerging and frontier economies, the Nigerian asset management industry has significant upside potential. Industry experts forecast that it will grow by double digits. Despite global reflation and monetary tightening expectations, we expect the sector to remain resilient, responding positively to rising yield expectations. Moreover, as complexity grows in financial markets, investor demand for asset and wealth management services will increase.

Fintechs remain a threat given an increasing focus on investment management solutions for retail customers and are disrupting this area of financial services globally. We expect regulation to continue to shape the industry, institutional asset owners to drive corporate governance, and service providers to shift their focus to retail investors and millennials.

FBNQuest Asset Management is effectively building on its successes and solidifying its position as a leading asset and wealth management firm and this is demonstrated in our industry positioning and awards:

- Based on the size of SEC-registered funds, we remained the second-largest non-pension fund manager in Nigeria in 2021.
- EMEA Finance awarded us the “Best Asset Manager in Nigeria” for the third consecutive year for our outstanding performance.
- We achieved a Gold Certification and emerged the 1st Best Workplace for the 2021 Great Place to Work Awards.

We will concentrate on our core offering in 2022, which centres on partnering with our clients to provide value-adding investment advice and solutions. We will aim to continue to deliver a robust and repeatable performance on our clients’ portfolios by leveraging our performance measurement desk. We additionally intend to expand into new markets, with plans to launch passive Naira and actively managed US Dollar solutions, and sound diversification strategies through structured access to private markets, typically uncorrelated to traditional markets.

To ensure that clients have access to a wide range of options, we will seek strategic partnerships that provide seamless access to multi-asset class and multi-currency solutions. Our success will hinge on the implementation of our technology and digital initiatives to deliver more efficient processes that transform and enhance client experience across all our touch points.

Subsidiary Operating Review

"One area of revenue generation is brokerage commission from institutions, high-net-worth individuals and retail clients across primary and secondary markets who invest in capital market products, typically exchange-traded."

FBNQUEST SECURITIES

Overview

FBNQuest Securities Limited is a wholly-owned subsidiary of FBNQuest Merchant Bank that offers equities brokerage services to all clients categories. It acts as stockbrokers for Corporate brokerage transactions in Nigeria, while also serving Pension Fund Administrators (PFAs), insurance companies, banks and other financial institutions, local and offshore portfolio managers, large corporations, endowment funds, foundations and cooperative societies, as well as high-net-worth individuals and retail clients, with its excellent equities brokerage offerings.

FBNQuest Securities Limited is a Trading Licence Holder of The Nigerian Exchange (NGX) Limited. It has ranked as one of the top ten (10) firms on the Exchange's value league table, and one of the top six (6) locally owned stockbroking firms on the Exchange for the past six years. It also boasts of FBNQuest online trader, a platform that allows clients trade stocks in real-time and provides a reliable online trading experience for them.

EMEA Finance awarded us the 'Best Broker' in Nigeria for the third consecutive year for our outstanding performance.

The firm is also a licenced Participating Institution on the NASD OTC Exchange, Nigeria's regulated Over the Counter (OTC) market and a centralised source of liquidity and price discovery on unlisted public companies in Nigeria.

Business Model

The Securities unit generates revenue through:

- Brokerage commissions from institutions, high-net-worth individuals and retail clients across primary and secondary markets who invest in capital market products, typically exchange-traded;
- Buying and selling capital market products;
- Sale of research products; and
- Provision of regulatory advisory and liaison services.

Subsidiary Operating Review

Strategies and Outlook

Economies worldwide began to recover from COVID-19-induced slowdowns in 2021, when the WHO launched global vaccination campaigns to combat the pandemic. The Nigerian equity market also closed higher, as the NGX All-share index gained 6.07% for full-year 2021 on the back of gains in big-cap stocks. These stocks rose primarily as a result of portfolio managers' year-end activities. There was a significant drop in offshore participation as lingering foreign exchange liquidity issues took a toll on activity levels. On the other hand, we increased our focus on domestic clients while still pursuing cross-selling opportunities with our offshore clients.

The negative economic impact of the COVID-19 pandemic is expected to continue into 2022, exacerbated by the emergence of new COVID-19 variants. A possible increase in interest rates in the United States of America is terrible news for frontier and emerging markets like Nigeria. As a result, we expect that the market will continue to be dominated by local players, unless there are significant changes in the domestic macroeconomic environment.

Increased operating costs could also weigh on the operating environment due to the impending removal of fuel subsidies and increased taxation because of the 2021 Nigerian Finance Act. The Act includes a 10% Capital Gains Tax on shares worth ₦100mn or more sold in any 12 consecutive months, except the seller reinvests such proceeds in the shares of any Nigerian company. Politics may also influence the market, as investors may be more cautious in 2022, being a pre-election year. Our commitment is that all our stakeholders will continue to benefit from our corporate brand, expertise, market connections, and coverage network.

Corporate Responsibility and Sustainability

Supporting Our People For Success

Successful businesses are built on a foundation of motivated employees. To achieve our goals, several initiatives were put in place to foster a positive work environment and increase employee satisfaction.

We maintained a stable workforce in 2021. This was largely due to our automation strategy and expanding the responsibilities of our employees, rather than increasing the number of people employed. Where job applications are however required, we consider a diverse pool of applicants who meet the requirements of the role.

Health, Safety and Welfare at Work

The work environment at FBNQuest Merchant Bank is governed by strict health and safety rules and practices, which are regularly reviewed and tested. Under the Bank's health insurance plan, top-rated private medical facilities are available to employees and their immediate families. The health insurance plan provides coverage for gym membership and wellness centre visits to promote and facilitate a healthy way of life.

Professional support to boost the emotional health and wellbeing of employees is provided through the FBNQuest Employee Assistance Programme (EAP) in partnership with Grey Insights (a reputable EAP service provider). Counselling and therapeutic interventions under the programme are open to employees and their spouses. The EAP service recorded increased uptake in 2021 and continues to be used by employees.

Throughout the year, the Bank implemented modalities to ensure a safe work environment amidst the different emerging variants of the novel Coronavirus. Strict adherence to COVID-19 safety protocols was maintained, alongside continuous drive and encouragement for vaccination across board.

Various wellness initiatives, such as virtual fitness sessions, webinars on health and emotional wellness, remote access to doctors and home delivery of medical prescriptions, as well as annual medical check-ups, were also implemented during the year. The FBNQuest Wellness Day was held, which included important health tips, health trivia, and other activities aimed at encouraging healthy living.

Fire prevention and firefighting equipment is installed at strategic locations throughout the Bank's premises. For the benefit of employees, the Bank has Group Life and Personal Accident Insurance in place, as well as contributions to the Employees' Compensation Fund. In accordance with the Pension Reform Act, it also runs a contributory pension plan.

Employee Engagement and Development

We developed and implemented a strategy at the beginning of the year to accelerate the delivery of key people and talent initiatives while also improving the employee experience.

Throughout the year, the People Management team implemented a number of programmes, initiatives, and roadshows to increase employee productivity and promote the use of a variety of benefits and support structures. At various intervals, townhall meetings with the CEO and other senior management staff were also held.

The Bank was recognised as a 'Gold Certified Best Workplace' among the mid-sized corporates that participated in the survey at the 2021 Great Place to Work Awards; demonstrating the success of the people agenda mission.

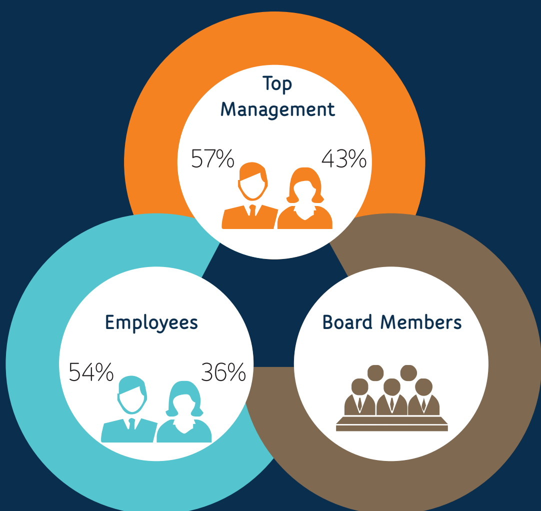
In view of the Bank's hybrid work model, specific in-house and on-the-job training initiatives were implemented for employees in accordance with our policy of continuous growth and development.

The FBNQuest Merchant Bank's fit-for-purpose digital e-learning platform, which hosts numerous relevant courses designed to develop skills for the present and future of work, was harnessed alongside other conventional learning interventions and resulted in a 97 percent learning coverage for all employees at year-end (including outsourced staff).

Supporting Our People For Success

Target career development, and coaching are some of the ways the Bank is demonstrating its dedication to fostering a work environment that promotes employees' growth and development. In addition to our value-driven and focused technical trainings, we offer strategic leadership programmes for senior management and capacity development for middle management. The Bank's overall framework incorporates leadership development programmes and projects.

Employee Engagement and Development



Our Role in the Community

OUR APPROACH

We define sustainability as the ability to meet stakeholder and organisational financial needs while adhering to our stated corporate values, core business principles and contributing to a more sustainable future for our planet and the people who depend on us.

The Board and Management have developed a vision for how we integrate sustainability into the Group's culture and how we align it with business goals. The Bank has pledged its support for a framework that is in line with globally-recognised best practices, including:

- Nigerian Sustainable Banking Principles (NSBP);
- Applicable local laws and national legislation;
- ISO 26000 Guidance standard on social responsibility; and
- IFC Performance and World Bank EHS standards.

Our Corporate Responsibility and Sustainability Policy incorporates risk management practices into our business objectives by managing Environmental, Social, and Governance (ESG) risks, mitigating their impact, and taking advantage of sustainable solutions.

Our corporate values reflect in the sustainability framework, which we use across all our business operations, products, and investments.

Corporate Governance

At all levels of operations, we have established a set of rules, policies, and processes for directing, administering, and controlling the Group's governance structure.

Marketplace

Promoting the principles of corporate responsibility and sustainability amongst business associates and clients is at the heart of what we do.

Workplace

We believe that the workplace should be fair, efficient, and healthy. As a result, we have created several initiatives and campaigns to address organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development.

Environment

Environmental conservation is a primary concern for all stakeholders; thus, the emphasis is on environmental sustainability.

Our Role in the Community

Community

We add value and make positive contributions to the well-being of our immediate operating communities.

We have integrated sustainability into the organisation's daily operations and interactions with all its stakeholders – employees, customers, government agencies, partners, shareholders, the community, and competitors.

Community Support

Our 2021 activities focused on:

- Strengthening existing partnerships to drive stakeholder engagement and social impact;
- Supporting our local communities;
- Mentorship programmes; and
- Financial literacy.

Partnership with Teach for Nigeria

To improve the educational outcome of Nigeria's most marginalised students, Teach For Nigeria (TFN), a non-profit organisation, recruits the most promising young leaders in our country to participate in the effort to increase educational and life opportunities for all children. TFN recruits outstanding university graduates and young professionals across all academic disciplines (known as Fellows) to teach full-time in unserved and low-income schools through a two-year leadership development programme.

- **2021 TFN School Leadership Development Programme:** The Teach for Nigeria School Leadership Development Programme is an eight-month fellowship to rally a movement of school leaders with the necessary leadership skills, practices and strategies to eliminate educational inequality. The programme recognises the critical role that stakeholders (particularly school leaders) play in the educational sector's development and the need to invest in their leadership development. Volunteer assessors for the 2021 Teach for Nigeria School Leadership Development Programme included employees ranging from mid-senior to executive management.

Women's Economic Empowerment

- **Capacity Building for Female Employees:** The Company sponsored female employees to attend the 2021 Women in Management, Business, and Public Service (WIMBIZ) Annual Conference and the Women in Successful Careers (WISCAR) Annual Conference as part of its Women's Economic Empowerment initiative.

  Employees also participated as speakers at the sessions organised to educate women on critical professional and personal growth information, to celebrate the International Women's month.

- **Financial Literacy for Women:** We collaborated with Leading Ladies Africa, a women-focused non-profit organisation, on the Career Advancement and Mentorship Programme (CAMP), a six-month annual programme designed to promote workplace readiness and career development for women of African descent. The objective of the programme is to build a community of highly skilled female professionals and equip them with the skills necessary to succeed in their professional lives and on the global workplace stage. Senior and executive management employees served as mentees and mentors.

Our Role in the Community

Employee Engagement and Development

Employees received professional support to improve their emotional health and well-being through the FBNQuest Employee Assistance Programme (EAP), developed in collaboration with Grey Insights (a reputable EAP service provider). The programme offers counselling and therapeutic interventions to employees and their spouses. Employees continued to utilise the EAP service in 2021.

Series of programmes, initiatives, and roadshows were organised to improve employee productivity in the year. Various wellness initiatives such as virtual fitness sessions, webinars on health and emotional wellness, remote access to doctors and home delivery of medical prescriptions and annual medical checkups were implemented.

A Wellness Day was organised to sensitise employees on salient healthy tips and health trivia for healthy living.

Global Money Week: The Global Money Week, which took place across the country in March 2021, aimed to educate children, youth, and their communities about financial education and inclusion. FBNQuest visited four schools across Nigeria, in Lagos, Abuja, Port Harcourt, and Owerri, impacting 470 students. FBNQuest employees volunteered to teach the shared curriculum.

The employee volunteers of FBNQuest and the staff of Girls Secondary Grammar School, Ikoyi, Lagos at the Global Money Week Initiative.

World Savings Day: The annual World Savings Day is commemorated on October 31, and it is observed globally to educate people on the benefits of saving money in a bank. The objective is to increase public awareness of the importance of savings for modern economies and individuals. The staff of FBNQuest visited four schools in Lagos, Abuja, Port Harcourt and Owerri, to commemorate the day. The main topics taught focused on the importance of savings in the global economy and how depositors contribute to its development.

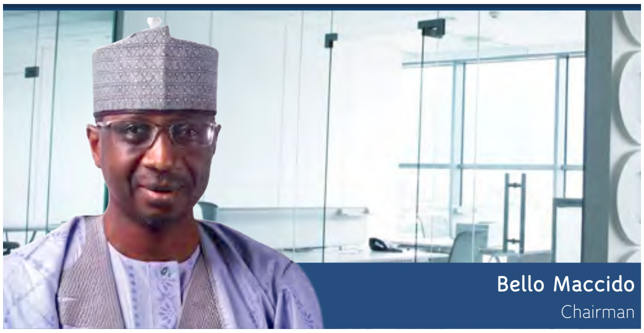
The employee volunteers of FBNQuest and staff of Girls Secondary Grammar School, Ikoyi, Lagos at the World Savings Day Initiative.

Donation of Gift Items: To contribute to the well-being of our community, following our Corporate Responsibility and Sustainability framework, the Bank donated gift items to Girls Secondary Grammar School, Ikoyi Lagos. Students who excelled academically were recognised, as were the teachers who assisted them in achieving these results.

Omolaja Isibor, the Vice Principal Administration, FBNQuest representative and the top performing students in English, Mathematics, Science and Economics of the Girls Secondary Grammar School, Ikoyi, Lagos.

Governance

Chairman's Introduction



> "As a result of the Bank's robust corporate governance practices, it is no surprise that the Board continues to receive commendable ratings in the annual performance review and appraisal of Board members."

Nine Directors made up of seven Non-Executive Directors and two Executive Directors led by a Non-Executive Chairman make up the Board. Two Non-Executive Directors resigned from the Board effective 31 December 2021. The Board comprises individuals who have attained the highest achievement in their respective fields and bring high levels of competency and experience to the business.

Independent Non-Executive Directors chair the Board Audit and Board Risk Management Committees. Non-Executive Directors solely serve in the Board Governance and Human Resources Committee. In line with extant corporate governance codes and leading practices, Executive Directors are not members of the Board Audit Committee. The Chairman of the Board of Directors is not a member of any of the Board Committees.

Furthermore, Directors confirm that they are not in conflict with any of the matters on the agenda for each Board meeting. This further establishes the objectivity and neutrality of Board deliberations.

The Board ensures a formal and transparent process for the selection and appointment of Directors. The Board Governance and Human Resources Committee plays a major role in selecting candidates for appointment to the Board.

Non-Executive Directors receive letters of appointment that detail their tenure, remuneration, duties, obligations, guiding laws and the CBN regulations to guide them on the expectations of the Bank and its stakeholders, particularly the expectations of the regulators of the Bank.

As a result of the Bank's robust corporate governance practices, it is no surprise that the Board continues to receive commendable ratings in the annual performance review and appraisal of Board members.

Despite the care taken in ensuring that the Bank did not contravene any regulations, the Bank was required to pay certain penalties during the year as disclosed in the financial statements. The Bank has however taken steps to ensure that this does not recur.

Additionally, the size and constitution of the Board have continued to satisfy leading practices. Every year, I emphasise that the strength of the Board remains the candour and experience of the members, their commitment to the Bank's growth, and their passion.

I commend my colleagues on the Board for standing strong through a challenging year. We are on the cusp of a formidable horizon, and the task ahead requires even greater effort, commitment and sacrifice. I trust the Board members to rise to the occasion with their usual tenacity. Together, and in accord with Management, we will achieve our goal of becoming the leading Investment Bank and Asset Manager in Africa.

Leadership

Board of Directors

Bello Maccido
Chairman

Kayode Akinkugbe
Managing Director

Taiwo Okeowo
Deputy Managing Director

Oluyele Delano, SAN
Independent Non-Executive Director

Dr Omobola Johnson[1]
Non-Executive Director

U. K. Eke, MFR[1]
Non-Executive Director

Akinlolu Osinbajo, SAN
Non-Executive Director

Babatunde Odunayo
Non-Executive Director

Oyinkansade Adewale
Independent Non-Executive Director

Nnamdi Okonkwo
Non-Executive Director
Appointed 14 January 2022

Tolulope Adetugbo
Company Secretary

[1]Resigned 31 December 2021

Executive Leadership Committee

Kayode Akinkugbe
Managing Director

Taiwo Okeowo
Deputy Managing Director

Patrick Mgbenwelu
Head, Investment Banking and Operations

Ike Onyia
Managing Director, FBNQuest Asset Management

Awele Ajibola
Chief Risk Officer

Afolabi Olorode
Head, Coverage and Corporate Banking

Adetoun Dosunmu
Head, Fixed Income, Currencies and Treasury

Olamide Adeosun
Chief Financial Officer

Fiona Ahimie
Managing Director, FBNQuest Securities

Leadership

BOARD OF DIRECTORS

The following individuals have been elected to the Company's Board of Directors to direct and manage its operations:

Bello Maccido
Chairman

Knowledge and Skills

Bello Maccido has over 34 years of business experience, with 26 of those years spent handling a wide range of financial services. He is a highly experienced corporate and investment banker with expertise in pension fund management, commercial, retail, corporate, and investment banking at several firms.

Some of the institutions he has worked in include: Ecobank Nigeria Plc, New Africa Merchant Bank Limited, and FSB International Bank Plc, where he rose to become acting Managing Director/Chief Executive Officer, Legacy Pensions. He was the founding Managing Director and Chief Executive Officer of First Bank of Nigeria Limited and Executive Director, Retail Banking, North Group, before joining FBNHoldings as Group Managing Director. He left FBNHoldings on 1 January 2016, to become Chairman of FBNQuest Merchant Bank Limited. Between 2009 and 2012, he served on the Nigerian Stock Exchange's National Council as a member of the Finance Committee, the National Council on Privatisation, and the Financial System Strategy 2020 Implementation Committee. He also served on the Presidential Monitoring Committee on the Niger Delta Development Commission.

Bello has a degree in Law from the Ahmadu Bello University, Zaria, and was called to the Nigerian Bar in 1985. He obtained a Master's degree in Business Administration, specialising in Managerial Finance, from Wayne State University, Detroit, USA. He is a Chartered Stockbroker, a fellow of the Chartered Institute of Bankers, and has attended executive management programmes at Harvard Business School, the Wharton School IMD, Lausanne and INSEAD, Paris. He holds the traditional title Wakilin Sokoto. Bello has spent seven years on the Board.

Experience:

- Director, Nigeria Sovereign Investment Authority
- Director, Development Bank of Nigeria Limited
- Group Managing Director/CEO, FBNHoldings Plc
- Executive Director, Retail Banking, North Group, First Bank of Nigeria Limited
- Managing Director/CEO, Legacy Pension Managers Limited
- Acting Managing Director/CEO, FSB International Bank Limited
- Manager and Head, Corporate Banking, New Africa Merchant Bank Limited
- Officer, Credit and Marketing, Ecobank Nigeria Plc
- Council Member, Nigerian Stock Exchange, March 2009-May 2012
- Member, Finance Committee, National Council on Privatisation (NCP)
- Member, Implementation Committee, Financial System Strategy 2020
- Member, Presidential Monitoring Committee on Niger Delta Development Commission
- Member, Ministerial Task Force on Refineries

Leadership

Kayode Akinkugbe
Managing Director/CEO

Knowledge and Skills

Kayode Akinkugbe is the Managing Director and CEO of FBNQuest Merchant Bank Limited. He has spent over 27 years in various top global investment banks in the UK and Nigeria, arranging finance and advising public and private sector organisations.

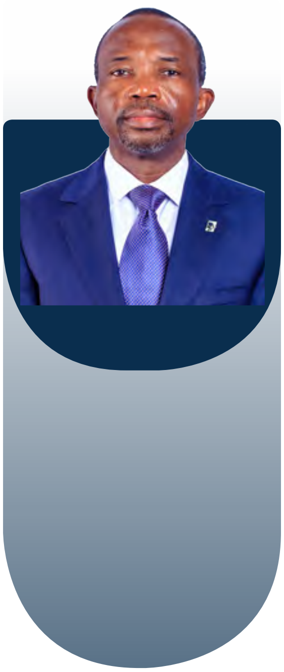
He has a track record of exceeding business and financial goals, having originated and executed over USD9 billion in structured debt, project finance, and equity financing across banks and capital markets; advised on over USD5 billion in merger and acquisition transactions (buy-side, privatisation), and implemented hedging solutions while generating significant revenue for stakeholders.

Kayode graduated from the University of Ibadan with a degree in Economics. Subsequently, he attended the London School of Economics, where he obtained an MSc in International Accounting and Finance. He also holds an MBA from Cranfield School of Management, UK. Kayode has spent six years on the Board.

Experience

- Managing Director, FBNQuest Merchant Bank Limited
- Chairman, FBNQuest Asset Management Limited
- Director, FMDQ Securities Exchange Plc
- Managing Director, FBNQuest Capital Limited
- Head, Sub-Saharan Africa Coverage (ex-South Africa), Deutsche Bank
- Director, Emerging Market Coverage, Credit Suisse
- Assistant Manager, Treasury and Capital Markets Group, HSBC Markets
- Treasury/Money Market Unit, EcoSecurities Limited
- Treasury, Credit and Marketing, Ecobank Nigeria Plc

Leadership



Taiwo Okeowo

Deputy Managing Director

Knowledge and Skills

Taiwo Okeowo is an accomplished investment banker with more than 33 years of practice. He has extensive knowledge of project finance, mergers and acquisitions, restructuring, and securities underwriting. FBNQuest capital's investment banking team ranked first in Nigeria's equity and debt capital markets in 2007 and 2008, respectively, under his leadership. He is the former Chairman of the Capital Market Committee's Fixed Income Subcommittee and a Director of MainOne Cable Company Limited.

Taiwo graduated from the University of Ibadan with a First-Class Honours in Computer Science. He has a Master's degree in Management from the London Business School (where he was a Sloan fellow), is a Chartered Financial Analyst (CFA) Charter holder, and a fellow of the Nigerian Institute of Chartered Accountants. Taiwo has spent 6years on the Board.

Experience

- Deputy Managing Director, FBNQuest Merchant Bank Limited
- Chairman, FBNQuest Securities Limited
- Director, MainOne Cable Nigeria
- Deputy Managing Director, FBNQuest Capital Limited
- Deputy General Manager and Group Head, Corporate Finance and Investment Banking, First Bank of Nigeria Limited
- International Consulting Engagement, Mastercard International LLC, Syracuse, New York
- Group Head, Institutional Banking, Corporate Finance and Institutional Sales and Coverage, Investment Banking and Trust Company Limited (now Stanbic IBTC Plc)
- System Analyst and Programmer, NAL Merchant Bank Limited

Leadership

Oluyele Delano, *SAN*
Independent Non-Executive Director

Knowledge and Skills

Oluyele Delano, SAN, was admitted to the Nigerian Bar in 1988 and began working for Chief Rotimi Williams' chambers the same year. He went on to become one of the top counsels in the chambers, specialising in litigation and arbitration. In 1998, he assumed that same position in the Lagos office of Akindelano Legal Practitioners (ALP), and was elevated to the Inner Bar in 2006, becoming one of the youngest Senior Advocates of Nigeria. Oluyele earned a Bachelor of Laws degree from the University of Southampton in the United Kingdom. He is a Member of the Chartered Institute of Arbitrators (MCI Arb), London and Lagos. Oluyele has spent 6years on the Board.

Experience

- Partner, Akindelano Legal Practitioners
- Member, Body of Senior Advocates of Nigeria
- Chairman, Board of Trustees, Lazarus Trustee Foundation
- Member, Board of Directors of Crossworld Securities Limited

Leadership

U. K. Eke, *MFR*
Non-Executive Director
Resigned 31 December 2021

Knowledge and Skills

U. K. Eke, *MFR* assumed office as Group Managing Director (GMD), FBNHoldings Plc on 1 January 2016. He joined the Board of First Bank of Nigeria Limited, a subsidiary of FBNHoldings, in 2011 as Executive Director, Public Sector, South and later became Executive Director, South, before his appointment as GMD of FBNHoldings. His sound managerial and motivational skills, coupled with his vast experience helped develop FirstBank's businesses within the public sector, retail, and private banking groups.

In 2017, he was appointed to the Board of Nigeria Sovereign Investment Authority. He was also Executive Director, Regional Business, Lagos and West, Diamond Bank Plc. His other work experience includes Deloitte Haskins & Sells International, where he rose to the position of Audit Senior. He has over 30 years' experience in financial services, strategy, auditing, consulting, taxation, process re-engineering and capital market operations.

U.K. is a fellow of the Chartered Institute of Bankers, Institute of Management Consultants, Institute of Directors, Institute of Chartered Accountants of Nigeria and holds a first degree in Political Science from the University of Lagos and an MBA in Project Management Technology from the Federal University of Technology, Owerri. He has attended several Executive Management and Board training programmes at Harvard Business School, USA; Stanford Business School, USA; IESE Business School, Barcelona; International Institute for Management and Development, Lausanne, Switzerland; Wharton Business School, USA; and Lagos Business School, Nigeria.

A philanthropist and mentor to many, he is the Founder and Chairman, Elder K. U. Eke Memorial Foundation. He is a Patron, Lagos State Council, Boys' Brigade Nigeria, and a Paul Harris fellow of Rotary International. He is the Chairman of the Advisory Board, Lifeforte International High School, Ibadan. U.K. is a recipient of Nigeria's national honour of Member of the Order of the Federal Republic (MFR). U.K. spent five years on the Board.

Experience

- Group Managing Director, FBN Holdings Plc
- Director, First Bank of Nigeria Limited
- Director, Nigeria Sovereign Investment Authority
- Director, FBNBank UK Limited
- Director, Financial Institutions Training Centre
- Director, First Pension Custodian Nigeria Limited
- Executive Director, First Bank of Nigeria Plc
- Executive Director, Diamond Bank Plc

Leadership

Dr Omobola Johnson

Non-Executive Director
Resigned 31 December 2021

Knowledge and Skills

Dr Omobola Johnson is Nigeria's first Minister of Communication Technology. She brings to the Board over 30 years' hands-on experience in consulting with a cross-section of companies in a variety of industries, successfully transforming them into more competitive and dynamic organisations. Dr Johnson served as the Country Managing Director of Accenture and is a founding Chairperson and Member of the Board of Trustees of Women in Management and Business (WIMBIZ), a non-governmental organisation that seeks to empower and encourage the success of female entrepreneurs, as well as grow the proportion of women in senior positions in corporate organisations. She is a member of the World Economic Forum's Global Agenda Council on Africa, and of the United Nations Development Programme's closed high-level Broadband Commission Working Group on Gender, which had the main objective of promoting the empowerment and digital inclusion of women.

She is also a member of the International Telecommunication Union's M-Powering Development Advisory Board, charged with extending the benefits of mobile technology to all strata of the society in order to build a truly inclusive information world, with special focus on remote rural and underserved areas.

Dr Johnson obtained a BSc in Electrical and Electronic Engineering from the University of Manchester, UK and an MSc in Digital Electronics from Chelsea College (now known as King's College), University of London. She also obtained a Doctorate in Business Administration from Cranfield University in the UK. Dr Johnson spent six years on the Board.

Experience

- Director, Mouka Foam Plc
- Chairman, Custodian and Allied Insurance Plc
- Director, Guinness Nigeria Plc
- Director, MTN Nigeria Plc
- Director, World Wide Web Foundation
- Chairperson, Global Alliance for Affordable Internet
- Senior Partner, TLcom Capital LLP
- Honourable Minister for Communication Technology, Federal Republic of Nigeria
- Member, Presidential Advisory Council under President Goodluck Jonathan
- Country Managing Director, Accenture
- Enterprise Transformation, Arthur Anderson & Co/Anderson Consulting

Leadership

Akin Osinbajo, *SAN*
Non-Executive Director

Knowledge and Skills

Akin Osinbajo, *SAN* is a highly experienced litigator and Commercial Law practitioner, Chartered Arbitrator and Notary Public of Nigeria who has represented several multinational and local clients in contentious commercial litigations in various courts in Nigeria. He is Joint Managing Partner in Abdulai, Taiwo & Co Solicitors, a firm internationally acknowledged for its expertise in transactional matters relating to Nigeria.

He previously served as a member of the Nigerian Bar Association Special Task Force on Multidisciplinary Practices and Incursions into the Legal Profession. He was also a member of the Civil Service and Judicial Matters Work Group of the Transition Committee of the Governor-elect of Ogun State, 2003.

He was appointed Honourable Attorney-General and Commissioner for Justice, Ogun State 2003-2011, making him the longest-serving Attorney-General in Ogun State. During his eight years as the Chief Law Officer of Ogun State and Official Leader of the Bar, he positively impacted and extensively reformed the administration of justice. Akin has spent four years on the Board.

Experience

- Member, Body of Senior Advocates of Nigeria
- Joint Managing Partner, Abdulai Taiwo & Co
- Member Ogun State Government Transition Committee (2003)
- Honourable Attorney-General and Commissioner for Justice 2003 to 2011
- Member, Body of Benchers Nigeria 2003 to 2011
- Member, Chartered Institute of Arbitrators, UK

Leadership

Babatunde Odunayo

Non-Executive Director

Knowledge and Skills

Babatunde Odunayo has worked in the agriculture, accounting, consulting, and finance sectors for over 40 years. He had briefly worked with a State Ministry of Agriculture before moving to the Federal Ministry of Agriculture. In 1977, he joined the international accounting firm, Coopers & Lybrand, where he spent four years auditing companies' accounts for clients. He was then promoted to Consultant in the firm's management consulting unit, where he managed consulting projects for another four years.

In 1986, Babatunde was appointed Financial Controller and later, Finance Director at Hagemeyer Nigeria Plc. He led the company to the capital market to raise debenture stock and redeemable cumulative preference shares for its capital needs.

In 1992, he was appointed Group Managing Director of the Honeywell Group, and later became the Executive Vice Chairman/CEO. After 17 years as pioneer CEO in his 22 years in the service of the Honeywell Group, he retired from the position of Chief Executive Officer with effect from 1 April 2014.

Babatunde has a Bachelors degree in Agriculture from the University of Ife and he is a fellow of the Institute of Chartered Accountants (FCA). Babatunde has spent three years on the Board.

Experience

- Executive Vice Chairman/CEO, Honeywell Flour Mills Plc
- Managing Director, Honeywell Group
- Finance Director, Hagemeyer Nigeria Plc
- Group Financial Executive, Mandilas Group
- Consultant, Coopers & Lybrand
- National Council Member, Manufacturers Association of Nigeria
- Chairman, Boulous Beverages Limited
- Chairman, FBN Mortgages Limited

Leadership

Oyinkansade Adewale
Non-Executive Director

Knowledge and Skills

Oyinkansade Adewale is a Senior Finance Executive with more than 37 years' experience in Africa's banking and professional services industries, primarily in bank's Chief Financial Officer roles and complex bank turnaround engagements. The CBN appointed her as the turnaround Chief Financial Officer of a large Nigerian bank, with the task of withdrawing and restating the bank's previously published financials.

At another large Nigerian turnaround bank, she built a world-class finance function from the ground up. She worked as a financial adviser/ due diligence consultant for 14 banks during the CBN-led bank consolidation programme from 2004 to 2006, which increased Nigerian banks' minimum capital from ₦5bn to ₦25bn through mergers and acquisitions. She has received the CBN Governor's commendation for outstanding contributions to the banking sector. Oyinkansade has spent two years on the Board.

Experience

- Independent Non-Executive Director, Lafarge Africa Plc
- Independent Non-Executive Director, Baobab Microfinance Bank Limited
- Member, Investment Committee, Uhuru Investment Partners
- Executive Director/Chief Finance Director, Union Bank of Nigeria Plc
- Integration Manager, Ecobank Transnational Incorporated
- Executive Director, Chief Financial Officer, Oceanic Bank International Limited (appointed by the CBN)
- Managing Director/COO, Renaissance Group, Lagos
- Founding Partner, SIAO Chartered Accountants
- Chief Executive and Founder, OA Financial Accounting Group
- Executive Director/Chief Financial Officer (Nigeria and West Africa), Citibank Nigeria
- Manager, Coopers and Lybrand

Leadership

Nnamdi Okonkwo

Non-Executive Director
Appointed 14 January 2022

Nnamdi Okonkwo assumed office as the Group Managing Director (GMD) of FBN Holdings Plc on 1 January 2022, bringing more than 30 years of uninterrupted banking experience with Nigerian and international banks. He built a reputation of transformational leadership, business strategy development and visioning, innovative corporate governance, and risk management on those jobs. With a first degree in Agricultural Economics and a graduate degree in Business Administration (MBA), Nnamdi has worked within and outside Nigeria, including Fidelity Bank, UBA in Nigeria, Ghana, and Liberia, GTB, Citizens Bank, Broad Bank, FSB and Merchant Bank of Africa.

Nnamdi is the immediate past Managing Director/CEO of Fidelity Bank Plc, where he served with great results. As CEO, Nnamdi led Fidelity Bank through a series of significant transformations which resulted in its meteoric rise from mid-table to the leading Tier 2 Bank in Nigeria and a top-ranking bank in Africa. He was previously Executive Director for Southern Nigeria in Fidelity Bank.

He was the Regional CEO for UBA covering the West African Monetary Zone and Managing Director of UBA Ghana; Director, UBA Liberia and Director, Ghana National Banking College.

He has also served in various leadership positions across other financial institutions in Nigeria, including Broad Bank of Nigeria Limited; Citizens International Bank, Nigeria; FSB International Bank Plc, Nigeria; GTBank, Nigeria; and Merchant Bank of Africa.

He is a fellow of the Chartered Institute of Bankers of Nigeria (CIBN) and Chartered Institute of Credit Administration; Chair of the Shareholders Audit Committee FMDQ and Mentoring Advisory Committee CIBN, and Vice President of the Nigerian British Chamber of Commerce.

Nnamdi has been honoured with many awards and recognitions globally. He is a globally recognised thought leader on banking and finance and is highly reputed as one of the few African bank CEOs to be invited as a guest speaker at the Investor Conference of major global banks. He is an alumnus of the University of Benin, Enugu State University of Science and Technology, Nigeria, the Advanced Management Programme (AMP) of INSEAD Business School, Spain. Nnamdi attended Executive Management and Board training programmes at Harvard Business School, USA, Stanford University, USA, Wharton Business School, USA, IMD Singapore and Lagos Business School, Nigeria.

Effectiveness

Strict adherence to good corporate governance is a core value at FBNQuest Merchant Bank Limited. As a result, the Board of Directors supervises corporate governance practice and involves stakeholders effectively. The Board embeds corporate governance in the Bank's business practices for transparency and inclusion of all stakeholders; corporate governance drives the strategic thrust of the Bank. The Board is confident that it has infused the sustainability DNA into the Bank because of its membership in Nigeria's first financial institution, and firm belief that only transparent business practices and an accountability culture can sustain the Bank.

Board Roles and Responsibilities

Responsibilities

The Board of Directors is responsible and accountable for the overall performance and success of FBNQuest Merchant Bank Limited. The Board fulfils its oversight responsibilities and provides strategic direction to the Bank through the review and approval of major strategic plans and initiatives.

The Board ensures that adequate audit, risk management, and control systems are in place, including adequate financial reporting and compliance programmes, and that nothing jeopardises the processes for evaluating the adequacy of these systems and programmes on an ongoing basis. The Board also ensures that the Bank's internal and external audit processes maintain their competence, independence, and integrity.

The Role of Directors

The roles of the Chairman and other Board members are as follows:

Chairman

- Ensure the Board conducts its governance role in the most effective manner possible.
- Set the agenda for Board meetings and ensure the Board remains focused on its governance roles.
- Ensure that it runs Board meetings efficiently to hear all points and opinions.
- Ensure the setup of various Board committees and their proper governance to assist the Board in its oversight functions.
- Chair the Annual General Meeting.

Managing Director

- Provide strategic direction and alliances in line with overall corporate strategy and ensure effective implementation.
- Develop credibility for the financials by providing timely and accurate analyses of budgets and financial reports to assist Board and senior executives in performing their responsibilities.
- Provide strategies to maintain and upgrade the Company's reputation, image, brand, and external communication.
- Consult with external consultants and regulatory bodies' representatives (CBN, tax authorities, external auditors, consultants, etc.) on behalf of the organisation, and ensure compliance with same.
- Provide necessary reports to the Board as it may require.

Effectiveness

Non-Executive Directors

- Act honestly and in good faith in the best interest of the Company.
- Exercise due diligence and skill that a prudent person would exercise in comparable circumstances.
- Assist the Company in the achievement of its strategic corporate objectives.
- Devote sufficient time to Board-related matters.
- Ensure the Board acts in the best interest of the Company rather than that of an individual Director or any other interests.

Independent Non-Executive Directors

- Employ neutral, specialised/ expert skills towards achieving a balance of knowledge, skills, judgement, and other directional resources.
- Serve as a check to the Management of the Bank by providing unbiased and independent views to the Board.
- Assist the Board in maximising the value of the Bank's operations by providing objective inputs to strategic thinking and decision-making while ensuring full compliance with statutory rules and regulations.

Company Secretary

- Facilitate induction and professional development by ensuring the flow of information within the Board and its Committees, as well as between Senior Management and Non-Executive Directors.
- Advise the Board, through the Chairman, on all governance matters and regulatory affairs.
- Advise all members of the Board as required to ensure compliance with Board procedures.
- Administer the company secretariat in such a manner to ensure that information on the Bank is accessible to all qualified stakeholders.
- File all statutory returns as the laws governing the Bank require.

Attendance at Board meetings held in 2021

NAMES	4 MARCH	23 APRIL	27 JULY	29 OCTOBER	26 NOVEMBER	14 DECEMBER
Bello Maccido	✓	✓	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓	✓	✓
Taiwo Okeowo	✓	✓	✓	✓	✓	X
Dr Omobola Johnson	✓	✓	✓	✓	X	✓
Oluyele Delano, SAN	✓	✓	✓	✓	✓	✓
U.K. Eke, MFR	✓	✓	✓	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓	✓	✓
Babatunde Odunayo	✓	✓	✓	✓	✓	✓
Oyinkansade Adewale	✓	✓	✓	✓	✓	✓

Board Focus Areas for 2021

Based on the updated 2020-2024 strategic planning cycle, the Board will focus on profitability and operational expense reduction in 2022 while maintaining strict compliance with corporate governance codes and regulatory frameworks.

Board Changes during 2021

Two directors resigned from the Board effective 31 December 2021, i.e., U. K. Eke, MFR and Dr Omobola Johnson.

Effectiveness

Board Activities

The Board met six times during the year, adhering to existing regulations regarding quarterly statutory meetings. In November 2021, it held a Board and Management retreat to facilitate interactions between the Board and Senior Management, as well as to chart the input into the FBNHoldings Group strategic planning cycle for 2020-2024.

Board Discussions

The Board spent a significant amount of time discussing the Bank's strategy, performance, and prospects, as well as reports from its strategic business units and risk reports and regulatory compliance. The Bank was able to keep its cost below the budget in the 2021 budget year due to cost optimisation efforts.

In accordance with the CBN's Code of Corporate Governance, the Board's committees met quarterly. Each committee informed the Board of its activities. The Board decided on issues based on the recommendations. The Board of Directors was able to make well-informed decisions because the Board committees performed their oversight duties effectively.

Effectiveness and Evaluation

The CBN's Code of Corporate Governance (part of the Charter of the Board of Directors) determines the number of directors on the Board. Contracts that spell out terms of office, responsibilities and remuneration bind executive directors. Additionally, the Board has approved succession planning policies for itself and the Bank's Management.

The Board also engaged PricewaterhouseCoopers (PwC) during the year to conduct an independent assessment of the Board and its governance practices to ensure that it is fully up to speed with best practices. This yearly appraisal includes a director peer review to examine the performance of each of the Bank's Directors.

The Board's evaluation covers each Committee's duties, effectiveness, proceedings, and general compliance with its terms of reference. The Board of Directors also reviewed on a period basis, the progress made in implementing the prior year recommendations.

Members of the Board of Directors have full access to the Company Secretary, a Board appointee, who functionally reports to the Board Chairman. They ensure smooth communication among the Board members and committees, as well as between the company's Executive team and Non-Executive Directors.

The Company Secretary handles all governance and regulatory issues. The Company Secretary advises the Board, through the Chairman, on all matters of governance and compliance, and assists Directors in their professional development. The Company Secretary is also responsible for ensuring compliance with Board processes.

Composition and Appointment Philosophy

As of the end of 2021, the Bank's nine-member Board included two women and seven men, putting the percentage of women just short of 30%. The Board has made it a priority to increase the number of female members. The Directors represent the interests of FBNHoldings. Following the Corporate Governance Code, the Bank designates two of the Company's seven Non-Executive Directors as Independent Non-Executive Directors (INEDs).

The Board has made sure that it draws the Directors from both the public and private sectors of the economy, ensuring an appropriate balance of skill and knowledge. Board members have taken courses both locally and abroad. The Board Charter provides clear guidelines on the procedure to follow with due recognition that the Bank is part of a Group when appointing new Directors to the Board.

The Directors are nominees of FBNHoldings. Nominations are subject to the approval of the Board of Directors and the requisite regulatory approval. The Board of Directors has the power to appoint a director if the laws of the Federal Republic of Nigeria or the Bank's regulators require it.

Effectiveness

Induction and Continuous Training

Upon appointment to the Board and to Board Committees, all Directors receive an induction tailored to meet their individual requirements. The induction is arranged by the Company Secretary and includes meetings with senior management and key external directors, to assist Directors in acquiring detailed understanding of the Bank's operations, its strategic plan, business issues, the key issues which the Bank faces, and to introduce Directors to their fiduciary duties and responsibilities. However, no induction was conducted in the 2021 financial year.

The Bank attaches great importance to training its Directors, and therefore continuously offers training and education from onshore and offshore institutions to its Directors in order to enhance their performance. In the course of the year, members of the Board attended local and international training on diverse areas including AML, Strategy, Cybersecurity amongst others.

Tenure of Directors

The CBN's Code of Corporate Governance specifies three terms of four years each for Non-Executive Directors and two terms of five years each for the Managing Director. The Bank's policy on director tenure aligns with this.

Appraisal

The Board of Directors engaged PricewaterhouseCoopers (PwC) during the year to conduct an appraisal of its activities and Directors' peer appraisal for the year, in accordance with established regulations. According to PwC's report, the Board's activities follow good corporate governance practices as outlined in the CBN's Corporate Governance Code.

Code of Business Conduct & Ethics

The Board of Directors complied with the Code of Business Conduct and Ethics of the Bank, which regulates relations of Directors, Management and other employees with internal and external parties. The Code of Business Conduct was made available to Directors and relevant stakeholders.

Performance Monitoring

For the Bank's long-term viability, the Board keeps a close eye on its operations and assesses strategic outcomes in the following ways:

- Establishing the Bank's strategic direction and priorities;
- Engaging with key stakeholders to ensure that they get information about the Bank's accomplishments and that they have an opportunity to influence the Bank's strategic goals and directions;
- Keeping a close eye on the external operating environment to ensure that the Bank's strategic direction is appropriate and achievable;
- Creating the policy framework upon which all operational policies and actions for the Company's governance are based;
- Appointing, setting targets for evaluating the performance of, and rewarding, as appropriate, the Managing Director; and
- Ensuring that the Managing Director and the Bank comply with all applicable federal, state, and local laws, as well as the Bank's own policies.

Committee Reports

The Board Credit Committee, the Board Audit Committee, the Board Risk Management Committee, and the Board Governance and Human Resources Committee all contribute to the effectiveness of the FBNQuest Merchant Bank Board. Non-Executive Directors chair the Board Credit, Board Governance, and Human Resources Committees, while Independent Non-Executive Directors chair the Board Risk Management and Board Audit Committees. A charter approved by the Board governs each Committee.

Board Audit Committee (BAC)

Oluyele Delano, *SAN*, chaired the BAC. The BAC drives the Board's strategic and oversight functions in the areas of financial reporting and internal and external audits.

Effectiveness

Financial Reporting

The BAC ensures that management's financial disclosures accurately reflect the Bank's and its subsidiaries' financial conditions, operating results, and long-term commitments by:

- Considering the appropriateness of the accounting policies applied and whether they are prudent and consistent with prior practice and comply with regulations and legal requirements;
- Using the previous year as a benchmark to evaluate the validity of any changes in accounting practices or disclosures;
- Critically reviewing the draft financial and interim reports and other financial documents;
- Considering any difference of opinion between auditors and the Management on the level of provisions, accounting treatment or disclosure;
- Considering the quality of financial information disclosed to the shareholders and other stakeholders, especially in the context of the Company's business ethics and standards;
- Reviewing the financial reporting process to ensure the Company's compliance with accounting standards, financial matters, and the applicable laws; and
- Maintaining the integrity of the Company's financial reporting.

External Audit

- Makes recommendations for the appointment and retention of the external auditors;
- Reviews and discusses the scope of the audit and audit plan, including those of the subsidiaries;
- Considers differences of opinion between the Management and the external auditors;
- Evaluates the performance, objectivity, and independence of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Obtains assurance from the auditors that the Bank maintains adequate accounting records used in the preparation of financial statements;
- Reviews internal and external auditors' reports (management letter), responds and considers the status of actions taken by the Management; and
- Makes recommendations to the Board on the approved annual audited reports and disclosure requirements in line with Basel III.

Internal Audit

- Reviews the objectives of the risk-based internal audit function and the annual plan of action;
- Reviews and approves the scope of internal audit work, including annual risk-based audit and spot check, plans and reviews compliance therewith;
- Assesses the adequacy and performance of the internal audit function and the adequacy of available resources, including the appraisal of the Chief Audit Executive;
- Reviews significant matters reported by the internal auditor;
- Reviews and assesses the implementation of approved audit recommendations;
- Reviews significant differences in opinion between the Management and the internal auditors;
- Reviews the cooperation and coordination between the internal and external auditors;
- Provides a structural reporting line for internal audits and facilitates the maintenance of the objectivity of the internal auditor; and
- Authorises or directs the internal auditor to conduct special assignments over and above the approved annual audit plan and report thereon.

Effectiveness

Internal Control Systems

- Reviews the systems of internal control to ascertain their adequacy and effectiveness;
- Examines and discusses any previously identified material weaknesses in controls and system deficiencies and recommends additional procedures to improve the system if necessary; and
- Identifies any changes necessary to the agreed audit scope or other services because of any weaknesses or deficiencies revealed.

Attendance at BAC meetings in 2021

Members:

- Oluyele Delano, SAN – Chairman
- Dr Omobola Johnson
- U. K. Eke, MFR
- Babatunde Odunayo
- Oyinkansade Adewale

NAMES	12 FEBRUARY	2 MARCH	16 APRIL	23 JULY	12 OCTOBER	8 DECEMBER
Oluyele Delano, SAN	✓	✓	✓	✓	✓	✓
Dr Omobola Johnson	✓	✓	✓	X	✓	✓
U. K. Eke, MFR	✓	✓	✓	✓	✓	✓
Babatunde Odunayo	✓	✓	✓	✓	✓	X
Oyinkansade Adewale	✓	✓	✓	✓	✓	✓

Effectiveness

Board Credit Committee (BCC)

The BCC was chaired by Babatunde Odunayo. The terms of reference of the BCC include to:

- Review credit policies of the Bank and recommend the same to the Board;
- Review and approve all facilities exceeding the delegated authority of the Management Credit Forums as set out in the Credit Policy;
- Review reports and monitor trends in the Bank's risk assets profile;
- Review the methodologies for assessing risk assets and recommend appropriate exposure limits; and
- Review and approve the restructure of credit facilities as per the Credit Policy and ensure that the concentration of risk assets is within the company's defined risk tolerance.

Attendance at BCC meetings in 2021

Members:

- Babatunde Odunayo – Chairman
- Akin Osinbajo, SAN
- Dr Omobola Johnson
- Kayode Akinkugbe
- Taiwo Okeowo

NAMES	23 FEBRUARY	19 APRIL	31 MAY	22 JULY	10 SEPTEMBER	14 OCTOBER
Babatunde Odunayo	✓	✓	X	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓	✓	✓
Dr Omobola Johnson	✓	✓	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	X	✓	✓	✓
Taiwo Okeowo	✓	✓	✓	✓	✓	✓

Effectiveness

Board Governance/HR Committee (BGC)

Dr Omobola Johnson chaired the BGC. The BGC's mission is to assist the Board in formulating policies, making decisions, and carrying out its oversight responsibilities in the areas of:

- Identification, approval, and recommendation of individuals qualified to become members of the Board to the Board of Directors;
- Considering and making recommendations on the appointment of the top management staff of the Bank to the Board of Directors;
- Developing, updating, and making recommendations to the Board on corporate governance principles and policies as applicable to the Bank;
- Monitoring compliance with such principles and policies; and
- Identifying and making recommendations to the Board for approval on staff welfare, conditions of service, administrative and/or ethical issues as they arise, and acting as a general-purpose committee as the Board require from time to time.

The Executive Leadership Committee shall refer matters to the BGC from its resolutions for consideration. The BGC shall make recommendations to the Board for adoption and approval.

The membership, meetings, duties, responsibilities, and operations of the BGC shall be subject to the provisions of the BGC Charter as approved by the Board.

The BGC is composed of only Non-Executive Directors.

Attendance at BGC meetings in 2021

- Dr Omobola Johnson – Chairperson
- Oluyele Delano, SAN
- U. K. Eke, MFR
- Akin Osinbajo, SAN

NAMES	2 MARCH	21 APRIL	19 JULY	15 OCTOBER
Dr Omobola Johnson	✓	✓	✓	✓
Oluyele Delano, SAN	✓	✓	✓	✓
U. K. Eke, MFR	✓	X	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓

Effectiveness

Board Risk Management Committee (BRMC)

Oyinkansade Adewale chaired the BRMC. The overall purpose of the BRMC is to protect the interest of shareholders and other stakeholders by overseeing the following:

- Adequacy of the internal control environment;
- Management of the enterprise risk framework; and
- Entrenching a culture of good enterprise risk management and risk awareness.

The objectives of the BRMC include:

I. Assisting the Board to discharge its responsibilities to exercise due care, diligence, and skill in relation to the Bank;

II. Internal control system;

III. Monitoring of both business and control risks;

IV. Establishment and management of compliance procedures over regulatory and legal requirements;

V. Improving the efficiency of the Board by accepting delegated tasks for sufficient and in-depth discussions;

VI. Establishing a formal written policy on the overall risk management system of the Bank;

VII. Improving the effectiveness of the risk management function;

VIII. Ensuring that adequate policies are in place to manage and mitigate adverse effects of both business and control risks;

IX. Re-evaluating the Bank's risk management policy periodically to accommodate major changes in internal and external factors; and

X. Establishing robust contingency planning and continuity of business imperatives with in-built capabilities for minimising disruption if mission-critical threats crystallise.

i. Enterprise Risk Management

The duties and responsibilities of the BRMC include, but are not limited to, the following:

- Reviewing and recommending to the Board for approval the Enterprise-wide Risk Management (ERM) Framework;
- Reviewing and recommending to the Board for approval the risk philosophy, risk appetite and tolerance levels;
- Monitoring the Bank's plans and progress in meeting regulatory risk-based supervision requirements and migration to Basel III compliance;
- Dealing with the Bank's risk-reward profiles (including the credit, market and operational risk-reward profiles) and, where necessary, recommending improvement strategies;
- Reviewing and recommending improvements regarding outstanding actions on risk management plans at the business unit/subsidiary level;
- Evaluating the risks identified in those strategic plans that require Board approval to determine their impact on the risk-reward profile;
- Evaluating the risk profile and risk management plans drafted for major projects, acquisitions, new ventures and new products or services to determine the impact on the risk-reward profile;
- Collaborating with and reviewing issues for consideration as identified by the BAC;
- Monitoring the Bank's capital adequacy levels and capital management process, ensuring compliance with global best practice standards such as the Central Bank and Basel III; and
- Ensuring a robust contingency plan and continuity of business imperatives within built capabilities for minimising disruption if mission-critical threats arise.

ii. Internal Control Efficiency

This involves evaluating the:

- Efficiency and effectiveness of FBNQuest Merchant Bank's operations;
- Accuracy of transactions capture and storage;

Effectiveness

- Reliability of financial reporting;
- Effectiveness of risk management systems;
- Adequacy of internal controls; and
- Assessment and supervision of the Chief Risk and Compliance Officers.

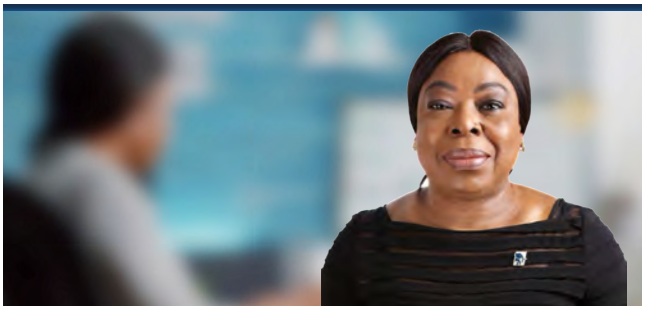
iii. Ensuring Compliance by:

- Ensuring that the Bank has a comprehensive compliance framework for regulations and guidelines of money laundering and financial crimes;
- Reviewing the adequacy and effectiveness of the programme of compliance with money laundering and financial crimes regulations and guidelines established within FBNQuest Merchant Bank Limited;
- Reviewing the processes in place for ensuring that new and changed legal and regulatory requirements on money laundering and financial crimes are identified and reflected in FBNQuest Merchant Bank Limited's processes;
- Reviewing the scope and depth of compliance audit activities, and the resulting impact that audit findings have on the risk profile of FBNQuest Merchant Bank Limited regarding money laundering and financial crimes;
- Ensuring the effectiveness of the Bank's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by the Management as a result of its investigation of material incidents of non-compliance;
- Evaluating the nature and effectiveness of action plans implemented to address identified compliance; and
- Ensuring compliance with the Nigerian Sustainability Banking principles; and ensuring compliance with the cybersecurity risk regime.

Attendance at BRMC meetings in 2021

Members:

- Oyinkansade Adewale – Chairman
- Akin Osinbajo, SAN
- Oluyele Delano, SAN
- Kayode Akinkugbe



NAMES	23 FEBRUARY	19 APRIL	14 JULY	14 OCTOBER
Oyinkansade Adewale	✓	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓
Oluyele Delano, SAN	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓

Effectiveness

MANAGEMENT COMMITTEES

Managing the Bank's day-to-day operations is the responsibility of the Executive Leadership Committee, which is appointed by the Board of Directors. All decisions made by the Executive Leadership Committee are subject only to the directives and parameters set by the Board of Directors, which retains oversight over the Committee and is authorised to review or approve all its decisions as it sees fit. It is the Bank's highest decision-making organ.

The Executive Leadership Committee has the following powers:

- Business continuity management;
- Ensuring operations, information, communication and telecommunication capability;
- Effective and efficient resource management, including purchase and disposal of the Bank's assets, with the guideline that all fixed asset(s) disposal must not be below the book value of the asset at the material time; and
- Protection and enhancement of brand reputation.

The Executive Leadership Committee performs its mandate through the following committees:

Asset and Liability Committee (ALCO)

ALCO oversees developing short, medium, and long-term strategies for managing the Bank's financial assets and funding. ALCO meets on a regular basis to review the Bank's balance sheet, as well as to analyse and formulate strategies for managing inherent risks and achieving relevant performance goals.

ALCO focuses on many risks, including, but not limited to:

- **Interest rate risk:** Hedging against adverse interest rate swings that occur due to mismatch in liabilities and assets;
- **Liquidity risk:** Ensuring that the Bank meets its maturing obligations as and when due, and is in the position to honour its commitments;
- **Concentration risk:** Ensuring that the Bank is not vulnerable to any single client or groups of clients in relation to its funding sources; and
- **Price risk:** Ensuring that adverse movements in market prices do not have a negative impact on the Bank's trading positions.

The composition of the ALCO is as follows:

- Managing Director – Chairman
- Deputy Managing Director
- Chief Financial Officer
- Chief Risk Officer
- Chief Compliance Officer
- Head, Coverage and Corporate Banking Division
- Head, Corporate Banking
- Head, Credit Risk Management
- Head, Sales Division
- Head, Wealth Management
- Head, Channels
- Head, Fixed Income Currencies and Treasury
- Chief Dealer, Treasury
- Head, Debt Capital Markets
- Head, Market and Liquidity Risk Management (Secretary)

Effectiveness

Information Technology Steering Committee (ITSC)

The ITSC's primary responsibility is to oversee the feasibility, business case, and completion of ICT projects. The ITSC will keep track of the project's progress and oversee the implementation of project deliverables. The ITSC acts as a stabilising force, allowing for the establishment and maintenance of visionary organisational concepts and directions.

The Committee offers advice on long-term strategies that will help the Bank achieve its goals. Members of the ITSC ensure that the Bank meets its business objectives and that the project is on track.

It performs these responsibilities through the following functions:

- Monitoring and review of the project at regular ITSC meetings;
- Aiding with projects when required;
- Controlling project scope as emergent issues force changes for consideration, ensuring that scope aligns with the agreed business requirements of project sponsors and key stakeholder groups;
- Resolving project conflicts and disputes, reconciling differences of opinion and approach;
- Formal acceptance of project deliverables; and
- Ensuring that the Bank follows due diligence in the selection and recommendation of service vendors for IT projects.

The composition of the ITSC is as follows:

- Deputy Managing Director – Chairman
- Head, Technology and Services
- Chief Risk Officer
- Chief Compliance Officer
- Head, Internal Audit
- Head, IT Applications
- Head, Transaction Operations
- Head, IT Security and Infrastructure
- Head, Digital Transformation
- Head, Business Process Management
- Head, Organisational Transformation
- Head, Operational Risk Management
- Head, Channels
- Chief Information Security Officer
- Chief Information Officer (Secretary)

Effectiveness

Risk Management Committee (RMC)

The RMC is responsible for identifying, assessing, monitoring, controlling, and managing risks that are inherent in the Bank's business.

The objectives of the RMC include:

- Providing a solid foundation for enterprise-wide risk management and internal controls as part of good corporate governance, global best practices, and applicable legal and regulatory requirements;
- Effective asset, liability, and risk management for both the customer and FBNQuest Merchant Bank Limited, while balancing the cost of risk management with the potential gains;
- Enhancing the Bank's profitability by building a good relationship between a sound risk management system and profitability;
- Safeguarding the Bank against high-probability risks and mitigating their impact when they occur during business; and
- Establishing a robust business continuity management framework with built-in capabilities to ensure minimal disruption in the event of mission-critical threats, as well as assessing its adequacy in relation to FBNQuest Merchant Bank Limited's business and regulatory requirements.

Remuneration

The remuneration of members of the Board of Directors is limited to a sitting allowance, Director's fees and reimbursable(s). Total fees and/or reimbursables paid to the Directors in 2021 were ₦514,844,167.26, broken down as follows:

	AMOUNT ₦
Fees and sitting allowances	142,744,144.00
Executive compensation	238,316,381.26
Other Director expenses	133,783,642.00
Total	**514,844,167.26**

The remuneration reflects FBNQuest Merchant Bank Limited's desire to sustain long-term value creation for shareholders and aims to:

- Encourage excellence and a healthy balance of short- and long-term performance so that FBNQuest Merchant Bank Limited meets and sustains its financial objectives and expected returns;
- Enable FBNQuest Merchant Bank Limited to attract and retain people of proven ability, experience, and skills in the market in which it competes for talent;
- Encourage people to focus on their personal contributions, contributions to the business where they work, and contributions to FBNQuest Merchant Bank Limited as a whole; and
- Ensure that remuneration policies and programmes are transparent, well-communicated, simple to comprehend, and aligned with the interests of shareholders both internally and externally.

Whistleblowing Policy and Procedures

Whistleblowing is the practice of employees and other parties disclosing workplace malpractices, illegal acts, or omissions internally or externally. Thus, a whistleblower is any individual, including employees, Directors, customers, service providers, creditors, or other stakeholder(s) of the Bank, who informs the appropriate authority of any form of unethical behaviour or dishonesty.

FBNQuest Merchant Bank is committed to providing the highest level of service and upholding the highest ethical standards in all its operations. The Group's internal systems and operating procedures are designed to detect, prevent, or deter improper conduct.

However, even the most stringent systems of control that cannot guarantee complete protection against fraud and other irregularities. The Bank thus has the responsibility to investigate allegations of suspected improper activities and report to the appropriate parties based on its findings, and the Bank is responsible for taking appropriate action.

The Bank recognises that employees are often the best people to know when the Company's interests are being jeopardised and can help uncover unethical and inappropriate workplace practices. The Bank also acknowledges that employees who are unsure whether to raise concerns or 'blow the whistle' on wrongdoing may fear being ignored or losing their jobs.

The Whistleblowing Policy of the Bank therefore encourages employees to report internal malpractice, danger, and wrongdoing without fear of negative repercussions. The Bank will protect any employee who blows the whistle if:

- The disclosure is made in good faith about issues within the scope; and
- The disclosure raises concerns internally and the whistleblower makes reasonable additional disclosures to the prescribed or other relevant government regulatory agency, such as those made outside of the line management structure, to the CBN, or to the police, if the circumstances warrant that.

The Bank's Whistleblowing Policy, in accordance with these commitments, is intended to provide an avenue for stakeholders to raise concerns while also receiving assurance that they will not be subjected to reprisals or victimisation for reporting on the Bank's activities and practices, such as those relating to:

- Unlawful activities;
- Incorrect reporting;
- Unethical and inappropriate behaviour at all levels;
- Activities that contravene the Bank's internal policies; and
- Practices that amount to improper conduct as regards the Bank and its employees.

The Bank's Whistleblowing Policy seeks to:

- Ensure that relevant statutory and regulatory obligations are complied with;
- Encourage stakeholders to bring unethical conduct and illegal activities to the attention of an internal and or external authority, so that action can be taken to resolve the problem;
- Provide avenues for employees to raise concerns and define a way to handle these concerns;
- Enable senior management to be informed at an early stage about acts of misconduct;
- Reassure employees that they will be protected from punishment or unfair treatment for disclosing concerns in good faith in accordance with this procedure;
- Develop a culture of openness, accountability and integrity; and
- Foster good relations, avoid crises and minimise damaging incidents and unpleasant publicity.

Whistleblowing Policy and Procedures

Roles

The actualisation of the Whistleblowing Policy in the Bank resides with the Board, senior management and specific officers of the Bank, including the Chief Compliance Officer and Chief Audit Executive.

To enable seamless reporting of issues, the Bank made available three channels to whistleblowers:

- Dedicated telephone lines;
- Dedicated email address; and
- Whistleblowing portal on the Bank's website.

A prospective whistleblower may employ one or a combination of the available channels.

Responsibilities

All cases of whistleblowing at FBNQuest Merchant Bank will be investigated and reported to the Board and the regulator as appropriate. Each incident must be thoroughly investigated and dealt with as soon as possible, with resolution carried out according to the policy's resolution timeline.

There were no cases of whistleblowing in FBNQuest Merchant Bank in 2021.

Report on the Outcome of the Corporate Governance Evaluation Exercise

FOR THE YEAR ENDED 31 DECEMBER 2021

PricewaterhouseCoopers ("PwC") was engaged to carry out a Corporate Governance Evaluation of FBNQuest Merchant Bank Limited ("FBNQuest") as required by Principle 15 of the Nigerian Code of Corporate Governance ("NCCG") 2018 and the relevant recommended principles in the CBN Code of Corporate Governance for Banks and Discount Houses ("the CBN Code") 2014 for the year ended 31st December 2021.

Our responsibility was to reach a conclusion on the Corporate Governance status based on work carried out within the scope of our engagement as contained in our Letter of Engagement dated 12th January 2022. In carrying out the evaluation, we have relied on representations made by members of the Board and Management and on the documents provided for our review.

FBNQuest has complied significantly with the principles set forth in the Nigerian Code of Corporate Governance, and the provisions of the CBN Code. Areas of compliance include the Board's oversight of the Bank's management performance, establishment of Code of Conduct and Ethics Policy, oversight and implementation of the Bank's strategy by the Board and Management.

Details of our other findings and recommendations are contained in the full report.

We also facilitated a Self and Peer Assessment of each Director's performance in the year under review. This assessment covered the Director's time commitment to the business of FBNQuest, commitment to continuous learning and development and a self-and-peer assessment. Each Individual Director's Assessment report was prepared and has been made available to them respectively, while a consolidated report of the performance of all Directors has been submitted to the Board Chairman.

Yours faithfully,
for: PricewaterhouseCoopers Chartered Accountants

Femi Osinubi
Partner
FRC/2017/ICAN/00000016659
6th April 2022

Risk Overview

Chief Risk Officer's Report

The ability to recognise risks and opportunities is critical to business success, and it necessitates that businesses develop the capacity to balance value protection and creation at the same time. The primary goals include maximising returns from strategic initiatives by deploying superior risk management capabilities, as well as implementing global best practices and adhering to standards of corporate governance.

Nigeria's macroeconomic and microeconomic realities continue to have an impact on the operating environment. FBNQuest Merchant Bank increased its ability to identify and reduce inherent risks during the year 2021, while remaining aware of the opportunities that can arise from properly managing those risks.

For us, risk management is all about creating long-term value for all our stakeholders while also becoming a world-class Investment Bank.

We at FBNQuest Merchant Bank are subject to a wide range of risks, all of which have varying degrees of unpredictability. Credit, compliance, information security, liquidity, market, operational, strategy, and reputational risks are among the most significant threats to the Company.

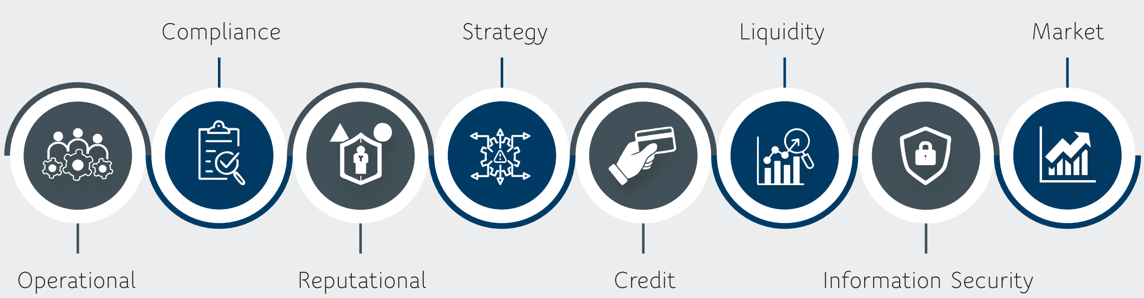
The impacts on earnings, capital, liquidity and stakeholder interests have all been considered when determining the relative importance of each risk.

> "FBNQuest Merchant Bank increased its ability to identify and reduce inherent risks during the year 2021, while remaining aware of the opportunities that can arise from properly managing those risks."

As a result, we continue to monitor the identified risks and work to mitigate them so that we can consistently deliver value to our stakeholders.

Regular risk assessment is conducted by the Board and Senior Management to ensure that the Bank is adequately protected from the identified risks.

FBNQuest Merchant Bank's Key



While the risks have been properly identified, and closely measured and managed at Management level, there is also considerable Board oversight of the risks as they are reported to the Board Risk Management Committee regularly.

Risk Management

FBNQuest Merchant Bank established its risk management policies to identify, analyse, and measure the risks that the Bank faces to set appropriate limits and controls, monitor risks, and adhere to boundaries. The Bank reviews these policies every two years. However, the Board may order more frequent reviews where changes in laws, regulations, market conditions or the Bank's activities are significant enough to affect the continued implementation of existing policies.

There are various risk awareness sessions, training, management standards and procedures implemented by the Bank to ensure that every employee is aware of their responsibilities in a disciplined and constructive control environment.

RISK MANAGEMENT FRAMEWORK

The Board of Directors, through its committees, is responsible for overseeing and establishing the Bank's risk management framework:

- Board Risk Management Committee (BRMC);
- Board Credit Committee (BCC);
- Board Audit Committee (BAC); and
- Board Governance/HR Committee.

These committees develop and monitor risk policies in their specific areas and regularly report their activities to the Board of Directors. All Board committees have both Executive and Non-Executive members.

The various Management committees assist the Board committees in identifying, assessing, and monitoring risks arising from the Bank's day-to-day operations. The committees are:

- Asset and Liability Committee (ALCO);
- IT Steering Committee (ITSC);
- Management Credit and Underwriting Committee (MCUC);
- Risk Management Committee (RMC);
- Information Security Steering Committee (ISSC); and
- Other ad hoc Committees.

All established committees meet monthly or quarterly, while ad hoc committees are formed based on changing operational realities and new risks.

The Bank's risk philosophy, appetite and tolerance are all under the scrutiny and recommendation of the Board and its Management committees. This role encompasses all aspects of risk management.

The committees also monitor the Bank's plans and progress toward regulatory risk-based supervision requirements (including the migration to Basel III compliance) and regulatory and economic capital adequacy.

FBNQuest Merchant Bank understands that it is in the business of risk management to derive optimal returns for the benefit of all of its stakeholders. As a result, it approaches risk using a variety of policies and procedures, including the following:

- Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) Policies;
- Business Continuity Management (BCM) Policy;
- Code of Conduct Policy;
- Compliance Policy;
- Concentration Limit Policy;
- Credit Risk Policy;
- Crisis Management;
- Enterprise Risk Management (ERM) Policy;
- Environmental and Social Risk Policy;
- Information Security Policy;
- Market and Liquidity Risk Policy;

Risk Management

- Operational Risk Policy;
- Performance Management Framework;
- Related Parties Policy;
- Standard Manuals of Operations; and
- Whistleblowing Policy.

The Risk Management and Control group is responsible for implementing approved risk policies and procedures.

FBNQuest Merchant Bank has a robust and functional ERM policy designed to govern, identify, measure, control, manage, and report the inherent and residual risks to which the Bank is exposed.

The Risk Governance framework is tailored along the 'three lines of defence' model, as depicted below:

Risk-Taking Units | Risk Management & Control Functions | Internal Audit Functions

RISK GOVERNANCE FRAMEWORK

The FBNQuest Merchant Bank's risk governance and strategy include the following:

- A defined risk management governance and responsibility framework, including the Bank's risk committee structure and organisation.
- A risk appetite statement, including qualitative and quantitative statements under normal and stressed conditions.
- A capital adequacy management approach, including capital demand and supply and capital planning process.
- An internal control approach following a 'three lines of defence' method.

Risk Management Governance and Responsibilities

Risk Management Model

FBNQuest Merchant Bank has a risk committee structure with clear roles and responsibilities that constitute the basis of its risk governance.

Risk Committee Structure

The committee structure defined for the Bank is as follows:

The high-level responsibilities of these committees regarding enterprise risk management are:

- Board of Directors: The Board has ultimate responsibility for the Bank's overall strategic direction for the business, its risk strategy and the level of risk to be taken. The roles can be classified into general and specific roles.

Risk Management

General roles

- Approve and periodically review risk strategy and policies;
- Approve the Bank's risk appetite and monitor the risk profile against this appetite;
- Ensure Executive Management takes steps necessary to monitor and control risks;
- Ensure that Management maintains an appropriate system of internal control and reviews its effectiveness;
- Ensure the risk strategy reflects the Bank's tolerance for risk;
- Approve the Bank's cybersecurity programme that promptly identifies and addresses risks;
- Review and approve changes or amendments to the risk management framework;
- Review and approve risk management procedures and control for new products and activities; and
- Periodically receive risk reports from Management, highlighting key risk areas, control failures, and taking remedial steps. The Bank does this every quarter.

Specific roles

Credit Risk

- Approve the Bank's overall risk tolerance concerning credit risk based on the recommendation of the CRO;
- Ensure that the Bank's overall credit risk exposure is maintained at prudent levels and is consistent with the available capital through quarterly review of various types of credit exposure;
- Ensure that management, as well as individuals responsible for credit risk management, possess the requisite expertise and knowledge to accomplish the risk management function;
- Ensure that the Bank follows a sound methodology for identifying, measuring, monitoring, and controlling credit risk;
- Ensure that detailed policies and procedures for credit risk exposure creation, management and recovery are in place; and
- Maintain an appropriate credit administration, measurement, and monitoring process.

Market and Liquidity Risk

- Define the Bank's overall risk appetite concerning market risk;
- Ensure that the Bank's overall market risk exposure is maintained at levels consistent with the available capital;
- Ensure that management and individuals responsible for market risk management possess sound expertise and knowledge to accomplish the risk management function;
- Approve the Bank's strategic direction and tolerance level for liquidity risk;
- Ensure that Management has the ability and required authority to manage liquidity risk;
- Approve the Bank's liquidity risk management policy; and
- Ensure that the Bank identifies, measures, monitors, and controls liquidity risk.

Risk Management

Operational Risk

- Define the Bank's overall risk appetite concerning operational risk;
- Ensure that the Bank's overall operational risk exposure is maintained at levels consistent with the available capital;
- Ensure that management and individuals responsible for operational risk management possess sound expertise and knowledge, to accomplish the risk management function;
- Approve the Bank's operational risk management framework;
- Audit the Bank's operational risk management framework effectively and comprehensively by operationally independent, adequately trained and competent employees; and
- Ensure that the Bank identifies, measures, monitors, and controls operational risk.

Information Security

- Approve the Bank's overall Information security framework and policy;
- Ensure that the Bank maintains an information security posture in line with its risk appetite and commensurate to the risks associated with information assets;
- Establish strategy, policy, and objectives for information security following the Bank's needs as part of its overall strategy for information security risk management; and
- Ensure cyber-risk management is incorporated into Bank-wide risk management policy and security expectations are defined and met across the Company.

Reputational Risk Management

- The Board shall establish appropriate guidelines for management, including a clear statement of a zero-tolerance policy for all unethical behaviour;
- The Board and its members must adhere to all applicable laws and regulations in their dealings with the Bank. Directors will do everything in their power to avoid any appearance of a conflict of interest;
- The Board shall review all reports from regulators and auditors and internal reports and ensure appropriate sanctions for erring officers while demanding explanations from management for all exceptional items. The Board shall ensure that management implements effective corrective measures and updates on their progress regularly; and
- The Board shall ensure that it appoints only qualified individuals to Senior Management positions in the Bank. It must establish clear guidelines, and all employees must adhere to the Bank's Code of Conduct.

Money Laundering/Financing Terrorism (AM/FT) Risk

- The Board shall set down an appropriate framework to manage for Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT);
- The policy shall meet the requirements of the CBN, Circular on Minimum Account Opening Requirements, CBN Know-Your-Customer Manual, the Money Laundering (Prohibition) Act 2011 (as amended), and the Terrorism (Prevention) Act 2011;
- The Board shall ensure the training of its staff in AML/CFT as well as sustaining high ethical and professional standards in its operations at all times;
- The Board shall ensure adherence to the highest standards of AML/CFT compliance; and
- The Board shall develop an AML/CFT policy to guide compliance officers, relationship officers, and all control operations in client profiling and monitoring, customer due diligence (CDD), record keeping requirements, and reporting of suspicious transactions in accordance

Risk Management

with best practices as well as applicable laws and regulations.

Board Risk Management Committee (BRMC)

The Board Risk Management Committee is the standing committee of the Supervisory Board responsible for oversight of all risks, and exercises the powers delegated to it by the Board. The role of the BRMC includes:

- Supervising the risk management function to achieve a comprehensive view of the Bank's risks and effectively implementing approved risk management strategies;
- Monitoring capital adequacy regularly under the Bank's capital policy;
- Making any recommendations to the Board that it deems appropriate, as well as investigating any other matter referred to it by the Board;
- Reviewing and making recommendations to the Board on issues raised by internal audit that have an impact on risk management; and
- Reviewing and recommending to the Board changes to risk policies in response to regulatory changes, unexpected changes in the business landscape, and others.

Board Audit Committee (BAC)

This committee reflects the independent reporting line of the internal audit function covering the Bank. The role of the BAC includes:

- Administering and enforcing the Bank's financial reporting, accounting policies and procedures; and establishing procedures for compliance with regulatory and legal requirements;
- Approving audit plans, charters and other programmes of the internal audit function;
- Improve the effectiveness of the internal and external audit functions and communication between the Board, the external and internal auditors;
- Ensuring compliance with established policies through periodic review of reports provided by management, internal and external auditors, and the supervisory authorities; and
- Facilitating the external auditor's independence, providing a structural reporting line for internal audit, and promoting the maintenance of internal audit's objectivity.

Board Credit Committee (BCC)

As a delegate to the Management Credit and Underwriting Committee, this is the most senior committee responsible for approving risk asset creation and underwriting, including credit approval authority and policies on the approval process. The role of the BCC includes:

- Implementing the Board strategies on risk assets creation and underwriting and reporting at regular intervals to the Board;
- Reviewing and recommending credit risk management policies, limits and thresholds to the Board for approval;
- Making decisions and guiding the management on the management of credits and exposures to credit risk;
- Reviewing and recommending the Bank's credit rating methodology to the Board for approval and ensuring its implementation; and
- Receiving reports periodically and, based on those reports, directing and advising on the management of identified risks.

Board Governance Committee (BGC)

This Board committee is responsible for:

- Overseeing the Board's evaluation of the performance of Senior Management;
- Considering and making recommendations to the Board on the appointment of Senior Management staff; and
- Identifying and making recommendations to the Board on staff welfare, conditions of service, administrative and ethical issues as may arise.

Risk Management

Executive Leadership Committee (ELCO)

The Management Committee is responsible for the execution of the Bank's business strategy.

Risk Management Committee (RMC)

The Risk Management Committee is charged with developing and enforcing the Bank's risk policies. It is also in charge of defining and approving risk-specific policies. The role of RMC includes:

- Developing and implementing the Bank's operational and credit risk management framework per the Board's criteria and standards;
- Managing the Bank's exposure to credit, market, and operational risks through the implementation and monitoring of various indicators and tools put in place by the Board;
- Making sure that risk issues that could have a significant and material impact are dealt with quickly and, if necessary, referred to the Board;
- Periodically reviewing reports on material risk factors and events;
- Recommending relevant reviews to existing policies, limits and methodologies from time to time to the Board, in line with changes in the operating environment;
- Putting in pertinent place manuals of operations, procedures and guidelines for all functional units in the Bank, and review such from time to time in line with structural and operational changes;
- Recommending relevant reviews to existing product programmes to the Board, and propose new ones as appropriate, to improve and strengthen operational efficiency;
- Creating and reviewing appropriate systems of control and procedures for all functional units following regulatory guidelines and best practices on a regular basis; and
- Continually reviewing and strengthening the Bank's business continuity management plan in light of changes in technology, operating environment, operational risk factors and regulatory requirements.

Asset and Liabilities Committee (ALCO)

This committee is responsible for the management of the Bank's liquidity and day-to-day management of market and liquidity risks. Strategically, this committee balances the Bank's appetite for risk, capital requirements, and funding requirements. New product approval is ALCO's responsibility. The New Product Approval Committee (NPAC) approves new models and methodologies used in market and liquidity risk management, including independent model validation for risk models and methodologies. ALCO's responsibilities include, but are not limited to:

- Management of market and liquidity risks;
- Regularly reviewing and assessing the Bank's exposure to market and liquidity risks, relevant risk factors, and market and environmental outlooks;
- Taking the necessary steps to reduce the potential impact of identified risk factors on portfolio exposures;
- Examining the implementation of strategic initiatives and making necessary changes;
- Taking reasonable action to ensure that Departments meet their performance targets and benchmarks in full compliance with the Bank's strategic thrust;
- Performing relevant stress and scenario tests on the various portfolios based on risk factors and other variables identified;
- Examining the appropriate risk models used in market risk management; and
- Reviewing reports from various SBUs and the Risk Management group regularly.

Risk Management

ICT Steering Committee (ITSC)

This management committee handles the initiation and implementation of an ICT infrastructure for the Bank. The role of ITSC includes:

- Assessing the feasibility and implementation of ICT projects;
- Monitoring and reviewing ongoing projects at regular meetings;
- Assisting with projects when required;
- Controlling project scope based on emerging risks and issues while ensuring that scope aligns with the agreed business requirements;
- Resolving project conflicts and disputes, including differences of opinion and approach;
- Being responsible for formal acceptance of project deliverables; and
- Ensuring due diligence is followed in selecting and recommending service vendors for IT projects.

This committee also serves as the Information Security Steering Committee (ISSC), responsible for providing strategic direction and information and cybersecurity governance. It also governs the information and cybersecurity programme; ensures the alignment of policy and processes with business objectives; evaluate, approve and sponsor institution-wide security investment; and enforce the implementation of policies for prioritising investment and security risk management.

New Product Approval Committee (NPAC)

The ALCO has delegated to this committee the responsibility of reviewing and approving new products and reviewing and approving corresponding new models and methodologies for appropriateness.

ELCO Audit Committee (EAC)

The Board assigned the EAC to analyse and evaluate internal audit reports and determine the adequacy of the responses from the Bank's departments and units. In addition, the committee advises ELCO on the adequacy of internal audits, internal controls, and internal risk management and compliance procedures.

These are significant risks to which the Bank suffers exposure in the course of its normal operations:

Credit risk: This is the existing or principal risk to the Bank's profits and capital resulting from a creditor's inability to repay principal or interest on time or to perform as promised in any other way.

Compliance risk: This is the exposure to legal and regulatory penalties, financial forfeiture and material loss the Bank faces when it fails to act per industry laws and regulations, internal policies or prescribed best practices.

Information security risk: Concerns about threats and vulnerabilities associated with the operation and use of information systems and the environments in which they operate may impact an organisation and its stakeholders.

Liquidity risk: This risk is associated with the Bank's failure to satisfy its obligations and support asset expansion without incurring unacceptably high borrowing costs and asset sales at off-market value.

Market risk: This is losses in on- and off-balance sheet positions because of adverse changes in market prices.

Operational risk: This is the current and future risk to earnings and capital posed by insufficient or faulty internal processes, people, systems, or external factors.

Legal, reputational, and strategy risks are, however, critical. There are policies and procedures to measure and manage the Bank's exposure to these risks, all of which are outlined in this section of the report.

Contingency Funding Plan Principles and Policy

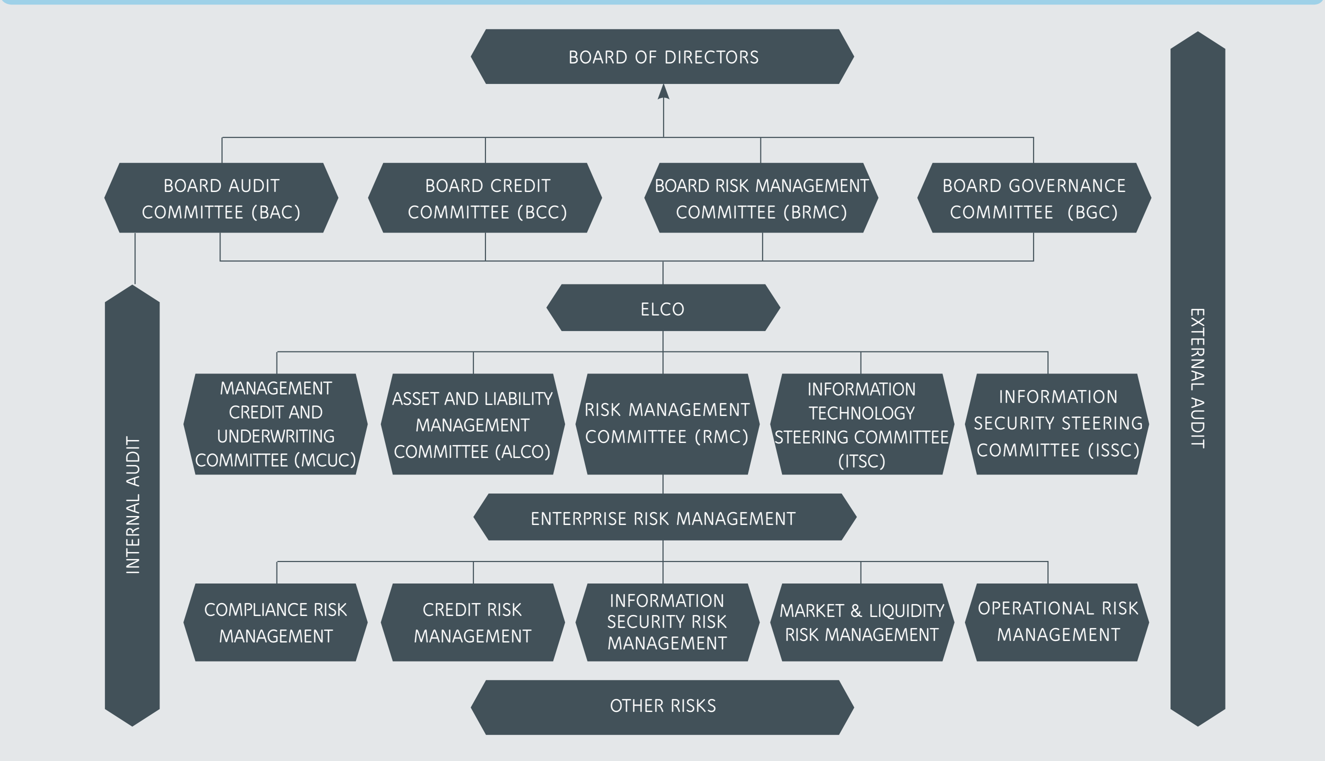
The Board of Directors and Senior Management of FBNQuest Merchant Bank Limited continue to prioritise the significance of a sound, robust and sustainable liquidity position to meet emerging and future funding needs. Given this goal and the likely uncertainty in the operating environment, the Bank has prepared a Contingency Funding Plan (CFP), which provides the framework for analysing and responding to liquidity crises or periods of market stress.

Risk Management

The purpose of the plan is to provide a framework for the Bank's response to any liquidity crisis that may occur within the Bank and external/ systemic events that could trigger a liquidity crisis, which may affect the Bank.

The CFP provides procedures for handling liquidity and funding crises, ensuring emergency market access so that the Bank can successfully manage the crisis and recover as soon as possible. The plan also reflects and aligns with the policies and principles described in the Bank's Liquidity Risk and Policy.

RISK GOVERNANCE ORGANOGRAM



Philosophy

The financial well-being of our stakeholders is a priority at FBNQuest Merchant Bank. To achieve this, we adopt a risk management philosophy rooted in our Bank's mission statement while being guided by the following standards:

- Professionalism while delivering value to customers;
- Robust performance reporting (financial and non-financial);
- Good corporate governance; and
- Consistent appreciation of shareholders' value.

The NDIC and CBN guidelines, concepts and practices specified by the Basel Committee as applicable to the Nigerian financial sector are the fundamental guiding principles for developing the Bank's risk policies.

Risk Management

RISK APPETITE

At FBNQuest Merchant Bank, we recognise that pursuing opportunities to achieve our strategic goals comes with inherent risks. The Board and Management determine the acceptable risks based on the Bank's capital, personnel, and technological capabilities, and the Bank discloses these choices to all stakeholders regularly.

The Bank's risk strategy, which explains its approach to risk, also highlights how it considers inherent risks while making decisions. The availability of current risk management policies that address essential components of the risks strengthens the Bank's risk appetite.

RISK CULTURE

We have a solid risk culture at the Bank, and we adhere to industry best practices. To deliver sustainable stakeholder value, we implement Enterprise-wide Risk Management that aligns people with strategy, policies and processes, technology, and business intelligence to evaluate, manage and optimise opportunities and threats within our defined risk appetite and philosophy.

Emerging Risks

Emerging risks are risks which may develop or already exist that are difficult to assess and may have a high loss potential.

INFORMATION AND CYBER SECURITY RISKS

Many businesses are still plagued by cyber-threats and cyber-attacks, which have the potential to put their existence in jeopardy or even bring about the collapse of the exposed organisations. Cyber security risk is the probability of loss or harm related to technical infrastructure and the misuse of technology. Information security risk, on the other hand, is the possibility of loss arising from a breach or attack on an information technology infrastructure.

FBNQuest Merchant Bank has a set of policies and procedures in place for systematically managing the Group's sensitive data. The goal of our Information Security Management System (ISMS) is to minimise risk and ensure business continuity by proactively limiting the impact of a security breach. The following are specific steps taken by the Bank with regard to its ISMS:

Information and Cyber Security Management

Information and cyber security plans, frameworks, policies, and other related controls have been implemented by the Bank in proportion to the risks relating to information assets. These promote cyber resilience and security of information assets (hardware, software, documents, backup media, etc.) and are evaluated, monitored, and reported on a regular basis.

Information and Cyber Risk Management Awareness and Monitoring

The Bank's strategies for protecting the confidentiality, availability, and integrity of its information assets (hardware, software, documents, backup media, etc.) are evaluated and monitored constantly, and the key risks identified are communicated to relevant stakeholders.

Controls are implemented and monitored by the appropriate parties as required. The Bank's IT infrastructure is periodically reviewed, assessed, and audited by external consultants and other specialists to ensure that information assets are safe and secure.

Emerging Risks

REGULATORY RISKS

Regulatory risk is the possibility that a change in laws or legislation will have an impact on a security, a business, or an entire sector. We at FBNQuest Merchant Bank recognise that the Nigerian financial services business is ever-evolving, as are the rules that go along with it. However, we are committed to the following:

- Ensure new and revised legal and regulatory requirements are identified, monitored and reflected in the rule book;
- Ensure there are competent and experienced compliance teams to drive and implement the Group's compliance framework;
- Effectively monitor the Group's compliance with laws and regulations, its code of conduct and corporate governance practices;
- Ensure that the operational procedures manual incorporates and is kept up-to-date with the regulatory standards;
- Promptly submit the regulatory returns and reports;
- Promptly comply with regulatory directives;
- Promptly implement recommendations from various regulatory examinations;
- Constantly engage with the regulators, SROs, and industry colleagues to clarify grey areas; and
- Follow sound corporate governance practices and 'set the right tone at the top' with respect to regulatory compliance across the businesses.

Principal Risks

FBNQuest Merchant Bank is vulnerable to a range of threats of various magnitudes. Credit, compliance, liquidity, market, operational, reputational, strategy, and information security risks are all major concerns for the Bank because of its operations.

The importance of each risk to the Bank has been determined by its effects on capital, earnings, liquidity and stakeholders' interests. While the risks have been properly identified and closely measured and managed at the Management level, there is also considerable Board oversight of the risks, as they are reported to the Board Risk Management Committee regularly.

The nature of our business and the products that we offer bring inherent risks in the areas of financial markets, credit, operations and information security. The extent of our exposure to these risks drives our regulatory capital requirements.

The business model we have adopted means that the risks listed are very important to us; it is therefore critical that they are effectively and properly managed.

CREDIT RISKS

Credit risk is defined by FBNQuest Merchant Bank as the risk of a counterparty failing to meet the agreed-upon terms of any lending contracts with the Bank. When the Bank's funds are extended, committed, invested, or otherwise exposed as a result of actual or implied contractual arrangements, credit risk occurs.

As a result of its lending and other associated activities, the Bank has placed a commensurate emphasis on effectively managing its credit risk exposure.

The credit risk strategy defines the following elements at the minimum:

- Preferred customer profile in granting credit;
- Allocation of credit based on exposure type, industry or economic sector, geographical location, currency, and maturity;
- Target markets;
- Risk rating level based on its risk-bearing capacity and principles for diversification of protection against risks; and
- Quality, yield and growth targets for the credit portfolio.

The credit risk strategy is central to the identification, measurement, monitoring and control of credit risk and is thus reviewed periodically (at least annually).

The Bank's risk-asset-creating arms – Treasury and Corporate Banking – are mandated to apply all credit policies and procedures in accordance with the Board's approved limits. Risk asset portfolio quality and performance, as well as monitoring and mitigating all credit risks, are the responsibility of these business units. The Risk Management and Control group conducts frequent credit quality evaluations, while Internal Audit conducts audits of business units on a regular basis.

FBNQuest Merchant Bank Limited continues to tackle basic and concentration risks inherent in its business to manage the Bank's portfolio risk. Portfolio concentration limits are measured under the following parameters:

- Aggregate large exposure limit;
- Single Obligor Limit;
- Customer concentration limit;
- Credit product limit;
- Currency limit;
- Loan performance;
- Obligor risk rating;
- Sectorial limit; and
- Tenor limit.

Principal Risks

Credit risk arising from trading securities is managed independently but reported as a component of market risk exposure.

Board Credit Committee (BCC): The Board has assigned credit risk management to this Committee. It is the Executive Management's responsibility, through the Management Credit and Underwriting Committee (MCUC), to monitor and control the Bank's credit risk, which includes:

- Formulating credit policies for the Bank, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Executive Committee by the BCC or Board of Directors as appropriate;
- Reviewing and assessing credit risk in all credit exposures prior to making a commitment to customers. Renewals and reviews of facilities are subject to the same review process;
- Developing and maintaining the Bank's criteria for categorising exposures and focusing Management on the attendant risks. The criteria in the Risk Asset Acceptance Criteria (RAAC) and Credit Risk Policy take care of exposures to banks and related regulated institutions, large-quoted corporates, large conglomerates and multinationals. The responsibility for approving RAAC and Credit Policy lies with the BCC; and
- Reviewing compliance with exposure and concentration limits and promoting best practices throughout the Bank in the management of credit risk. The Bank's Credit Risk Principles and Policies revised in 2020 are being vigorously implemented.

FBNQuest Merchant Bank recognises that loan assets constitute a significant portion of its assets. Thus, we strive to proactively protect and continually improve the health of our loan portfolio. We review all applications and weed out potential problem loans at the loan application and assessment stage as well as constantly monitor the existing loan portfolio for early warning signs.

The credit rating of the counterparty is fundamental to final credit decisions. The Bank adopts a robust credit rating system based on global best practices in determining obligor and facility risks, thus enabling the Bank to maintain its risk asset quality at the desired level. All credit requests are assigned credit ratings by the Bank, which are based on an assessment of the potential borrower's financial and non-financial facts using the Obligor Risk Rating (ORR) technique. The ORR is a grade that shows the probability of default (PD) on a credit obligation over a 12-month time frame.

To improve its client selection process, the Bank plans to start implementing Facility Risk Rating (FRR) in addition to Obligor Risk Rating. The FRR represents a grade that indicates a credit facility's loss given default (LGD). Specific considerations (e.g. receivables) and collateral in place for the relevant facility are taken into account.

The Bank's operational credit risk measures are consistent with the deterioration allowances mandated by the International Financial Reporting Standards (IFRS). The 'incurred loss' model in IAS 39 is replaced by a forward-looking 'expected credit loss' (ECL) model in IFRS 9.

On a probability-weighted basis, it is necessary to make a judgement regarding the impact of changing economic circumstances on ECLs.

As market conditions, expected cash flows and the passage of time vary, the value of a product fluctuates, necessitating the usage of models to estimate credit exposure. A portfolio's credit risk is further evaluated by determining the likelihood of defaults occurring, the associated loss ratio and default correlations between counterparties.

FBNQuest Merchant Bank has created models to help with credit risk measurement. All major credit portfolios employ these rating and scoring models, which serve as the foundation for calculating default risks. The Bank considers two factors when calculating the credit risk of loans and advances at the counterparty level:

- The PD by the client or counterparty on its contractual obligations, from which the Group derives the exposure at default (EAD); and
- The likely ratio on the defaulted obligations (LGD).

Principal Risks

The models are assessed on a regular basis to ensure that they are robust in comparison to actual performance, and they are tweaked as needed to improve their efficiency.

The Risk Management department manages credit risk exposures for debt instruments using the Bank's own rating tools, complemented by external rating agencies such as Agusto & Co., Fitch; Standard & Poor's; or their equivalents.

The Bank is guided by the regulators' individual obligor limit, which is currently set at 50% of the Bank's shareholders' money unaffected by losses. FBNQuest Merchant Bank, on the other hand, uses other parameters internally to determine the appropriate limitations for each borrower. These factors include obligor rating, industry position and perceived requirements of major players, financial analysis, etc. The Bank imposes industry or economic sector limits to guard against concentration risk, based on guidelines set by the regulators.

The industry or sector limits are derived from rigorous analysis of the risks inherent in the industry or economic sector, recommended by the MCUC and approved by the Board.

The risk asset portfolio is further restricted by the Bank's multiple maturity periods (maturity buckets). The Bank's risk appetite and liquidity profile are reflected in the maturity limitations. Limits may be reviewed and realigned (complete removal, decrease, or increase) during the year to fit with the Bank's current macro- and microeconomic forecasts.

FBNQuest Merchant Bank also sets internal credit approval limits in the credit process. The Bank's strategic focus and the stated risk appetite guide approval decisions and other limits established by the Board or regulatory authorities.

The Bank ensures that each credit application is evaluated and approved based on the borrower's repayment capacity as determined by cash flow. It also guarantees that its risk assets are well-protected in order to provide a way out of the exposure. The Bank has established clearly defined procedures and processes for accepting, evaluating, inspecting, and managing collateral guaranteed against debt instruments in accordance with the Credit Risk Policy.

FBNQuest Merchant Bank maintains placement lines for its bank counterparties and other financial institutions regulated by the CBN. These lines cover the settlement risks inherent in trading with these counterparties. The limits are determined following fundamental analysis of the counterparties and the presentation of findings and approval by the Board. The lines are implemented by the Treasury group and monitored by market risk. Interbank placement limits are also guided by the regulatory single obligor limit.

Impairment and Provisioning Policies

Impaired risk assets and securities are risk assets and securities for which the Bank has determined that it will not likely be able to collect all or part of the principal and interest that are contractually due. FBNQuest Merchant Bank classifies its risk assets and securities portfolio as follows:

- Neither due nor impaired are risk assets and securities on which there is no outstanding or unpaid contractual interest or principal repayment, and the Bank cannot establish any objective evidence of impairment at the reporting date. The Bank recognises an allowance based on the incurred loss model on all risk assets and securities that fall into this classification

- Past-due but not impaired risk assets are risk assets and securities where contractual interest or principal payments are past-due. The Bank believes impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to it. The Bank recognises an allowance based on the incurred loss model on all risk assets and securities that fall into this classification

Principal Risks

ENVIRONMENTAL AND SOCIAL RISKS

The Bank recognises that the environment in which it makes business decisions is marked by growing challenges such as population growth, urban migration, poverty, biodiversity and ecosystem destruction, pressure on food and other natural resources, security, climate change, energy scarcity, and poor infrastructure.

Our clients' business activities may have potentially damaging consequences for the environment or the communities in which they operate.

The Bank's Environmental and Social Risk Policy seeks to ensure that we are not actively enabling entities, individuals or activities that negatively impact our local communities or the environment.

LIQUIDITY AND MARKET RISKS

Liquidity and market risks are inherent in the Bank's business, and, as a result, we have established policies, procedures, and documented practices to minimise these threats. The trading book consists of assets actively traded by the Bank. These assets are limited to fixed income securities. The Bank uses the following processes to manage this class of risk:

- Daily valuation of securities;
- Position limits;
- Factor-sensitive limits, including duration;
- Loss limits;
- Stress testing: sensitivity and scenario analysis;
- Value at risk; and
- Daily, weekly, and monthly position evaluation.

The banking book highlights risks that are on the balance sheet. These risks are a result of adverse movements in interest rates, changing the underlying value of assets, liabilities and earnings, and are monitored and measured using:

- Maturity gap analysis;
- Duration gap analysis;
- Net income margin (NIM);
- Earnings at risk;
- Interest margin analysis; and
- Stress testing sensitivity and scenario analysis.

Liquidity Risk Management

Liquidity is crucial to FBNQuest Merchant Bank's basic function, necessitating the use of appropriate liquidity management methods. The Asset and Liability Committee (ALCO) is in charge of effectively managing the Bank's liquidity. Below are some of the practices and processes that we employ in the management of liquidity risk:

- Cash flow projections;
- Contingency funding plans;
- Defined criteria for assets purchase;
- Diversification of funding sources (to mitigate against concentration risk);
- Maintenance of highly liquid securities;
- Maintenance of a liquidity ratio in excess of the 20% regulatory floor;
- Maturity and duration gap analysis;
- Modelled deposit behavioural analysis;
- Liquidity stress testing; and
- Scenario analysis.

FBNQuest Merchant Bank's liquidity position is monitored daily, while stress tests are updated and conducted monthly. The stress tests model a variety of scenarios ranging from mild to severe market conditions.

Principal Risks

SETTLEMENT RISKS

During the settlement of transactions and trade, there is a risk that the Bank may not be able to do everything right. The risk of losing money because a counterparty does not meet its obligations to deliver cash, securities, or other assets as agreed is called 'settlement risk'.

Risk Mitigation and Management Actions

To reduce this risk, the Bank conducts certain types of transactions through a settlement clearing house, which ensures that a deal is concluded only when both parties have met their contractual commitments.

OPERATIONAL RISKS

Operational risk is defined by FBNQuest Merchant Bank as the risk of direct or indirect loss resulting from insufficient and/or failed internal processes, people, and systems, as well as external circumstances. This definition necessitates the assessment and monitoring of all plans and activities implemented in the Bank's people management, process improvements and engineering, technology investment and deployment, and regulatory duties and response to external threats.

Risk Management and Control monitors strategic and reputational risk from an enterprise-wide perspective, using the following tools, techniques, and methodologies to ensure a comprehensive framework is in place.

Risk Incident Reporting

There is an internally developed, web-based risk incident reporting system called the "risk register". It is deployed through the FBNQuest Merchant Bank intranet for logging operational risk incidents bank-wide. All staff members are encouraged to report operational risk incidents that occurred within their workspaces, whether or not they resulted in actual losses.

This has resulted in the accumulation of operational risk event data by the Bank over time. The information obtained is used to identify risk concentrations, optimise processes and tighten controls.

Risk Mapping and Assessment

This is a quantitative and qualitative risk assessment process in FBNQuest Merchant Bank, which is carried out every two years, and enables risk profiling and risk mapping of prevalent operational risks. All auditable units and departments are covered in the exercise. Risk assessments are also executed on new products, systems and processes to ensure that appropriate controls are in place to mitigate identified risks.

In addition, a web-based system for conducting risk assessments on consumers in accordance with existing Know-Your-Customer (KYC) and Anti Money Laundering (AML) rules has been implemented. High, medium and low customer ratings are available. The system is also deployed to track consumers classified as PEPs (Politically Exposed Persons) under the CBN regulations. Customers' risk ratings determine the internal processes and approaches that will be used to manage those interactions.

Business Continuity Management

FBNQuest Merchant Bank has a robust Business Continuity Management (BCM) Policy in place to guarantee business resilience in the face of any disruptive event. This policy ensures the timely resumption of business with minimal financial losses or reputational damage, as well as the continuity of service to its customers, vendors, and regulators.

Principal Risks

The Bank maintains a warm contingency centre outside its offices, where various levels of testing are conducted regularly, quarterly and annually to ensure that recovery criteria and targets are met. The examinations also verify that members of diverse teams are informed of their obligations and functions. The BCM Policy is revised on an annual basis and as required to reflect changes in commercial, operational, and regulatory requirements.

Compliance Department

Compliance with relevant rules, circulars, directives and authorised policies is monitored by a separate department of the Bank. Compliance management entails the Bank's constant monitoring of KYC compliance, escalation of audit non-conformance, complaint management, and adherence to the Bank's zero-tolerance policy for regulatory violations. It also requires a continuous monitoring function to ensure that regulatory rules and global best practices are followed.

Operational Risk Reporting

Weekly, monthly and quarterly reports highlighting identified key operational risks are circulated to relevant stakeholders for awareness and timely implementation of mitigation strategies. Reports are also generated and circulated when required.

Operational Risk Management Governance Structure

The Board oversees the Bank's operational risk function through the BRMC. It ensures that the Operational Risk Policy is robust and provides a framework for the Bank's operational risk profile and limits.

It also determines the adequacy and completeness of the Bank's risk detection and measurement systems, assesses the adequacy of risk mitigants, reviews and approves contingency plans for specific risks, and lays down the principles on how operational risk incidents are to be identified, assessed, controlled, monitored and measured.

The BRMC reviews operational risk reports quarterly. The RM monitors operational risk activities and approves key decisions made before presentation to the Board. It ensures the implementation of the guiding operational risk framework bank-wide and ensures that all departments are fully aware of the risks embedded in respective process flows and business activities.

The day-to-day management of operational risks prevalent in various Bank divisions, departments, and groups is the responsibility of all process owners.

The Internal Audit function conducts independent reviews of the implementation of operational risk policies and procedures bank-wide.

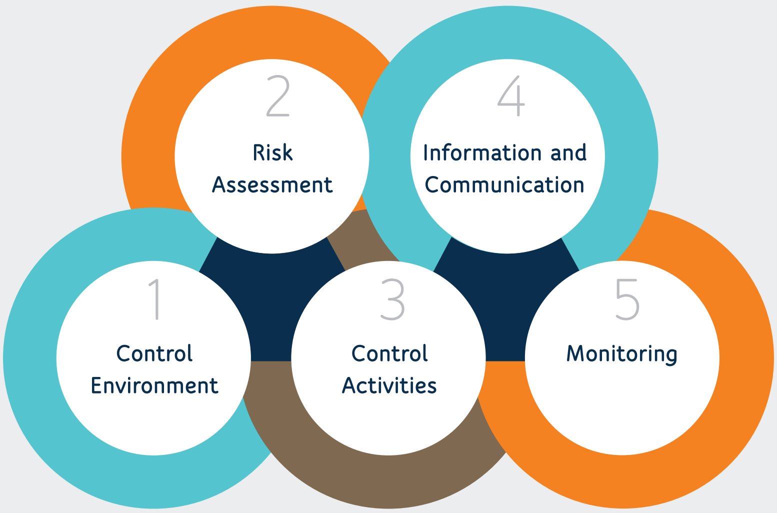
Principal Risks

INTERNAL CONTROL

FBNQuest Merchant Bank's internal control framework is based on internal control guidelines as recommended by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). COSO defines controls as 'a process effected by an entity's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, financial reporting and compliance'.

These internal control principles were adopted to ensure that assets are protected, financial information is reliable, errors and frauds are prevented, and the Bank complies with internal and external laws, directives, and policies.

It is the most widely accepted international framework used to evaluate the existence and functionality of control principles covering five components:



Policies and Guidelines

The Bank's ERM framework, which describes the duties and responsibilities of Directors, Management, and employees, as well as risk and control self-assessments that map specific risks to control mitigations and procedure manuals, all support the internal control framework. These describe how to identify, manage, and document relevant processes and sub-processes. The control function of FBNQuest Merchant Bank focuses on the following strategic priorities for improving the efficiency of internal control:

- Control Awareness and Engagement: We continue to hold interactions with different departments, particularly the operations teams, during which control issues and compliance to policy and procedures are thoroughly discussed in order to successfully strengthen internal control awareness and frontline staff responsibility in managing risks.
- Process efficiencies and reduction of vulnerabilities in operational processes by engaging the business to reduce the number of processing touchpoints and avenues for human intervention in our processes.
- Reporting on control failures and the steps taken to rectify them to the Risk Management Committee and the Executive Leadership Committee on a regular basis.

Compliance Risks

OVERVIEW

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or reputational damage the Bank may suffer for non-compliance. Areas of non-compliance include laws, regulations, rules, related self-regulatory standards and codes of conduct applicable to its financial activities.

At FBNQuest Merchant Bank, we define compliance as strict adherence to rules, regulations, laws, related Self-Regulatory Organisations (SROs) and the Bank's codes and standards in such areas as proper standards of market conduct, managing conflicts of interest, good governance, prevention of money laundering and terrorist financing, as well as investigations of alleged corrupt and fraudulent behaviours.

Compliance risk can be simply referred to as the risk of impairment of the Bank's integrity.

Compliance Objectives

The objectives of the compliance function are as follows:

- Implement solid procedures for monitoring company-wide statutory returns while remaining compatible with the institution's goals and objectives by adequately using the institution's resources.
- Identify new and changing regulatory requirements and incorporate them into our processes as necessary.
- Ascertain that the Bank and its personnel adhere to regulatory requirements, internal and external policies and processes, and relevant international developments, practices, and trends.
- Develop standards and procedures to ensure that the Bank's compliance programmes are effective and efficient in identifying, preventing, detecting, and rectifying non-compliance with legal and regulatory requirements.
- Facilitate the formation and enhancement of a compliance culture in the Bank.

Compliance Risk Management Strategy

The following strategies shall guide the culture and conduct of compliance at all levels in the Bank:

- Compliance must be ingrained in the Bank's culture, beginning at the top and led by the Board and Executive Management. It is regarded as an inherent element of the Bank's business operations, affecting all our employees.
- When conducting business, FBNQuest Merchant Bank will hold itself to high standards and consistently seek to follow the spirit and the letter of the law. Even if it has not breached any law, failure to assess the impact of its actions on its shareholders, clients, employees, and markets can result in considerable negative publicity and reputational harm.
- Good compliance risk management builds trust and protects the Bank's brand.
- The identification of compliance risk, its assessment and appropriate risk response shall be elements to consider in any due diligence process, as compliance is an integral part of the Bank's business activities.
- The Bank will foster an acceptable compliance culture throughout the organisation, including adopting desired ethical behaviour. The compliance culture will emphasise compliance risk identification, assessment, management, monitoring, and reporting as part of daily operations.

Compliance Risks

Scope of the Compliance Function

Senior management, the Risk Management group, and all other divisions, departments, and units of the Bank drive its compliance activities. It encompasses the following:

- **Promotion of a compliance culture:** Through empowerment programmes, education, training, retraining, and development, the Bank is committed to establishing structures and processes that promote seamless compliance with internal rules and regulations, national and international rules and benchmarks, and global best practices at all levels of our operations.

- **Reports to Senior Management and the Board:** Submitting monthly and quarterly reports on AML/CFT measures and other compliance issues to Senior Management and the Board. These reports provide the Board and Senior Management with information to evaluate the Bank's compliance with its regulatory obligations and provide appropriate feedback. The reports also ensure that Directors and Senior Management are kept abreast of current trends and developments in the financial industry, particularly in compliance and AML and CFT risk management.

- **Know-Your-Customer (KYC) Procedures:** A correctly completed account opening form and the collection of identification and other essential information and papers are the cornerstone and bedrock for onboarding a customer at FBNQuest Merchant Bank. Before establishing any banking connection with a customer, we perform Customer Due Diligence (CDD). CDD includes verifying the customer's name and address and determining the customer's source of income and wealth. For high-risk customers, such as politically exposed persons (PEP), the Bank performs Enhanced Due Diligence (EDD) with the consent of Senior Management and the Compliance Unit.

  As part of KYC and CDD procedures, the Bank requests and obtains identification documents to confirm the beneficial owners of a business and the organisation's control and structure. The Bank takes requisite and regulatory measures when building relationships with Designated Non-Financial Businesses and Professionals (DNFBPs) due to their perceived risk and compliance with regulatory requirements.

  FBNQuest Merchant Bank has implemented the Central Bank of Nigeria requirement that mandates customers to acquire a Bank Verification Number (BVN) before onboarding, transacting on their accounts and accessing loans or purchasing foreign exchange.

- **Transaction Monitoring:** The Bank uses automated and manual processes to keep tabs on all transactions. The Compliance Unit monitors customers' transactions manually, while everyone on the team knows the red flags to look out for in the automatic transaction monitoring. Everyone in the Company is aware that any suspicious activity or transaction should be reported promptly to the Compliance unit.

  The Bank has used SWIFT transaction monitoring sanctions screening and SoftAML solutions to properly monitor transactions passing through the Bank's systems. Both AML tools have been fully deployed in the Bank to advance transactions monitoring and investigation.

- **Transaction Reporting:** Specific regulatory and statutory obligations compel the submission of certain reports and returns to regulatory organisations. The Nigerian Financial Intelligence Unit (NFIU) is the body charged with receiving the following key transaction-based reports in Nigeria:

  ✓ Currency Transaction Report (CTR);

  ✓ Foreign Transaction Report (FTR); and

  ✓ Suspicious Transaction Report (STR).

  Following Sections 2, 6 and 10 of the Money Laundering (Prohibition) Act of 2011 as amended ('the Act'), the Bank renders reports to the NFIU and the Central Bank of Nigeria.

- **Relationship with Regulators and Law Enforcement Agencies:** FBNQuest Merchant Bank recognises that one of its corporate and social responsibilities is to work with law enforcement agencies to combat financial crime. Therefore, the Bank maintains friendly and helpful ties with all regulatory and law enforcement agencies, immediately complies with all instructions under the law and provides information to all regulators and other relevant agencies when required.

Compliance Risks

- **Sanctions Compliance Management:** As a matter of policy, FBNQuest Merchant Bank does not enter any relationship with sanctioned individuals or entities. As applicable to their functions, the Bank requires employees to screen individuals and organisations before entering a relationship with them or carrying out a transaction with or through the Bank. They do so against the Bank's internal watch-list and Bank-deployed Thompson Reuters sanction screening application (World-Check One).

  The Bank lists individuals and businesses blocked by various sanctioning bodies on both lists. The Bank requires employees to refrain from any relationship and transaction when their searches return an accurate or positive match and follow the escalation procedure as part of the Bank's policy. Sanction screening is performed at account opening and for all SWIFT transactions.

- **Politically Exposed Persons (PEPs):** PEPs are individuals entrusted with prominent public functions and the people or entities who associate with them. As with other high-risk customers, enhanced due diligence measures are applied to PEPs to mitigate the AML/CFT risk. The diligence ensures that the Bank is not unknowingly supporting fraudulent activities such as money laundering or the financing of terrorism.

  FBNQuest Merchant Bank has in place the domestic PEP database and World-Check One to identify the PEP status of customers at onboarding, and employs an automated monitoring tool to identify and monitor PEP transactions in line with recommendations from the FATF. The Bank achieves this through a thorough review of information provided by customers and their transaction trends. The establishment of new accounts for PEPs and continuity of existing accounts is subject to the approval of the Senior Management of the Bank in line with the AML/CFT policy.

- **AML/CFT Principles for Correspondent Banking:** FBNQuest Merchant Bank only enters and maintains correspondent banking relationships with financial institutions that have implemented good AML/CFT policies and procedures. The Bank subscribed to the Bankers Almanac, an international online portal for uploading and accessing the KYC information of over 95% of the world's 250 most prominent financial institutions, to carry out its KYC process on most international counterparties with whom it does business or intends to do business.

  The Bank does not conduct business with shell banks and does not keep any payable-through accounts. To mitigate AML/CFT concerns, the Bank guarantees that it regularly undertakes due diligence on our correspondent relationships.

- **AML/CFT and Compliance Training:** Employee training is critical to the Bank. The Bank gives employees training sessions to stay abreast of AML/CFT legislation, KYC standards, and other compliance and corporate governance information. An annual compliance training session, which includes e-learning or face-to-face media, is a minimum mandatory requirement for all employees, including Senior Management and Directors. Employees are also provided with ad hoc training on current national and international issues.

- **AML/CFT Audits:** An annual internal audit of the AML/CFT function is performed to ensure that the compliance function is always evolving and suitable for its purpose. The audit's goal is to evaluate and ensure the efficacy of the Bank's anti-money laundering and counter-terrorist financing procedures.

  The report and findings of the audit are circulated to various levels of Senior Management and the Board. A follow-up to the audits takes place to ensure that the relevant issues are addressed, and highlighted recommendations implemented.

- **Record Retention:** As required by the BOFIA Act, customer identity documents are kept for the duration of the account and for a minimum of five years after the banking connection has ended. The Bank has chosen to keep client records as mandated by regulators.

- **Subsidiaries:** In compliance with regulatory requirements, FBNQuest Merchant Bank ensures that its subsidiaries' AML/CFT provisions are consistent with the Bank's framework, which is based on global best practices. These measures are applied to the extent that the respective subsidiary's local laws and regulations are adhered to. However, where there are discrepancies, the stricter will always apply.

  FBNQuest has fostered greater collaboration in control measures based on the current international best practices. It ensures that all its subsidiaries maintain the highest AML/CFT controls standards.

Financial Statements

Corporate Information

DIRECTORS	
Bello Maccido	Chairman
Kayode Akinkugbe	Managing Director
Taiwo Okeowo	Deputy Managing Director
Dr Omobola Johnson	Non-Executive Director (Resigned 31 December 2021)
U.K. Eke (MFR), FCA	Non-Executive Director (Resigned 31 December 2021)
Akin Osinbajo, SAN	Non-Executive Director
Babatunde Odunayo, FCA	Non-Executive Director
Oluyele Delano, SAN	Non-Executive Director - Independent
Oyinkansade Adewale, FCA	Non-Executive Director - Independent
Nnamdi Okonkwo	Non-Executive Director (Appointed 14 January 2022)
REGISTERED OFFICE	16 Keffi Street
	Ikoyi
	Lagos
BANKERS	Central Bank of Nigeria
	First Bank of Nigeria Plc
	Sterling Bank Plc
	FBN UK Limited
	Bank of Beirut (UK) Limited
	FCMB UK Limited
TAX IDENTIFICATION NUMBER	00166797-0001
SOLICITORS	Adepetun Caxton Martins Agbor & Segun
	Rudy Ezeani & Co
	Bola Olotu & Co
AUDITOR	KPMG Professional Services
	KPMG Towers
	Bishop Aboyade Cole Street
	Victoria Island
	Lagos

Directors' Report

For the year ended 31 December 2021

The Directors present their report on the affairs of FBNQuest Merchant Bank Limited ("the Bank") together with the audited consolidated financial statements and the auditor's report for the year ended 31 December 2021.

(a) Legal Form

The Bank was initially incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 14 February 1995. It was granted a license on 31 October 1995 to carry on the business of a discount house and commenced operations on 16 November 1995. The Central Bank of Nigeria (CBN) license for merchant banking was obtained in May 2015 while merchant banking operations commenced on 2 November 2015.

In August 2017, the Bank acquired 100% interest in two (2) entities (FBNQuest Securities Limited and FBNQuest Asset Management Limited) to form the FBNQuest Merchant Bank Group.

(b) Principal Activities

The principal activity of the Bank is provision of treasury management services, trading in and holding of Federal Government of Nigeria (FGN) bonds and other money market activities, dealing in and provision of foreign exchange services, financial consultancy and advisory services, act as issuing house or otherwise manage, arrange or coordinate the issuance of securities, portfolio management and provision of finance and credit facilities to non-retail customers.

(c) Operating Results

Highlights of the Group's operating results for the year are as follows:

	Group 2021 ₦'000	Group 2020 ₦'000	Bank 2021 ₦'000	Bank 2020 ₦'000
Gross earnings	23,869,470	24,398,975	18,462,096	19,794,152
Profit before tax	2,480,374	6,625,361	729,075	5,088,394
Income tax expense	(921,461)	(884,686)	(77,379)	(207,784)
Profit after tax	1,558,913	5,740,675	651,696	4,880,610

(d) Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 426 (2) of the Companies and Allied Matters Act (CAMA 2020) of Nigeria, paid an interim dividend of ₦506,578,452 (2020: ₦1,500,000,000) from the retained earnings account as of 30 September 2021.

(e) Directors Shareholding

The Directors do not have any direct and indirect interests in the issued share capital of the Bank (2020: Nil) as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purposes of section 301 of the Companies and Allied Matters Act 2020.

(f) Directors' Interests in Contracts

For the purpose of section 303 of the Companies and Allied Matters Act 2020, none of the Directors had direct or indirect interests in contracts or proposed contracts with the Bank during the year.

Directors' Report
For the year ended 31 December 2021

(g) Property and Equipment and Intangible Assets

Information relating to changes in property and equipment is given in Notes 28 and 29 to the financial statements. In the Directors' opinion, the realisable value of the Company's properties is not less than the value shown in the financial statements.

(h) Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2021 (based on the issued and fully paid shares) is as stated below:

Share Range	Number of holders	Percentage of Holders %	Number of Holdings	Percentage of Holdings %
0 - 100,000,000	1	-	1	-
101,000,000- 2,000,000,000	1	100	4,301,576,999	100
	2	100	4,301,577,000	100

(i) Substantial Interest in Shares:

According to the register of members as at 31 December 2021, two shareholders hold the issued share capital of the Bank:

Shareholder	Number of Shares held	Percentage of Shareholding
Seye Kosoko	1	-
FBNHoldings	4,301,576,999	100
	4,301,577,000	100

(j) Customer Complaints

In compliance with the Central Bank of Nigeria (CBN) Circular referenced FPR/DIR/CIR/GEN/01/020, the Bank established a Customer Helpdesk to handle all customers' complaints. During the year, the Bank received two (2) customer complaints. One (1) complaint was resolved and one (1) is yet to be resolved as at 31 December 2021 and this has been reported to CBN.

Directors' Report
For the year ended 31 December 2021

(k) Donations and Charitable Gifts

The Group made contributions to charitable and non-political organisations amounting to ₦352.33mn (2020: ₦131.59mn) during the year.

Donations to charitable organisations:

	Group		Bank	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
COVID-19 relief fund	-	100,000	-	100,000
Citizen for citizen initiative	-	10,000	-	10,000
YPO COVID-19 initiative	-	10,000	-	10,000
Total	-	120,000	-	120,000

Donations to other organisations and individuals:

	Group		Bank	
	2021 ₦'000	2020 ₦'000	2021 ₦'000	2020 ₦'000
Contribution to police equipment fund	250,000	-	250,000	-
Renovation of police stations damaged during EndSARS protest	79,828	-	79,828	-
Sponsorship of banking and finance annual conference	5,000	-	5,000	-
Bankers dinner charitable endowment	7,000	-	7,000	-
Enlightenment campaign for bankers	5,500	-	5,500	-
Sponsorship of 2021 annual banker dinner	5,000		5,000	
Dorlton BW COVID-19 relief initiative	-	7,513	-	7,513
Contribution to CBN financial literacy program	-	1,043	-	1,043
Berraki partners	-	502	-	502
COVID-19 relief initiatives (various)	-	2,537	-	2,537
	352,328	11,594	352,328	11,594
Total	352,328	131,594	352,328	131,594

(l) Events after the Reporting Period

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

Directors' Report
For the year ended 31 December 2021

(m) Human Resources

Health, safety and welfare at work

The Group places a high premium on the health, safety and welfare of its employees in their place of work. Medical facilities are provided for employees and their immediate families at the Group's expense, up to stated limits.

Employment of disabled persons

The Group has no disabled persons in its employment. However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

(n) Employee Consultation and Training

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Group. In line with this, formal and informal channels of communication are employed in keeping the staff abreast of various factors affecting the performance of the Group. The Group organises in-house and external training for its employees.

(o) Auditors

The Auditors, Messrs. KPMG Professional Services were appointed in 2021 as auditors of the Group in accordance with Section 401 (1) of the Companies and Allied Matters Act (CAMA) 2020. Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors to the Company having satisfied the relevant corporate governance corporate governance rules on their tenure in office. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA) 2020, therefore, the auditors will be re-appointed at the next General Meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Tolulope Adetugbo
FRC/2017/NBA/00000016157
Company Secretary
16 Keffi Street Ikoyi
Lagos.
21 March 2022

Statement of Directors' Responsibilities

For the year ended 31 December 2021

The Directors accept responsibility for the preparation of the annual [Consolidated and Separate] financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, Financial Reporting Council of Nigeria Act, 2011 , the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

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

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

SIGNED ON BEHALF OF THE DIRECTORS BY:

Bello Maccido
Chairman
FRC/2013/CISN/00000002366
21 March 2022

Kayode Akinkugbe
Managing Director/CEO
FRC/2013/IODN/00000003063
21 March 2022

Report of the Board Audit Committee

For the year ended 31 December 2021

To the members of **FBNQUEST MERCHANT BANK LIMITED**:

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, the members of the Board Audit Committee of FBNQUEST Merchant Bank Limited hereby report on the financial statements for the year ended 31 December 2021 as follows:

(a) We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, and acknowledge the cooperation of management and staff in the conduct of these responsibilities.

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

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

Oluyele Delano, SAN
Chairman, Board Audit Committee
FRC/2015/NBA/00000013035
10 March 2022

Members of the Board Audit Committee are:
Dr Omobola Johnson
U.K. Eke (MFR), FCA
Babatunde Odunayo, FCA
Oyinkansade Adewale, FCA

Corporate Responsibility for Financial Reports

For the year ended 31 December 2021

The Chief Executive officer and the Chief Financial Officer of FBNQuest Merchant Bank Limited have reviewed the audited financial statements and accept responsibility for the financial and other information within the financial statements. The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the Internal Controls established within the Bank are hereby provided below:

Financial information

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

(b) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for the year ended 31 December 2021

Effective internal controls

(a) Effective internal controls have been designed to ensure that material information relating to the Bank are made known by the relevant staff, particularly during the year in which the audited financial statement report is being prepared.

(b) The effectiveness of the Bank's Internal controls have been evaluated within 90 days prior to 31 December 2021.

(c) The Bank's Internal Controls are effective as at 31 December 2021.

Disclosures

(a) There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data. Furthermore, there were no identified material weaknesses in the Bank's Internal Control systems.

(b) There were no fraud events involving Senior Management or other employees who have a significant role in the Bank's Internal control.

(c) There were no significant changes in internal controls or in other factors that could significantly affect internal controls.

Olamide Adeosun
Chief Financial Officer
FRC/2020/001/00000022332
21 March 2022

Kayode Akinkugbe
Managing Director/CEO
FRC/2013/IODN/00000003063
21 March 2022

Independent Auditor's Report

For the year ended 31 December 2021

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

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

To the Shareholders of FBNQuest Merchant Bank Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of FBNQuest Merchant Bank Limited ("the Bank") and its subsidiaries (together, "the Group"), which comprise:

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

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

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's report
For the year ended 31 December 2021

KPMG

Impairment of loans and advances to customers

The impairment of loans and advances to customers was of most significance due to the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances and determining the amount of impairment allowance required.

The determination of impairment allowance using the Expected Credit Loss model requires the application of certain financial indices which are estimated from historical financial data obtained within and outside the Bank, as inputs, into the complex financial models, as well as the use of forward-looking information.

The judgement involved in classifying loans into stages based on the deterioration of credit risks, the level of subjectivity inherent in estimating the key assumptions comprising the recoverability of loan balances, the inputs estimated, the complexity of the estimation process and the significant judgement involved in applying these estimates to determine the level of impairment allowance required, made the impairment of loans and advances a matter of significance to the audit.

Our audit procedures in these areas included the following:

- We evaluated the design and implementation; and tested the operating effectiveness of key controls over the impairment determination process for loans and advances, this includes controls such as management review of loan performance and loan impairment.

- We assessed the accuracy of the quantitative criteria used in staging, this involved checking the loan parameters and contractual repayments to customer account statements. The loan parameters and repayment information were thereafter used to re-compute the days past due criteria used in allocating loans into stages.

- We assessed the accuracy of the Exposure at Default, by checking the loan parameters and contractual repayments to customer account statements.

- We were assisted by our Financial Risk Management specialist to test the key assumptions for the data input into the ECL model used by the Bank and the accuracy of impairment allowance and the following:

    - challenged the reasonableness of the Bank's ECL methodology for estimating ECL for stages 1,2 and 3 which includes recovery rate derived based on historical risk group migration and migration of balances among risk stages to determine the loss given default (LGD) and the probability of default (PD) respectively.

    - assessed the appropriateness of the approach and significant assumptions for determining the Probability of Default (PD) and Loss Given Default (LGD) used by the Bank in its ECL calculation by ensuring the data applied from external sources are in line with the generally available data and assessing whether the Bank's methodology is in line with the standard's requirement.

    - performed substantive procedures to test the reasonableness of the approach adopted by the Bank to factor forward looking information, this includes, assessing the reasonability of the approach adopted to factor in forward looking information into the PD estimates and performing regression analysis of the non-performing loan ratios against macroeconomic variables.

    - re-performed the calculations of impairment allowance for loans and advances using the Bank's impairment model and validating key inputs and assumptions including expected future cash flows, discount rates, valuations of collateral held where relevant and the weightings applied to scenario outcomes to ensure compliance with the accounting standard.

Independent Auditor's report
For the year ended 31 December 2021

Other Matter

The consolidated and separate financial statements of the Group and Bank as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 1 April 2021.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility for the financial statements, Report of the Board Audit Committee and Other National Disclosures included in the annual report but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and separate Financial Statements

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

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

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

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

Independent Auditor's report
For the year ended 31 December 2021

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's report
For the year ended 31 December 2021

KPMG

Report on Other Legal and Regulatory Requirements

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

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

ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books.

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

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

i. The Bank paid penalties in respect of contravention of the Bank and Other Financial Institutions Act during the year ended 31 December 2021. Details of penalties paid are disclosed in note 46 to the financial statements.

ii. Related party transactions and balances are disclosed in note 43 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

A. A. Oyelami

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

Consolidated and Separate Financial Statements of Comprehensive Income

For the year ended 31 December 2021

	Note	Group		Bank	
		31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Interest income on financial assets at amortised cost	7	**7,912,638**	8,081,873	**7,661,543**	7,970,677
Interest income on financial assets at FVOCI	7	**3,031,186**	3,515,516	**2,923,474**	3,458,315
Interest expense	8	**(9,312,511)**	(6,685,044)	**(9,334,305)**	(6,704,013)
Net interest income		**1,631,313**	4,912,345	**1,250,713**	4,724,979
Impairment charges	9	**(524,720)**	(339,026)	**(621,920)**	(339,026)
Net interest income after impairment charge for credit losses		**1,106,593**	4,573,319	**628,793**	4,385,953
Fee and commission income	10	**8,931,915**	8,284,732	**3,768,503**	3,863,028
Net (loss)/ gains on foreign exchange	11	**24,072**	81,945	**(77,000)**	22,040
Net gains on financial assets at FVTPL	11a	**3,667,852**	3,750,216	**2,930,951**	3,701,236
Other operating income	12	**301,808**	684,694	**1,254,624**	778,855
Operating income		**14,032,239**	17,374,906	**8,505,872**	12,751,112
Personnel expenses	14	**(4,723,140)**	(3,793,937)	**(3,311,971)**	(3,134,239)
Depreciation of property, plant and equipment	28	**(294,171)**	(450,523)	**(260,335)**	(420,318)
Depreciation of right of use assets	30	**(109,572)**	(45,022)	**(109,572)**	(45,022)
Amortisation of intangible assets	29	**(173,557)**	(675,784)	**(150,827)**	(659,163)
Other operating expenses	13	**(6,251,426)**	(5,784,280)	**(3,944,093)**	(3,403,975)
Operating expenses		**(11,551,866)**	(10,749,545)	**(7,776,797)**	(7,662,718)
Profit before tax		**2,480,374**	6,625,361	**729,075**	5,088,394
Income tax expense	15	**(921,461)**	(884,686)	**(77,379)**	(207,784)
Profit for the year		**1,558,913**	5,740,675	**651,696**	4,880,610
Other comprehensive income:					
Items that will never be reclassified subsequently to profit or loss					
Fair value movements on equity instruments at FVOCI		**418,418**	1,072,177	**312,374**	1,061,597
Items that may be reclassified subsequently to profit or loss					
Net (loss)/ gains on investments in debt instruments measured at FVOCI		**(1,343,785)**	1,274,275	**(1,271,330)**	1,191,076
Other comprehensive (loss)/ income for the year	40	**(925,367)**	2,346,452	**(958,956)**	2,252,673
Total comprehensive income for the year		**633,546**	8,087,127	(307,260)	7,133,283
Basic/diluted earnings per share (kobo)	16	36	133	15	113

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

Consolidated and Separate Statements of Financial Position

For the year ended 31 December 2021

		Group		Bank	
	Note	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
ASSETS					
Cash and balances with Central Bank of Nigeria	17	**38,118,585**	43,690,655	**38,118,585**	43,690,655
Due from other banks	18	**14,905,839**	25,718,491	**12,006,567**	22,233,202
Financial assets at fair value through profit or loss	20	**6,154,032**	1,910,800	**4,788,062**	1,379,915
Investment securities:					
- Fair value through OCI	21	**43,601,118**	29,041,247	**41,810,273**	26,986,180
- Amortised cost	22	**-**	7,583,938	**-**	7,583,938
Pledged assets	23	**12,593,933**	16,742,200	**12,593,933**	16,742,200
Derivative financial assets	37	**361,693**	417,669	**361,693**	417,669
Loans and advances to customers	24	**76,689,597**	55,699,015	**76,589,248**	55,599,526
Other assets	25	**5,355,113**	6,627,396	**4,361,595**	5,265,056
Investment in subsidiaries	26	**-**	-	**1,217,129**	1,313,329
Deposit with Nigerian Stock Exchange	27	**-**	1,150	**-**	-
Property and equipment	28	**1,539,216**	1,348,756	**1,429,522**	1,295,560
Intangible assets	29	**337,833**	218,778	**122,107**	197,499
Right of use assets	30	**50,763**	56,886	**50,763**	56,886
Deferred tax asset	31	**9,362,532**	9,429,283	**9,113,548**	9,113,548
Total assets		**209,070,252**	198,486,264	**202,563,025**	191,875,163
LIABILITIES					
Due to banks	32	**9,837,048**	28,475,932	**9,837,048**	28,475,932
Due to customers	33	**119,432,839**	100,136,570	**119,777,398**	100,137,825
Current income tax liability	15b	**922,057**	945,860	**77,379**	259,193
Corporate bond issued	34	**13,233,425**	13,235,587	**13,233,425**	13,235,587
Other liabilities	35	**28,496,201**	18,652,820	**26,476,958**	15,774,191
Lease liabilities	36	**35,968**	25,100	**35,968**	25,100
Derivative financial Liabilities	37	**354,877**	383,526	**354,877**	383,526
Total liabilities		**172,312,415**	161,855,395	**169,793,054**	158,291,354
EQUITY					
Share capital	38	**4,301,577**	4,301,577	**4,301,577**	4,301,577
Share premium	39	**3,904,731**	3,904,731	**3,904,731**	3,904,731
Retained earnings		**16,028,094**	15,587,647	**12,228,029**	12,694,799
Statutory reserve		**8,708,745**	8,610,990	**8,708,745**	8,610,990
Credit risk reserve		**2,648,901**	2,134,767	**2,648,901**	2,134,767
Fair value reserve	40	**1,139,192**	2,064,559	**977,989**	1,936,945
General reserve		**26,598**	26,598	**-**	-
Total equity		**36,757,837**	36,630,869	**32,769,971**	33,583,809
Total equity and liabilities		**209,070,252**	198,486,264	**202,563,025**	191,875,163

The accompanying notes are an integral part of the financial statements. The financial statements were approved by the Board of Directors on 21st March, 2022 and signed on its behalf by:

Bello Maccido
Chairman
FRC/2013/CISN/00000002366

Kayode Akinkugbe
Managing Director/CEO
FRC/2013/IODN/00000003063

Olamide Adeosun
Chief Financial Officer
FRC/2020/001/00000022332

Consolidated and Separate Statements of Change in Equity

For the year ended 31 December 2021

Group	Share capital ₦'000	Share premium ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Credit risk reserve ₦'000	General reserve ₦'000	Total Equity ₦'000
Balance at 1 January 2021	**4,301,577**	**3,904,731**	**2,064,559**	**15,587,647**	**8,610,990**	**2,134,767**	**26,598**	**36,630,869**
Profit for the year	-	-	-	1,558,913	-	-	-	1,558,913
Other comprehensive income								
Fair value movement on financial asset at FVOCI	-	-	(925,367)	-	-	-	-	(925,367)
Total comprehensive income	-	-	(925,367)	1,558,913	-	-	-	633,546
Dividend declared	-	-	-	(506,578)	-	-	-	(506,578)
Transfers during the year	-	-	-	(611,889)	97,754	514,134	-	-
At 31 December 2021	**4,301,577**	**3,904,731**	**1,139,192**	**16,028,094**	**8,708,745**	**2,648,901**	**26,598**	**36,757,837**
Balance at 1 January 2020	4,301,577	3,904,731	(281,893)	13,293,791	7,878,899	920,039	26,598	30,043,742
Profit for the year	-	-	-	5,740,675	-	-	-	5,740,675
Other comprehensive income								
Fair value movement on financial asset at FVOCI	-	-	2,346,452	-	-	-	-	2,346,452
Total comprehensive income	-	-	2,346,452	5,740,675	-	-	-	8,087,127
Dividend declared	-	-	-	(1,500,000)	-	-	-	(1,500,000)
Transfers during the year	-	-		(1,946,819)	732,091	1,214,728	-	-
At 31 December 2020	4,301,577	3,904,731	2,064,559	15,587,647	8,610,990	2,134,767	26,598	36,630,869

Consolidated and Separate Statements of Change in Equity

For the year ended 31 December 2021

Bank	Share capital ₦'000	Share premium ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Credit risk reserve ₦'000	Total Equity ₦'000
Balance at 1 January 2021	4,301,577	3,904,731	1,936,945	12,694,799	8,610,990	2,134,767	33,583,809
Profit for the year	-	-	-	651,696	-	-	651,696
Other comprehensive income							
Fair value movement on financial asset at FVOCI	-	-	(958,956)	-	-	-	(958,956)
Total comprehensive income	-	-	(958,956)	651,696	-	-	(307,261)
Dividend declared	-	-	-	(506,578)	-	-	(506,578)
Transfers during the year	-	-	-	(611,889)	97,754	514,134	-
At 31 December 2021	4,301,577	3,904,731	977,989	12,228,029	8,708,745	2,648,901	32,769,970
Balance at 1 January 2020	4,301,577	3,904,731	(315,728)	11,261,008	7,878,899	920,039	27,950,526
							-
Profit for the year	-	-	-	4,880,610	-	-	4,880,610
							-
Other comprehensive income							-
Fair value movement on financial asset at FVOCI	-	-	2,252,673	-	-	-	2,252,673
Total comprehensive income	-	-	2,252,673	4,880,610	-	-	7,133,283
Dividend declared		-		(1,500,000)	-	-	(1,500,000)
Transfers during the year	-	-	-	(1,946,819)	732,091	1,214,728	-
At 31 December 2020	4,301,577	3,904,731	1,936,945	12,694,799	8,610,990	2,134,767	33,583,809

Consolidated and Separate Statements of Cash Flows

For the year ended 31 December 2021

	Note	Group 31 December 2021 ₦'000	Group 31 December 2020 ₦'000	Bank 31 December 2021 ₦'000	Bank 31 December 2020 ₦'000
Operating activities					
Cash generated from operations	38(a)	**(2,000,035)**	(224,443)	**(1,408,331)**	(1,812,717)
Interest received	7	**10,943,823**	12,128,666	**10,585,017**	11,941,300
Interest paid	8	**(8,220,637)**	(7,411,087)	**(8,242,430)**	(7,411,087)
Income tax paid	15(b)	**(670,051)**	(705,497)	**(99,636)**	(132,193)
Net cash generated from operating activities		**53,100**	3,787,638	**834,620**	2,585,302
Investing activities					
Net proceeds/(outflow) on redemption/ acquisition of investment securities		**(32,008,696)**	5,515,942	**(32,508,290)**	6,351,569
Additions to Right of Use of assets	30	**(18,441)**	-	**(18,441)**	-
Purchase of property and equipment	28	**(549,777)**	(391,191)	**(458,922)**	(370,488)
Proceeds from sale of property and equipment	38	**85,155**	40,390	**84,635**	40,390
Purchase of intangible asset	29	**(294,585)**	(89,686)	**(77,409)**	(89,686)
Net cash generated from investing activities		**(32,786,344)**	5,075,455	**(32,978,426)**	5,931,785
Financing activities					
Interest paid on corporate bonds issued		**(1,091,874)**	(547,063)	**(1,091,874)**	(547,063)
Corporate Bond issued		**(2,163)**	13,235,587	**(2,163)**	13,235,587
Net cash generated from financing activities		**(1,094,037)**	12,688,525	**(1,094,037)**	12,688,525
Increase/(decrease) in cash and cash equivalents		**(33,827,282)**	21,551,618	**(33,237,843)**	21,205,612
Cash and cash equivalents at beginning of the year		**48,810,120**	27,236,462	**45,324,831**	24,097,179
Effect of exchange rate fluctuations on cash held		**(77,000)**	22,040	**(77,000)**	22,040
Cash and cash equivalents at the end of the year	19	**14,905,838**	48,810,120	**12,009,988**	45,324,831

Notes to the Financial Statements

For the year ended 31 December 2021

1 General Information

Reporting Entity

These financial statements are the consolidated financial statements of FBNQuest Merchant Bank Limited "the Bank", and its subsidiaries (hereafter referred to as "the Group"). FBNQuest Merchant Bank Limited (formerly called Kakawa Discount House Limited) was initially incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 14 February 1995. It was granted a license on 31 October 1995 to carry on the business of a discount house and commenced operations on 16 November 1995. The Central Bank of Nigeria (CBN) license for merchant banking was obtained in May 2015 while merchant banking operations commenced on 2 November 2015.

The principal activity of the group is provision of treasury management services, trading in and holding of Federal Government of Nigeria (FGN) bonds and other money market activities, dealing in and provision of foreign exchange services, financial consultancy and advisory services, act as issuing house or otherwise manage, arrange or coordinate the issuance of securities, portfolio management and provision of finance and credit facilities to non-retail customers.

FBNQuest Merchant Bank is a limited liability company incorporated and domiciled in Nigeria. It is a subsidiary of FBN Holdings Plc. The address of its registered office is as follows:

16 Keffi street, Ikoyi, Lagos.

The financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 21 March, 2022.

2 Basis of Preparation

The consolidated and separate financial statements have been prepared in accordance with the going concern principle under the historical cost convention. The financial statements are presented in Nigerian currency (Naira) and rounded to the nearest thousand.

The financial statements comprise the consolidated statement of comprehensive income, consolidated statement of financial position, the consolidated statement of changes in equity, consolidated statement of cash flows and the related notes for the Bank and the Group.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires directors to exercise judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The assumptions and accounting estimates used for the year ended 31 December 2021 are consistent with the assumptions and estimates in the financial statements of the prior year.

The consolidated statement of financial position is arranged in order of liquidity.

The Directors believe that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the financial position and results fairly.

3 Use of Judgements and Estimates

In preparing these annual financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Measurement of Fair Values

A number of the Bank's accounting policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Bank has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or prices services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Bank Audit Committee.

When measuring the fair value of an asset or a liability, the Bank uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

4 Significant Accounting Policies

4.1(a) Basis of Measurement

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

- Derivative financial instruments which are measured at fair value.
- Financial assets measured at fair value through profit or loss.
- Financial assets held to maturity which are measured at amortised cost.
- Loans and receivables which are measured at amortised cost.
- Financial liabilities which are measured at amortised cost.
- Financial instruments measured at fair value through other comprehensive income.

4.1(b) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (₦) which is the Bank's functional currency and the Group's presentation currency.

4.2 Use of Estimates and Judgements

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. There were no material changes in management's estimates during the year.

4.3 Changes in Accounting Policy and Disclosures

a New and amended standards

The accounting policies adopted are consistent with those of the previous financial period. Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2021 that are relevant to the Bank.

The following standards and interpretations are effective for the financial year beginning on or after 1 January 2021 which has been considered by the Bank in the preparation of its financial statements

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

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

The amendments requires that, for financial instruments measured using amortised cost measurement (that is, financial instruments classified as amortised cost and debt financial assets classified as FVOCI), changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised.

A similar practical expedient exists for lease liabilities (see below). These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change). Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

For lease liabilities where there is a change to the basis for determining the contractual cash flows, as a practical expedient the lease liability is remeasured by discounting the revised lease payments using a discount rate that reflects the change in the interest rate where the change is required by IBOR reform. If lease modifications are made in addition to those required by IBOR reform, the normal requirements of IFRS 16 are applied to the entire lease modification, including those changes required by IBOR reform.

The Bank has considered the amendment and concluded that the prescribed approach does not have a material impact on the Bank.

4.3b New and Amended Standards issued but not Effective

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2021:

- Amendments to IAS 1- Classification of liabilities as current or non-current
- Amendments to IFRS 3- Reference to the Conceptual Framework
- Amendments to IAS 37- Onerous Contracts - Cost of Fulfilling Contract
- Annual improvement to IFRS Standards 2018-2020

Amendment to IAS 1 -Classification of liabilities as current or non -current

The amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. The effective date is 1 January 2023.

The impact of this amendment on the Groups financial statements is currently under assessment.

Amendment to IFRS 3- Reference to the Conceptual Framework

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies.

The amendments also confirm that contingent assets should not be recognised at the acquisition date. The effective date is 1 January 2022. The amendment has no effect on the Group financial statements for the year, as there has been no business combinations for the reporting year.

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

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The effective date is 1 January 2022. The Group has no contracts as at the reporting dates to which the amendments apply.

Annual improvement to IFRS Standards 2018-2020

The following improvements were finalised in 2020:

- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases - To remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The effective date is 1 January 2022.

4.4 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has rights to variable returns from its involvement in an entity and has the ability to affect those returns through its power over the entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. Subsidiaries are fully consolidated from the date in which control is transferred to the Group. They are deconsolidated from the date control ceases.

The accounting policies of subsidiaries have been changed, where necessary, to align with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests.

In the separate financial statements, investments in subsidiaries are carried at cost less impairment.

(b) Business combinations

Business combinations are accounted for using the acquisition method.

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

- the fair value of the consideration transferred; plus
- the amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;
- less the net amount of the identifiable assets acquired and liabilities assumed (generally fair value).

When this total is negative, a bargain purchase gain is recognised in the income statement.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of any previously held equity interest in the acquiree is re-measured to fair value at the acquisition date and any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses or incomes and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.5 Foreign Currency

Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are reported using the closing exchange rate. Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, as well as unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the income statement.

Unrealised exchange differences on non-monetary financial assets are a component of the change in their entire fair value. For non-monetary financial assets measured at fair value through profit or loss, unrealised exchange differences are recognised in profit or loss. For non-monetary financial assets measured at fair value through other comprehensive income, unrealised exchange differences are recorded in other comprehensive income until the asset is sold or becomes impaired.

4.6 Interest Income and Interest Expense

Interest income and expense for all interest bearing financial instruments, except for those classified at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all transaction costs and fees 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 liability.

4.7 Fees and Commissions Income and Expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

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

4.8 Net trading and Foreign Exchange Income

Net trading income and foreign exchange income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences. Net gains or losses on derivative financial instruments measured at fair value through profit or loss are also included in net trading income.

4.9 Dividend Income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other operating income and recognised gross of the associated withholding tax. The withholding tax expense is included as a component of taxation charge for the relevant period.

4.10 Income Tax

a. Income tax comprises current Company Income Tax, Tertiary Education Tax and National and Information Technology Development Agency levy, the Nigeria Police Trust Fund levy and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

b. Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes. It is assessed as follows:

- Company income tax is assessed on taxable profits
- Tertiary tax is computed on assessable profits
- National Information Technology Development levy is computed on profit before tax
- Nigerian Police Trust Fund is computed on profit after tax
- National Agency for Science and Engineering

Infrastructure is computed on profit before tax

c. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date.

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

A deferred tax asset is 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.

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

4.11 Cash and Bank Balances

Cash and bank balances include notes and coins in hand, current balances with other banks, balances held with Central Bank and placements with banks which are used by the Group in the management of its short-term commitments.

Cash and cash equivalents as referred to in the cash flow statement comprises cash in hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

Cash and bank balances are carried at amortised cost in the statement of financial position.

4.12 Trading Assets

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

Trading assets are measured at fair value with changes in fair value recognised as part of net trading and foreign exchange income in profit or loss.

4.13 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value with changes in fair value recognised in the income statement unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

4.14 Property and Equipment

(a) Recognition and measurement

Items of property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(b) Subsequent costs

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

(c) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The estimated useful lives for the current and comparative period are as follows:

Land	Not depreciated
Freehold buildings	50 years
Leasehold improvements	Over the shorter of the useful life of item or the lease period
Motor vehicles	4 years
Furniture and Fittings	5 years
Computer equipment	3 years
Office equipment	5 years
Work in progress	Not depreciated

Work in progress represents costs incurred on assets that are not available for use. On becoming available for use, the related amounts are transferred to the appropriate category of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

(d) Derecognition

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

4.15 Intangible Assets

(a) Goodwill

Goodwill represents the excess of consideration over the Group's interest in net fair value of net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries at the date of acquisition. When the excess is negative, it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

Subsequent measurement

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cashflows from a cash generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

(b) Software

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life not exceeding five years, from the date that it is available for use. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates.

4.16 Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses relating to goodwill are not reversed in future periods.

4.17 Repossessed Collateral

Repossessed collateral represents financial and non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in the relevant assets depending on the nature and the Group's intention in respect of recovery of these assets; and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Where repossessed collateral results in acquiring control over a business, the business combination is accounted for using the acquisition method of accounting with fair value of the settled loan representing the cost of acquisition (refer to the accounting policy for consolidation).

4.18 Deposits and Debt Securities Issued

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

4.19 Provisions

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

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

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

4.20 Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the expected credit loss provision and the unamortised premium. Financial guarantees are included within other liabilities.

4.21 Employee Benefits

Post-employment benefits

Defined contribution plans

The Group operates defined contribution pension scheme. A defined contribution plan is a pension plan under which the Group makes fixed contributions on contractual basis. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due. In accordance with the provisions of the Pensions Reform Act 2014, the Bank contributes 10% of the employees' basic salary, housing and transport allowances while the employees contribute 8%.

Termination benefits

The Group recognises termination benefits as an expense when the Group 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. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

Short term employee benefits

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

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

4.22 Share Capital and Reserves

(a) Share issue costs

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

(b) Dividend on ordinary shares

Dividends on the Group's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Group's shareholders.

(c) Treasury shares

Where the Group or any member of the Group purchases the Group's shares, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

4.23 Earnings Per Share

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.24 Fiduciary Activities

The Group commonly acts as trustees in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and incomes arising thereon are excluded from these financial statements, as they are not assets of the Group.

4.25 Stock of Consumables

Stock of consumables comprise materials to be consumed in the process of rendering of services as well as banking accessories held for subsequent issuance to customers. They are measured at the lower of cost and net realisable value. Cost comprises costs of purchase and other costs incurred in bringing the items of stock to their present location and condition. Net realisable value is the estimated issuance price. When items of stock are issued to customers, their carrying amount is recognised as an expense in the period in which the related revenue is recognised.

4.26 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Chief Executive Officer of the Group, being the chief operating decision maker, to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. All costs that are directly traceable to the operating segments are allocated to the segment concerned, while indirect costs are allocated based on the benefits derived from such cost.

4.27 IFRS 9: Financial Instruments

a. Classification and measurement of financial assets

Financial assets, which include both debt and equity securities are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and (b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL: (a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and (b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI. All other debt instruments are measured at FVTPL. The Group has irrevocably elected to measure equity instruments at FVOCI as no equity instrument is held for trading purposes.

b. Business model assessment

The Group determines the business models as the level that best reflects how portfolios of financial assets are managed to achieve the Group's business objectives.

Judgment is used in determining the business models, which is supported by relevant, objective evidence including:
· How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
· The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
· Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

The Group's business models fall into three categories, which are indicative of the key strategies used to generate returns:

- Hold-to-Collect (HTC): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

- Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.

- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

c. SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

d. Investment securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for-sale securities and held-to-maturity securities.

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with our policy for allowance for credit losses, as described below. Interest income, including the amortisation of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognised on amortised cost securities are recorded in Allowance for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a net gain/(loss) on Investment securities in Net trading and foreign exchange income.

Debt securities carried at FVOCI are measured at fair value with unrealised gains and losses arising from changes in fair value included in fair value reserve. Impairment gains and losses are included in allowance for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net gain/(loss) on Investment securities in net trading and foreign exchange income.

Equity securities carried at FVOCI are measured at fair value. Unrealised gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realised. Dividends from FVOCI equity securities are recognised in other operating income.

The Group accounts for all securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in net trading and foreign exchange income.

Notes to the Financial Statements
For the year ended 31 December 2021

e. Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as FVTPL are recorded at fair value and any unrealised gains or losses arising due to changes in fair value are included in net trading and foreign exchange income, depending on our business purpose for holding the financial asset.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognised in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in our own credit risk are recorded in Other operating income, depending on our business purpose for holding the financial liability. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognised in net income. To make that determination, we assess whether we expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument.

The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on our debt instruments designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Financial assets are reclassified when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

f. Loans

Loans are debt instruments recognised initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognised in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognised as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.

Impairment losses on loans are recognised at each balance sheet date in accordance with the three-stage impairment model outlined below.

g. Allowance for credit losses

An allowance for credit losses (ECL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. These are carried at amortised cost and presented net of ECL on the Consolidated Statement of Financial Position. ECL on loans is presented in Allowance for credit losses - loans and advances. ECL on debt securities measured at FVOCI is presented in Fair value reserve in equity.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ECL is separately calculated and included in Other Liabilities – Provisions.

We measure the ECL at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition:

1) Performing financial assets:

- Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

- Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

2) Impaired financial assets

- Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance is recognised equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ECL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ECL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ECL.

The ECL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ECL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

h. Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

i. Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit

Notes to the Financial Statements
For the year ended 31 December 2021

review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

j. Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is multifactor and has three main categories:

- Primary Indicators: this incorporates a quantitative element;
- Secondary Indicators (qualitative element);
- 'backstop' indicators.

i) Primary indicators: The quantitative element is the primary indicator of significant increases in credit risk, with the qualitative element playing a secondary role. The quantitative element is calculated based on:

a) the change in lifetime PDs by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure. PD multiple and PD delta shall be considered based on the portfolio buckets. Justification shall also be provided for the use of either approach when applied.

b) Movement along the rating grades:

- the rating as at the reporting date; with
- the rating that was assigned at the time of initial recognition of the exposure:

The following shall indicate a significant increase in credit risk:

- For investment grade – Two rating grade movement within investment grade and one grade out of investment grade.
- For speculative grade – one rating grade movement.

ii) Secondary indicators: In general, qualitative factors that are indicative of an increase in credit risk are reflected in PD models on a timely basis and thus are included in the quantitative assessment and not in a separate qualitative assessment. However, if it is not possible to include all current information about such qualitative factors in the quantitative assessment, they are considered separately in a qualitative assessment as to whether there has been a significant increase in credit risk. If there are qualitative factors that indicate an increase in credit risk that have not been included in the calculation of PDs used in the quantitative assessment, the bank recalibrates the PD or otherwise adjusts its estimate when calculating ECLs.

Regardless however, the bank shall consider the following as evidence of significant increase in credit risk:

- Putting the loan on watch list status
- Classification of the exposure by any of the licensed private credit bureau or the credit risk management system;
- Deterioration of relevant credit risk drivers for an individual obligor (or pool of obligors);
- Expectations of forbearance or restructuring due to financial difficulties;
- Evidence that full repayment of principal or interest without realisation of collateral is unlikely, regardless of the number of days past due;
- Deterioration of credit worthiness due to factors other than those listed above.

iii) 'Backstop' indicators: Instruments which are more than 30 days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption shall be applied unless the bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

The following shall be considered as exception:

1. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% shall be considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset shall not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired. This is in line with Central Bank of Nigeria (CBN) IFRS 9 guidelines.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfil their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

k. Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place.

- The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held).
- The obligor is past due more than 90 days on any material credit obligation to the bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- Interest payments equal to 90 days or more have been capitalised, rescheduled, rolled over into a new loan (except where facilities have been reclassified)

The elements to be taken as indications of unlikeliness to pay include:

- The bank sells the credit obligation at a material credit-related economic loss.
- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the banking group.

The following shall be considered as exception:

a. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 150 days

b. In the case of specialised loans, default shall be defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). This is consistent with CBN guidelines on IFRS 9. In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialised loans to which this shall be applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans.

c. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due shall be considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

d. Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

l. Credit-impaired financial assets (Stage 3)

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument. When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ECL.

Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment. ECL for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

m. Individually assessed loans (Stage 3)

When individually significant loans are identified as impaired, we reduce the carrying value of the loans to their estimated realisable value by recording an individually assessed ECL to cover identified credit losses. The individually assessed ECL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realisable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan.

When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realisable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

Individually-assessed allowances are established in consideration of a range of possible outcomes, which may include macroeconomic or non-macroeconomic scenarios, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions and are generally consistent with those used in Stage 1 and Stage 2 measurement.

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the ECL.

n. Write-off of loans

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.

o. Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Bank shall assess whether there has been a significant increase in the credit risk of the financial by comparing: (1) the risk of a default occurring at the reporting date (based on the modified contractual terms); and (2) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

A modification shall however lead to derecognition of existing loan and recognition of a new loan i.e. substantial modification if:

- the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

The following shall be applicable to modified financial assets:

- The modification of a distressed asset shall be treated as an originated credit-impaired asset requiring recognition of life-time ECL after modification.

- The cumulative changes in lifetime expected credit losses since initial recognition shall be recognised as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.

- The general impairment model does not apply to purchased or originated credit-impaired assets.

The following situations (qualitative) may however not lead to a derecognition of the loan:

- Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria;
- Change in financial asset's tenor (increase or decrease);
- Change in installment amount to higher or lower amount;
- Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly
- Change in the applicable financial asset fee

Modification gain or loss shall be included as part of allowance for credit loss for each financial year.

p. Classification and measurement of financial liabilities

The Group recognises financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Group classifies its financial liabilities as measured at amortised cost, except for:

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

ii. Financial guarantee contracts and commitments. Borrowings and surbordinated liabilities are included as part of financial liabilities measured at amortised cost.

A financial liability is derecognised when the obligation un der the liability is discharged, cancelled or expires. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

q. Embedded derivatives

As stated in Note 3.13, when derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the section on classification and measurement of financial assets. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to elect the fair value option. The host contract is accounted for in accordance with the relevant standards.

When derivatives are used in trading activities, the realised and unrealised gains and losses on these derivatives are recognised in Net trading and foreign exchange income. Derivatives with positive fair values are presented as derivative assets and derivatives with negative fair values are reported as derivative liabilities. Valuation adjustments are included in the fair value of derivative assets and derivative liabilities. Premiums paid and premiums received are part of derivative assets and derivative liabilities, respectively.

(r) IFRS 16: Leases

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset.
- this may be specified explicitly or implicitly. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Group primarily leases buildings for use as office space and car parks. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease terms range from 1 year to 5 years. On renewal of a lease, the terms may be renegotiated. The lease agreements do not impose any covenants, however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by FBNQuest Merchant Bank under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects FBNQuest Merchant Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by FBNQuest Merchant Bank and makes adjustments specific to the lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable.

Right of use assets

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than $5,000 when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has no short term or low value leases as at the reporting date.

Extension and termination options

Extension and termination options are included in the Group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Most of the extension options are subject to mutual agreement by the Group and some of the termination options held are exercisable only by the Group.

4.28 Classification of Financial Assets and Liabilities

The Bank's financial instruments are categorised as stated below:

Group 31 December 2021	Financial assets FVTPL ₦'000	Financial assets FVOCI ₦'000	Financial assets Amortised cost ₦'000	Financial liabilities FVTPL ₦'000	Financial liabilities Amortised cost ₦'000
Cash and balances with Central Bank of Nigeria	-	-	38,118,585	-	-
Due from other banks	-	-	14,905,839	-	-
Financial assets at FVTPL	6,154,032	-	-	-	-
Financial assets at FVOCI	-	43,601,118	-	-	-
Pledged assets	-	12,593,933	-	-	-
Loans and advances to customers	-	-	76,689,597	-	-
Other assets	-	-	3,422,389	-	-
Due to banks	-	-	-	-	9,837,048
Due to customers	-	-	-	-	119,432,839
Corporate bond issued	-	-	-	-	13,233,425
Other liabilities	-	-	-	-	26,026,447

Bank 31 December 2021	Financial assets FVTPL ₦'000	Financial assets FVOCI ₦'000	Financial assets Amortised cost ₦'000	Financial liabilities FVTPL ₦'000	Financial liabilities Amortised cost ₦'000
Cash and balances with Central Bank of Nigeria	-	-	38,118,585	-	-
Due from other banks	-	-	12,006,567	-	-
Financial assets at FVTPL	4,788,062	-	-	-	-
Financial assets at FVOCI	-	41,810,273	-	-	-
Pledged assets	-	12,593,933	-	-	-
Loans and advances to customers	-	-	76,589,248	-	-
Other assets	-	-	2,854,342	-	-
Due to banks	-	-	-	-	9,837,048
Due to customers	-	-	-	-	119,777,398
Corporate bond issued	-	-	-	-	13,233,425
Other liabilities	-	-	-	-	25,186,412

4.3 Financial Risk Management Report

4.3a Financial Risk Factors

The Bank's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity and credit risk.

The financial statements as at 31 December 2021 do not include all financial risk management information and disclosures required in the annual financial statements.

4.3b Market Risk

Market risk is the risk that changes in market prices, such as interest rate, security prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

4.3c Foreign Exchange Risk

The bank is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk at 31 December 2021. Included in the table are the bank's financial instruments at carrying amounts, categorised by currency.

Notes to the Financial Statements
For the year ended 31 December 2021

Group 31 December 2021	Carrying amount	Naira	USD	GBP	EUR	Total
Financial assets						
Cash and balances with Central Bank of Nigeria	38,118,585	38,118,585	-	-	-	38,118,585
Due from other banks	14,905,839	3,722,055	11,137,864	9,790	36,129	14,905,839
Loans and advances to customers	76,689,597	47,515,706	29,017,903	-	155,988	76,689,597
Financial assets at FVTPL	6,154,032	5,966,787	187,245	-	-	6,154,032
Investment securities						
- Fair value through OCI	43,601,118	42,319,500	1,139,997	-	-	43,459,497
- Amortised cost	-	-	-	-	-	-
Pledged assets	12,593,933	12,593,933	-	-	-	12,593,933
Other assets	3,422,389	3,545,042	16,934	-	-	3,561,976
Derivative assets	361,693	361,693	-	-	-	361,693
	195,847,185	154,143,300	41,499,943	9,790	192,118	195,845,151
Financial liabilities						
Due to banks	9,837,048	7,928,918	1,908,130	-	-	9,837,048
Due to customers	119,432,839	96,306,799	23,115,572	9,618	850	119,432,839
Corporate bonds issued	13,233,425	13,233,425	-	-	-	13,233,425
Other liabilities	26,026,448	10,647,275	15,190,527	-	188,645	26,026,448
Derivative liabilities	354,877	354,877	-	-	-	354,877
	168,884,636	128,471,294	40,214,229	9,618	189,495	168,884,636
Commitments and guarantees						
- Performance bonds and guarantees	8,850,578	2,909,645	5,940,933	-	-	8,850,578
- Letters of credits	20,072,576	-	19,605,059	-	467,517	20,072,576
	28,923,154	2,909,645	25,545,992	-	467,517	28,923,154

Notes to the Financial Statements
For the year ended 31 December 2021

Bank 31 December 2021	Carrying amount	Naira	USD	GBP	EUR	Total
Financial assets						
Cash and balances with Central Bank of Nigeria	38,118,585	38,118,585	-	-	-	38,118,585
Due from other banks	12,006,567	822,783	11,137,864	9,790	36,129	12,006,567
Loans and advances to customers	76,589,248	47,415,357	29,017,903	-	155,988	76,589,248
Financial assets at FVTPL	4,788,062	4,600,817	187,245	-	-	4,788,062
Investment securities				-	-	-
- Fair value through OCI	41,810,273	40,528,655	1,139,997	-	-	41,668,652
- Amortised cost	-		-	-	-	-
Pledged assets	12,593,933	12,593,933	-	-	-	12,593,933
Other assets	2,854,342	2,837,409	16,934	-	-	2,854,342
Derivative assets	361,693	361,693	-	-	-	361,693
	189,122,704	147,279,232	41,499,943	9,790	192,118	188,981,083
Financial liabilities						
Due to banks	9,837,048	7,928,917	1,908,130	-	-	9,837,047
Due to customers	119,777,398	96,651,358	23,115,572	9,618	850	119,777,398
Corporate bonds issued	13,233,425	13,233,425	-	-	-	13,233,425
Other liabilities	25,186,412	9,807,240	15,190,527	-	188,645	25,186,412
Derivative liabilities	354,877	354,877	-	-	-	354,877
	168,389,160	127,975,817	40,214,229	9,618	189,495	168,389,159
Commitments and guarantees						
- Performance bonds and guarantees	8,850,578	2,909,645	5,940,933	-	-	8,850,578
- Letters of credits	20,072,576	-	19,605,059	-	467,517	20,072,576
	28,923,154	2,909,645	25,545,992	-	467,517	28,923,154

Notes to the Financial Statements
For the year ended 31 December 2021

Group

31 December 2020	Carrying amount	Naira	USD	GBP	EUR	Total
Financial assets						
Cash and balances with Central Bank of Nigeria	43,690,655	43,690,655	-	-	-	43,690,655
Due from other banks	25,718,491	5,930,644	20,335,239	39,010	(586,402)	25,718,491
Loans and advances to customers	55,689,216	51,547,071	4,142,145	-	-	55,689,216
Financial assets at FVTPL	1,910,800	1,835,598	75,202	-	-	1,910,800
Investment securities	-	-	-	-	-	-
- Fair value through OCI	29,041,247	27,807,808	1,233,439	-	-	29,041,247
- Amortised cost	7,583,938	7,583,938	-	-	-	7,583,938
Pledged assets	16,742,200	16,742,200	-	-	-	16,742,200
Other assets	4,177,712	4,177,712	-	-	-	4,177,712
Derivative assets	417,669	-	417,669	-	-	417,669
	184,971,928	159,315,627	26,203,694	39,010	(586,402)	184,971,928
Financial liabilities						
Due to banks	28,475,932	11,858,094	16,617,838	-	-	28,475,932
Due to customers	100,136,570	84,342,185	15,754,855	38,658	872	100,136,570
Other liabilities	29,203,954	29,165,803	38,093	-	58	29,203,954
Derivative liabilities	383,526	-	383,526	-	-	383,526
	158,199,982	125,366,081	32,794,312	38,658	930	158,199,982
Commitments and guarantees						
- Performance bonds and guarantees	3,642,420	3,642,420	-	-	-	3,642,420
- Letters of credits	11,884,579		11,288,970	-	595,609	11,884,579
	15,526,999	3,642,420	11,288,970	-	595,609	15,526,999

Notes to the Financial Statements
For the year ended 31 December 2021

Bank

31 December 2020	Carrying amount	Naira	USD	GBP	EUR	Total
Financial assets						
Cash and balances with Central Bank of Nigeria	43,690,655	43,690,655	-	-	-	43,690,655
Due from other banks	22,233,202	2,445,356	20,335,239	39,010	(586,402)	22,233,202
Loans and advances to customers	55,589,727	51,447,582	4,142,145	-	-	55,589,727
Financial assets at FVTPL	1,379,915	1,304,713	75,202			1,379,915
Investment securities	-	-	-	-	-	-
- Fair value through OCI	26,986,180	25,752,742	1,233,439	-	-	26,986,180
- Amortised cost	7,583,938	7,583,938	-	-	-	7,583,938
Pledged assets	16,742,200	16,742,200	-	-	-	16,742,200
Other assets	3,877,943	3,877,943	-	-	-	3,877,943
Derivative assets	417,669	-	417,669	-	-	417,669
	178,501,430	152,845,128	26,203,694	39,010	(586,402)	178,501,430
Financial liabilities						
Due to banks	28,475,932	11,858,094	16,617,838	-	-	28,475,932
Due to customers	100,137,825	84,343,440	15,754,855	38,658	872	100,137,825
Other liabilities	27,133,352	27,095,201	38,093	-	58	27,133,352
Derivative liabilities	383,526	-	383,526	-	-	383,526
	156,130,635	123,296,734	32,794,312	38,658	930	156,130,635
Commitments and guarantees						
- Performance bonds and guarantees	3,642,420	3,642,420	-	-	-	3,642,420
- Letters of credits	11,884,579		11,288,970	-	595,609	11,884,579
	15,526,999	3,642,420	11,288,970	-	595,609	15,526,999

4.3d Foreign Exchange Risk Sensitivity Analysis

As shown in the table above, the bank is primarily exposed to changes in NGN/US$ exchange rates.

The following table details the bank's sensitivity to a 10% increase and decrease in Naira against the US dollar. Management believes that a 10% movement in either direction is reasonably possible on the Bank's portfolio. The sensitivity analyses below include outstanding US dollar denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 10% against the US dollar. For a 10% strengthening of Naira against the US dollar, there would be an equal and opposite impact on profit.

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
	Impact on profit			
NGN/US$ exchange rate - increase 10%	**21,665**	73,750	**(69,300)**	19,836
NGN/US$ exchange rate - decrease 10%	**(21,665)**	(73,750)	**69,300**	(19,836)

Fair value measurement of financial instruments

a. **Financial instruments not measured at fair value**

Group	31 December 2021		31 December 2020	
	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Financial assets				
Cash and balances with Central Bank of Nigeria	**38,118,585**	**38,118,585**	43,690,655	43,690,655
Due from other banks	**14,905,839**	**14,905,839**	25,718,491	25,718,491
Investment securities:				
- Amortised cost	**-**	**-**	7,583,938	7,583,938
Loans and advances to customers	**76,689,597**	**76,689,597**	55,699,015	55,699,015
Other assets	**3,422,389**	**3,422,389**	4,177,712	4,177,712
Financial liabilities				
Due to banks	**9,837,048**	**9,837,048**	28,475,932	28,475,932
Due to customers	**119,432,839**	**119,432,839**	100,136,570	100,136,570
Corporate bond issued	**13,233,425**	**13,233,425**	13,235,587	13,235,587
Other liabilities	**26,026,448**	**26,026,448**	15,978,166	15,978,166

a. **Financial instruments not measured at fair value**

Bank	31 December 2021		31 December 2020	
	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Financial assets				
Cash and balances with Central Bank of Nigeria	38,118,585	38,118,585	43,690,655	43,690,655
Due from other banks	12,006,567	12,006,567	22,233,202	22,233,202
Investment securities:				
- Amortised cost	-	-	7,583,938	7,583,938
Loans and advances to customers	76,589,248	76,589,248	55,599,526	55,599,526
Other assets	2,854,342	2,854,342	3,877,943	3,877,943
Financial liabilities				
Due to banks	9,837,048	9,837,048	28,475,932	28,475,932
Due to customers	119,777,398	119,777,398	100,137,825	100,137,825
Corporate bond issued	13,233,425	13,233,425	13,235,587	13,235,587
Other liabilities	24,006,205	24,006,205	13,099,537	13,099,537

i Cash and balances with Central Bank of Nigeria (CBN) include cash and deposits with the CBN. The carrying amount of the balances with CBN is a reasonable approximation of the fair value, which is the amount receivable on demand.

ii Due from other banks include balances with other banks within and outside Nigeria, and short term placements. The carrying amount of the balance is a reasonable approximation of the fair value, which is the amount receivable on demand.

iii Investment securities at amortised cost includes treasury bills and commercial papers. The carrying amount is a reasonable approximation of the fair value.

iv Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows, expected to be received. Expected cash flows are discounted using the effective interest rate to determine fair value as there is no active market.

v Carrying amounts of other assets are a reasonable expectation of their fair values which are payable on demand.

vi The estimated fair value of balances due to other banks is the amount repayable on demand as at 31 December 2021.

vii The estimated fair value of deposits from customers is the amount repayable on demand as at 31 December 2021.

viii Carrying amounts of other liabilities are a reasonable expectation of their fair values which are payable on demand.

Notes to the Financial Statements
For the year ended 31 December 2021

Fair value hierarchy - financial instruments not measured at fair value

Group	31 December 2021				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	-	38,118,585	-	38,118,585	38,118,585
Due from other banks	-	-	14,905,839	14,905,839	14,905,839
Loans and advances to customers	-	-	76,689,597	76,689,597	76,689,597
Investment securities					
- Amortised cost	-	-	-	-	-
Other assets	-	-	3,422,389	3,422,389	3,422,389
Financial liabilities					
Due to banks	-	-	9,837,047	9,837,047	9,837,048
Due to customers	-	-	119,432,839	119,432,839	119,432,839
Corporate bonds issued	-	13,233,425	-	13,233,425	13,233,425
Other liabilities	-	-	26,026,448	26,026,448	26,026,448

Fair value hierarchy - financial instruments not measured at fair value

Bank	31 December 2021				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	-	38,118,585	-	38,118,585	38,118,585
Due from other banks	-	-	12,006,567	12,006,567	12,006,567
Loans and advances to customers	-	-	76,589,248	76,589,248	76,589,248
Investment securities					
- Amortised cost	-	-	-	-	-
Other assets	-	-	2,854,342	2,854,342	2,854,342
Financial liabilities					
Due to banks	-	-	9,837,047	9,837,047	9,837,048
Due to customers	-	-	119,777,398	119,777,398	119,777,398
Corporate bonds issued	-	13,233,425	-	13,233,425	13,233,425
Other liabilities	-	-	25,186,412	25,186,412	25,186,412

Notes to the Financial Statements
For the year ended 31 December 2021

Fair value hierarchy - financial instruments not measured at fair value

Group	31 December 2020				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	-	43,690,655	-	43,690,655	43,690,655
Due from other banks	-	-	25,718,491	25,718,491	25,718,491
Loans and advances to customers	-	-	55,689,216	55,689,216	55,689,216
Investment securities					
- Amortised cost	7,583,938	-	-	7,583,938	7,583,938
Other assets	-	-	4,177,712	4,177,712	4,177,712
Financial liabilities					
Due to banks	-	-	28,475,932	28,475,932	28,475,932
Due to customers	-	-	100,136,570	100,136,570	100,136,570
Other liabilities	-	-	15,978,166	15,978,166	15,978,166

Fair value hierarchy - financial instruments not measured at fair value

Bank	31 December 2020				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	-	43,690,656	-	43,690,656	43,690,655
Due from other banks	-	-	22,233,203	22,233,203	22,233,202
Loans and advances to customers	-	-	55,589,727	55,589,727	55,589,727
Investment securities	-	-	-	-	-
- Amortised cost	7,583,938	-	-	7,583,938	7,583,938
Other assets	-	-	3,877,943	3,877,943	3,877,943
Financial liabilities					
Due to banks	-	-	28,475,932	28,475,932	28,475,932
Due to customers	-	-	100,137,825	100,137,825	100,137,825
Other liabilities	-	-	13,907,564	13,907,564	13,907,564

Financial instruments measured at fair value.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3
Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There were no movements within levels during the year.

This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

Financial instruments in this category relates to unlisted instruments and since quoted market prices are not available, the fair values are estimated based on valuation techniques such as market approach (EV/EBITDA and EV/Revenue) where the adjusted price/earnings multiple of comparable companies is utilised.

Description of valuation methodology and inputs of unquoted equities:

The steps involved in estimating the fair value of the company's unquoted equity investments are as follows:

Step 1: The most appropriate valuation methodology was selected to value each of the unquoted equity investment.

Step 2: Comparative multiples were sourced from S & P Capital IQ based on available comparable companies in Sub- Saharan Africa and Emerging Asia and an average multiple was computed.

Step 3: The enterprise value was derived by multiplying the average multiple to the relevant financial metric.

Step 4: Equity value of the firm was derived by deducting the value of the debt of the company and adding the closing cash balance

Step 5: A lack of illiquidity discount of 19.2% for equity stake below 24% and 15.7% for equity stake above 24% was applied to the equity value.

Step 6: The equity value was derived by multiplying the company's equity value by FBN Merchant Bank equity stake.

Notes to the Financial Statements
For the year ended 31 December 2021

Fair value hierarchy - financial instruments measured at fair value

Group	31 December 2021			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	1,510,555	-		1,510,555
- Federal Government of Nigeria bonds	3,086,727	-	-	3,086,727
- Corporate bonds	190,780	-	-	190,780
- Listed equities	69,979	-	-	69,979
Derivative assets		361,693		361,693
Liabilities				
Financial liabilities at fair value through profit or loss				
-Derivative liability	-	(354,877)	-	(354,877)
Investment securities at FVOCI				-
- Treasury bills	30,398,780	-	-	30,398,780
- Pledged treasury bills and bonds	12,593,933	-	-	12,593,933
- Federal Government of Nigeria bonds	6,004,408	-	-	6,004,408
- Corporate bonds	5,093,421	-	-	5,093,421
- Listed equities	144,962	-	-	144,962
- Unlisted equities	-	-	1,959,547	1,959,547

Fair value hierarchy - financial instruments not measured at fair value

Bank	31 December 2021			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	1,510,555	-	-	1,510,555
- Federal Government of Nigeria bonds	3,086,727	-	-	3,086,727
- Corporate bonds	190,780	-	-	190,780
Derivative assets	-	361,693	-	361,693
Liabilities				
Financial liabilities at fair value through profit or loss				
-Derivative liability	-	(354,877)	-	(354,877)
Investment securities at FVOCI				
- Treasury bills	30,398,780	-	-	30,398,780
- Pledged treasury bills and bonds	12,593,933	-	-	12,593,933
- Federal Government of Nigeria bonds	6,004,408	-	-	6,004,408
- Corporate bonds	3,772,126	-	-	3,772,126
- Unlisted equities	-	-	1,634,959	1,634,959

Notes to the Financial Statements
For the year ended 31 December 2021

Fair value hierarchy - financial instruments measured at fair value

Group	31 December 2020			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	400	-	-	400
- Federal Government of Nigeria bonds	1,729,384	-	-	1,729,384
- Corporate bonds	19,062	-	-	19,062
- Listed equities	161,954			161,954
Derivative assets	-	417,669	-	417,669
Liabilities				
Financial liabilities at FVTPL:				
-Derivative liability	-	(383,526)	-	(383,526)
Investment securities at FVOCI				-
- Treasury bills	19,936,532	-	-	19,936,532
- Pledged treasury bills and bonds	14,281,074	-	-	14,281,074
- Federal Government of Nigeria bonds	144,829	-	-	144,829
- Corporate bonds	6,982,666	-	-	6,982,666
- Listed equities	20,999	-	-	20,999
- Unlisted equities	-	-	1,956,221	1,956,221

Fair value hierarchy - financial instruments not measured at fair value

Bank	31 December 2020			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	400	-	-	400
- Pledged treasury bills		-	-	-
- Federal Government of Nigeria bonds	1,360,453	-	-	1,360,453
- Corporate bonds	19,062	-	-	19,062
Derivative assets	-	417,669	-	
Liabilities				
Financial liabilities at fair value through profit or loss				
-Derivative liability	-	(383,526)	-	(383,526)
Investment securities at FVOCI				
- Treasury bills	19,936,532	-	-	19,936,532
- Pledged treasury bills and bonds	14,281,074	-	-	14,281,074
- Federal Government of Nigeria bonds	144,829	-	-	144,829
- State bonds	-	-	-	-
- Corporate bonds	5,582,235	-	-	5,582,235
-Promissory notes	-	-	-	
- Listed equities	-	-	-	-
- Unlisted equities	-	-	1,322,584	1,322,584
Derivative assets	-	-	-	-

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the bank is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily investments that are quoted on the Nigerian Stock Exchange (NSE) and Financial Market Dealers Quotation (FMDQ) Plc and on Bloomberg trading platforms which are classified as fair value through profit or loss (FVTPL) or Fair value through OCI.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

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

Valuation techniques include market approach using comparable company analysis and precedent transaction analysis. Assumptions and inputs used in the valuation techniques include market multiples of comparable publicly traded companies, country risk discount, size discount, minority discount and marketability discount.

Notes to the Financial Statements
For the year ended 31 December 2021

	31 December 2021			
	Group		BANK	
	Unlisted equities ₦'000	Total ₦'000	Unlisted equities ₦'000	Total ₦'000
Opening balance	1,956,221	1,956,221	1,322,584	1,322,584
Gain/(Losses) recognised in the other comprehensive income (OCI)	3,325	3,325	312,374	312,374
Acquisition	-	-	-	-
Closing balance	1,959,547	1,959,547	1,634,959	1,634,959
Total gain or losses for the period included in OCI for assets held at the end of the reporting period	3,325	3,325	312,374	312,374

	31 December 2020			
	Group		BANK	
	Unlisted equities ₦'000	Total ₦'000	Unlisted equities ₦'000	Total ₦'000
Opening balance	551,784	551,784	260,988	260,988
Gain/(Losses) recognised in the other comprehensive income (OCI)	1,404,438	1,404,438	1,061,596	1,061,596
Acquisition	-	-	-	-
Closing balance	1,956,221	1,956,221	1,322,584	1,322,584
Total gain or losses for the period included in OCI for assets held at the end of the reporting period	1,404,438	1,404,438	1,061,596	1,061,596

Level 3 fair value measurements

i. Unobservable inputs used in measuring fair value

Type of Financial Instrument	Fair values at 31 December 2021	Fair values at 31 December 2020	Valuation technique	Significant unobservable input
Unquoted equity investment	1,959,547	1,956,221	Market Valuation Approach	- Illiquidity discount - Price earning multiples

The fair value of FBN Merchant Group's unquoted investment in FMDQ OTC, NIBSS and CSCS were estimated using a market valuation approach. We applied a Price to Earnings multiple using comparable companies in SSA and Middle East based on the following criteria

i. Industry Classification of Funds Transfer, Clearance & Exchange services and Securities & Commodity Exchanges; and ii. Geographical focus of Sub-Saharan Africa and Middle East

An illiquidity discount for non-marketability of FMDQ OTC and NIBSS shares of 19.2% was applied. The 19.2% non-marketability discount is based on a survey by PwC (used for FBN Funds' unquoted investments)

Unquoted equity investments held at fair value through OCI relates to investment in Financial Markets Dealers Quotation (FMDQ), investment in Nigeria Inter-bank Settlement System (NIBSS) and Central System and Clearing System (CSCS). The markets where these securities could be traded are not readily ascertained hence the classification within level 3 of the fair value hierarchy.

The bank has no current plans of disposing these securities.

ii. The effect of unobservable inputs on fair value measurements

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects.

	The lowest and highest values if the price earning multiples decrease or increase by -5% and 5% respectively		
	Lowest value	Highest value	Actual value
FMDQ	1,546,809	1,709,631	1,632,877
NIBSS	5,527	6,109	2,081

4.4 Exposure to Market Risks – Trading Portfolios

The principal tools used to measure and control market risk exposure within the Group's trading portfolios are the position and loss limits. Specific limits have been set on overall position, individual security and losses to prevent undue exposure. Risk Management and Control Group ensures that these limits and triggers are adhered to by the Group.

The Group traded in the following financial instruments in the course of the year:

- Treasury Bills
- Bonds (Spot and Repo transactions)
- Money market products
- Foreign exchange products

4.4a Exposure to Interest Rate Risks – Non-trading Portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk in the non-trading portfolios of the Group is managed principally through the monitoring of Earnings-At-Risk (EAR) and interest rate gaps, as well as carrying out scenario analysis. The Asset and Liability Committee (ALCO) is the body charged with monitoring exposures to interest rate risks and is assisted by the Risk Management and Control Group.

The Group also performs regular stress tests on its trading and non-trading portfolios. In performing this, the Group ensures there are quantitative criteria in building the scenarios. The Group determines the effect of changes in interest rates on interest income; volatility in prices on trading income; and changes in funding sources and uses on the Group's liquidity. The key potential risks the Group was exposed to from these instruments were price risk, basis risk and risk to net margins. However, all potential risk exposures in the course of the year were successfully mitigated as mentioned above. Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from changes in the fair value of available-for-sale financial instruments reported directly in other comprehensive income.

Notes to the Financial Statements
For the year ended 31 December 2021

Overall non-trading interest rate risk positions are managed by the Treasury Group, which uses investment securities and intergroup takings to manage the overall position arising from the Group's non- trading activities.

The tables below summarises the Group's interest rate gap position on all portfolios:

Group	31 December 2021			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	38,118,585	-	-	38,118,585
Due from other banks	14,905,839	-	2,335,886	12,569,953
Loans and advances to customers	76,689,597	-	76,689,597	-
Financial assets at FVTPL	6,154,032	-	6,084,053	69,979
Investment securities:				
- Fair value through OCI	43,601,118	-	41,496,609	2,104,509
- Amortised cost	-	-	-	-
Pledged assets - Fair Value through OCI	12,593,933	-	12,593,933	-
Other assets	3,422,389	-	-	3,422,389
Deposit with Nigeria Stock exchange	-	-	-	-
Derivatives assets	361,693	-	-	361,693
	195,847,185	-	139,200,077	56,647,107
Financial liabilities:				
Due to banks	9,837,048	-	7,343,198	2,493,850
Due to customers	119,432,839	-	119,432,839	-
Corporate bonds issued	13,233,425	-	13,233,425	-
Other liabilities	26,026,448	-	7,189,016	18,837,432
Derivative liabilities	354,877	-	-	354,877
	168,884,636	-	147,198,478	21,686,158

Notes to the Financial Statements
For the year ended 31 December 2021

Bank	31 December 2021			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	38,118,585	-	-	38,118,585
Due from other banks	12,006,567	-	-	12,006,567
Loans and advances to customers	76,589,248	-	76,589,248	-
Financial assets at FVTPL	4,788,062	-	4,788,062	-
Investment securities				
- Fair value through OCI	41,810,273	-	40,487,689	1,322,584
- Amortised cost	-	-	-	-
Pledged assets - Fair Value through OCI	12,593,933	-	12,593,933	-
Other assets	2,854,342	-	-	2,854,342
Derivatives assets	361,693	-	-	361,693
	189,122,704	-	134,458,932	54,663,772
Financial liabilities:				
Due to banks	9,837,048	-	7,343,198	2,493,850
Due to customers	119,777,398	-	119,777,398	-
Corporate bonds issued	13,233,425	-	13,233,425	-
Other liabilities	25,186,412	-	7,189,016	17,997,396
Derivative liabilities	354,877	-	-	354,877
	168,389,160	-	147,543,037	20,846,123

Notes to the Financial Statements
For the year ended 31 December 2021

Group	31 December 2020			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	43,690,655	-	-	43,690,655
Due from other banks	25,718,491	-	13,202,469	2,530,037
Loans and advances to customers	55,689,216	-	55,689,216	
Financial assets at FVTPL	1,910,800	-	1,748,846	161,954
Investment securities:				
- Fair value through OCI	29,041,247	-	27,064,027	1,977,220
- Amortised cost	7,583,938	-	7,583,938	-
Pledged assets - Fair Value through OCI	16,742,200	-	16,742,200	-
Other assets	4,177,712	-	-	4,177,712
Deposit with Nigeria Stock exchange	1,150	-	1,150	-
Derivatives assets	417,669	-	-	417,669
	184,973,078	-	122,031,845	52,955,248
Financial liabilities:				
Due to banks	28,475,932	-	28,475,932	-
Due to customers	100,136,570	-	100,136,570	-
Corporate bonds issued	13,235,587	-	13,235,587	-
Other liabilities	18,652,820	-	10,045,063	8,607,757
Derivative liabilities	383,526	-	-	383,526
	160,884,436	-	151,893,153	8,991,283

Notes to the Financial Statements
For the year ended 31 December 2021

Bank	31 December 2020			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	43,690,655	-	-	43,690,655
Due from other banks	22,233,202	-	11,035,369	11,197,833
Loans and advances to customers	55,589,727	-	55,589,727	-
Financial assets at FVTPL	1,379,915	-	1,379,915	-
Investment securities:				
- Fair value through OCI	26,986,180	-	25,663,596	1,322,584
- Amortised cost	7,583,938	-	7,583,938	-
Pledged assets - Fair Value through OCI	16,742,200	-	16,742,200	-
Other assets	2,815,372	-	-	2,815,372
Deposit with Nigeria Stock exchange	-	-	-	-
Derivatives assets	417,669	-	-	417,669
	177,438,859	-	117,994,744	59,444,114
Financial liabilities:				
Due to banks	28,475,932	-	28,475,932	-
Due to customers	100,137,825	-	100,137,825	-
Corporate bonds issued	13,235,587	-	13,235,587	-
Other liabilities	15,774,191	-	10,045,063	5,729,128
Derivative liabilities	383,526	-	-	383,526
	158,007,061	-	151,894,407	6,112,654

Exposure to market risk – trading portfolios

The principal tools used to measure and control market risk exposure within the Group's trading portfolios are the position and loss limits. Specific limits have been set on overall position, individual security and losses to prevent undue exposure. Risk Management and Control Group ensures that these limits and triggers are adhered to by the Group.

The Group traded in the following financial instruments in the course of the year:

- Treasury Bills
- Bonds (Spot and Repo transactions)
- Money market products
- Foreign exchange products

4.4b Bond Price Sensitivity

The Group carried out the following in determining sensitivity of its profit to fluctuations in market prices of bonds:

- Daily bond prices were obtained and trended for the different series of bonds in issue as at the reporting date.
- A reasonably possible change was determined from one year daily fluctuation in bond prices which indicates that significant proportion of changes in price falls within the range of ± ₦1.
- The chosen reasonable change in market prices was then applied to the Group's bond trading portfolio as at end of the period.

As at 31 December 2021, the Group had ₦3.27b in its trading position (2020: ₦1.75b). If the price of instruments designated as financial assets held at fair value through profit or loss increased or decreased by 100bps with all variables held constant, the impact on potential profit or loss would be as shown in the table below:

12 months to 31 December 2021

	Group		Bank	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	32,775	22,943	32,775	22,943
Decrease	(32,775)	(22,943)	(32,775)	(22,943)

12 months to 31 December 2020

	Group		Bank	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	17,484	12,239	13,795	9,657
Decrease	(17,484)	(12,239)	(13,795)	(9,657)

4.4c Treasury Bills Discount Rate Sensitivity

The Group carried out the following in determining sensitivity of its profit to fluctuations in market discount rates of treasury bills:

- Daily market discount rates were obtained and trended for the different maturities of treasury bills in issue as at the reporting date.
- A reasonably possible change was determined from one year daily fluctuation in discount rates of treasury bills. The exercise indicates that a significant proportion of changes in discount rates falls in the range of +/- 100 basis points.
- A ±100 basis points fluctuation in market discount rates was applied to the Group's treasury bills trading portfolio as at end of the period to determine the impact on its profit or loss position.

As at 31 December 2021, if discount rates on treasury bills increased or reduced by 100 basis points with all other variables held constant, the potential profit or loss would be as shown below;

	12 months to 31 December 2021		12 months to 31 December 2020	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	15,106	10,574	4	3
Decrease	(15,106)	(10,574)	(4)	(3)

Financial Instruments held through other comprehensive income (OCI)

The Group carried out the following in determining the sensitivity of its financial instruments position to fluctuations in market yields of financial instruments fair valued through OCI:

- Daily bond prices and treasury bills discount rates within the period were obtained, to determine actual volatility levels recorded.
- ±100 basis point and ± 300 basis point changes in market yields of bonds and treasury bills respectively were applied to the Group's holdings in bonds and treasury bills as at end of the period to determine the impact on the Group's Other Comprehensive Income (OCI) position.

Bonds held through OCI

Group	12 months to 31 December 2021		12 months to 31 December 2020	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	145,418	101,792	95,886	67,120
Decrease	(145,418)	(101,792)	(95,886)	(67,120)

Notes to the Financial Statements
For the year ended 31 December 2021

Treasury Bills held through OCI

Group	12 months to 31 December 2021		12 months to 31 December 2020	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	395,488	276,841	342,176	239,523
Decrease	(395,488)	(276,841)	(342,176)	(239,523)

Bonds held through OCI

Bank	12 months to 31 December 2021		12 months to 31 December 2020	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	132,205	92,543	81,882	57,317
Decrease	(132,205)	(92,543)	(81,882)	(57,317)

Treasury Bills held through OCI

Bank	12 months to 31 December 2021		12 months to 31 December 2020	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	395,488	276,841	342,176	239,523
Decrease	(395,488)	(276,841)	(342,176)	(239,523)

4.4d Liquidity Risk

Liquidity risk is the potential inability of the Group to meet its obligations as at when due. This includes the inability to quickly liquidate its assets with minimal loss in value.

4.4e Management of Liquidity Risk

A brief overview of the Group's liquidity management processes includes the following:

- Maintenance of minimum levels of liquid and marketable securities above the regulatory requirement of 20%. The Group has set for itself more conservative in-house limits above this regulatory requirement to which it adheres.
- Monitoring of its historical cash flows to ascertain in/outflow trends. The Group also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Group.
- Regular measurement and monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits.
- Monitoring of deposit concentration, and ensuring diversification of its funding sources.
- Use of a Management authorisation process for purchases of financial instrument held as other comprehensive income and held at amortised cost (AC) portfolios.
- Maturity gap analysis.
- Maintaining a contingency funding plan with committed funding lines established with specific financial institution(s).

The Group's Asset and Liability Committee (ALCO) is charged with the responsibility of managing the Group's liquidity position. This position is monitored daily, while stress tests covering a variety of scenarios are regularly conducted. All liquidity risk management policies and procedures are subject to review and approval by Board.

A key measure used by the Group in controlling its liquidity risk is the ratio of liquid assets to deposits liabilities. Details of the Group's ratio of net liquid assets to deposit liabilities were as follows:

	Dec 2021	Dec 2020
At end of period	42.41%	64.42%
Average for the period	43.52%	51.35%
Maximum for the period	59.76%	70.73%
Minimum for the period	16.71%	15.98%

The regulatory benchmark given by CBN for merchant Banks during the year was 20% and the Group was well above this threshold throughout the year ended 31 December 2021.

4.4f Contractual Maturity of Financial Assets and Liabilities

The following tables show the undiscounted cash flows on the Group's financial statement assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial assets and liabilities:

Group	31 December 2021						
	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Cash and balances with CBN	38,118,585	38,118,585	38,118,585	-	-	-	-
Due from other banks	14,905,839	14,905,839	14,905,839	-	-	-	-
Loans and advances to customers	76,689,597	76,689,597	28,084,433	13,840,531	8,753,242	13,960,372	12,051,018
Financial assets at FVTPL	6,154,032	6,154,032	1,469,605	1,579,041	53,206	338,657	2,713,523
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	43,601,118	43,601,118	7,278,431	24,150,456	500	3,539,175	8,632,556
- Amortised cost	0	-	-	-	-	-	-
Pledged assets	12,593,933	12,593,933	12,593,933	-	-	-	-
Other assets	5,355,113	5,355,113	5,355,113	-	-	-	-
Derivative assets	361,693	361,693	361,693	-	-	-	-
	197,779,909	197,779,909	108,167,631	39,570,028	8,806,948	17,838,204	23,397,098
Financial liabilities							
Due to Banks	9,837,048	9,837,048	9,837,048	-	-	-	-
Due to customers	119,432,839	119,432,839	112,510,058	6,922,781	-	-	-
Corporate bond issued	13,233,425	13,233,425	-	5,233,425	-	-	8,000,000
Other liabilities	28,496,201	28,496,201	7,795,306	20,700,895	-	-	-
Derivative liabilities	354,877	354,877	354,877	-	-	-	-
	171,354,390	171,354,390	130,497,289	32,857,101	-	-	8,000,000
Liquidity gap	26,425,519	26,425,519	(22,329,658)	6,712,927	8,806,948	17,838,204	15,397,098

Notes to the Financial Statements
For the year ended 31 December 2021

4.4f Contractual Maturity of Financial Assets and Liabilities continued

Bank	31 December 2021						
	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Cash and balances with CBN	38,118,585	38,118,585	38,118,585	-	-	-	
Due from other banks	12,006,567	12,006,567	12,006,567	-	-	-	
Loans and advances to customers	76,589,248	76,589,248	27,984,085	13,840,531	8,753,242	13,960,372	12,051,018
Financial assets at FVTPL	4,788,062	4,788,062	1,502,429	1,579,041	53,206	338,657	1,314,729
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	41,810,273	41,810,273	5,487,586	24,150,456	500	3,539,175	8,632,556
- Amortised cost	-	-	-	-	-	-	-
Pledged assets	12,593,933	12,593,933	12,593,933	-	-	-	-
Other assets	4,361,595	4,361,595	4,361,595	-	-	-	-
Derivative assets	361,693	361,693	361,693	-	-	-	-
	190,629,956	190,629,956	102,416,472	39,570,028	8,806,948	17,838,204	21,998,303
Financial liabilities							
Due to Banks	9,837,048	9,837,048	9,837,048	-	-	-	-
Due to customers	119,777,398	119,777,398	112,854,617	6,922,781	-	-	-
Corporate bond issued	13,233,425	13,233,425	-	5,233,425	-	-	8,000,000
Other liabilities	26,475,958	26,475,958	7,804,254	18,671,705	-	-	-
Derivative liabilities	354,877	354,877	354,877	-	-	-	-
	169,678,706	169,678,706	130,850,796	30,827,911	-	-	8,000,000
Liquidity gap	20,951,250	20,951,249	(28,434,324)	8,742,118	8,806,948	17,838,204	13,998,303

4.4f Contractual Maturity of Financial Assets and Liabilities continued

Group	31 December 2020						
	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Cash and balances with CBN	43,690,655	43,690,655	43,690,655	-	-	-	-
Due from other banks	25,718,491	25,718,491	25,718,491	-	-	-	-
Loans and advances to customers	55,689,216	57,118,716	7,366,067	16,847,953	9,194,614	23,710,082	-
Financial assets at FVTPL	1,910,800	1,910,800	530,885	514,527	19,062	68,183	778,143
Investment securities	-	-	-	-	-	-	
- Fair value through OCI	29,041,247	29,041,247	25,837,492	-	1,335,712	1,868,044	-
- Amortised cost	7,583,938	7,583,938	-	-	5,475,040	2,108,898	-
Pledged assets - FVOCI	16,742,200	16,742,200	16,742,200	-	-	-	-
Other assets	6,627,396	6,627,400	6,627,396	-	-	-	-
Derivative assets	417,669	417,669	391,670	25,999	-	-	-
	187,421,612	188,851,116	126,904,856	17,388,479	16,024,427	27,755,207	778,143
Financial liabilities							
Due to Banks	28,475,932	28,475,932	28,475,932	-	-	-	-
Due to customers	100,136,570	100,136,570	80,798,111	19,338,459	-	-	-
Other liabilities	31,878,608	31,878,608	8,597,957	-	12,735,481	208,878	10,336,291
Derivative liabilities	383,526	383,526	357,527	25,999	-	-	-
	160,874,636	160,874,636	118,229,527	19,364,458	12,735,481.45	208,878.15	10,336,291
Liquidity gap	26,546,977	27,976,480	8,675,329	(1,975,979)	3,288,946	27,546,328	(9,558,148)

Notes to the Financial Statements
For the year ended 31 December 2021

4.4f Contractual Maturity of Financial Assets and Liabilities continued

Bank	31 December 2020						
	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Cash and balances with CBN	43,690,655	43,690,655	43,690,655	-	-	-	-
Due from other banks	22,233,202	22,233,202	22,233,202	-	-	-	-
Loans and advances to customers	55,589,727	57,019,554	7,358,468	16,756,390	9,194,614	23,710,082	-
Financial assets at FVTPL	1,379,915	1,379,915	-	514,527	19,062	68,183	778,143
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	26,986,180	26,986,180	19,936,532	-	1,335,712	1,868,044	3,845,893
- Amortised cost	7,583,938	7,583,938	7,583,938	-	-	-	-
Pledged assets - FVOCI	16,742,200	16,742,200	16,742,200	-	-	-	-
Other assets	5,265,056	5,265,058	5,265,058	-	-	-	-
Derivative assets	417,669	417,669	391,670	25,999	-	-	-
	179,888,543	181,318,371	123,201,723	17,296,916	10,549,387	25,646,309	4,624,036
Financial liabilities							
Due to Banks	28,475,932	28,475,932	28,475,932	-	-	-	-
Due to customers	100,137,825	100,137,825	80,799,366	19,338,459	-	-	-
Other liabilities	28,999,979	28,999,979	5,719,328	-	12,735,481	208,878	10,336,291
Derivative liabilities	383,526	383,526	357,527	25,999	-	-	-
	157,997,261	157,997,261	115,352,153	19,364,458	12,735,481.45	208,878.15	10,336,291
Liquidity gap	21,891,281	23,321,109	7,849,570	(2,067,542)	(2,186,094)	25,437,431	(5,712,255)

Notes to the Financial Statements
For the year ended 31 December 2021

4.4g Repricing Period of Financial Assets and Liabilities

Repricing maturities take into account the fact that terms of the underlying financial assets or liabilities of the Group can be varied, which in turn affects its liquidity exposure. The table below indicates the earliest time the Group can vary the terms of the underlying financial asset or liabilities and analyses the Group's interest rate risk exposure on assets and liabilities included at carrying amount and categorised by the earlier of the contractual re-pricing or maturity dates.

Group	31 December 2021						
	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Due from other banks	14,905,839	14,905,839	14,905,839	-	-	-	-
Loans and advances to customers	76,689,597	76,689,597	28,084,433	13,840,531	8,753,242	13,960,372	12,051,018
Financial assets at FVTPL	6,154,032	6,154,032	1,469,605	1,579,041	53,206	338,657	2,713,523
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	43,601,118	43,601,118	7,278,431	24,150,456	500	3,539,175	8,632,556
- Amortised cost	-	-	-	-	-	-	-
Pledged assets	12,593,933	12,593,933	12,593,933	-	-	-	-
Derivative assets	361,693	361,693	361,693	-	-	-	-
	154,306,211	154,306,211	64,693,933	39,570,028	8,806,948	17,838,204	23,397,098
Financial liabilities							
Due to Banks	9,837,048	9,837,048	9,837,048	-	-	-	-
Deposit from customers	119,432,839	119,432,839	112,510,058	6,922,781	-	-	-
Corporate bond issued	13,233,425	13,233,425	-	5,233,425	-	-	8,000,000
Other liabilities	28,496,201	28,496,201	7,795,306	20,700,895	-	-	-
Derivative liabilities	354,877	354,877	354,877	-	-	-	-
	171,354,390	171,354,390	130,497,289	32,857,101	-	-	8,000,000
Repricing gap	(17,048,179)	(17,048,179)	(65,803,356)	6,712,927	8,806,948	17,838,204	15,397,098

Notes to the Financial Statements
For the year ended 31 December 2021

4.4g Repricing Period of Financial Assets and Liabilities continued

Bank	31 December 2021						
	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Due from other banks	12,006,567	12,006,567	12,006,567	-	-	-	-
Loans and advances to customers	76,589,248	76,589,248	27,984,085	13,840,531	8,753,242	13,960,372	12,051,018
Financial assets at FVTPL	4,788,062	4,788,062	1,502,429	1,579,041	53,206	338,657	1,314,729
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	41,810,273	41,810,273	5,487,586	24,150,456	500	3,539,175	8,632,556
- Amortised cost	-	-	-	-	-	-	-
Pledged assets	12,593,933	12,593,933	12,593,933	-	-	-	-
Derivative assets	361,693	361,693	361,693	-	-	-	-
	148,149,776	148,149,776	59,936,292	39,570,028	8,806,948	17,838,203	21,998,303
Financial liabilities							
Due to Banks	9,837,048	9,837,048	9,837,048	-	-	-	-
Deposit from customers	119,777,398	119,777,398	112,854,617	6,922,781	-	-	-
Corporate bond issued	13,233,425	13,233,425	-	5,233,425	-	-	8,000,000
Other liabilities	26,475,958	26,475,958	7,804,254	18,671,705	-	-	-
Derivative liabilities	354,877	354,877	354,877	-	-	-	-
	169,678,706	169,678,706	130,850,796	30,827,911	-	-	8,000,000
Repricing gap	(21,528,930)	(21,528,930)	(70,914,503)	8,742,118	8,806,948	17,838,203	13,998,303

4.4g Repricing Period of Financial Assets and Liabilities continued

Group	31 December 2020						
	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Due from other banks	25,718,491	25,718,491	25,718,491	-	-	-	-
Loans and advances to customers	55,689,216	57,118,716	7,366,067	16,847,953	9,194,614	23,710,082	-
Financial assets at FVTPL	1,910,800	1,910,800	530,885	514,527	19,062	68,183	778,143
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	29,041,247	29,041,247	25,837,492	-	1,335,712	1,868,044	-
- Amortised cost	7,583,938	7,583,938	-	-	5,475,040	2,108,898	-
Pledged assets	16,742,200	16,742,200	16,742,200	-	-	-	-
Derivative assets	417,669	417,669	391,670	25,999	-	-	-
	137,103,561	138,533,061	76,586,805	17,388,479	16,024,427	27,755,207	778,143
Financial liabilities							
Due to Banks	28,475,932	28,475,932	28,475,932	-	-	-	-
Deposit from customers	100,136,570	100,136,570	80,798,111	19,338,459	-	-	-
Other liabilities	31,878,608	31,878,608	8,597,957	-	12,735,481	208,878	10,336,291
Derivative financial liabilities	383,526	383,526	357,527	25,999	-	-	-
	160,874,636	160,874,636	118,229,527	19,364,458	-	-	-
Repricing gap	(23,771,075)	(22,341,575)	(41,642,722)	(1,975,979)	16,024,427	27,755,207	778,143

4.4g Repricing Period of Financial Assets and Liabilities continued

Bank				31 December 2020			
	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Due from other banks	22,233,202	22,233,202	22,233,202	16,756,390	-	-	-
Loans and advances to customers	55,589,727	57,019,554	7,358,468	514,527	9,194,614	23,710,082	-
Financial assets at FVTPL	1,379,915	1,379,915	-	-	19,062	68,183	778,143
Investment securities	-	-	-	-	-	-	-
- Fair value through OCI	26,986,180	26,986,180	19,936,532	-	1,335,712	1,868,044	3,845,893
- Amortised cost	7,583,938	7,583,938	-	-	5,475,040	2,108,898	-
Pledged assets	16,742,200	7,583,938		25,999	-	5,475,040	2,108,898
Derivative assets	417,669	417,669	391,670	17,296,916	-	-	-
	130,932,831	123,204,395	49,919,872		16,024,427	33,230,247	6,732,933
Financial liabilities							
Due to Banks	28,475,932	28,475,932	28,475,932	19,338,459	-	-	-
Deposit from customers	100,137,825	100,137,825	80,799,366	-	-	-	-
Other liabilities	28,999,979	28,999,979	5,719,328	25,999	12,735,481	208,878	10,336,291
Derivative financial liabilities	383,526	383,526	357,527	19,364,458	-	-	-
	157,997,261	157,997,261	115,352,153	(2,067,542)	-	-	-
Repricing gap	(27,064,430)	(34,792,866)	(65,432,281)	(1,975,979)	16,024,427	33,230,247	6,732,933

5.0 Credit Risk

The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives, as contained in the Risk Assets Acceptance Criteria (RAAC) and Credit Risk Policy, are:

- maintenance of an efficient risk assets portfolio;
- adequately diversify the Group's risk assets and minimise concentration risk;
- institutionalisation of sound credit culture in the Group; and
- achieve consistent and continuous income stream for the Group.

The risk assets creating units – Fixed Income and currency trading Division and Corporate Grouping Division - are required to implement all credit policies and procedures in line with the approval limits granted by the Board. The business units are responsible for the quality and performance of their risk assets portfolio and for monitoring and controlling all credit risks in their portfolio. Internal Audit undertakes regular audits of business units, while the Risk Management and Control Group carries out regular credit quality reviews.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: limits per obligor, industry/sector and maturity bucket. Sector and maturity limits reflect the risk appetite of the Group. Credit risks arising on trading securities is managed independently, but reported as a component of market risk exposure.

5.1a Management of Credit Risk

The Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee. Management Credit & Underwriting Committee (MCUC), is responsible for oversight of the Bank's credit risk, including:

· Formulating credit policies for the Group, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Executive Committee and the Board Credit Committee/Board of Directors as appropriate.
- Reviewing and assessing credit risk in all credit exposures prior to making commitment to customers. Renewals and reviews of facilities are subject to the same review process.
- Developing and maintaining the Bank's criteria for categorising exposures, and to focus management on the attendant risks. The criteria as contained in the Risk Assets Acceptance Criteria (RAAC) and Credit Risk Policy takes care of exposures to Banks and related regulated institutions, and large quoted corporates, conglomerates and multinationals. The responsibility for approving and reviewing the Risk Assets Acceptance Criteria and Credit Risk Policy lies with the Board Credit Committee.
- Reviewing compliance of with exposure and concentration limits, and promotion of best practices throughout the Group in the management of credit risk.

5.1b Credit Risk Measurement

The Group undertakes lending activities after careful analysis of the borrowers' general character, capacity to repay, cash flow, credit history, organisational/management quality, financial condition, market position, business operations, industry and other factors. The Group acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as a result, applies different parameters to adequately dimension the risks in each business segments.

The Bank currently adopts Moody's Analyst risk rating model for its assessment of obligor risk rating and Bank's rating grades as defined by its Risk Assets Acceptance Criteria (RAAC) deals with all credit risk counterparties, covering all the Bank's credit exposure to corporate, commercial, conglomerates and multinationals. It however excludes Banks and other financial institutions regulated by Central Bank of Nigeria (CBN). Obligor rating in the Group is handled by Relationship Managers with further review by Risk Management and Control before it goes through the approval process.

The relationship between the Group's category rating system and the Moody's rating system is shown below:

Moody's rating	Category	Description	Characteristics
AAA	A	Excellent-Very Low Credit Risk	• Highest investment quality • Lowest expectation of default risk • Exceptionally strong capacity for timely payment of financial commitments • Capacity is highly unlikely to be adversely affected by unforeseeable events • Top multinationals / corporations • Strong equity and assets • Good track record • Strong cash flows
AA+ AA AA-	B	Good Credit Risk Quality	• Very good investment quality • Very low expectation of default risk • Very strong capacity for timely payment of financial commitments • Capacity is not significantly vulnerable to unforeseeable events. • Typically large corporates in stable industries and with significant market share • Very strong balance sheets with high liquid assets
A+ A A-	C	Above Average Credit Risk Quality	• Above Average quality • Low expectation of default risk. • Capacity for timely payment of financial commitments is considered adequate • Adverse changes in circumstances and in economic conditions is more likely to impair capacity for payment • Typically in stable industries • Strong debt repayment capacity and coverage • Good asset quality and liquidity position • Very good management

5.1b Credit Risk Measurement continued

Moody's rating	Category	Description	Characteristics
BBB+ BBB BBB-	D	Average Credit Risk Quality	• Average credit quality • Possibility of default risk developing, particularly as the result of adverse economic changes over time • Category is acceptable as business or financial alternatives may be available to allow financial commitments to be met • Good character of owner • Good management but depth may be an issue • Typically good companies in cyclical industries
BB+ BB BB-	E	Below Average Credit Risk	• Below average risk quality • High probability of partial loss • Financial condition is weak but obligations are still being met as and when they fall due • Adverse changes in the environment will increase risk significantly • Very weak credit fundamentals which make full debt repayment in serious doubt • Bleak economic prospects • Lack of capacity to repay unsecured debt

The Group's operational measurements for credit risk are in conformity with the impairment allowances required under the applicable reporting standard - IFRS 9, and are based on losses that are expected at the date of the statement of financial position, that is the expected credit losses (ECL).

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the probability of defaults cashflow projections and collaterals pledged by counterparties.

The Group has developed ECL models to support the quantification of the credit risk. The model is in use for all key credit portfolios and form the basis for measuring impairment. In measuring credit risk of loan and advances at a counterparty level, the Group considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure At Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

5.2 Risk Limit Control and Mitigation Policies

FBNQuest Merchant Banking Group applies limits to control credit risk concentration and ensure proper diversification of its risk assets portfolio. The Group maintains limits for individual obligors, sectors and maturities/tenors.

The Group's internal single obligor limit which is set at a maximum of 35% of the its shareholders' funds (SHF), is within the stipulated regulatory single obligor limit currently prescribed at 50% of the Group's shareholders' funds. Although the Group is guided by its internal single obligor rating regulatory limit, it also applies additional parameters internally in determining the suitable limits that a single borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players, financial analysis, etc.

The Group, based on guidelines set by the regulators, imposes industry/economic sector limits to guide against concentration risk. The industry/sector limits are arrived at after rigorous analysis of the risks inherent in the industry or economic sector. The limits are usually recommended by the Risk Management and Control Group and approved by the Board.

The Group also imposes limits on the maturity buckets of the risk assets portfolio. The maturity bucket limits are a reflection of the risk appetite and liquidity profile of the Group. During the year, limits can be reviewed and realigned (outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events.

FBNQuest Merchant Bank also sets internal credit approval limits in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities. The current risk assets approval limits are as follows:

Approving Authority	Approval Limit
Board of Directors	No Limit but subject to regulatory limit
Board Credit Committee (BCC)	1. To note all non cash-collateralised credit facilities up to ₦1.5bn approved by the Management Credit & Underwriting Committee (MCUC). 2. To approve all non cash-collateralised credit facilities of between ₦1.5bn and ₦6.5bn. 3. To approve all non cash-collateralised credit facilities above ₦6.5bn. Such approvals are to be subsequently presented to the full Board for ratification.
Management Credit & Underwriting Committee (MCUC)	1. To approve all non cash-collateralised credit facilities up to ₦1.5bn. 2. To approve all cash-collateralised limits.

The Bank ensures that each credit is reviewed and granted based on the strength of the borrowers' repayment capacity, measured by its cash flow. However, the Group also ensures its risk assets are well secured as a second way out strategy. The policies that guide collateral for facilities are embedded within the Bank's Credit Risk Policy.

FBNQuest Merchant Bank maintains placement lines for its Bank counterparties and other financial institutions regulated by the Central Bank of Nigeria (CBN). The lines cover the settlement risks inherent in the Bank's activities with these counterparties. The limits are arrived at after conducting fundamental analysis of the counterparties, presentation of findings to, and approval by the Board. The lines are implemented by the Fixed income and currency trading group and monitored by the Risk Management and Control Group. Intergroup placement limits are also guided by the regulatory single obligor limit, which currently is 50% of the Bank's shareholders' funds.

5.3 Maximum Exposure to Credit Risk

The Group's credit risk exposures relating to on-balance sheet assets are as follows:

Classification

	Maximum exposure			
	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	**38,118,585**	43,690,655	**38,118,585**	43,690,655
Due from other banks	**14,905,839**	25,718,491	**12,006,567**	22,233,202
Loans and advances to customers	**76,689,597**	55,689,216	**76,589,248**	55,589,727
Financial assets at FVTPL	**6,154,032**	1,910,800	**4,788,062**	1,379,915
Investment securities				
- Fair value through OCI	**43,601,118**	29,041,247	**41,810,273**	26,986,180
- Amortised cost	**-**	7,583,938	**-**	7,583,938
Pledged assets - Fair Value through OCI	**12,593,933**	16,742,200	**12,593,933**	16,742,200
Other assets	**5,355,113**	6,627,396	**4,361,595**	5,265,056
Derivative financial assets	**361,693**	417,669	**361,693**	417,669
	197,779,909	187,421,612	**190,629,956**	179,888,543
Loans exposure to total exposure	**52.15%**	43.85%	**54.74%**	46.54%
Debt securities exposure to total exposure	**33.83%**	30.35%	**33.30%**	30.09%
Other exposures to total exposure	**14.02%**	25.80%	**11.96%**	23.37%
Commitments and guarantees				
Performance bonds and guarantees	**8,850,578**	3,672,420	8,850,578	3,672,420
Letters of credits	**20,072,576**	11,884,579	20,072,576	11,884,579
Total commitments and guarantees	**28,923,154**	15,556,999	28,923,154	15,556,999

Balances included in other assets above are those subject to credit risks. Items not subject to credit risk have been excluded. The table above shows a worse-case scenario of credit risk exposures to the Group at 31 December 2021 and 31 December 2020 without taking into consideration any of the collateral held or other credit enhancements attached, if any. The exposures set out above are based on gross amounts as reported in the statement of financial position.

As shown above, 52.15% of the Group's total maximum exposures are derived from loans exposure (2020: 43.85%), while 33.83% of the Group's total maximum exposures represents exposures to debt securities (2020: 30.35%). The directors are confident in their ability to continue to control exposure to credit risk which can result from both its risk assets portfolio and debt securities.

5.4 Credit Risk Concentration

IFRS 7 requires disclosures about concentrations of risk. Concentration of risk arises from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. This information has been provided along geographical areas and economic sectors.

5.5 Geographical Concentration of Risks of Financial Assets with Credit Risk Exposure

The following table breaks down the Group's credit exposure (without taking into account any collateral held or other credit support), as categorised by geographical region as at the reporting date. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

Group	31 December 2021		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	38,118,585	-	38,118,584
Due from other banks	8,487,473	6,418,366	14,905,839
Loans and advances to customers	76,689,597	-	76,689,597
Financial assets at FVTPL	6,154,032	-	6,154,032
Investment securities:			
- Fair value through OCI	43,601,118	-	43,601,118
- Amortised cost	-	-	-
Pledged assets - FVOCI	12,593,933	-	12,593,933
Other assets	5,355,113	-	5,355,113
Derivative assets	361,693	-	361,693
	191,361,543	6,418,366	197,779,909
Commitments and guarantees			
Performance bonds and guarantees	8,850,578	-	8,850,578
Letters of credits	20,072,576	-	20,072,576
Total commitments and guarantees	28,923,154	-	28,923,154

5.5 Geographical Concentration of Risks of Financial Assets with Credit Risk Exposure continued

Bank	31 December 2021		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	38,118,585	-	38,118,585
Due from other banks	5,590,818	6,415,750	12,006,567
Loans and advances to customers	76,589,248	-	76,589,248
Financial assets at FVTPL	4,788,062	-	4,788,062
Investment securities:			
- Fair value through OCI	41,810,273	-	41,810,273
- Amortised cost	-	-	-
Pledged assets - FVOCI	12,593,933	-	12,593,933
Other assets	4,361,595	-	4,361,595
Derivative assets	361,693	-	361,693
	184,214,206	6,415,750	190,629,956
Commitments and guarantees			
Performance bonds and guarantees	8,850,578	-	8,850,578
Letters of credits	20,072,576	-	20,072,576
Total commitments and guarantees	28,923,154	-	28,923,154

Group	31 December 2020		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	43,690,655	-	43,690,655
Due from other banks	24,145,605	1,572,886	25,718,491
Loans and advances to customers	55,689,216	-	55,689,216
Financial assets at FVTPL	1,910,800	-	1,910,800
Investment securities:			
- Fair value through OCI	29,041,247	-	29,041,247
- Amortised cost	7,583,938	-	7,583,938
Pledged assets - FVOCI	16,742,200	-	16,742,200
Other assets	6,627,396	-	6,627,396
Derivative assets	417,669	-	417,669
	185,848,726	1,572,886	187,421,612
Commitments and guarantees			
Performance bonds and guarantees	3,672,420	-	3,672,420
Letters of credits	11,884,579	-	11,884,579
Total commitments and guarantees	15,556,999	-	15,556,999

5.5 Geographical Concentration of Risks of Financial Assets with Credit Risk Exposure continued

Bank	31 December 2020		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	43,690,655	-	43,690,655
Due from other banks	20,660,316	1,572,886	22,233,202
Loans and advances to customers	55,589,727	-	55,589,727
Financial assets at FVTPL	1,379,915	-	1,379,915
Investment securities:			
- Fair value through OCI	26,986,180	-	26,986,180
- Amortised cost	7,583,938	-	7,583,938
Pledged assets - FVOCI	16,742,200	-	16,742,200
Other assets	5,265,056	-	5,265,056
Derivative assets	417,669	-	417,669
	178,315,657	1,572,886	179,888,543
Commitments and guarantees			
Performance bonds and guarantees	3,672,420	-	3,672,420
Letters of credits	11,884,579	-	11,884,579
Total commitments and guarantees	15,556,999	-	15,556,999

Notes to the Financial Statements
For the year ended 31 December 2021

5.6 Industry/sectoral Exposure to Credit Risk

The Group's credit risk exposures at carrying amounts (without taking into account any collateral held or other credit support, if any), to the various industries or sectors of the Nigerian economy as follows:

Classification

Group	31 December 2021									
	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	38,118,585	-	-	-	-	38,118,585
Due from other banks	-	-	-	14,905,839	-	-	-	-	-	14,905,839
Loans and advances to customers	2,916,371	7,756,547	2,793,729	2,491,348	-	23,936,340	1,001,691	25,805,044	9,988,527	76,689,597
Financial assets at fair value through profit or loss	-	-	-	-	6,154,032	-	-	-	-	6,154,032
Investment securities- Fair value through OCI	-	-	-	1,959,547	36,548,150	-	-	-	5,093,421	43,601,118
Investment securities- Amortised cost	-	-	-	-	-	-	-	-	-	-
Pledged assets	-	-	-	-	12,593,933	-	-	-	-	12,593,933
Other assets	-	-	-	-	-	-	-	-	5,355,113	5,355,113
	2,916,371	7,756,547	2,793,729	19,356,733	93,414,700	23,936,340	1,001,691	25,805,044	20,437,061	197,418,217
Commitments and guarantees										
- Performance bonds and guarantees	-	-	-	-	-	5,940,933	-	2,804,845	104,800	8,850,578
- Letters of credits	125,503						982,176	15,846,476	3,118,419	20,072,576
	125,503	-	-	-	-	5,940,933	982,176	18,651,321	3,223,219	28,923,154

5.6 Industry/sectoral Exposure to Credit Risk continued

Classification

Bank 31 December 2021	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	38,118,585	-	-	-	-	38,118,585
Due from other banks	-	-	-	12,006,567	-	-	-	-	-	12,006,567
Loans and advances to customers	2,916,371	7,756,547	2,793,729	2,491,348	-	23,936,340	1,001,691	25,805,044	9,888,178	76,589,248
Financial assets at fair value through profit or loss	-	-	-	-	4,788,062	-	-	-	-	4,788,062
Investment securities- Fair value through OCI	-	-	-	1,634,959	36,403,188	-	-	-	3,772,126	41,810,273
Investment securities- Amortised cost	-	-	-	-	-	-	-	-	-	-
Pledged assets	-	-	-	-	12,593,933	-	-	-	-	12,593,933
Other assets	-	-	-	-	-	-	-	-	4,361,595	4,361,595
	2,916,371	7,756,547	2,793,729	16,132,874	91,903,768	23,936,340	1,001,691	25,805,044	18,021,899	190,268,263
Commitments and guarantees										
- Performance bonds and guarantees	-	-	-	-	-	5,940,933	-	2,804,845	104,800	8,850,578
- Letters of credits	125,503	-	-	-	-	-	982,176	15,846,476	3,118,419	20,072,576
	125,503	-	-	-	-	5,940,933	982,176	18,651,321	3,223,219	28,923,154

Group 31 December 2020	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	43,690,655	-	-	-	-	43,690,655
Due from other banks	-	-	-	25,718,491	-	-	-	-	-	25,718,491
Loans and advances to customers	-	7,311,889	4,864,201	2,244,907	-	20,734,040	141,432	18,637,765	1,754,981	55,689,215
Financial assets at fair value through profit or loss	-	-	-	-	1,910,795	-	-	-	-	1,910,795
Investment securities- Fair value through OCI	-	-	-	-	29,041,247	-	-	-	-	29,041,247
Investment securities- Amortised cost	-	-	-	-	7,583,938	-	-	-	-	7,583,938
Pledged assets	-	-	-	-	16,742,200	-	-	-	-	16,742,200
Other assets	-	-	-	-	-	-	-	-	4,997,452	4,997,452
	-	7,311,889	4,864,201	27,963,398	98,968,835	20,734,040	141,432	18,637,765	6,752,433	185,373,993
Commitments and guarantees										
- Performance bonds and guarantees	-	1,088,750	-	-	-	-	-	2,583,670	-	3,672,420
- Letters of credits	-	-	-	-	-	726,256	659,204	9,287,583	1,211,535	11,884,578
	-	1,088,750	-	-	-	726,256	659,204	11,871,253	1,211,535	15,556,998

5.6 Industry/sectoral Exposure to Credit Risk continued

Classification

Bank

31 December 2020

	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	43,690,656	-	-	-	-	43,690,656
Due from other banks	-	-	-	22,233,203	-	-	-	-	-	22,233,203
Loans and advances to customers	-	7,311,889	4,864,201	2,244,907	-	20,734,040	141,432	18,637,765	1,655,079	55,589,313
Financial assets at fair value through profit or loss	-	-	-	-	1,360,853	-	-	19,062	-	1,379,915
Investment securities- Fair value through OCI	-	-	-	1,322,584.45	19,461,666	-	-	5,482,279.80	-	26,986,180
Investment securities- Amortised cost	-	-	-	-	9,750,000	-	-	-	-	9,750,000
Pledged assets	-	-	-	-	16,742,200	-	-	-	-	16,742,200
Other assets	-	-	-	-	-	-	-	-	4,697,682	4,697,682
	-	7,311,889	4,864,201	25,800,694	91,005,374	20,734,040	141,432	24,139,107	6,352,761	181,069,148
Commitments and guarantees										
- Performance bonds and guarantees	-	1,088,750	-	-	-	-	-	2,583,670	-	3,672,420
- Letters of credits	-	-	-	-	-	726,256	659,204	9,287,583	1,211,535	11,884,578
	-	1,088,750	-	-	-	726,256	659,204	11,871,253	1,211,535	15,556,998

5.6a Credit Quality of Financial Assets using staging Classification/internal Rating

The credit quality of the financial assets of the Group have been assessed by reference to the staging policy adopted by the Group as follows::

Classification

Group	31 December 2021									
	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	2,923,017	7,765,119	2,811,255	2,497,114	-	24,028,344	906,558	21,793,142	9,955,249	72,679,799
Stage 2	-	-	-	-	-	-	-	4,387,672	-	4,387,672
Stage 3	-	1,262,507	-	-	-	-	207,831	-	90,925	1,561,263
	2,923,017	9,027,626	2,811,255	2,497,114	-	24,028,344	1,114,389	26,180,814	10,046,174	78,628,734

Bank	31 December 2021									
	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	2,923,017	7,765,119	2,811,255	2,497,114	-	24,028,344	906,558	21,793,142	9,854,902	72,579,451
Stage 2	-	-	-	-	-	-	-	4,387,672	-	4,387,672
Stage 3	-	1,262,507	-	-	-	-	207,831	-	90,925	1,561,263
	2,923,017	9,027,626	2,811,255	2,497,114	-	24,028,344	1,114,388	26,180,814	9,945,827	78,528,387

Group	31 December 2020									
	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	-	7,311,889	4,864,201	2,244,907	-	20,734,040	6,280	18,637,765	1,754,981	55,554,063
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	135,152	-	-	135,152
	-	7,311,889	4,864,201	2,244,907	-	20,734,040	141,432	18,637,765	1,754,981	55,689,215

Bank	31 December 2020									
	Agriculture ₦'000	Construction and Real Estate ₦'000	Information and Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	-	7,311,889	4,864,201	2,244,907	-	20,734,040	6,280	18,637,765	1,655,493	55,454,575
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	135,152	-	-	135,152
	-	7,311,889	4,864,201	2,244,907	-	20,734,040	141,432	18,637,765	1,655,493	55,589,727

5.7a IFRS 9: Expected Credit Losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument. An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rates.

5.7b Measurement of Expected Credit Losses

The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument. An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate. The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is multifactor and has three main categories:

- **Stage 1** – Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, The Bank recognise a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

- **Stage 2** – Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Bank measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the EIR multiplied by the gross carrying amount.

- **Stage 3** – Credit impaired. For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment.

5.7c Assessment of Significant Increase in Credit Risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is multifactor and has three main categories:

- quantitative element, a quantitative comparison of PD at the reporting date and PD at initial recognition

- qualitative elements;

- 'backstop' indicators.

For individually significant exposures such as corporate and commercial risk assets, the assessment is driven by the internal credit rating of the exposure and a combination of forward-looking information that is specific to the individual borrower and forward-looking information on the macro economy, commercial sector (to the extent such information has not been already reflected in the rating process). For other exposures, significant increases in credit risk is made on a collective basis that incorporates all relevant credit information, including forward-looking macroeconomic information. For this purpose, the Bank groups its exposures on the basis of shared credit risk characteristics.

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations, if any).

Write-off policy: The Bank writes off a risk asset or security balance (and any related allowances for impairment losses) when it determines that the risk assets or securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the full exposure. All write-offs are approved by the Board.

5.7d Categorisation of Loans and Advances to Customers

The table below analyses the bank's loans and advances to customers based on the categorisation of the loans and the allowances taken on them.

	31 December 2021					
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Stage 1	-	673,306	71,410,566	495,580	-	72,579,451
Stage 2	-	-	4,387,672	-	-	4,387,672
Stage 3	90,925	-	1,470,338	-	-	1,561,263
Gross	90,925	673,306	77,268,576	495,580	-	78,528,387
Less allowances for impairment						
Stage 1	-	1,800	181,098	4,520	-	187,419
Stage 2	-	-	359,065	-	-	359,065
Stage 3	17,450	-	1,375,205	-	-	1,392,655
Total allowance	17,450	1,800	1,915,368	4,520	-	1,939,138
Net loans and advances	73,475	671,505	75,353,208	491,059	-	76,589,248

5.7d Categorisation of Loans and Advances to Customers continued

	31 December 2020					
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Stage 1	-	530,056	55,039,104	-	-	55,569,160
Stage 2	-	-	-	-	-	-
Stage 3	41,762	-	1,450,807	-	-	1,492,569
Gross	41,762	530,056	56,489,911	-	-	57,061,729
Less allowances for impairment						
Stage 1	-	1,427	129,429	-	-	130,856
Stage 2	-	-	-	-	-	-
Stage 3	25,492	-	1,315,655	-	-	1,341,147
Total allowance	25,492	1,427	1,445,084	-	-	1,472,003
Net loans and advances	16,270	528,629	55,044,827	-	-	55,589,726

Notes to the Financial Statements
For the year ended 31 December 2021

5.8 Credit Quality

The Group manages the credit quality of loans and advances using the Moody's Analyst risk rating model for its assessment of obligor risk rating and Bank's internal rating grades as defined by its Risk Assets Acceptance Criteria (RAAC) policy. It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly.

i). Credit quality of loans and advances to customers classified by Internal Rating Grade

The credit quality of loans and advances that were in Stage 1 can be assessed by reference to the internal rating system adopted by the bank as follows:

	31 December 2021					
Internal Rating Grades	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
A	-	-	-	-	-	-
B	-	-	508,917	495,580	-	1,004,497
C	-	673,306	18,803,009	-	-	19,476,315
D	-	-	28,944,013	-	-	28,944,013
E	-	-	23,154,627	-	-	23,154,627
	-	673,306	71,410,566	495,580	-	72,579,451

	31 December 2020					
Internal Rating Grades	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
A	-	-	-	-	-	-
B	-	-	37,226	-	-	37,226
C	-	530,056	15,332,156	-	-	15,862,212
D	-	-	29,991,750	-	-	29,991,750
E	-	-	9,677,558	-	-	9,677,558
	-	530,056	55,038,690	-	-	55,568,746

5.8a Loans and Advances to Customers Classified as Stage 2

The breakdown of the gross amount of individually impaired loans and advances classified as Stage 2, along with the fair value of related collateral held by the bank as security, are as follows:

	31 December 2021					
Internal Rating Grades	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	-	-	4,387,672	-	-	4,387,672
Impairment	-	-	(359,065)	-	-	(359,065)
Net Amount	-	-	4,028,607	-	-	4,028,607
FV of collateral	-	-	2,305,523	-	-	2,305,523
Amount of under collateralisation	-	-	-	-	-	-

	31 December 2020					
Internal Rating Grades	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Net Amount	-	-	-	-	-	-
FV of collateral	-	-	-	-	-	-
Amount of under collateralisation	-	-	-	-	-	-

5.8b Loans and Advances to Customers Classified as Stage 3

The breakdown of the gross amount of individually impaired loans and advances classified as Stage 3, along with the fair value of related collateral held by the bank as security, are as follows:

	31 December 2021					
Internal Rating Grades	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	90,925	-	1,470,338	-	-	1,561,263
Impairment	(17,450)	-	(1,375,205)	-	-	(1,392,655)
Net Amount	73,475	-	95,133	-	-	168,608
FV of collateral	157,742	-	5,219,250	-	-	5,376,992
Amount of under collateralisation	-	-	-	-	-	-

5.8b Loans and Advances to Customers Classified as Stage 3 continued

	31 December 2020					
Internal Rating Grades	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	41,762	-	1,450,807	-	-	1,492,569
Impairment	(25,492)	-	(1,315,655)	-	-	(1,341,147)
Net Amount	16,270	-	135,152	-	-	151,422
FV of collateral	-	-	219,250	-	-	-
Amount of under collateralisation	-	-	-	-	-	-

5.9 Sensitivity of exposure at default to changes in loan loss impairment

Exposure at default (EAD) constitutes the total exposure amount that is subject to provisioning process and it includes EAD for on-balance sheet and off-balance sheet exposures according to IFRS 9. The latter exposure is weighted by CCF (the credit conversion factor). EAD is divided into current EAD and lifetime EAD.

a) Sensitivity of exposure at default - probability at default (PD)

As at 31 December 2021 if the probability of default increased or decreased by 10%, with all other variables (exposure at default and loss given default) held constant, the impact on impairment charge, which ultimately affects profit before tax and exposure at default, would have been as set out in the tables below:

Group	12 months to 31 December 2021		12 months to 31 December 2020	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	(167,413)	(117,189)	(148,555)	(103,989)
Decrease	167,413	117,189	148,555	103,989

Credit collateral

The Bank ensures that every risk asset is reviewed and granted based on the strength of the borrowers' cash flow. However, the Bank also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Bank's collateral policy. All collateral offered must have the following attributes:

- There must be good legal title
- The title must be easy to transfer
- It should be easy and relatively cheap to value
- The value should be appreciating or at least stable
- The security must be easy to sell.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Cash
- Treasury Bills/Bonds
- Charges over financial instruments such as debt securities and equities
- Bank guarantees
- Mortgages over landed properties.

The Bank ensures that every risk asset is reviewed and granted based on the strength of the borrowers' cash flow. However, the Bank also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Bank's collateral policy. All collateral offered must have the following attributes:

- There must be good legal title
- The title must be easy to transfer
- It should be easy and relatively cheap to value
- The value should be appreciating or at least stable
- The security must be easy to sell.

In order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

Summary of collaterals held against loans and advances to customers

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers is shown below:

Group	31 December 2021	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,670,279	5,376,992
Stage 2	4,387,672	2,305,523
Stage 1	72,579,451	103,458,766
	78,637,403	111,141,281

Notes to the Financial Statements
For the year ended 31 December 2021

Bank	31 December 2021	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,561,263	5,376,992
Stage 2	4,387,672	2,305,523
Stage 1	72,579,451	103,458,766
	78,528,387	111,141,281

Type of collateral	31 December 2021		
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000
Cash/Treasury bills	3,905,069	-	-
Government guarantee	-	-	5,000,000
Bank guarantee	5,800,000	-	-
Mortgage property	13,996,021	-	157,742
Asset Debentures	75,774,179	2,305,523	-
Asset Financed	-	-	219,250
Insurance & Receivables	3,983,498	-	-
	103,458,766	2,305,523	5,376,992

Group	31 December 2020	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,492,570	219,250
Stage 2	-	-
Stage 1	55,668,649	68,244,461
	57,161,219	68,463,711

Bank	31 December 2020	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,492,570	219,250
Stage 2	-	-
Stage 1	55,569,159	68,244,461
	57,061,729	68,463,711

Notes to the Financial Statements
For the year ended 31 December 2021

	31 December 2020		
Type of collateral	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000
Cash/Treasury bills	1,670,000	-	-
Bank guarantee	5,274,683	-	-
Mortgage property	12,836,580	-	-
Asset Debentures	48,463,199	-	-
Asset Financed	-	-	219,250
	68,244,462	-	219,250

Investment securities

The table below shows analysis of investment securities into the different classifications:

	31 December 2021			
	Investment securities-(Fair value through OCI) ₦'000	Investment securities -(Amortised cost) ₦'000	Investment securities -Financial assets at FVTPL ₦'000	Total ₦'000
Federal government bonds	6,004,408	-	3,086,727	9,091,136
Corporate bonds	5,093,421	-	190,780	5,284,201
Treasury bills	30,398,780	-	1,510,555	31,909,334
Others	-	-	1,365,971	1,365,971
Pledged assets	12,593,933	-	-	12,593,933
	54,090,542	-	6,154,033	60,244,575

	31 December 2020			
	Investment securities-(Fair value through OCI) ₦'000	Investment securities -(Amortised cost) ₦'000	Investment securities -Financial assets at FVTPL ₦'000	Total ₦'000
Federal government bonds	144,829	-	1,729,379	1,874,208
Corporate bonds	6,982,666	-	19,062	7,001,728
Treasury bills	19,936,532	-	400	19,936,932
Others	-	-	161,954	161,954
Pledged assets - Fair Value through OCI	16,742,200	-	-	16,742,200
	43,806,227	-	1,910,795	45,717,021

The group's investment in risk-free Government securities constitutes 89.08% of debt instruments portfolio (31 December 2020: 84.68%). Investment in corporate bond accounts for 8.59% (31 December 2020: 15.32%).

Notes to the Financial Statements
For the year ended 31 December 2021

5.10 Settlement Risk

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

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

5.11 Capital Management

The Bank's objectives in managing capital are (i) to comply with the capital requirements set by the Central Bank of Nigeria, (ii) to safeguard the group's ability to continue as a going concern and (iii) to maintain an optimal capital structure suitable for the group's business strategy.

The Bank is directly supervised by its regulator, the Central Bank of Nigeria (CBN), who sets and monitors capital requirements for the group. In 2015, CBN revised the Capital Adequacy Ratio (CAR) reporting template and existing guidance notes on regulatory capital, credit risk, market risk and operational risk disclosure requirement for Basel II implementation in the Industry. The Apex Bank directed all Nigerian Banks and Banking groups to re-compute capital adequacy ratio in line with the revised guidance notes. To this end, the Bank's Capital Adequacy Ratio (CAR) under Basel II has been re-computed in accordance to the new guidelines.

The CBN specifies approaches for quantifying the risk weighted assets for credit, market and operational risk for the purpose of determining regulatory capital. In compliance with CBN, the Bank adopted the Standardised Approach (SA) in determining capital charge for credit risk and market risk while capital charge for operational risk was determined using the Basic Indicator Approach (BIA).

The Bank's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the year.

5.11a Capital Adequacy Ratio

The capital adequacy ratio, which is the quotient of the capital base of the Bank's risk weighted asset base, has been computed using the Basel II implementation guidelines provided by the Central Bank of Nigeria (CBN). In accordance with extant Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

CAR is measured as:

$$\frac{\text{Total regulatory capital}}{\text{(Credit Risk Weighted Assets + Market Risk Weighted Assets + Operational Risk Weighted Assets)}}$$

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital includes ordinary share capital, share premium, retained earnings and statutory reserves. Intangible assets and deferred tax asset were also deducted from Tier I capital for capital adequacy purposes.

Tier 2 capital comprises fair value reserves.

The Bank complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

The Bank throughout the review period, operated above its targeted capitalisation range and well over the CBN mandated regulatory minimum of 10% for Merchant Banks. As at 31 December 2021, the Bank's capital adequacy ratio was 19.46% (31 December 2020: 25.43%).

5.11a Capital Adequacy Ratio continued

The following table shows the composition of regulatory capital and risk weighted assets for the Bank:

Capital adequacy ratio

	31 December 2021 ₦'000	31 December 2020 ₦'000
Tier 1 capital		
Share capital	4,301,577	4,301,577
Share premium	3,904,731	3,904,731
Retained earnings	12,228,029	12,694,799
Statutory reserve	8,708,745	8,610,990
Tier 1 capital before regulatory deduction	29,143,081	29,512,097
Regulatory deductions		
Deferred tax asset	9,113,548	9,113,548
Other intangible assets	122,107	197,499
Total regulatory deduction	(9,235,655)	(9,311,046)
Tier 1 capital after regulatory deductions	19,907,427	20,201,051
Other deductions		
Investment in Subsidiaries	1,217,129	1,313,329
Eligible Tier 1 Capital	18,690,298	18,887,722
Tier 2 capital		
Sub-ordinated debt	8,020,548	4,929,046
Fair value reserves	977,989	1,936,945
Total tier 2 capital	8,998,537	6,865,991
Eligible tier 2 capital	6,635,809	6,865,991
Total eligible capital	25,327,107	25,753,713
Risk-weighted assets		
Credit risk	106,102,780	78,422,592
Operational risk	20,129,730	20,813,826
Market risk	3,899,886	2,047,876
Total risk-weighted assets	130,132,396	101,284,294
Capital adequacy ratio	19.46%	25.43%
Tier 1 capital ratio	14.36%	19.94%

6 Critical Accounting Estimates and judgments

The preparation of the Group'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 liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and 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. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below.

These disclosures supplement the commentary on financial risk management (see notes 4 and 5).

(a) Key sources of estimation uncertainty

(i) Measurement of the expected credit loss allowance

The measurement of the expected credit loss(ECL) 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). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 3.26(ii), which also sets out the 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; Significant assumptions include the Probability of default (PD), Loss given default (LGD) and Discount rate.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of financial assets for the purposes of measuring ECL.

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument. An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

(ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy. Further disclosures on the Group's valuation methodology have been made on note 4.3(d). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 31.

(iv) Valuation of derivative contracts

The fair value of the Group's derivatives is determined by using valuation techniques. Inputs to the valuation models are all based on market conditions existing at the end of each reporting period. The Group has used interest rate parity method discounted for passage of time in the valuation of its foreign exchange derivative contracts. These derivative contracts are not traded in active markets.

(b) Critical accounting judgments in applying the Group's accounting policies

Critical accounting judgments made in applying the Group's accounting policies include:

(i) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 3.26.

(ii) Allowance for credit losses

Allowances for credit losses are calculated on debt instruments measured at amortised cost and fair value through OCI. In estimating credit losses, the Group considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default -PD) , the portion of the loan expected to be irrecoverable at the time of loan default (loss given default - LGD) and expected amount that is outstanding at the point of default.

(iii) Determination of exchange rate used for translation

The Group translates and records its foreign currency transactions and balances based on the exchange rate at which the future cash flows represented by the transactions or balances could have been settled, if those cash flows had occurred at the reporting date. The Nigerian Autonomous Foreign Exchange (NAFEX) rate has been used for the translation of foreign currency balances as this remains the main source of foreign currencies for the Bank's transactions.

Notes to the Financial Statements
For the year ended 31 December 2021

7 Interest Income

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Loans and advances to customers at amortised cost	7,247,232	5,995,082	7,238,698	6,004,379
Due from other banks	567,389	666,216	324,828	545,723
Investment securities at amortised cost	98,017	1,420,575	98,017	1,420,575
	7,912,638	8,081,873	7,661,543	7,970,677
Investment securities				
- Fair value through other comprehensive income	3,031,186	3,515,516	2,923,474	3,458,315
	10,943,823	11,597,389	10,585,017	11,428,992

8 Interest Expense

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Due to banks	1,780,341	1,645,738	1,780,341	1,645,738
Due to customers	6,437,422	4,488,443	6,459,215	4,507,412
Corporate bonds	1,091,874	547,063	1,091,874	547,063
Lease Liabilities	2,875	3,800	2,875	3,800
	9,312,511	6,685,044	9,334,305	6,704,013

Notes to the Financial Statements
For the year ended 31 December 2021

9 Impairment Charge

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Impairment (charge)/write-back on risk assets				
Net impairment (charge)/write-back on loans and advances (Note 24)	**(485,182)**	143,054	**(485,182)**	143,054
Impairment charge on off-balance sheet (Note 35.2)	**(89,489)**	(9,799)	**(89,489)**	(9,799)
Impairment charge on current accounts (Note 17 and 18)	**(3,793)**	-	**(3,793)**	-
Impairment charge on debt securities	**(118,812)**	(18,253)	**(118,812)**	(18,253)
Net Impairment charge on risk assets	**(697,276)**	115,002	**(697,276)**	115,002
Impairment on non-financial assets				
Impairment charge on investment in subsidiaries (Note 26)	**-**	-	**(97,200)**	-
Impairment write-back/(charge) on other (financial and non-financial) assets (Note 25)	**172,557**	(454,028)	**172,557**	(454,028)
Net Impairment charge on other (financial and non-financial) assets	**172,557**	(454,028)	**75,357**	(454,028)
	(524,720)	(339,026)	**(621,920)**	(339,026)

10 Fees and Commission Income

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Credit-related fees	**994,677**	1,537,199	**994,677**	1,537,199
Brokerage and structuring fees	**2,568,690**	2,218,397	**2,326,299**	2,033,251
Letters of credit commissions and fees	**327,239**	159,669	**327,239**	159,669
Other fees and commissions	**120,289**	132,909	**120,289**	132,909
Fund Management fees	**4,921,021**	4,236,558	**-**	-
	8,931,915	8,284,732	**3,768,503**	3,863,028

Notes to the Financial Statements
For the year ended 31 December 2021

11 Net Gains on Foreign Exchange

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
(Loss)/Gain on foreign currency translation	24,072	81,945	(77,000)	22,040
	24,072	81,945	(77,000)	22,040

11a Net Gains on Financial Assets at FVTPL

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Trading gain	1,550,317	1,148,381	830,529	1,099,401
Unrealised gain	2,117,534	2,601,835	2,100,423	2,601,835
	3,667,852	3,750,216	2,930,951	3,701,236

12 Other Operating Income

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Sundry income	294,262	682,911	154,624	174,855
Dividend Income	7,546	1,783	1,100,000	604,000
	301,808	684,694	1,254,624	778,855

Notes to the Financial Statements
For the year ended 31 December 2021

13 Other Operating Expenses

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Auditors' remuneration (Note 13.1)	**79,022**	80,289	**60,000**	60,000
Directors' emoluments (Note 45)	**526,854**	417,398	**428,773**	320,197
Administration and general expenses	**1,069,086**	1,508,961	**418,384**	217,965
Insurance	**406,468**	333,787	**382,357**	312,313
Rent and rates	**90,316**	167,114	**67,866**	130,604
Travelling	**23,654**	42,095	**16,988**	27,101
Donations	**350,328**	131,594	**350,328**	131,594
Corporate development	**264,203**	284,825	**126,826**	137,067
Periodicals and subscriptions	**283,593**	191,226	**185,897**	190,313
Consultancy	**571,176**	627,196	**387,573**	456,655
Training	**194,056**	222,564	**194,056**	220,066
Communication and postage expenses	**84,181**	74,065	**57,672**	58,370
Bank charges	**239,294**	178,562	**235,426**	167,212
Repairs and maintenance	**24,018**	44,268	**12,182**	15,515
Regulatory expenses (Note 46)	**279,000**	-	**279,000**	-
Other operating expenses	**1,766,175**	1,480,337	**740,764**	959,003
	6,251,426	5,784,280	**3,944,093**	3,403,975

13.1 Auditor's remuneration represents fees for the interim and final audits of the Group and Bank for the year ended 31 December 2021. The Bank also paid the auditors professional fees for non-audit services. These services, in the Bank's opinion, did not impair the independence and objectivity of the external auditor.

Non-audit services provided during the year are stated below.

Name of firm	Services Rendered	Amount
KPMG Professional Services	NDIC Deposit Certification	1,500,000
KPMG Professional Services	Health Check for Stamp Duty Back Years	5,000,000
KPMG Professional Services	Stamp Duty Audit	8,000,000

13.2 The Group paid a total of ₦36.44mn (Bank: ₦30.05mn) as contribution to Industrial Training Fund (ITF) in 2021.

Notes to the Financial Statements
For the year ended 31 December 2021

14 Personnel Expenses

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Wages and salaries	4,466,296	3,568,263	3,081,549	2,943,964
Pension costs:				
- Defined contribution plans to PFAs	256,844	225,674	230,422	190,275
	4,723,140	3,793,937	3,311,971	3,134,239

15 Taxation

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Corporate tax	815,670	878,062	38,339	201,160
Education tax	29,890	7,149	29,890	7,149
Police Trust levy	36	-	36	-
NASENI levy	1,823	-	1,823	-
Information technology levy	7,291	50,884	7,291	50,884
Prior year over provision	-	(51,409)	-	(51,409)
	854,710	884,686	77,379	207,784
Deferred tax	66,751	-	-	-
Income tax (credit)/expense	921,461	884,686	77,379	207,784

15 Taxation continued

Reconciliation of effective tax rate

	Group				Bank			
	31 December 2021 ₦'000	%	31 December 2020 ₦'000	%	31 December 2021 ₦'000	%	31 December 2020 ₦'000	%
Profit before income tax	2,480,374		6,625,361		729,075		5,088,394	
Income tax using the domestic corporation tax rate	744,112	30%	1,987,608	30%	218,723	30%	1,526,518	30%
Corporate tax	815,670	33%	878,062	13%	38,339	5%	201,160	4%
Technology tax	7,291	0%	50,884	1%	7,291	1%	50,884	1%
Education tax	29,890	1%	7,149	0%	29,890	4%	7,149	0%
NASENI levy	1,823	0%	-	0%	1,823	0%	-	0%
Police Trust Fund levy	36	0%	-	0%	36	0%	-	0%
Deferred tax	66,751	3%	-	0%	-	0%	-	0%
Prior year overprovision	(208,462)	(8%)	(51,409)	(1%)	(159,558)	(22%)	(51,409)	(1%)
Income not subjected to tax	(4,707,048)	(190%)	(4,276,754)	(65%)	(4,230,397)	(580%)	(3,815,663)	(75%)
Expenses not deductible for tax purposes	4,171,397	168%	2,289,145	35%	4,171,397	572%	2,289,145	45%
Income tax expense	921,461	37%	884,686	13%	77,379	11%	207,784	4%

15b Current Income Tax Liabilities

	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
At 1 January	945,860	766,671	259,193	183,602
Prior year over provision	(208,462)	(51,409)	(159,558)	(51,409)
Payments made during the year	(670,051)	(705,497)	(99,636)	(132,193)
Current year's provision	854,710	936,095	77,379	259,193
At 31 December	922,057	945,860	77,379	259,193

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the Year to 31 December 2021 is 11% (Group: 37%), compared to 4% (Group:13%) for the year ended 31 December 2020.

16 Earnings Per Share

(a) Basic

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.

	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Profit attributable to equity holders	**1,558,913**	5,740,675	**651,696**	4,880,610
Weighted average number of ordinary shares in issue (in '000s)	**4,301,577**	4,301,577	**4,301,577**	4,301,577
Basic earnings per share (expressed in Kobo per share)	**36**	133	**15**	113

(b) Diluted

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

17 Cash and Balances with Central Bank of Nigeria

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash	-	1,434	-	1,434
Balances with central banks excluding mandatory reserve deposits	-	4,319,160	-	4,319,160
Included in cash and cash equivalents	-	4,320,594	-	4,320,594
Mandatory reserve deposits with Central Bank of Nigeria	**38,118,957**	39,370,061	**38,118,957**	39,370,061
	38,118,957	43,690,655	**38,118,957**	43,690,655
Less 12 months ECL	**(372)**	-	**(372)**	-
	38,118,585	43,690,655	**38,118,585**	43,690,655

18 Due from Other Banks

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Current account balances with banks within Nigeria	**6,155,009**	10,943,136	**5,594,238**	9,624,947
Current account balances with banks outside Nigeria	**6,418,366**	1,572,886	**6,415,750**	1,572,886
Placements with financial institutions within Nigeria	**2,335,886**	13,202,469	**-**	11,035,369
	14,909,260	25,718,491	**12,009,988**	22,233,202
Less 12 months ECL	**(3,421)**	-	**(3,421)**	-
	14,905,839	25,718,491	**12,006,567**	22,233,202
Current	**14,905,839**	25,718,491	**12,006,567**	22,233,202

19 Cash and Cash Equivalents

Cash and cash equivalents for purposes of the cash flow statements 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 less than three months. Excluded from loans and advances to banks are cash collateral balance.

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Cash and balances with Central Bank of Nigeria	**-**	4,320,594	**-**	4,320,594
Treasury bills with original maturities less than 3 months	**-**	18,771,035	**-**	18,771,035
Due from other banks with original maturities less than 3 months	**14,905,838**	25,718,491	**12,009,988**	22,233,202
	14,905,838	48,810,120	**12,009,988**	45,324,831

Notes to the Financial Statements
For the year ended 31 December 2021

20 Financial Assets at FVTPL

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Federal Government of Nigeria (FGN) bonds	**3,086,727**	1,729,384	**3,086,727**	1,360,453
Corporate bonds	**190,780**	19,062	**190,780**	19,062
Treasury bills	**1,510,555**	400	**1,510,555**	400
Unlisted equity investments	**1,295,992**	-	**-**	-
Listed equity investments	**69,979**	161,954	**-**	-
	6,154,032	1,910,800	**4,788,062**	1,379,915
Current	**1,510,555**	74,997	**1,510,555**	74,997
Non-current	**4,643,477**	1,835,802	**3,277,507**	1,304,917
	6,154,032	1,910,800	**4,788,062**	1,379,915

21 Investments Securities

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Fair value through OCI				
Debt securities				
Treasury bills	**30,398,780**	19,936,532	**30,398,780**	19,936,532
Federal Government of Nigeria Bonds	**6,004,408**	144,829	**6,004,408**	144,829
Corporate Bonds	**5,093,421**	6,982,666	**3,772,126**	5,582,235
	41,496,609	27,064,027	**40,175,314**	25,663,596

21 Investments Securities continued

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Equity securities at FVOCI				
Listed equity investments	**144,962**	20,999	**-**	-
Unlisted equity investments	**1,959,547**	1,956,221	**1,634,959**	1,322,584
	2,104,509	1,977,220	**1,634,959**	1,322,584
Total investments securities	**43,601,118**	29,041,247	**41,810,273**	26,986,180

The Group has designated at FVOCI, investments in a small portfolio of quoted equity securities and investments in the following unquoted equity securities;

- Nigeria Inter-Bank Settlement System Plc
- FMDQ OTC Securities Exchange
- Central Securities Clearing System Plc

The Group chose this measurement basis because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Current	**30,398,780**	19,936,532	**30,398,780**	19,936,532
Non-current	**13,202,338**	9,104,715	**11,411,493**	7,049,648
	43,601,118	29,041,247	**41,810,273**	26,986,180

Notes to the Financial Statements
For the year ended 31 December 2021

22 Debt Securities at Amortised Cost

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Government Bonds	-	7,583,938	-	7,583,938
	-	7,583,938	-	7,583,938
Total	-	7,583,938	-	7,583,938
Current	-	7,583,938	-	7,583,938

23 Pledged Assets

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Treasury bills	**9,150,000**	14,281,074	**9,150,000**	14,281,074
Federal Government of Nigeria Bonds	**3,443,933**	2,461,126	**3,443,933**	2,461,126
Current	**12,593,933**	16,742,200	**12,593,933**	16,742,200

Treasury bills are pledged to other financial institutions as collateral for inter-bank takings and FX transactions.

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Current	**9,150,000**	14,281,074	**9,150,000**	14,281,074
Non-current	**3,443,933**	2,461,126	**3,443,933**	2,461,126
Current	**12,593,933**	16,742,200	**12,593,933**	16,742,200

Notes to the Financial Statements
For the year ended 31 December 2021

24 Loans and Advances to Customers

	Group 31 December 2021 ₦'000	Bank 31 December 2021 ₦'000
Loans and advances to customers	77,866,869	77,866,869
Staff loans	761,866	661,517
Gross Loans	78,628,734	78,528,387
Loans and advances to customers	(185,619)	(185,619)
Staff loans	(1,800)	(1,800)
Impairment on 12-month ECL	(187,419)	(187,419)
Loans and advances to customers	(359,065)	(359,065)
Staff loans	-	-
Impairment on Lifetime ECL not credit impaired	(359,065)	(359,065)
Loans and advances to customers	(1,375,205)	(1,375,205)
Staff loans	(17,450)	(17,450)
Impairment on Lifetime ECL credit impaired	(1,392,655)	(1,392,655)
Loans and advances to customers	(1,919,888)	(1,919,888)
Staff loans	(19,250)	(19,250)
Total impairment	(1,939,138)	(1,939,138)
Loans and advances to customers	75,946,981	75,946,981
Staff loans	742,616	642,268
Net carrying amount	76,689,597	76,589,248

24 Loans and Advances to Customers continued

	Group 31 December 2020 ₦'000	Bank 31 December 2020 ₦'000
Loans and advances to customers	56,489,498	56,489,498
Staff loans	671,720	572,231
Gross Loans	57,161,218	57,061,729
Loans and advances to customers	(1,435,285)	(1,435,285)
Staff loans	(26,918)	(26,918)
Impairment on Lifetime ECL not credit impaired	(1,462,203)	(1,462,203)
Loans and advances to customers	(1,435,285)	(1,445,084)
Staff loans	(26,918)	(26,918)
Total impairment	(1,462,203)	(1,472,002)
Loans and advances to customers	55,054,213	55,054,213
Staff loans	644,802	545,313
Net carrying amount	55,699,015	55,599,526

24 Loans and Advances to Customers continued

Group 2021

	Total 31 December 2021			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	130,855	-	1,341,147	1,472,002
Derecognised	-	-	(8,247)	(8,247)
Impairment recognised during the period	66,363	359,065	59,754	485,182
Transfer to off-balance sheet impairment allowance	(9,799)	-	-	(9,799)
Transfer between stages	-	-	-	-
Balance at 31 December 2021	187,419	359,065	1,392,655	1,939,138

	Loans to customers 31 December 2021			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	129,429	-	1,315,655	1,445,084
Derecognised	-	-	-	-
Impairment recognised during the period	65,989	359,065	59,550	484,603
Transfer to off-balance sheet impairment allowance	(9,799)	-	-	(9,799)
Balance at 31 December 2021	185,619	359,065	1,375,205	1,919,888

	Staff loans 31 December 2021			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	1,427	-	25,492	26,918
Derecognised	-	-	(8,247)	(8,247)
Impairment recognised during the period	374	-	204	578
Balance at 31 December 2021	1,800	-	17,450	19,249

24 Loans and Advances to Customers continued

Bank 2021

	Total 31 December 2021			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	130,855	-	1,341,147	1,472,002
Derecognised	-	-	(8,247)	(8,247)
Impairment recognised during the period	66,363	359,065	59,754	485,182
Transfer to off-balance sheet impairment allowance	(9,799)	-	-	(9,799)
Balance at 31 December 2021	187,419	359,065	1,392,655	1,939,138

	Loans to customers 31 December 2021			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	129,429	-	1,315,655	1,445,084
Derecognised	-	-	-	-
Impairment recognised during the period	65,989	359,065	59,550	484,603
Transfer to off-balance sheet impairment	(9,799)	-	-	(9,799)
Balance at 31 December 2021	185,619	359,065	1,375,205	1,919,888

	Staff loans 31 December 2021			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	1,427	-	25,492	26,918
Derecognised	-	-	(8,247)	(8,247)
Impairment recognised during the period	374	-	204	578
Balance at 31 December 2021	1,800	-	17,450	19,249

Notes to the Financial Statements
For the year ended 31 December 2021

24 Loans and Advances to Customers continued

Group 2020

	Total 31 December 2020			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2020	219,968	87,838	1,307,250	1,615,056
Impairment recognised during the year	(176,951)	-	33,897	(143,054)
Transfer between stages	87,838	(87,838)	-	-
Balance at 31 December 2020	130,855	-	1,341,147	1,472,002

	Loans to customers 31 December 2020			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2020	219,455	87,838	1,260,428	1,567,721
Impairment recognised during the year	(177,864)	-	55,227	(122,637)
Transfer between stages	87,838	(87,838)	-	-
Balance at 31 December 2020	129,429	-	1,315,655	1,445,084

	Staff loans 31 December 2020			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2020	513	-	46,822	47,336
Impairment recognised during the year	913	-	(21,331)	(20,417)
Balance at 31 December 2020	1,427	-	25,492	26,918

24 Loans and Advances to Customers continued

Bank 2020

	Total 31 December 2020			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2020	219,968	87,838	1,307,250	1,615,056
Impairment recognised during the year	(176,951)	-	33,897	(143,054)
Transfer between stages	87,838	(87,838)	-	-
Balance at 31 December 2020	130,855	-	1,341,147	1,472,002

	Loans to customers 31 December 2020			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2020	219,455	87,838	1,260,428	1,567,721
Impairment recognised during the year	(177,864)	-	55,227	(122,637)
Transfer between stages	87,838	(87,838)	-	-
Balance at 31 December 2020	129,429	-	1,315,655	1,445,084

	Staff loans 31 December 2020			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2020	513	-	46,822	47,336
Impairment recognised during the year	913	-	(21,331)	(20,417)
Balance at 31 December 2020	1,427	-	25,492	26,919

25 Other Assets

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Other Financial assets:				
Fees receivable	2,835,260	3,277,538	1,342,594	2,096,218
AGSMEIS Investment Fund	928,146	684,115	928,146	684,115
Dividend receivable	-	-	1,100,000	604,000
Intercompany receivable	23,384	651,008	139,956	1,268,869
Other receivable	391,340	384,789	77,062	44,480
	4,178,131	4,997,450	3,587,757	4,697,682
Less allowances for impairment of other financial assets	(755,742)	(819,738)	(733,415)	(819,738)
	3,422,389	4,177,712	2,854,342	3,877,944
Non-financial assets:				
Withholding tax receivable	1,508,609	1,990,733	1,292,480	1,209,491
Prepayments	994,918	1,169,340	777,314	879,751
	5,925,915	7,337,785	4,924,137	5,967,186
Less allowances for impairment	(570,802)	(710,389)	(562,543)	(702,130)
	5,355,113	6,627,396	4,361,595	5,265,056

The allowance for impairment relates to fees receivable as at 31 December 2021.

Current	4,426,967	5,943,281	3,433,449	4,580,941
Non-current	928,146	684,115	928,146	684,115
	5,355,113	6,627,396	4,361,595	5,265,057
Allowance for impairment on financial asset				
Balance at 1 January	819,737	1,500,171	819,737	1,500,171
Receivables written-off	(31,026)	(1,129,897)	(53,353)	(1,129,897)
(Write-back)/Additional impairment	(32,970)	449,463	(32,970)	449,463
Balance at 31 December	755,742	819,737	733,415	819,737
Allowance for impairment on non financial asset				
Balance at 1 January	710,389	705,825	702,130	697,565
Additional impairment	-	4,564	-	4,565
Write-back of impairment	(139,587)	-	(139,587)	-
Balance at 31 December	570,802	710,389	562,543	702,130

26 Investment in Subsidiaries

	Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000
Investment in FBNQuest Securities Limited	**1,448,100**	1,448,100
investment in FBNQuest Assets Management Limited	**289,006**	289,006
Investment in FBNQ MB Funding SPV Plc	**1,000**	-
	1,738,106	1,737,106
Less allowances for impairment	**(520,977)**	(423,777)
	1,217,129	1,313,329
Allowance for impairment on investment in subsidiaries		
Balance at 1 January	**(423,777)**	(423,777)
Additional provision	**(97,200)**	-
	(520,977)	(423,777)

The Bank owns 100% shareholding of each of the subsidiaries.

26.1 Group Entities

Set out below are the Group's subsidiaries. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation is also their principal place of business.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity.

	31 December 2021 ₦'000	31 December 2020 ₦'000
FBNQuest Securities Limited	**927,123**	1,024,323
FBNQuest Asset Management Limited	**289,006**	289,006
FBNQ MB Funding SPV Plc	**1,000**	-
	1,217,129	1,313,329

The Group consolidates its subsidiary undertakings. The nature of the business of all the subsidiaries involve the provision of asset management services and are incorporated in Nigeria.

Notes to the Financial Statements
For the year ended 31 December 2021

26.2 The Summarised Financial Information of the Subsidiaries is as follows

i Condensed statement of comprehensive income

	FBNQSPV	FBNQAM		FBNQSEC	
	31 December 2021 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Operating income	1,091,874	6,113,371	5,010,999	415,795	216,794
Total operating expenses	(1,091,874)	(3,267,314)	(2,715,016)	(410,552)	(371,813)
Profit/(loss) before income tax	-	2,846,057	2,295,982	5,243	(155,019)
Income tax expense	-	(841,171)	(679,837)	(2,911)	2,935
Profit/(loss) for the period	-	2,004,886	1,616,146	2,332	(152,084)

ii Condensed statement of financial position

as at 31 December 2021	31 December 2021 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Assets					
Cash and cash equivalents	-	2,499,133	2,379,804	1,139,535	1,106,740
Prepayments	-	212,859	282,061	4,744	7,528
Financial assets:					
- Fair value through profit and loss	-	1,295,992	444,821	69,979	86,059
- Fair value through other comprehensive income	-	1,281,938	1,293,933	508,908	761,134
Amortised cost	-	310,129	2,053,802	101,902	340,301
Property and equipment	-	101,560	41,740	8,134	11,456
Intangible assets	-	210,163	3,680	5,563	17,599
Other assets	13,234,425	1,680,804			
Deferred tax assets	-	-	-	399,563	399,563
Deposit with NSE	-	-	-	-	1,150
	13,234,425	7,592,577	6,499,841	2,238,327	2,731,530
Financed by:					
Accruals and other liabilities	13,233,425	2,195,967	2,193,589	1,309,852	1,906,907
Tax payable	-	841,768	686,064	2,910	603
Deferred tax liabilities	-	150,579	83,828	-	-
Total equity	1,000	4,404,263	3,536,360	925,565	824,021
	13,234,425	7,592,577	6,499,841	2,238,327	2,731,530

27 Deposit with Nigerian Stock Exchange

	31 December 2021 ₦'000	31 December 2020 ₦'000
FBNQuest Securities Limited	-	1,150
	-	1,150

Notes to the Financial Statements
For the year ended 31 December 2021

28 Property and Equipment (Group)

2021	Freehold Building ₦'000	Land ₦'000	Motor ₦'000	Leasehold Improvement ₦'000	Furniture Fittings ₦'000	Office Equipment ₦'000	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost									
At 1 January	675,355	200,000	1,182,749	104,228	125,628	75,274	662,497	97,400	3,123,131
Addition during the period	-	-	313,250	3,085	65	159	228,180	5,038	549,777
Disposals during the period	-	-	(68,155)	-	-	(537)	(2,463)	(43,728)	(114,882)
Reclassifications	-	-	49,500	-	-	-	4,171	(53,671)	-
At 31 December	675,355	200,000	1,477,344	107,313	125,693	74,896	892,385	5,039	3,558,026
Accumulated depreciation									
At 1 January	147,158	-	783,158	66,651	107,006	56,434	613,967	-	1,774,374
Charge for period	17,507	-	193,866	21,257	9,765	7,788	43,988	-	294,171
Disposals during the period	-	-	(47,447)	-	-	(515)	(1,775)	-	(49,737)
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 December	164,665	-	929,577	87,908	116,771	63,706	656,179	-	2,018,808
Net book value									
At 31 December	510,690	200,000	547,767	19,405	8,922	11,190	236,207	5,039	1,539,218

2020	Freehold Building ₦'000	Land ₦'000	Motor ₦'000	Leasehold Improvement ₦'000	Furniture Fittings ₦'000	Office Equipment ₦'000	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost									
At 1 January	675,355	200,000	1,087,719	104,228	124,228	68,490	620,600	-	2,880,620
Addition during the period	-	-	285,082	-	1,400	6,784	42,113	55,812	391,191
Disposals during the period	-	-	(190,052)	-	-	-	(216)	-	(190,268)
Reclassifications	-	-	-	-	-	-	-	41,588	41,588
At 31 December 2020	675,355	200,000	1,182,749	104,228	125,628	75,274	662,497	97,400	3,123,131
Accumulated depreciation									
At 1 January	125,568	-	708,126	35,329	92,209	60,722	470,217	-	1,492,172
Charge for period	21,590	-	243,134	20,312	14,797	6,722	143,966	-	450,521
Disposals during the period	-	-	(168,102)	-	-	-	(216)	-	(168,318)
Reclassifications	-	-	-	11,010	-	(11,010)	-	-	-
At 31 December	147,158	-	783,158	66,651	107,006	56,434	613,967	-	1,774,375
Net book value									
At 31 December 2020	528,197	200,000	399,591	37,577	18,622	18,840	48,530	97,400	1,348,756

28 Property and Equipment (Bank)

2021	Freehold Building ₦'000	Land ₦'000	Motor ₦'000	Leasehold Improvement ₦'000	Furniture Fittings ₦'000	Office Equipment ₦'000	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost									
At 1 January	675,355	200,000	1,063,836	104,228	124,350	73,617	648,780	97,400	2,987,565
Addition during the period	-	-	231,000	3,085	-	159	219,640	5,038	458,922
Disposals during the period	-	-	(64,753)	-	-	(537)	(2,463)	(43,728)	(111,481)
Reclassifications	-	-	49,500	-	-	-	4,171	(53,671)	-
At 31 December	675,355	200,000	1,279,583	107,313	124,350	73,239	870,128	5,038	3,335,006
Accumulated depreciation									
At 1 January	147,158	-	704,901	66,651	106,586	55,383	611,326	-	1,692,004
Charge for period	17,507	-	166,431	21,257	9,519	7,445	38,177	-	260,335
Disposals during the period	-	-	(44,048)	-	-	(537)	(2,270)	-	(46,855)
Reclassifications	-	-	-	-	-	-	-	-	-
At 31 December	164,665	-	827,284	87,908	116,104	62,291	647,232	-	1,905,483
Net book value									
At 31 December, 2021	510,690	200,000	452,299	19,405	8,245	10,948	222,896	5,038	1,429,522

2020	Freehold Building ₦'000	Land ₦'000	Motor ₦'000	Leasehold Improvement ₦'000	Furniture Fittings ₦'000	Office Equipment ₦'000	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost									
At 1 January	675,355	200,000	975,888	104,228	123,554	66,833	619,899	-	2,765,757
Addition during the year	-	-	278,000	-	796	6,784	29,097	55,812	370,488
Disposals during the year	-	-	(190,052)	-	-	-	(216)		(190,268)
Reclassifications	-	-	-	-	-	-	-	41,588	41,588
At 31 December 2020	675,355	200,000	1,063,836	104,228	124,350	73,617	648,780	97,400	2,987,565
Accumulated depreciation									
At 1 January	125,568	-	657,005	35,329	92,073	59,990	470,040	-	1,440,005
Charge for Year	21,590	-	215,998	20,312	14,513	6,403	141,502	-	420,318
Disposals during the year	-	-	(168,102)	-	-	-	(216)	-	(168,318)
Reclassifications	-	-	-	11,010	-	(11,010)	-	-	-
At 31 December 2020	147,158	-	704,901	66,651	106,586	55,383	611,326	-	1,692,005
Net book value									
At 31 December 2020	528,197	200,000	358,937	37,577	17,764	18,234	37,454	97,400	1,295,560

Notes to the Financial Statements
For the year ended 31 December 2021

29 Intangible Assets

Group 2021	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
At 1 January	3,812,207	24,334	3,836,541
Additions for the year	67,661	226,924	294,585
Disposals	-	(1,973)	(1,973)
Write-offs	(158,086)	-	(158,086)
At 31 December 2021	3,721,782	249,284	3,971,067
Amortisation			
At 1 January	3,617,763	-	3,617,763
Charge for Year	173,557	-	173,557
Write-offs	(158,086)	-	(158,086)
At 31 December 2021	3,633,234	-	3,633,234
Net book value	88,549	249,284	337,833

Group 2020	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
At 1 January	3,739,699	65,416	3,805,115
Additions for the year	87,713	1,973	89,686
Transfers	(15,205)	(43,055)	(58,260)
At 31 December 2020	3,812,207	24,334	3,836,541
Amortisation			
At 1 January	2,941,979	-	2,941,979
Charge for Year	675,784	-	675,784
Disposals during the year	-		-
At 31 December 2020	3,617,763	-	3,617,763
Net book value	194,444	24,334	218,778

Intangible assets represents the Bank's IT core applications and other anxilliary IT software.

Notes to the Financial Statements
For the year ended 31 December 2021

29 Intangible Assets continued

Bank 2021	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
At 1 January	3,434,481	1,973	3,436,454
Additions for the year	49,157	28,252	77,409
Disposals	-	(1,973)	(1,973)
Transfers	-	-	-
At 31 December 2021	3,483,638	28,252	3,511,889
Amortisation			
At 1 January	3,238,955	-	3,238,955
Charge for Year	150,827	-	150,827
Disposals during the year	-	-	-
At 31 December 2021	3,389,782	-	3,389,782
Net book value	93,855	28,252	122,107

Bank 2020	Computer Equipment ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
At 1 January	3,346,768	43,055	3,389,823
Additions for the year	87,713	1,973	89,686
Disposals	-	-	-
Transfers	-	(43,055)	(43,055)
At 31 December 2020	3,434,481	1,973	3,436,453
Amortisation			
At 1 January	2,579,792	-	2,579,792
Charge for Year	659,163	-	659,163
Disposals during the year	-	-	-
At 31 December 2020	3,238,955	-	3,238,955
Net book value	195,526	1,973	197,498

Intangible assets represents the Bank's IT core applications and other anxilliary IT software.

Notes to the Financial Statements
For the year ended 31 December 2021

30 Right of Use Assets

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Cost				
As at 1 January	**240,723**	314,023	**240,723**	314,023
Additions	**18,441**	62,896	**18,441**	62,896
Reversals due to lease modifications	**(98,829)**	(136,196)	**(98,829)**	(136,196)
As at 31 December 2021	**160,335**	240,723	**160,335**	240,723
Depreciation				
As at 1 January	**183,837**	138,815	**183,837**	138,815
Depreciation for the year	**109,572**	45,022	**109,572**	45,022
Reversals due to lease modifications	**(183,837)**	-	**(183,837)**	-
As at 31 December 2021	**109,572**	183,837	**109,572**	183,837
Carrying amount as at 31 December 2021	**50,763**	56,886	**50,763**	56,886

Notes to the Financial Statements
For the year ended 31 December 2021

31 Deferred Tax

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2020: 30%).

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

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Deferred tax liabilities				
Property, plant and equipment and intangible assets	-	-	-	-
Deferred tax assets				
Tax loss carry forward	(9,362,532)	(9,429,283)	(9,113,548)	(9,113,548)
Net	(9,362,532)	(9,429,283)	(9,113,548)	(9,113,548)
Deferred tax assets				
- Deferred tax asset to be recovered after more than 12 months	(9,362,532)	(9,429,283)	(9,113,548)	(9,113,548)
- Deferred tax asset to be recovered within 12 months	-	-	-	-
Deferred tax liabilities				
- Deferred tax liability to be recovered after more than 12 months	-	-	-	-
- Deferred tax liability to be recovered within 12 months	-	-	-	-

Movements in temporary differences during the period:

Group	1 January 2021 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2021 ₦'000
Tax losses	9,269,293	(66,751)	-	9,202,542
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	-	-	(69,361)
Impairment charge	174,151	-	-	174,151
Property and equipment and intangible assets	(606,541)	-	-	(606,541)
Tax loss carry forward	13,454	-	-	13,454
	9,429,283	(66,751)	-	9,362,532

31 Deferred Tax continued

Bank	1 January 2021 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2021 ₦'000
Tax losses	8,953,558	-	-	8,953,558
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	-	-	(69,361)
Impairment charge	174,151	-	-	174,151
Property and equipment and intangible assets	(606,541)	-	-	(606,541)
Tax loss carry forward	13,454	-	-	13,454
	9,113,548	-	-	9,113,548

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. The Group has recognised a deferred tax assets amounting to ₦9.4bn as at 31 December 2021 (31 December 2020: ₦9.43mn). The Bank has total deferred tax assets of ₦13.95bn, however the bank has only recognised ₦9.11bn resulting in unrecognised deferred tax asset of ₦4.84bn. Based on management assessment, the recognised deferred tax asset is estimated to be recoverable against the probable future tax profits.

32 Due to Banks

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Due to banks comprise:				
Tenored interbank deposit	1,908,130	26,431,637	1,908,130	26,431,637
Open buy back - Treasury bills	5,435,068	2,044,295	5,435,068	2,044,295
Current balances due to banks	2,493,850	-	2,493,850	-
	9,837,048	28,475,932	9,837,048	28,475,932
Current	9,837,048	28,475,932	9,837,048	28,475,932
Non-current	-	-	-	-
	9,837,048	28,475,932	9,837,048	28,475,932

Notes to the Financial Statements
For the year ended 31 December 2021

33 Due to Customers

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Call deposits	**8,511,987**	445,004	**8,127,469**	446,259
Tenored deposits	**110,920,851**	99,691,566	**111,649,929**	99,691,566
	119,432,839	100,136,570	**119,777,398**	100,137,825
Current	**119,432,839**	100,136,570	**119,777,398**	100,137,825
	119,432,839	100,136,570	**119,777,398**	100,137,825

Due to customers only include financial instruments classified as liabilities at amortised cost.

34 Corporate Bonds Issued

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Corporate Bonds Issued (see note (i) below	**13,233,425**	13,235,587	**13,233,425**	13,235,587

(i) This represents series 1 and 2 fixed rate unsecured bond of ₦5bn (series 1) and ₦8bn (series 2) with a tenor of 3 years and 10 years and with interest of 10.5% and 6.25% and maturing in 5 February 2023 and 16 December 2030 respectively payable semi-annually in arrears. Subject to any purchase and cancellation early redemption, the bonds shall be redeemed on redemption date at 100% of their nominal amount. The bonds were raised through FBNQ MB Funding SPV Plc which was established for the sole purpose of issuing bonds or debt instruments to fund the Bank's working capital, enhance liquidity and capital base. The SPV is 99% owned by the Bank and has been consolidated in these financial statements.

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Current	**233,425**	235,587	**233,425**	235,587
Non-current	**13,000,000**	13,000,000	**13,000,000**	13,000,000
	13,233,425	13,235,587	**13,233,425**	13,235,587

35 Other Liabilities

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Financial liabilities:				
Customer deposits for letters of credit	15,100,245	96,073	15,100,246	96,073
Accounts payable	3,131,319	5,827,231	2,292,283	3,756,629
Dividend payable	506,578	-	506,578	-
Commercial paper (note 35.1)	7,189,016	10,045,063	7,189,016	10,045,063
Impairment allowance - Off-balance sheet (note 35.2)	99,288	9,799	99,288	9,799
	26,026,447	15,978,166	25,187,412	13,907,564
Non financial liabilities:				
Accrued liabilities	2,469,753	2,674,654	1,289,546	1,866,627
	28,496,201	18,652,820	26,476,958	15,774,191
Current	28,496,201	18,652,820	26,476,958	15,774,191
Non-current	-	-	-	-
	28,496,201	18,652,820	26,476,958	15,774,191

35.1 Commercial Paper: This represents the Bank's Series 19 Commercial Paper (CP) under its ₦100bn Commercial Paper Issuance Programme with a tenor of nine (9) months and a discount interest of 10.1751% payable upfront in advance maturing on 11 March 2022. Subject to any purchase and cancellation early redemption, the commercial paper shall be redeemed on redemption date at 100% of their nominal amount.

35.2 Movement in Impairment Allowance on Off-balance Sheet

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
As at 1 January	9,799	-	9,799	-
Additional impairment charge during the year (note 9)	89,489	9,799	89,489	9,799
At 31 December	99,288	9,799	99,288	9,799

Notes to the Financial Statements
For the year ended 31 December 2021

36 Lease Liabilities

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
As at 1 January	25,100	115,233	25,100	115,233
Additions	7,993	24,439	7,993	24,439
Reversals due to lease modifications	-	(118,373)	-	(118,373)
Charge for the year	2,875	3,800	2,875	3,800
Lease liabilities as at 31 December	35,968	25,100	35,968	25,100

37 Derivative Financial Instruments

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Derivative assets				
Instrument type: Forwards	353,531	86,653	353,531	86,653
Instrument type: OTC FX futures	8,162	331,017	8,162	331,017
The movement in derivative asset is as follows:				
Balance, beginning of the year	417,669	474,757	417,669	474,757
Fair value of derivatives acquired in the year	361,693	417,669	361,693	417,669
Fair value of derivatives derecognised in the year	(417,669)	(474,757)	(417,669)	(474,757)
Balance, end of the year	361,693	417,669	361,693	417,669
Derivative liabilities				
Instrument type: Forwards	(346,716)	(52,509)	(346,716)	(52,509)
Instrument type: OTC FX futures	(8,162)	(331,017)	(8,162)	(331,017)
The movement in derivatives liability is as follows:				
Balance, beginning of the year	(383,526)	(469,389)	(383,526)	(469,389)
Fair value of derivatives acquired in the year	(354,877)	(383,526)	(354,877)	(383,526)
Fair value of derivatives derecognised in the year	383,526	469,389	383,526	469,389
Balance, end of the year	(354,877)	(383,526)	(354,877)	(383,526)

37 Derivative Financial Instruments continued

	Group			
	31 December 2021 ₦'000		31 December 2020 ₦'000	
	Notional Value	Fair Value	Notional Value	Fair Value
Derivative assets				
Instrument type: Forwards	4,829,141	353,531	4,082,852	86,653
Instrument type: OTC FX futures	424,110	8,162	13,566,966	331,017
Derivative liabilities				
Instrument type: Forwards	(4,829,141)	(346,716)	(4,075,297)	(52,509)
Instrument type: OTC FX futures	(424,110)	(8,162)	(13,566,966)	(331,017)

	Bank			
	31 December 2021 ₦'000		31 December 2020 ₦'000	
	Notional Value	Fair Value	Notional Value	Fair Value
Derivative assets				
Instrument type: Forwards	4,829,141	353,531	4,082,852	86,653
Instrument type: OTC FX futures	424,110	8,162	13,566,966	331,017
Derivative liabilities				
Instrument type: Forwards	(4,829,141)	(346,716)	(4,075,297)	(52,509)
Instrument type: OTC FX futures	(424,110)	(8,162)	(13,566,966)	(331,017)

38 Share Capital

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
(i) Authorised				
4.5 billion ordinary shares of N1 each	4,500,000	4,500,000	4,500,000	4,500,000
(ii) Issued and fully paid				
4.301577 billion ordinary shares of N1 each	4,301,577	4,301,577	4,301,577	4,301,577

39 Share Premium and Reserves

The nature and purpose of the reserves in equity 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, which have not been reclassified to the other reserves.

Statutory reserve: Undistributable earnings required to be kept by the Central Bank of Nigeria.

Credit risk reserve: Non-distributable regulatory reserve for the excess between the impairment reserve on loans and advances determined using the prudential guidelines issued by the Central Bank of Nigeria over the impairment reserves calculated under IFRS.

40 Fair Value Reserve

The fair value reserve shows the effects of the fair value measurement of financial instruments classified as FVOCI. Gains or losses are not recognised in the income statement until the asset has been sold or impaired.

Below is the movement in fair value reserves

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
FVOCI				
At beginning of the year	2,064,560	(281,892)	1,936,945	(315,728)
Fair value movement during the year (unrealised net (loss)/gain)	(925,367)	2,346,452	(958,956)	2,252,673
At end of the year	1,139,193	2,064,560	977,989	1,936,945

The gains/(loss) on fair value through other comprehensive income (FVOCI) are recognised at gross amount as they are tax exempt.

Notes to the Financial Statements
For the year ended 31 December 2021

41 Notes to Cash Flow Statement

Reconciliation of profit before tax to cash generated from operations

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Profit before income tax	**2,480,374**	6,625,361	**729,075**	5,088,394
Adjustments for:				
- Depreciation for PPE (Notes 28 and 45)	**294,171**	450,523	**260,335**	420,318
- Depreciation Right of use of assets (Notes 28 and 45)2	**109,572**	45,022	**109,572**	45,022
- Amortisation (Note 29)	**173,557**	675,784	**150,827**	659,163
- Reversal of ROU	**85,008**	-	**85,008**	-
- (Gain)/Loss on disposal of property and equipment	**(20,010)**	(62,341)	**(20,010)**	(62,341)
- Impairment charge for credit and other losses (Note 9)	**524,720**	339,026	**621,920**	339,026
- Net gains from financial assets at FVTPL (Note 11a)	**(3,667,852)**	(3,750,216)	**(2,930,951)**	(3,701,236)
- Net (gain)/loss on derivative financial instruments (Note 44b)	**(6,815)**	(34,144)	**(6,815)**	(34,144)
- Unrealised foreign exchange gain on revaluation (Note 11)	**(24,072)**	(81,945)	**77,000**	(22,040)
- Net interest income	**(1,631,313)**	(4,912,345)	**(1,250,713)**	(4,724,979)
	(1,682,660)	(705,275)	**(2,174,752)**	(1,992,817)
Changes in working capital:				
- Due from other banks(Note 41.i)	**10,812,652**	(18,340,971)	**10,226,635**	(17,994,965)
- Restricted deposit (Note 41.ii)	**(1,251,104)**	(31,369,727)	**(1,251,104)**	(31,369,726)
- Loans and advances to customers (Note 41.iii)	**(21,377,371)**	(9,128,935)	**(21,377,371)**	(9,128,935)
- Loans and advances to Staff (Note 41.iv)	**(90,146)**	(112,108)	**(89,287)**	(70,339)
- Financial assets held for trading (Note 41.v)	**(4,243,232)**	991,492	**(3,408,147)**	1,137,247
- Pledged assets (Note 41.vi)	**4,148,267**	22,640,477	**4,148,267**	22,640,477
- Other assets (Note 41.vii)	**1,272,283**	1,960,083	**903,462**	3,370,793
- Due to banks (Note 41.viii)	**(18,638,885)**	827,284	**(18,638,885)**	827,284
'- Due to customers (Note 41.ix)	**19,296,269**	24,461,000	**19,639,573**	24,116,376
- Other liabilities (Note 41.x)	**9,753,892**	8,552,237	**10,613,278**	6,651,888
Cash generated from operations	**(2,000,035)**	(224,443)	**(1,408,331)**	(1,812,717)

41 Notes to Cash Flow Statement continued

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
(i) Due from other banks				
Balance as at	**25,718,491**	7,377,520	**22,233,202**	4,238,237
Movement during the year	**(10,809,231)**	18,340,971	**(10,226,635)**	17,994,965
Closing balance	**14,909,260**	25,718,491	**12,006,567**	22,233,202
(ii) Restricted Deposits				
Balance at the beginning	**39,370,061**	8,000,334	**39,370,061**	8,000,335
Movement during the year	**(1,251,104)**	31,369,727	**(1,251,104)**	31,369,726
Closing balance	**38,118,957**	39,370,061	**38,118,957**	39,370,061
(iii) Loans and Advances to customers				
Balance at the beginning	**56,489,498**	47,503,617	**56,489,498**	47,360,563
Additions during the year	**46,385,811**	11,263,982	**46,385,811**	11,263,982
Repayment during the year	**(25,008,440)**	(2,135,047)	**(25,008,440)**	(2,135,047)
Closing balance	**77,866,869**	56,489,498	**77,866,869**	56,489,498
(iv) Loans and advances to Staff				
Balance at the beginning	**671,720**	559,612	**572,231**	501,892
Movement during the year	**90,146**	112,108	**89,287**	70,339
Closing balance	**761,866**	671,720	**661,517**	572,231
(v) Financial assets held for trading				
Balance at the beginning	**1,910,800**	2,902,292	**1,379,915**	2,517,162
Movement during the year	**4,243,232**	(991,492)	**3,408,147**	(1,137,247)
Closing balance	**6,154,032**	1,910,800	**4,788,062**	1,379,915
(vi) Pledged assets				
Balance at the beginning	**16,742,200**	39,382,677	**16,742,200**	39,382,677
Movement during the period	**(4,148,267)**	(22,640,477)	**(4,148,267)**	(22,640,477)
Closing balance	**12,593,933**	16,742,200	**12,593,933**	16,742,200
(vii) Other assets				
Balance at the beginning	**6,627,396**	8,587,479	**5,265,056**	8,635,849
Movement during the period	**(1,272,283)**	(1,960,083)	**(903,462)**	(3,370,793)
Closing balance	**5,355,113**	6,627,396	**4,361,595**	5,265,056

41 Notes to Cash Flow Statement continued

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
(viii) Due to Bank				
Balance at the beginning	**28,475,932**	27,648,648	**28,475,932**	27,648,648
Movement during the period	**(18,638,885)**	827,284	**(18,638,885)**	827,284
Closing balance	**9,837,048**	28,475,932	**9,837,048**	28,475,932
(ix) Due to Customer				
Balance at the beginning	**100,136,570**	75,675,570	**100,137,825**	76,021,449
Movement during the period	**19,296,269**	24,461,000	**19,639,573**	24,116,376
Closing balance	**119,432,839**	100,136,570	**119,777,398**	100,137,825
(x) Other liabilities				
Balance at the beginning	**18,643,022**	10,090,785	**15,764,392**	9,112,504
Movement during the period	**9,753,892**	8,552,237	**10,613,278**	6,651,888
Closing balance	**28,396,913**	18,643,022	**26,377,670**	15,764,392
(xi) Gain on disposal of PPE				
Cost of PPE disposed	**114,882**	190,268	**111,481**	190,268
Accumulated Dep of PPE Disposed	**(49,737)**	(168,318)	**(46,855)**	(168,318)
	65,146	21,950	**64,626**	21,950
Gain on disposal of PPE	**20,010**	18,440	**20,010**	18,440
Proceeds	**85,155**	40,390	**84,635**	40,390

42 Contingent Liabilities and Commitments

Litigation

The Bank, in the ordinary course of business, is currently involved in three cases as a defendant. However, in one of the cases, the Bank is joined as a necessary party and thus has no liability. The total amount claimed against the Bank in one of the cases is estimated at ₦32mn, while in another case, the Bank is counter-claiming for the sum of ₦1.8bn (the Claimant has no monetary claims against the Bank). However, the solicitors of the Bank are of the view that the probable liability which may arise from the cases pending against the Bank is not likely to exceed ₦13mn (which sum has been paid into the account of the High Court). The Directors believe that based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position. Contingent liability that may arise from the cases is estimated at nil (31 December 2020: nil).

42 Contingent Liabilities and Commitments continued

Contingent liabilities and commitments

In common with other banks, the Group conducts business involving transaction-related bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and Commitments typically comprise guarantees and letters of credit.

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Performance bonds and guarantees	8,850,578	3,672,420	8,850,578	3,672,420
Letters of credits	20,072,576	11,884,579	20,072,576	11,884,579
	28,923,154	15,556,999	28,923,154	15,556,999

Capital Commitments

At the end of the year, the Bank had no capital commitments (31 December 2020: NIL)

43 Group Subsidiaries and Related Party Transactions

43.1 Parent:

The Bank is controlled by FBN Holdings Plc. incorporated in Nigeria, which owns 99.9% of the ordinary shares.

A number of transactions were entered into with related parties in the normal course of business. These include loans and deposits.

The volumes of related-party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

Subsidiaries

FBNQuest Asset Management Limited

The Company provides discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in profit or loss. Assets managed and funds administered on behalf of third parties include:

	31 December 2021 ₦'000	31 December 2020 ₦'000
FBN Balanced Fund	4,139,663	4,045,562
FBN Fixed Income Fund	38,069,204	19,442,946
FBN Money Market Fund	155,636,513	215,176,725
FBN Smart Beta Fund	357,394	271,769
FBN Nigeria Eurobond Fund	8,425,959	5,384,910
FBN Halal Fund	5,178,773	6,786,085
Discretionary Portfolio Managed Service	198,284,435	173,724,212
	410,091,941	424,832,210

43.2 Loans and Advances to Related Parties

The Bank granted credit facilities to other companies which have common director with the bank. The rate and terms agreed are comparable to other facilities being held in the bank's portfolio. Details of these are described below:

Name of company	Relationship	Facility type	₦'000	Status	Security
Libra Circle	Relative to MD	Refinanced LC	505,410	Performing	Charge over assets and cash collateral

The Bank granted various credit facilities to its key management personnel during the year. The rates and terms agreed are comparable to other facilities being held in the Bank's portfolio. Details of these are described below:

	Key management personnel	
	31 December 2021 ₦'000	31 December 2020 ₦'000
Loans and advances to customers		
Loans outstanding at 1 January	418,954	132,821
Loans issued during the year	462,558	305,988
Loan repayments during the year	(72,924)	(19,855)
	808,588	418,954
Loans and advances to banks	-	-
Balance as at 31 December	808,588	418,954
Interest income earned	25,675	11,323

The loans of ₦462.6mn (2020: ₦305.9mn) issued to key management personnel during the year are repayable monthly over a period of between two to twenty years and have interest rates of 8% (2020: 8%).

The Bank did not have any related party loans with Directors (2020: nil).

Notes to the Financial Statements
For the year ended 31 December 2021

43.3 Deposits from Related Parties

	Year ended 31 December 2021	
	Entities controlled by the parent ₦'000	Key management personnel ₦'000
Deposit from customers		
Deposits at 1 January	11,078,979	57,238
Movement during the year	(9,344,297)	81,097
	1,734,683	138,334
Due to banks	-	-
Deposits at 31 December	1,734,683	138,334
Interest expenses on deposits	161,116	-

	Year ended 31 December 2021	
	Entities controlled by the parent ₦'000	Key management personnel ₦'000
Deposit from customers		
Deposits at 1 January	2,862,548	789
Movement during the year	8,216,431	56,449
	11,078,979	57,238
Due to banks	-	-
Deposits at 31 December	11,078,979	57,238
Interest expenses on deposits	226,231	-

43.4 Other Transactions and Balances with Related Parties

Year ended 31 December 2021

	Relationship	Nature of transaction	31 December 2021 ₦'000	31 December 2020 ₦'000
FBNQuest Capital Group	Controlled by Parent	Interest expense	38,168	149,822
FBNQuest Asset Management	Subsidiary	Interest expense	-	18,969
FBNQuest Securities	Subsidiary	Interest expense	21,793	-
FBNQuest Trustees	Controlled by Parent	Interest expense	19,555	15,296
First Bank Limited Group	Controlled by Parent	Interest expense	44,476	-
FBN Holding	Parent	Interest expense	37,124	42,145
FBNQuest Securities	Subsidiary	Deposit liabilities	729,079	1,255
FBNQuest Asset Management	Subsidiary	Deposit liabilities	10,317	-
FBNQuest Capital Group	Controlled by Parent	Fees and Other receivables	-	631,941
FBNQuest Capital Group	Controlled by Parent	Deposit liabilities	879,290	7,929,680
FBNQuest Trustees	Controlled by Parent	Deposit liabilities	117	206,872
FBN Holding	Parent	Deposit liabilities	3,254	2,942,427
FBNQuest Asset Management	Subsidiary	Other receivables	63,974	589,828
FBNQuest Asset Management	Subsidiary	Dividend Receivable	1,100,000	604,000
FBNQuest Securities	Subsidiary	Other receivables	34,819	28,033

43.5 Key Management Compensation

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Salaries and other short-term employee benefits	449,569	637,846	298,782	548,202
Defined contribution costs	52,986	56,672	33,153	46,988
	502,555	694,518	331,935	595,190

The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank and the senior management. Close members of family are those family members who may be expected to influence, or be influenced by those individuals in their dealings with FBNQ Merchant Limited.

Notes to the Financial Statements
For the year ended 31 December 2021

44 Employees

The number of persons employed by the Bank as at end of the year is as follows:

	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Employees	140	87	53	62%	38%

Gender Analysis of Board and Management 2021	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Board	9	7	2	78%	22%
Top Management (AGM to GM)	15	7	8	47%	53%
	24	14	10	58%	42%

Gender Analysis of Board and Management 2021	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Assistant General Manager	6	2	4	33%	67%
Deputy General Manager	4	1	3	25%	75%
General Manager	3	2	1	67%	33%
Deputy Managing Director	1	1	0	100%	0%
Managing Director	1	1	0	100%	0%
Non-Executive Directors	7	5	2	71%	29%
	22	12	10	55%	45%

44 Employees continued

Compensation for the above staff excluding executive management:

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Wages and salaries	**4,466,296**	3,568,263	**3,081,549**	2,943,964
Other pension costs	**256,844**	225,674	**230,422**	190,275
Adjustments for:	**4,723,140**	3,793,937	**3,311,971**	3,134,239

The number of employees of the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Number			
	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
₦350,001 - ₦600,000	**-**	-	**-**	-
₦600,001 - ₦700,000	**-**	-	**-**	-
₦700,001 - ₦1,150,000	**-**	1	**-**	1
₦1,150,001 - ₦1,600,000	**-**	7	**-**	7
₦1,600,001 - ₦2,100,000	**-**	8	**-**	5
₦2,100,001 - ₦2,500,000	**1**	-	**1**	-
₦2,500,001 - ₦3,500,000	**-**	4	**-**	-
₦3,500,001 - ₦5,500,000	**5**	60	**17**	45
₦5,500,001 - ₦10,500,000	**70**	50	**62**	42
₦10,500,001 and above	**102**	54	**60**	51
	178	184	**140**	151

In accordance with the provisions of the Pensions Reform Act 2014, the Bank commenced a contributory pension scheme in January 2005. In this regard, the Bank contributes 10% of the employees' basic salary, housing and transport allowances while the employees contribute 8%. The contribution paid by the Bank during the year was ₦230.4mn (2020: ₦190.27mn).

45 Directors' Emoluments

Remuneration paid to the Bank's directors was:

	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Fees and sitting allowances	129,990	114,635	129,990	114,635
Executive compensation	449,569	302,763	298,782	205,563
	579,560	417,398	428,773	320,198

Fees and other emoluments disclosed above include amounts paid to:

	Number			
	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
Chairman	24,569	22,172	24,569	22,172
Highest paid non-executive director	24,569	74,250	24,569	74,250

The number of Directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number			
	Group		Bank	
	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000
₦5,000,001 and above	7	7	7	7
	7	7	7	7

46 Compliance with Regulatory Bodies

The Bank contravened certain regulatory requirements and policies in the financial year ended 31 December 2021

Contraventions	Penalties ₦'000
1. CBN: Non-approval of the recruitment of new employees	2,000
2. SEC: Breach of SEC Rule 323 (17) prohibiting the transfer of net issue proceeds directly to sponsor	1,000
3. CBN: Misrepresentation of committee meeting attendance for a Director in the 2018 Annual Report	50,000
4. CBN: Non-approval of the recruitment of two employees	4,000
5. CBN: Customers with balances below the minimum ₦50m	2,000
6. CBN: Liquidity ratio below the regulatory minimum for merchant banks	2,000
7. CBN: Non-approval of the engagement of a consultant	2,000
8. CBN: Non-compliance with CBN specification for a senior position	2,000
9. CBN: Failure to provide examiners with the required information during an examination	200,000
10. CBN: Difference between the figures in General Ledger and the Credit printout	2,000
11. CBN: Contravention of section 5.2.1 of the Code of Corporate Governance on the tenure of External Auditors and section 28 (S) 6 of BOFIA 2020.	10,000
12. CBN: Contravention of BOFIA 2020 section 47 (S) 1 and CBN circular referenced BSD/DIR/GEN/LAB/07/004 on engagement of a company secretary.	2,000
	279,000

47 Subsequent Events

The Finance Act 2021 signed into law on 31 December 2021 was the basis upon which the Bank's Company Income Tax was calculated. There are no other events subsequent to the financial position date which require adjustment to or disclosure in, these financial statements.

Other Disclosures

Assessment of COVID-19 Impact on Going Concern

For the year ended 31 December 2021

The COVID-19 pandemic did not have any significant impact on the business operations in 2021. The Bank adopted a hybrid working model for most of the year.

The COVID-19 safety protocols were maintained for staff and customers coming into the office (I.e. temperature checks, use of hand sanitizers and masks, frequent cleaning of the office areas, maintaining social distancing while at work)

In addition, there were regular updates to staff on the need to keep safe as well as encouraging all staff to get vaccinated.

Other Disclosures
Statement of Prudential Adjustments

For the year ended 31 December 2021

	31 December 2021 ₦'000	31 December 2020 ₦'000
Prudential guidelines provision:		
At 1 January 2021		
- Loans and advances (specific and general provisions)	2,703,585	2,450,388
- Other known losses (OKL)	2,881,436	2,460,148
	5,585,021	4,910,536
Charge/(write-back) for the period:		
- Loans and advances (specific and general provisions)	1,184,512	253,198
- Other known losses (OKL)	(119,858)	421,288
	1,064,655	674,486
At 31 December 2021		
- Loans and advances (specific and general provisions)	3,888,097	2,703,585
- Other known losses (OKL)	2,761,579	2,881,436
	6,649,676	5,585,021
IFRS impairment provisions:		
- Allowance for impairment (loans, contingents, current accounts and debt securities)	2,183,841	1,504,610
- Other impairment (Other assets and subsidiaries)	1,816,934	1,945,644
	4,000,775	3,450,254
Required credit risk reserve at end of the year	2,648,901	2,134,767
Balance at beginning of the year	2,134,767	920,039
Addition to credit risk reserve	514,134	1,214,728
Balance at end of the year	2,648,901	2,134,767

Credit risk reserves*: Provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is deemed not performing (specific) in accordance with the following terms; (1) 90 days but less than 180 days (10%); (2) 180 days but less than 360 days (50%) and over 360 days (100%). In addition, a minimum of 2% general provision is made on all risk assets which are deemed performing and have not been specifically provided for. The excess of the impairment under the Prudential Guidelines over the impairment under IFRS has been designated to a non-distributable reserve in line with the regulatory requirements of the Central Bank of Nigeria.

Statement of Value Added

For the year ended 31 December 2021

Group	31 December 2021 ₦'000	%	31 December 2020 ₦'000	%
Gross earnings	23,869,470	307	24,398,976	211
Interest expense	(9,312,511)	(120)	(6,685,044)	(58)
	14,556,959		17,713,932	
Impairment loss on financial assets	(524,720)	(7)	(339,026)	(3)
	14,032,239		17,374,906	
Bought in materials and services	(6,251,425)	(80)	(5,784,280)	(50)
Value added	7,780,814	100	11,590,626	100
Distribution of value added				
To government:				
Taxes	921,461	12	884,686	8
To employees:				
Salaries and benefits	4,723,140	61	3,793,937	33
The future:				
For replacement of fixed assets/intangible assets				
Depreciation & amortisation	577,300	7	1,171,328	10
To augument reserves	1,558,913	21	5,740,675	50
	7,780,814	100	11,590,626	100

This statement shows the distribution of wealth created by the group during the year.

Statement of Value Added

For the year ended 31 December 2021

Bank	31 December 2021 ₦'000	%	31 December 2020 ₦'000	%
Gross earnings	18,462,096	405	19,794,151	212
Interest expense	(9,334,305)	(205)	(6,704,013)	(72)
	9,127,791		13,090,138	
Impairment loss on financial assets	(621,920)	(14)	(339,026)	(4)
	8,505,871		12,751,112	
Bought in materials and services	(3,944,094)	(86)	(3,403,976)	(36)
Value added	4,561,778	100	9,347,136	100
Distribution of value added				
To government:				
Taxes	77,379	2	207,784	2
To employees:				
Salaries and benefits	3,311,971	72	3,134,239	34
The future:				
For replacement of fixed assets/intangible assets				
(depreciation & amortisation)	520,733	11	1,124,503	12
To augument reserves	651,696	15	4,880,610	52
	4,561,778	100	9,347,136	100

This statement shows the distribution of wealth created by the Bank during the year.

Other Disclosures

Five-Year Financial Summary

For the year ended 31 December 2021

Group	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Statement of financial position					
ASSETS					
Cash and balances with Central Bank of Nigeria	**38,118,585**	43,690,655	8,302,033	4,653,015	3,072,985
Loans and advances to banks	**14,905,839**	25,718,491	7,377,521	17,337,847	14,953,328
Loans and advances to customers	**76,689,597**	55,699,015	46,448,173	35,413,635	39,164,047
Financial assets held for trading	**6,154,032**	1,910,800	2,902,292	1,876,368	4,352,566
Investment securities:					
- Fair value through OCI	**43,601,118**	29,041,247	16,684,696	33,668,763	-
- Available-for-sale	**-**	-	-	-	49,026,893
- Amortised cost	**-**	7,583,938	2,914,249	1,275,653	-
- Loans and receivable/Held-to-maturity	**-**	-	-	-	3,902,759
Pledged assets	**12,593,933**	16,742,200	39,382,677	21,099,602	6,823,144
Derivative financial assets	**361,693**	417,669	474,757	219,954	32,562
Other assets	**5,355,113**	6,627,396	8,469,156	5,977,171	5,140,954
Investment in subsidiaries	**-**	-	-	-	-
Deposit with Nigerian Stock Exchange	**-**	1,150	1,150	1,150	1,150
Property and equipment	**1,539,216**	1,348,756	1,388,451	1,759,451	1,875,507
Intangible assets	**337,833**	218,778	863,136	1,900,356	3,120,904
Right of use assets	**50,763**	56,886	175,208	-	-
Deferred tax assets	**9,362,532**	9,429,283	9,426,538	9,322,285	9,152,583
TOTAL ASSETS	**209,070,252**	198,486,264	144,810,037	134,505,250	140,619,382
LIABILITIES					
Due to banks	**9,837,048**	28,475,932	27,648,648	8,003,945	10,323,902
Due to customers	**119,432,839**	100,136,570	75,675,570	90,858,472	87,952,326
Current income tax liability	**922,057**	945,860	766,671	716,309	2,249,412
Corporate bonds issued	**13,233,425**	13,235,587	-	-	-
Other liabilities	**28,496,201**	18,652,820	10,090,784	10,073,642	12,889,550
Lease liabilities	**35,968**	25,100	115,233	-	-
Derivative financial instrument	**354,877**	383,526	469,389	219,954	32,652
TOTAL LIABILITIES	**172,312,415**	161,855,395	114,766,295	109,872,322	113,447,842
NET ASSETS	**36,757,837**	36,630,869	30,043,742	24,632,928	27,171,540

Five-Year Financial Summary

For the year ended 31 December 2021

Group	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
CAPITAL AND RESERVES					
Share capital	**4,301,577**	4,301,577	4,301,577	4,301,577	4,301,577
Share premium	**3,904,731**	3,904,731	3,904,731	3,904,731	3,904,731
Retained earnings	**16,028,094**	15,587,647	13,293,789	10,596,377	10,369,345
Statutory reserve	**8,708,745**	8,610,990	7,878,900	7,482,866	7,174,165
Credit risk reserve	**2,648,901**	2,134,767	920,039	420,430	1,809,688
Fair value reserve	**1,139,192**	2,064,559	(281,892)	(2,099,651)	(414,564)
General reserve	**26,598**	26,598	26,598	26,598	26,598
SHAREHOLDERS' FUNDS	**36,757,837**	36,630,869	30,043,742	24,632,928	27,171,540
Income statement					
Operating income	**14,032,239**	17,374,906	13,993,193	12,989,988	13,483,179
Operating expenses	**(11,551,866)**	(10,749,545)	(9,843,248)	(10,188,908)	(7,316,260)
Profit before tax	**2,480,374**	6,625,361	4,149,945	2,801,080	6,166,919
Tax	**(921,461)**	(884,686)	(556,888)	(483,400)	(1,283,304)
Profit after tax	**1,558,913**	5,740,675	3,593,057	2,317,680	4,883,615
Earnings per share - basic (kobo)	**36**	133	61	48	95

Five-Year Financial Summary

For the year ended 31 December 2021

Bank	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
Statement of financial position					
ASSETS					
Cash and balances with Central Bank of Nigeria	**38,118,585**	43,690,655	8,302,033	4,653,015	3,072,985
Loans and advances to banks	**12,006,567**	22,233,202	4,238,237	14,221,127	14,020,829
Loans and advances to customers	**76,589,248**	55,599,526	46,390,453	35,342,825	39,153,234
Financial assets held for trading	**4,788,062**	1,379,915	2,517,162	1,302,217	3,319,701
Investment securities:		-	-		-
- Fair value through OCI	**41,810,273**	26,986,180	16,026,386	33,592,365	
- Available-for-sale	**-**	-	-	-	48,888,808
- Amortised cost	**-**	7,583,938	2,914,249	1,275,653	-
- Loans and receivable/Held-to-maturity	**-**	-	-	-	3,902,759
Pledged assets	**12,593,933**	16,742,200	39,382,677	21,099,601	6,823,144
Derivative financial assets	**361,693**	417,669	474,757	219,954	32,562
Other assets	**4,361,595**	5,265,056	8,517,527	6,151,414	3,993,045
Investment in subsidiaries	**1,217,129**	1,313,329	1,313,329	1,381,773	1,737,106
Deposit with Nigerian Stock Exchange	**-**	-	-	-	-
Property and equipment	**1,429,522**	1,295,560	1,325,752	1,683,237	1,790,618
Intangible assets	**122,107**	197,499	810,031	1,758,235	2,840,915
Right of use assets	**50,763**	56,886	175,208	-	-
Deferred tax assets	**9,113,548**	9,113,548	9,113,548	9,113,548	9,113,547
TOTAL ASSETS	**202,563,025**	191,875,163	141,501,349	131,794,965	138,689,253
LIABILITIES					
Due to banks	**9,837,048**	28,475,932	27,648,648	8,003,945	11,639,548
Due to customers	**119,777,398**	100,137,825	76,021,448	90,977,369	87,490,984
Current income tax liability	**77,379**	259,193	183,602	212,353	1,579,252
Corporate bonds issued	**13,233,425**	13,235,587	-	-	-
Other liabilities	**26,476,958**	15,774,191	9,112,503	8,841,694	11,607,283
Lease liabilities	**35,968**	25,100	115,233	-	-
Derivative financial instrument	**354,877**	383,526	469,389	219,954	32,562
Deferred tax liability	**-**	-	-	-	-
TOTAL LIABILITIES	**169,793,054**	158,291,354	113,550,823	108,255,315	112,349,629
NET ASSETS	**32,769,971**	33,583,809	27,950,526	23,539,650	26,339,624

Five-Year Financial Summary

For the year ended 31 December 2021

Bank	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000	31 Dec 2017 ₦'000
CAPITAL AND RESERVES					
Share capital	**4,301,577**	4,301,577	4,301,577	4,301,577	4,301,577
Share premium	**3,904,731**	3,904,731	3,904,731	3,904,731	3,904,731
Retained earnings	**12,228,029**	12,694,799	11,261,008	9,516,426	9,570,194
Statutory reserve	**8,708,745**	8,610,990	7,878,900	7,482,866	7,174,165
Credit risk reserve	**2,648,901**	2,134,767	920,039	420,430	1,809,688
Fair value reserve	**977,989**	1,936,945	(315,729)	(2,086,380)	(420,731)
SHAREHOLDERS' FUNDS	**32,769,971**	33,583,809	27,950,526	23,539,650	26,339,624
Income statement					
Operating income	**8,505,872**	12,751,112	9,899,353	9,598,185	11,591,642
Operating expenses	**(7,776,797)**	(7,662,718)	(7,119,476)	(7,328,073)	(6,643,577)
Profit before tax	**729,075**	5,088,394	2,779,877	2,270,112	4,948,065
Tax	**(77,379)**	(207,784)	(139,651)	(212,100)	(863,601)
Profit after tax	**651,696**	4,880,610	2,640,226	2,058,012	4,084,464
Earnings per share - basic (kobo)	**15**	113	61	48	95

Abbreviations

AIHN	Association of Issuing Houses of Nigeria
ALCO	Asset and Liability Committee
AML	Anti-Money Laundering
ASI	Accumulative Swing Index
AUM	Assets Under Management
BAC	Board Audit Committee
BC	Bills for Collection
BCC	Board Credit Committee
BCM	Business Continuity Management
BCMP	Business Continuity Management Policy
BGC	Board Governance/HR Committee
BOFIA	Banks and Other Financial Institutions Act
BRMC	Board Risk Management Committee
BVN	Bank Verification Number
CAMP	Career Advancement and Mentorship Programme
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CCB	Coverage and Corporate Banking
CDD	Customer Due Diligence
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CFP	Contingency Funding Plan
CFT	Countering the Financing of Terrorism
CM	Capital Markets
COSO	Committee of Sponsoring Organisations of the Treadway Commission
COVID-19	Corona Virus Disease, discovered 2019
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Collateral Risk Rating
CSCS	Central Securities Clearing System
CTR	Currency Transaction Report
DMO	Debt Management Office
DNFBPs	Designated Non-Financial Businesses and Professionals
DS	Debt Solutions
EA	Enterprise Architecture
EAC	ELCO Audit Committee
EAD	Exposure at Default
EAP	Employee Assistance Programme
ECL	Expected Credit Loss
EDD	Enhanced Due Diligence
EHS	Environment Health & Safety
ELCO	Executive Leadership Committee
EoD	End of Day
ESG	Environmental, Social, and Governance criteria
FA	Financial Advisory
FATF	Financial Action Task Force
FBN	First Bank of Nigeria
FCA	Fellow of the Institute of Chartered Accountants
FGN	Federal Government of Nigeria
FICT	Fixed Income Currencies and Treasury
FRR	Facility Risk Rating
FTR	Foreign Transaction Report
FX	Foreign Exchange
GDP	Gross Domestic Product
GMD	Group Managing Director
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INEDS	Independent Non-Executive Directors
IPO	Initial Public Offering
ISMS	Information Security Management System
ISSC	Information Security Steering Committee
ITSC	Information Technology Steering Committee
KYC	Know Your Customer
LC	Letters of Credit
LGD	Loss Given Default
MBA	Master of Business Administration
MBAM	Merchant Banking and Asset Management
MCI Arb	Member of the Chartered Institute of Arbitrators
MCUC	Management Credit and Underwriting Committee
MFR	Member of the Order of the Federal Republic
NASD	National Association of Securities Dealers
NCCG	The Nigerian Code of Corporate Governance
NDIC	Nigeria Deposit Insurance Corporation
NFIU	The Nigerian Financial Intelligence Unit
NGX	Nigerian Exchange
NIBOR	Nigerian Inter-Bank Offer Rate
NIM	Net Income Margin
NPAC	New Product Approval Committee
NSBP	Nigerian Sustainable Banking Principles

Abbreviations

OMO	Open Market Operations
ORR	Obligor Risk Rating
PBT	Profit Before Tax
PD	Probability of Default
PDMM	Primary Dealers and Market Markers
PEP	Politically Exposed Persons
PFAs	Pension Fund Administrators
PFAs	Pension Fund Administrators
PPP	Public-Private Partnerships
PwC	PricewaterhouseCoopers
RAAC	Risk Asset Acceptance Criteria
RMC	Risk Management Committee
SAN	Senior Advocate of Nigeria
SEC	Nigerian Securities and Exchange Commission
SMIS	Secondary Market Intervention Sales
SoP	Standard Operating Procedures
SROs	Self Regulatory Organisations
STR	Suspicious Transaction Report
TFN	Teach for Nigeria
UK	United Kingdom
USD	US Dollar
WHO	World Health Organisation
WIMBIZ	Women in Management, Business and Public service
WISCAR	Women in Successful Careers

Contact Information

	BUSINESS ADDRESS	TELEPHONE NUMBER
FBNQUEST MERCHANT BANK GROUP		
FBNQuest Merchant Bank Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria*	+234 708 062 6000-4, +234 1 270 2290-2 +234 1 280 1340-4, +234 1 279 8300
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt, Rivers, Nigeria	+234 812 993 4624
	18 Mediterranean Street, Imani Estate, Maitama. Abuja, Nigeria	+234 812 993 4620
FBNQuest Asset Management Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 708 062 6000-4, +234 1 270 2290-2 +234 1 280 1340-4, +234 1 279 8300
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt, Rivers, Nigeria	+234 812 993 4624
	18 Mediterranean Street, Imani Estate, Maitama. Abuja, Nigeria	+234 906 292 7731
FBNQuest Securities Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 708 062 6000-4, +234 1 270 2290-2 +234 1 280 1340-4, +234 1 279 8300
FBNQUEST CAPITAL GROUP		
FBNQuest Capital Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 708 062 6000-4, +234 1 270 2290-2 +234 1 280 1340-4, +234 1 279 8300
FBNQuest Funds Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 708 062 6000-4, +234 1 270 2290-2 +234 1 280 1340-4, +234 1 279 8300
FBNQUEST TRUSTEES		
FBNQuest Trustees Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria	+234 708 062 6000-4, +234 1 270 2290-2 +234 1 280 1340-4, +234 1 279 8300
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt, Rivers, Nigeria	+234 812 993 4624
	18 Mediterranean Street, Imani Estate, Maitama. Abuja, Nigeria	+234 701 045 5883

*Exited 10 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos on 31 December 2021.

FBNQuest
Merchant Bank

FBNQuest Merchant Bank Limited
Shareholder Enquiries
Email: companysecretariat@fbnquestmb.com
Tel: +234 1 2801340-4
www.fbnquest.com/merchantbank

Customer Enquiries
Email:ccu@fbnquestmb.com
Tel:+234 708 062 6000-4
+234 1 270 2290-2
+234 1 2801340-4
+234 1 2798300

Registered Address
16, Keffi Street, Off Awolowo Road
S.W. Ikoyi, Lagos
Nigeria.
Registration No. RC264978

https://fbnquest.com/merchant-bank/resources/annual-reports/