FSDH Holding Company Limited

Consolidated and Separate Financial Statements for the year ended 31 December 2020

FSDH HOLDING COMPANY LIMITED

Index to the consolidated financial statements
for the year ended 31 December 2020

CHAIRMAN'S STATEMENT

Fellow shareholders, distinguished ladies, and gentlemen, on behalf of the Board of FSDH Holding Company, I am pleased to welcome you all to our second Annual General Meeting (AGM). 2020 was a difficult year for people, businesses, and economies across the globe.

On February 27, 2020, the Federal Ministry of Health confirmed a coronavirus case in Lagos, the first official index case of COVID-19 in Nigeria. The follow up to this by the Government was implementation of a wide range of measures to curb the spread as this had been categorized a pandemic by the World Health Organisation. These measures included lockdowns which restricted movements and inter-state travels, closure of business offices and non-essential services, shutting down of the airspace to international flights and ban on social gathering amongst others.

At FSDH, the immediate response was to activate our Crisis Management Team led by the Chief Executives of our various subsidiaries to oversee our response as an institution. The Team's mandate was to marshal up plans and set up modalities that ensured business continuity while prioritizing the health of our employees. With our headquarters located in Lagos, the initial epicenter of the pandemic in Nigeria, we were prompt in the implementation of our work-from-home policy in March 2020. We provided members of staff with the necessary tools and infrastructure to ensure effective remote working and engagements with clients and stakeholders. Leading by example, all Board and Committee meetings across the Group held virtually, making use of teleconferencing tools.

Further to the above measures, the Group also continued to engage and educate its staff members on COVID-19 safety measures and protocols, disseminate the government's guidelines and provide wellness support for employees who desired to take the COVID test or required medical treatment for COVID-related ailment. This has been extended at present, with advent of vaccine, to cover providing support for employees that have registered for the vaccination.

On the business side, we continued to engage with our clients on their business sustainability and recovery during the Pandemic. Some of these business support measures included granting moratoriums under the CBN COVID-19 forbearance window, deploying IT support tools, increasing our banking channels, upgrading IT security protocols, and deploying cutting-edge products. These initiatives have enabled the Group to support its clients through the pandemic.

However, it is exhilarating to start to see countries and economies worldwide recover from the COVID-19 pandemic. As an increasing amount of vaccines get developed and administered, in conjunction with the implementation of significant policies to strengthen productive activities, I expect economies across the globe to recover and even expand.

We remain resolute in our vision of becoming Africa's leading financial asset aggregator with an innovative Pan-African footprint. We will continue in our mission to improve outcomes for our customers and subsidiaries while delivering value for our shareholders, now more than ever.

Global Economy and the COVID-19 Pandemic

COVID-19 adversely affected output, employment, and inflation, with many non-essential companies shutting down operations. The fall in production was also accompanied by rising prices, with the inflation rate increasing to 13.7% by September 2020. The global economy is still feeling the effects of the ongoing COVID-19 Pandemic, as economies were brought to a halt by lockdowns and social distancing measures. According to the IMF, the rollouts of vaccines are expected to strengthen activity later in 2021, with additional support policy in large economies. The International Monetary Fund (IMF) forecasts global growth projections at 5.5%, an improvement from 5.2% as earlier projected. However, the fund noted that recovery would vary across economies, dependent on; the efficacy of policy support, vaccine administration, and other factors. The primary concern in the global recovery process is renewed waves and variants of COVID-19. Developing countries are expected to lead the recovery with a growth of 6.3%. In particular, China is expected to experience growth of 8.1%, higher than pre-COVID-19 levels of 6% in 2019. Sub-Saharan Africa's economies are expected to expand by 3.2%, a substantial increase after a 2.6% contraction in 2020. For Nigeria, specifically, growth is projected at 1.5%, while South Africa is expected to expand by 2.8%. Further economic recovery in 2021 will be driven by improved commodity prices, relaxation of lockdown rules, higher consumer demand, and additional fiscal stimuli.

The price of crude oil has trended upwards since the end of October 2020. OPEC production cuts and COVID-19 vaccines have sustained a higher crude oil price of $64.5 per barrel in Q1 2021. High crude oil prices will continue to sustain through 2021Q2 if OPEC continues to reduce production and overall demand increases due to COVID-19 vaccination rollouts.

Challenging Economic Environment

Nigeria recorded an early exit from the recession with a growth of 0.1% in Q4 2020, exiting one of the worst recessions in the fourth quarter. The Country had previously posted a decline of 6.1% and 3.6% in Q2 2020 and Q3 2020, respectively. The non-oil sector drove improved performance in Q4 2020. The crude oil sector remained in recession with a decline of -19.8% in Q4 2020, chiefly driven by reduced crude oil output. Annual real GDP declined by 1.92% in 2020, far above analyst expectations. Seven sectors recorded positive growth in Q4 2020 as against six in Q3 2020. The information and communication sectors led the recovery growing by 14.6% and 14.7% in Q3 2020 and Q4 2020, respectively. The agriculture sector was resilient through 2020, rising by 2.2%. The sector recorded growth of 3.4% in Q4 2020 vs. Q3 2020, the highest since 4.2% in Q4 2017 vs. Q3 2017.

A challenging macroeconomic environment still exists, as real GDP loss stood at ₦3.2 trillion in 2020 (mainly due to COVID-19).

According to FSDH Research, Real GDP growth in 2021 is expected to be positive, expanding by 1.3% in a moderate case and 2.3% in the best case. FSDH Research expects positive momentum to continue in 2021 following the impact of the government's fiscal stimulus on crucial sectors and improving macroeconomic activity. For real output to return to pre-COVID-19 levels of ₦71.4 trillion, the economy will have to expand by 2%. Critical challenges of insecurity, stagnant crude oil production, foreign exchange scarcity, and lower investment inflows still pose a risk to economic growth in 2021.

Investor Confidence

Following the outbreak of COVID-19, Forex inflows reduced significantly on the back of lower Foreign Portfolio inflows. FPI inflow remains remarkably low, at US$17.9 million in February 2021 compared to US$2.04 billion in January 2020 before the onset of the COVID-19 Pandemic. The foreign exchange market continues to witness a supply shortage of foreign currency to meet its demand. Consequently, the gap between the various FX markets continues to expand. The Central Bank of Nigeria, twice during the year adjusted the official exchange rate, from ₦307/US$ to ₦360/US$ in March 2020 and from ₦360.1/US$ to ₦380/US$ in August 2020. Likewise, the exchange rate faced significant pressure in the I&E window. This pressure stemmed from declining external reserves, limited inflows from crude and non-oil sources, and a backlog of foreign currency demand. Total inflows to the I&E Window dropped from US$1.4 billion in December 2020 to US$734.9 million in January 2021 and US$565.9 million in February 2021.

With investors still wary about their ability to recoup their funds, the current exchange rate is still a deterrent to Foreign Direct Investors and Foreign Portfolio Investors. The Central Bank of Nigeria (CBN) has however continued to assure foreign investors that repatriating their funds from the country was secured, despite forex-related revenue shortages due to the drop from the sale of crude oil globally.

It is believed that as the global economy witnesses more stability and the Nigerian economy shows recovery with the sustained crude oil price at present levels, we should experience steady growth in foreign investment inflows.

The Volatility of the Equity Markets

At the onset of the COVID-19 Pandemic, exacerbated by the Saudi-Russia oil price wars and local economic challenges, the All-Share Index had lost 20.53% of its value as foreign investors fled to safety and domestic investors maintained strong risk-off sentiments. The market did not quite recover until October when it entered a bull run primarily brought about by unattractive fixed-income yields and higher corporate earnings than was expected. The NSE ASI recovered from Q1 2020 to close the year at 40,271 (+50.03%) and erase losses of -14.90% recorded in 2019.

At the end of the year, the NSE's equity market capitalization was up by 62.42%, from ₦12.97 trillion in 2019 to ₦21.06 trillion in 2020. The Stock Market Capitalization to GDP ratio was 13.6% in Dec 2020 from 9.0% in Dec 2019. The NSE Industrial Index was the top-performing index of 2020 (with +90.81% returns).

The current appreciation of yields across the fixed-income market segments has contributed to the bearish run in the equity market. In January 2021, investors' participation in the equity market subsided compared with data for November and December 2020. Foreign participation, in particular, remains significantly lower when compared with domestic involvement. Despite the lower participation, foreign investors' transactions on the NSE were mainly divestment (investment outflows), while the significant investment inflows were from domestic investors.

Corporate Governance

We continue to enrich the Board with the infusion of young, dynamic, technology-savvy professionals alongside well-experienced industry veterans of diverse backgrounds in line with our push on technology and strategic vision.

Anieken Ukpanah, Yasmin Belo-Osagie, and Murtala Baloni joined the Holding Company's Board as Non-Executive Directors during the year. Likewise, at our subsidiary levels, we had Wambui Kinya, and Osagie Ediale join the Boards of the FSDH Asset Management Limited and Pensions Alliance Limited, respectively, as Non-Executive Directors.

They have all already demonstrated the valuable skills, expertise, and experience they bring across a wide range of areas. We look forward to working closely with them.

Like the rest of the Group, the Board has adopted new ways of working in 2020. All Board and Committee meetings convened virtually, which brought benefits including less travel and more frequent, shorter sessions. It will be critical for us to consider retaining what has worked well over the last year once restrictions are relaxed.

Technology

Technology remains critical to achieving our targeted objectives of improved operational efficiencies, stellar customer experience, and exceptional product delivery. We have made significant investments and progress in our push to become a leading technology-driven financial asset aggregator. We have also committed resources to explore innovative opportunities, including but not limited to investing in technologies and technology-powered companies that align with our goals and objectives.

The year 2021 will see a number of these innovative ideas coming to fruition with our subsidiaries playing key roles at the forefront of deploying technology-driven solutions. One of the initiatives I believe worth mentioning is the imminent launch of a

A Change of Guards

One of our aims is to empower each of our subsidiaries with the requisite resources required to achieve the strategic goals of the Group. Further to my address to you last year, there were strategic additions across our subsidiaries during the year.

The exemplary Managing Director of our banking subsidiary - FSDH Merchant Bank Limited, Mrs. Hamda Ambah, having attained the retirement age, will retire from the bank's services in April 2021, after an illustrious career spanning 28 years in the bank. The Board of Directors wishes to seize this opportunity to express sincere appreciation to her for her meritorious service and wish her the very best in her future endeavors.

To steer the Merchant Bank into the future, Mrs Bukola Smith has joined FSDH Merchant Bank as Managing Director/Chief Executive Officer, effective April 27th, 2021. She brings 28 years of progressive experience in the industry with a track record of strategic execution and leadership. We are looking to her to help drive our expansion into the much coveted SME space, leading with technological innovation.

Dear Shareholders, join me in welcoming Mrs. Smith to the FSDH fold as we look forward to her contribution to the Group's growth.

FSDH Group 2020 Financial Performance

The Group's profitability in terms of profit after tax for the year grew by 12% year-on-year to ₦4.08billion. We were able to record this growth despite the challenging operating environment and impact of the COVID-19 Pandemic on some of the subsidiaries' income streams. Gross earnings declined by 12% to ₦22.59billion. This decline reflected the weakness in our net interest income, echoing the low yield environment, especially on investment securities, coupled with the slowdowns in risk assets' growth.

The Group's total assets rose by 3% from ₦163billion to ₦168billion due to growth in some key business activities, while shareholders' funds increased by 17% year-on-year to ₦39.99billion.

FSDH Holding Company Limited, the parent company of the Group, recorded a profit after tax of ₦1.7billion for the year, a 55% growth from the prior year.

Based on this performance, your directors have recommended, subject to your approval, a dividend of 80kobo per share amounting to a total of ₦1.6billion for the financial year ended December 31, 2020.

Outlook

In 2021, the global economy is expected to recover from the devastating impact of the COVID-19 Pandemic, albeit slowly. With the advent of the COVID vaccine and gradual ease of lockdowns and resumption of more international flight destinations globally, we expect this re-opening to stimulate an increase in productivity and consumption necessary to boost economic activities.

Locally, the impact of the government's fiscal stimulus on crucial sectors to improve macroeconomic activities should begin to yield better results coupled with the recent receipt of vaccines amidst other COVID-19 protocols aimed at curtailing the spread of the virus. 2021 looks promising and hopefully would be a much better year.

For FSDH Group, the coming year holds a lot in terms of growth. We put together the establishment of our first new subsidiary under the Holding structure - a full-fledged digitalized non-bank technology-driven entity. These are exciting times for the Group. We will continue to pursue our aspirations of being a leading wealth aggregator in sub-Saharan Africa and a technology-driven financial solution network.

Appreciation

On behalf of the Board, I would like to thank our esteemed customers for their continued patronage and trust in the Group, especially throughout a challenging year. I am enormously grateful to all staff members of the Group. They have worked tirelessly, especially during this challenging Pandemic, to ensure exceptional customer service. Their outstanding dedication and care were unmatched. Additionally, I applaud our executive management for demonstrating such innovative leadership and confidence during the year. The innovative work environment they have built to support quality service delivery and develop cutting-edge products deserves applause.

To the Board of directors, I want to thank them for taking on this new level of responsibility and their vision in shaping the Group's strategies. It is a privilege to work alongside such a vastly experienced Board. Finally, I am hugely grateful to everyone who helped FSDH - whether directly or indirectly - in supporting our customers, communities, and each other over the last 12 months.

Thank you,

Hakeem Belo-Osagie

DIRECTORS' REPORT

The Directors present the audited financial statements for the year ended 31st December 2020.

(a) Legal form

FSDH Holding Company Limited was incorporated on 15th January 2019 as a private limited liability company. The Central Bank of Nigeria (CBN) granted the Company license as a non-operating financial holding company on 17th April 2019.

(b) Principal activity

The Company is a non-operating financial holding company regulated by the CBN. Following a scheme of arrangement between FSDH Merchant Bank Limited and the holders of its fully paid shares, sanctioned by the Federal High Court on 10th May 2019, the following companies became subsidiaries of FSDH Holding Company Limited:

FSDH Merchant Bank Limited

FSDH Merchant Bank Limited is a wholly owned subsidiary of FSDH Holding Company Limited.

FSDH Merchant Bank Limited (formerly known as First Securities Discount House Limited) was incorporated in 1992 as a discount house and commenced operations in 1993. First Securities Discount House Limited was the first discount house to be licensed by the CBN. As a discount house, it had as its core competencies; the issuance and trading of financial securities. In November 2012, First Securities Discount House Limited obtained the approval of the CBN to operate as a merchant bank. In December 2012, its name was changed to FSDH Merchant Bank Limited. The Bank commenced merchant banking operations in January 2013 as one of the first merchant banks licensed after the CBN discontinued universal banking in 2010.

The principal activity of the Bank is the provision of merchant banking services in accordance with the CBN Scope, Conditions & Minimum Standards for Merchant Bank Regulations. These services include transactional products and structuring of finance, money market activities, trading and holding marketable securities such as treasury bills, government bonds, commercial bills, and other eligible instruments.

FSDH Asset Management Limited

FSDH Asset Management Limited ("**FSDH AM**") is a wholly owned subsidiary of FSDH Holding Company Limited. The company was incorporated on the 8th November 2001 as a private limited liability company, to carry on the business of asset and financial management.

FSDH AM acts primarily as an investment manager to manage unit trusts and other funds and portfolios. As an investment manager, the company's objective is to achieve consistent long-term growth for clients' funds while also effectively managing the balance between risk and returns.
The Securities and Exchange Commission regulates the activities of FSDH AM.

FSDH Capital Limited

FSDH Capital Limited (formerly known as FSDH Securities Limited) is a wholly owned subsidiary of FSDH Holding Company Limited. It commenced operations on 2nd November 1995 as a Nigerian equity trading company to provide a wide range of capital market solutions to its clients.

FSDH Capital offers investment banking, equities trading and fixed-income services. The company's services span capital markets, financial advisory, project finance, mergers & acquisitions. The company is an authorized dealer on the floor of the Nigerian Stock Exchange and FMDQ Securities Exchange Limited.

Pensions Alliance Limited

Pensions Alliance Limited ("PAL Pensions") is a licensed Pension Fund Administrator (PFA) regulated by the National Pension Commission to provide pension fund management and administration services under the Pension Reform Act 2014.

PAL Pensions was incorporated in 2005 and is co-owned by FSDH Holding Company and African Alliance Insurance PLC with 51% and 49% shareholdings, respectively. The primary responsibilities of PAL Pensions include the management of retirement savings accounts for employees, investments and management of pension fund assets, and payment of retirement benefits.

PAL Pensions operates from 44 branches in Nigeria, including the Federal Capital Territory.

(c) Operating Results

	Group **Dec 2020** **N'000**	***Group*** **Dec 2019** **N'000**	***Company*** **Dec 2020** **N'000**	***Company*** **Dec 2019** **N'000**
Profit before tax	5,172,074	5,755,788	1,700,904	1,099,720
Income tax expense	(1,095,010)	(2,114,004)	(362)	-
Profit after tax	4,077,064	3,641,784	1,700,542	1,099,720
Other comprehensive loss for the period, net of tax	2,773,395	427,293	-	-
Total Comprehensive Income for the period	6,850,459	4,069,077	1,700,542	1,099,720

(d) Proposed Dividend

The Board of Directors has proposed, for the shareholders' approval, the payment of a dividend of ₦1.6 billion representing ₦0.80 per share.

(e) Directors and their interests

The following are the Directors of FSDH Holding Company Limited as at 31st December 2020:

Mr. Hakeem Belo-Osagie	Non-Executive Director representing KMC Investments Limited
Mr. Junaid Dikko	Non-Executive Director representing KMC Investments Limited
Mr. Papa Ndiaye	Non-Executive Director representing Atlantic Coast Regional

	Funds LLC
Mrs Amoge Jipreze	Independent Non-Executive Director
Mr. Tosayee Ogbomo	Executive Director
Mr. Murtala Baloni	Independent Non-Executive Director (appointed with effect from October 13, 2020)
Miss. Yasmin Belo-Osagie	Non-Executive Director representing KMC Investments Limited (appointed with effect from July 29, 2020)
Mr. Aniekan Ukpanah	Non-Executive Director representing KMC Investments Limited (appointment with effect from October 13, 2020)
Mr. Rilwan Belo-Osagie	Non-Executive Director representing KMC Investments Limited (Retired with effect from July 29, 2020)

(f) Directors' interest in contracts

In accordance with Section 303(1) of the Companies and Allied Matters 2020 (CAMA), two directors have notified the Company of a declarable interest in contract.

(g) Composition of top management

The Company's top management is categorized as employees that are Assistant General Managers and above. As at 31st December 2020, the Company had four members of staff in that category.

(h) Shareholding analysis

The shareholding pattern of FSDH Holding Company Limited as at its business commencement date of 1st July 2019 is as stated below:

Share Range	No. of Shareholders	No. of holdings	Percentage holding
0 – 100,000,000	6	344,956,197	17.25
100,000,001 – 500,000,000	4	1,014,318,490	50.71
500,000,001 – 1,000,000,000	1	640,725,313	32.04
	11	2,000,000,000	100.00

(i) Substantial interest in shares

According to the register of members as at 31st December 2020, the following shareholders held more than 5% of the issued share capital of the Company:

Shareholder	Unit Holding	Percentage
KMC Investments Limited	640,725,313	32.04%
Atlantic Coast Regional Funds LLC	465,032,735	23.25%
United Capital Asset Management Limited	216,026,676	10.80%
FSDH Staff Co-operative Society	208,026,223	10.40%
International Finance Corporation	125,232,856	6.26%

(j) Property and equipment

Information relating to changes in the property and equipment of the Company is disclosed in

Note 26 to of the financial statements. In the directors' opinion, the market value of the Company's property, plant and equipment is not less than the value shown in the financial statements.

(k) Human Resources

Employee consultation and training

The Company places considerable value on ensuring that its employees are engaged. It engages them by keeping them informed on matters affecting them as employees and the various factors affecting the company's performance. This is achieved by holding regular and informal meetings between management and staff.

The Company places a high premium on the training and development of its workforce and sponsors employees for various training courses as appropriate.

Health, safety and welfare at work

The company's business premises are designed to ensure a safe and healthy environment for its employees and customers. All employees are adequately insured against occupational hazards. Also, the company takes responsibilities for the medical care of its employees. With the outbreak of Covid-19, about all of our staff were empowered with modern collaboration tools to work from their respective residences to limit their exposure to the corona virus.

Equal opportunity

The Company's policy is that the best qualified and most experienced persons are recruited for appropriate job levels irrespective of an applicant's gender, state of origin, ethnicity, religion or physical condition.

Employment of physically challenged persons

The Company continues to maintain a policy of considering applications for employment made by physically challenged persons with due regard to their abilities and aptitude. The Company's policy prohibits discrimination against physically challenged persons in recruitment, training, and career development. Currently, the company has no person on its staff list with a physical disability.

(l) Auditors

Messrs. PricewaterhouseCoopers, the external auditors to the company will be retiring at the Annual General meeting.

UAC House (8th Floor)
1/5 Odunlami Street
Marina
Lagos7 March 2021

BY ORDER OF THE BOARD

Aidevo Odu-Thomas
Company Secretary
FRC/2013/INBA/00000003862

CORPORATE GOVERNANCE REPORT

OWNERSHIP

Following the sanction of the scheme of arrangement between FSDH Merchant Bank Limited and the holders of its fully paid ordinary shares of =N=1.00 each by the Federal High Court on 10th May 2019, the shareholders of FSDH Merchant Bank Limited became the shareholders of FSDH Holding Company Limited.

The shareholders consist of local banks and non-bank financial institutions on the one hand and offshore investors on the other hand. This ownership structure is advantageous to the FSDH Group, given the ability of entities across the Group to leverage the opportunities occasioned by its diversity.

THE BOARD

The Company's Board comprises experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The Chairman of the Board's position is separate from that of the Chief Executive Officer, and accordingly, the same person does not occupy both positions. The evaluation of the Board of Directors of the Company for its effectiveness for the year ended December 31, 2020, was undertaken by Deloitte and Touche. Given that it is still early days for the Company, the Consultant's ratings on the Board's effectiveness are very encouraging.

The Board has three standing committees, and together with the three committees, the Board oversees the Company's operations. The duties of the Board are spelt out in the Board Charter. They include:

- Approving the Group's strategy and financial objectives and monitoring the implementation of those strategies and objectives;
- Approving any significant changes in the organisational structure of the Group;
- Reviewing and approving proposals for the allocation of capital and other resources within the Group;
- Defining the capital structure of the Group, including the review and approval of proposals for the issue of shares, options or other securities, any share buyback, and any changes in the capital structure of the Group;
- Approving the dividend policy and proposing the dividend to be approved by the shareholders at annual general meetings;
- Approving the Group's investment policy and framework and monitoring investment and strategic commitments that may have a material effect on the assets, profit or operations of the Group, including any material changes in the nature of the business of the Group;
- Approving operating plans and actions of FSDH Holding Company, including setting an expenditure approval threshold for management and approving expenditure that exceeds the threshold;
- Setting and monitoring the compliance of subsidiaries with established policies and business objectives;
- Overseeing the process of ensuring that the Group has in place the appropriate financing strategy to support and enable its growth ambitions;
- Ensuring that appropriate systems and procedures are in place, to give assurance that the Group operates in a safe, responsible and ethical manner and compliance with all legal and regulatory requirements;
- Overseeing the establishment, implementation and monitoring of a Group-wide risk management framework to identify, assess and manage business risks facing the Group;
- Overseeing the Group's corporate sustainability practices with regard to its economic, social and environmental obligations.

The Board Committees

Both the Nigerian Code of Corporate Governance and the Central Bank of Nigeria's Code of Corporate Governance (2014) apply to the Company. The Board has three standing committees; the Board Audit and Risk Committee, the Strategy and Finance Committee and the Governance and Nominations Committee. Each Board Committee has a charter that has been approved by the CBN.

The duties and responsibilities of the Board Committees are summarised below.

The Board Audit and Risk Committee

To provide a structured, systematic oversight of the organisation's governance, risk management, and internal control practices. The Committee assists the Board of Directors and Management by providing advice and guidance on the adequacy of the organisation's initiatives for:

a. Values and ethics

b. Governance structure

c. Risk management & compliance

d. Internal control framework

e. Oversight of the internal audit activity, external auditors, and other providers of assurance.

The Internal Audit and Risk Management Departments report directly to the Board Audit and Risk Committee.

The Governance and Nominations Committee

The Governance and Nominations Committee's primary responsibility is to oversee governance matters within the Group. Specifically, the Committee is to advise the Board regarding the nomination, remuneration and evaluation of the Company's directors. It is also responsible for monitoring the Company's human resource policies and practices.

The Strategy and Finance Committee

The Strategy and Finance Committee's responsibilities include assisting the Board in strategy formulation and monitoring the Group's implementation process, financial performance, and investment management process.

Board and Board Committee Meeting Attendances

The record of attendance at meetings of Board and Board Committees as at 31st December 2020 are as follows:

Board Meetings

S/n	Name	Directorship	27/28 Mar	08 May	14 Jul	28/29 Jul	13 Aug	30 Oct	15 Dec	Total Attendance
1	Mr. Hakeem Belo-Osagie	Chairman	•	•	•	•	•	•	•	7
2	Mr. Tosa Ogbomo	MD/CEO	•	•	•	•	•	•	•	7
3	Mr. Papa Ndiaye	NED	•	•	•	•	•	•	•	7
4	Mrs. Amoge Jipreze	INED	•	•	•	•	•	•	•	7
5	Mr. Rilwan Belo Osagie **	NED	•	•	•	•	Rtd	Rtd	Rtd	4
6	Mr. Junaid Dikko	NED	•	•	•	•	•	•	•	7

7	Mr. Aniekan Ukpanah	NED	NA	NA	NA	NA	NA	•	•	2
8	Mr. Murtala Baloni	INED	NA	NA	NA	NA	NA	•	•	2
9	Ms. Yasmin Belo Osagie	NED	NA	NA	NA	NA	•	•	•	3

Board Audit and Risk Committee

S/n	Name	Directorship	17 Feb	25 Mar	04 May	21 Jul	11 Sep	16 Oct	11 Dec	Total Attendance
1	Mrs. Amoge Jipreze	INED	•	•	•	•	•	•	•	7
2	Mr. Rilwan Belo Osagie **	NED	•	•	•	•	Rtd	Rtd	Rtd	4
3	Mr. Papa Ndiaye	NED	NA	NA	NA	•	–	•	•	3
4	Ms. Yasmin Belo Osagie	NED	NA	NA	NA	NA	•	•	•	3
5	Mr. Aniekan Ukpanah	NED	NA	NA	NA	NA	NA	NA	NA	NA

Governance and Nominations Committee

S/n	Name	Directorship	05 Mar	25 Mar	05 May	09 Jul	14 Oct	11 Nov	17 Nov	20 Nov	03 Dec	18 Dec	Total Attendance
1	Mr. Papa Ndiaye	NED	•	•	•	•	•	•	•	•	•	•	10
2	Mrs. Amoge Jipreze	INED	NA	NA	NA	NA	•	•	•	•	•	NA	5
3	Mr. Junaid Dikko	NED	•	•	•	•	•	•	•	•	•	•	10
4	Mr Aniekan Ukpanah	NED	NA	NA	NA	NA	NA	NA	NA	NA	NA	•	1
5	Mr. Murtala Baloni	INED	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

Strategy and Finance Committee

S/n	Name	Directorship	20 Mar	04 May	23 Jul	27 Jul	02 Sep	03 Sep	21 Oct	11 Dec	Total Attendance
1	Mr. Papa Ndiaye	NED	NA	NA	•	•	•	•	•	•	6
2	Mr. Tosa Ogbomo	NED	•	•	•	•	•	•	•	•	8
3	Mr. Junaid Dikko	NED	•	•	•	•	•	•	•	•	8
4	Mrs. Amoge Jipreze	INED	•	•	NA	NA	NA	NA	NA	NA	2
5	Mr. Rilwan Belo Osagie **	NED	•	•	•	•	Rtd	Rtd	Rtd	Rtd	4
6	Ms. Yasmin Belo Osagie	NED	NA	NA	NA	NA	•	•	•	•	4

•	Present
-	Absent
NED	Non-Executive Director
INED	Independent Non-Executive Director
N/A	Not Applicable
Rtd	Retired

**Retired as a Board Member on July 29, 2020

MANAGEMENT

The management is charged with the day-to-day running of the Company. The Managing Director, who is also the Chief Executive Officer, heads the management team. The heads of Units support him. At the Holding Company level, the Group Coordinating Committee is constituted by the Managing Directors of all the subsidiary companies and the Unit Heads in the Holding Company.

Group Coordinating Committee

The purpose of the Group Coordinating Committee is to:

a. Review and recommend the allocation of capital and resources Group-wide;

b. Develop, and recommend Group strategy and targets;

c. Develop, and recommend Group risk management framework;

d. Develop and recommend Group-wide Human Capital Management Policies;

e. Develop and recommend Group-wide Information Technology Strategy;

f. Coordinate and ensure Group-wide reporting; and

g. Oversee, develop strategies/framework and/or policies regarding other Group functions as may be permitted from time to time by the Central Bank of Nigeria, or the Securities and Exchange Commission or the Nigerian Stock Exchange.

Deloitte.

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22 March, 2021

The Chairman
FSDH Holding Company Limited
8th Floor, 1/5 Odunlami Street
Lagos Island
Lagos,
Nigeria.

Dear Sir,

Report of the Independent Consultants on the Performance of the Board of Directors of FSDH Holding Company Limited for the Year Ended 31 December 2020

Deloitte & Touche has performed the annual evaluation of the Board of Directors of FSDH Holding Company Limited ("FSDH") for the year ended 31 December, 2020. The scope of the review included an assessment of the structure and composition, responsibilities, processes, procedures and the effectiveness of the Board and Board Committees. The review was performed in compliance with Principle 14 of the Nigerian Code of Corporate Governance ("NCCG").

We evaluated the performance of the Board in line with regulatory requirements under the NCCG, CBN Code of Corporate Governance for Banks and Discount Houses ("CBN Code") and the CBN Guidelines for Licensing and Regulating Financial Holding Companies in Nigeria. Our approach involved a review of the Board framework in FSDH, relevant governance documents, policies and procedures. The report of our evaluation was premised on desk review of governance documents, interview sessions with Directors and survey responses received from the Directors.

The result of our evaluation has shown that the Board substantially complies with the provisions of the extant Codes of Corporate Governance in terms of its structure, composition, procedures and responsibilities. We also ascertained that the key Board functionaries (Board and Board Committee Chairpersons) and the Board Committees met their responsibilities under the Codes and governance charters in FSDH. The report further highlights details of our review activities, observations and some recommendations for the Board's action.

It should be noted that the matters raised in this report are only those which came to our attention during our review. The evaluation is limited in nature and does not necessarily disclose all significant matters about the company or reveal any irregularities. As such, we do not express any opinion on the activities reported.

Yours faithfully,

For: Deloitte and Touche

Ibukun Beecroft

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require the directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its statement of comprehensive income. The responsibilities include ensuring that the Company:

i. keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act ;
ii. establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
iii. prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable judgments and estimates, in conformity with,

- International Financial Reporting Standards;
- Financial Reporting Council of Nigeria (FRC) Act;
- Guidelines for licensing and regulation of Financial Holding Companies in Nigeria
- relevant circulars issued by the Central Bank of Nigeria;
- the requirements of the Banks and Other Financial Institutions Act; and
- the requirements of the Companies and Allied Matters Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of the financial performance and cash flows for the year. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Junaid Dikko	**Tosa Ogbomo**
Director	**Managing Director**

STATEMENT OF CORPORATE RESPONSIBILITY

In compliance with section 405 of CAMA 2020, the Chief Executive Officer and the Chief Financial Officer of FSDH Holding Company Limited, have reviewed the audited financial statements and certify as follows -

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

ii. 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 company as of and for the periods covered by the audited financial statements.

iii. The company has put in place effective internal controls to ensure the material information relating to the control environment are made known by the relevant staff, particularly during the period in which the audited financial statement report is being prepared.

iv. The effectiveness of the company's internal controls have been evaluated within 90 days prior to 31st December 2020.

v. The company's Internal Controls are effective as at 31st December 2020.

We have disclosed as follows to the audit committee and external auditors that -

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

ii. There were no fraud events involving management or other employees who have significant role in the company's internal control.

iii. There were no significant changes in internal controls or in other factors that could significantly affect the adequacy and effectiveness of the controls subsequent to the date of the evaluation.

Waisu Shafe
Chief Financial Officer
FRC/2015/ICAN/00000012973

Tosa Ogbomo
Managing Director
FRC/2019/IODN/00000019531

REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 404 of the Companies and Allied Matters Act, the members of the Board Audit and Risk Committee of FSDH Holding Company Limited hereby report as follows:

- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

- We are of the opinion that the accounting and reporting policies of the Company 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 period ended 31 December 2020 were satisfactory and reinforce the Company's internal control systems.

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

....
Amoge Jipreze
Chairperson, Board Audit and Risk Committee

Members of the Audit Committee are:

1.	Amoge Jipreze	Chairperson
2.	Papa Ndiaye	Member
3.	Yasmin Belo-Osagie	Member
4.	Aniekan Ukpanah	Member

Independent auditor's report

To the Members of FSDH Holding Company Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of FSDH Holding Company Limited ("the company") and its subsidiaries (together "the group") as at 31 December 2020, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

FSDH Holding Company Limited's consolidated and separate financial statements comprise:

- the consolidated and separate statements of comprehensive income for the year ended 31 December 2020;
- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for Impairment on loans and advances to customers - N2.28 billion (Group) (refer to notes 2.10, 3.6a and 18) We focused on this balance because management exercises significant judgement and uses subjective estimates and assumptions over the timing of recognition and measurement of impairment losses. The significant judgements include: • the definition of default and credit impaired financial assets using qualitative and quantitative criteria identified by the Group; • determination of the criteria for assessing significant increase in credit risk (SICR); • determination of the 12 month and Lifetime probability of default (PD) used in the expected credit loss (ECL) model; • input assumptions and judgements applied in estimating the Loss Given Default (LGD); • determination of the key inputs used in determining the lifetime exposure at default (EAD); and • incorporation of forward-looking information and scenario weightings into the ECL model. This is considered a key audit matter in the consolidated financial statements.	We evaluated the design effectiveness of controls and tested the operating effectiveness of the controls over loan loss impairment assessment. We assessed the reasonableness of the quantitative and qualitative thresholds set by management for definition of default, SICR and credit impaired assets in line with the recommendations of the standard and our knowledge of the industry. We applied a risk-based target testing approach in selecting a sample of customers for evaluation of customer specific information to test the identification of default and SICR. Using our credit modelling experts, we checked and evaluated the modelling assumptions and methodologies applied in the calculation of the impairment parameters used in the ECL model. As part of our audit procedures around the ECL model, our credit modelling experts; • evaluated the appropriateness of the probability of default applied to facilities by checking the assumptions governing the PD methodology for reasonableness and re-performing the PD computation on selected samples; • assessed the validity of the assumptions used in determining the recoveries in estimating LGD for compliance with the requirements of IFRS 9; • checked the accuracy of the EAD computation by performing a recomputation of selected samples. For the off-balance sheet exposures, we checked that the credit conversion factor was accurately applied in determining the EAD; • assessed management's statistical regression methodology for testing the relevance of the macroeconomic variables incorporated in the model and checked the output to confirm that the

	variables included had statistical significance. We also evaluated the reliability of the sources of the forecasts of the macro-economic information used; • assessed the appropriateness of the scenario weightings adopted and • assessed the impairment output of the model for completeness and re-performed the calculation of expected credit losses for a selected sample of facilities. We checked the IFRS 9 disclosures for reasonableness and consistency with model output and other related information in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Directors Report, Corporate governance report, Report of the independent consultants on the performance on the board of directors of FSDH Holding company Limited for the year ended 31 December 2020, Statement of Directors' Responsibilities, Report of the audit committee, Statement of corporate Responsibility, Statement of Value Added, Five Year Financial Summary - Group and Financial summary - Company, but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the FSDH Holding Company Limited 2020 Annual Report, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the FSDH Holding Company Limited 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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.

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

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

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

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

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

Report on other legal and regulatory requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the company has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 41 to the consolidated and separate financial statements; and

v) the company did not pay penalties in respect of contraventions of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2020.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0498559

Wura Olowofoyeku

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

30 April 2021

Engagement Partner: Wura Olowofoyeku
FRC/2017/ICAN/00000016809

FSDH HOLDING COMPANY LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 31 December 2020 N '000	GROUP 31 December 2019 N '000	COMPANY 31 December 2020 N '000	COMPANY 31 December 2019 N '000
Interest income on financial assets fair value through profit or loss	5(a)	753,018	892,370	-	-
Interest income on financial assets fair value through other comprehensive income	5(b)	4,778,244	7,066,597	-	-
Interest income on financial assets at amortised cost	5(c)	5,405,201	9,109,022	10,787	33,999
		10,936,463	17,067,989	10,787	33,999
Interest expense	6.	(6,812,102)	(10,971,272)	(591)	-
Net interest income		4,124,361	6,096,717	10,196	33,999
Impairment (charge) /writeback for credit losses	8.	(1,065,003)	427,516	(326)	(174)
Net interest income after impairment charge for credit losses		3,059,358	6,524,233	9,870	33,825
Fee and commission income	7.	6,130,886	5,640,158	-	-
Net gains on financial instruments held for trading	9.	1,209,102	691,141	93,102	-
Net gains on financial instruments classified as fair value through OCI	10.	3,706,219	1,794,398	-	-
Other income	11.	607,798	423,492	2,625,231	1,912,220
Operating expenses	12.	(9,541,289)	(9,317,634)	(1,027,299)	(846,325)
Profit before tax		**5,172,074**	**5,755,788**	**1,700,904**	**1,099,720**
Income tax expense	13.	(1,095,010)	(2,114,004)	(362)	-
Profit after tax		**4,077,064**	**3,641,784**	**1,700,542**	**1,099,720**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value on FVOCI financial assets		2,773,395	427,293	**-**	**-**
Total comprehensive income/(loss) for the year		**6,850,459**	**4,069,077**	**1,700,542**	**1,099,720**
Profit after tax attributable to:					
Equity holders of the parent entity		3,345,926	2,984,526	1,700,542	1,099,720
Non-controlling interest		731,138	657,258	-	-
		4,077,064	**3,641,784**	**1,700,542**	**1,099,720**
Total comprehensive income attributable to:					
Equity holders of the parent entity		6,119,321	3,411,819	1,700,542	1,099,720
Non-controlling interest		731,138	657,258	-	-
		6,850,459	**4,069,077**	**1,700,542**	**1,099,720**
Earnings per share per profit attributable to equity holders of parent bank					
Earnings per share - basic (kobo)	42	167	149	85	55
Earnings per share - diluted (kobo)	42	167	149	85	55

FSDH HOLDING COMPANY LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	GROUP 31 December 2020 N '000	GROUP 31 December 2019 N '000	COMPANY 31 December 2020 N '000	COMPANY 31 December 2019 N '000
ASSETS					
Cash and bank balances	14.	50,075,510	16,666,306	608,781	767,339
Loans to banks and other financial institutions	15.	6,742,925	10,516,423	-	-
Financial instruments held for trading	16.	5,071,473	3,300,199	1,383,227	-
Derivative financial instruments	17.	238,691	414,929	-	-
Loans and advances to customers	18.	38,617,398	45,853,754	16,332	19,036
Investment securities	19.	44,205,402	46,004,983	-	-
Pledged assets	20.	16,551,088	33,105,753	-	-
Other assets	22.	1,887,681	1,941,115	1,579,205	1,659,545
Current income tax assets	13.	116,119	-	-	-
Leases - Right of use of assets	21.	259,665	367,102	9,943	1,777
Investment in subsidiaries	23.	-	-	27,954,699	27,954,699
Deferred tax asset	24.	2,699,315	2,871,049	-	-
Intangible assets	25	517,482	515,970	-	-
Property and equipment	26	1,340,705	1,164,949	192,579	114,702
Total assets		**168,323,454**	**162,722,532**	**31,744,766**	**30,517,098**
Liabilities					
Due to banks and other financial institutions	27	19,621,072	27,684,828	-	-
Due to customers	28	79,000,409	54,639,029	-	-
Derivative financial instruments	17.	228,557	395,283	-	-
Company income tax liability	13.	678,489	1,122,912	154	-
Other liabilities	29	5,375,709	11,489,613	984,194	462,679
Debt securities issued	30	23,050,499	14,086,009	-	-
Lease Liabilities	21.	175,595	252,167	5,456	-
Deferred tax liabilities	24.	202,731	-	-	-
Other borrowed funds	31	-	18,737,312	-	-
Total liabilities		**128,333,061**	**128,407,153**	**989,804**	**462,679**
Share capital	32	2,000,000	2,000,000	2,000,000	2,000,000
Share premium	33	26,954,699	26,954,699	26,954,699	26,954,699
Business restructure reserve	33	(24,620,318)	(24,620,318)	-	-
Retained earnings	33	21,330,018	20,554,069	1,800,262	1,099,720
Statutory reserve	33	8,528,692	7,850,504	-	-
Fair value reserve	33	2,804,779	31,384	-	-
AGSMEIS reserve	33	891,789	-	-	-
		37,889,659	32,770,338	30,754,961	30,054,419
Non-controlling interest in equity		2,100,734	1,545,041	-	-
Total equity		**39,990,393**	**34,315,379**	**30,754,961**	**30,054,419**
Total equity and liabilities		**168,323,454**	**162,722,532**	**31,744,765**	**30,517,098**

The accompanying notes 5 to 44 are an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2021 and were signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

.... **Junaid Dikko - Director**
FRC/2013/IODN/00000003973

.... **Tosa Ogbomo - Managing Director**
FRC/2019/IODN/00000019531

Additional certification:

.... **Wasiu Shafe - Chief Financial Officer**
FRC/2015/ICAN/00000012973

FSDH HOLDING COMPANY LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

GROUP 2020	Attributable to equity holders of the parent										
	Share capital	Share premium	Retained earnings	Statutory reserve	Restructure Reserve	Fair Value reserve	Credit risk reserve	AGSMEIS reserve	Total	Non-controlling interest	Total equity
At 1 January 2020	2,000,000	26,954,699	20,554,069	7,850,504	(24,620,318)	31,384	-	-	32,770,338	1,545,041	34,315,379
Total comprehensive income:											
Profit after tax for the year	-	-	3,345,926	-	-	-	-	-	3,345,926	731,138	4,077,064
Net change in fair value of FVOCI financial assets	-	-	-	-		2,773,395	-	-	2,773,395	-	2,773,395
	-	-	3,345,926	-	-	2,773,395	-	-	6,119,321	731,138	6,850,459
Transaction with owners:											
Dividend paid	-	-	(1,000,000)	-	-	-	-	-	(1,000,000)	(175,445)	(1,175,445)
Transfer to statutory reserves	-	-	(678,188)	678,188	-	-	-	-			
Transfer to AGSMEIS reserves	-	-	(891,789)	-	-	-	-	891,789	-	-	-
	-	-	(2,569,977)	678,188	-	-	-	891,789	(1,000,000)	(175,445)	(1,175,445)
At 31 December 2020	2,000,000	26,954,699	21,330,018	8,528,692	(24,620,318)	2,804,779	-	891,789	37,889,659	2,100,734	39,990,393

GROUP 2019	Share	Share premium	Retained earnings	Statutory reserve		Fair Value reserve	Credit risk reserve	Total	Non-controlling interest	Total equity
At 1 January 2019	2,794,794	1,539,587	21,229,882	7,141,272	-	(429,782)	157,039	32,432,792	1,804,083	34,236,875
Total comprehensive income:										
Profit after tax for the year	-	-	2,984,526	-		-	-	2,984,526	657,258	3,641,784
Net change in fair value of FVOCI financial assets	-	-	-	-		427,293	-	427,293	-	427,293
	-	-	2,984,526	-	-	427,293	-	3,411,819	657,258	4,069,077
Transaction with owners:										
Business restructuring	(794,794)	25,415,112	-	-	(24,620,318)	-	-	-	-	-
Dividend paid	-	-	(3,074,273)	-	-	-	-	(3,074,273)	(916,300)	(3,990,573)
Transfer between reserves	-	-	(586,066)	709,232	-	33,873	(157,039)	-	-	-
	(794,794)	25,415,112	(3,660,339)	709,232	(24,620,318)	33,873	(157,039)	(3,074,273)	(916,300)	(3,990,573)
At 31 December 2019	2,000,000	26,954,699	20,554,069	7,850,504	(24,620,318)	31,384	-	32,770,338	1,545,041	34,315,379

FSDH HOLDING COMPANY LIMITED

COMPANY 2020

	Share capital	Share premium	Retained earnings	Fair Value reserve	Total equity
	Attributable to equity holders of the parent company				
At 1 January 2020	2,000,000	26,954,699	1,099,720	-	30,054,419
					-
	2,000,000	26,954,699	1,099,720	-	30,054,419
Total comprehensive income:					-
Profit after tax for the year	-	-	1,700,542		1,700,542
	-	-	1,700,542	-	1,700,542
Transaction with owners:					
Dividends paid	-	-	(1,000,000)		(1,000,000)
	-	-	(1,000,000)	-	(1,000,000)
At 31 December 2020	**2,000,000**	**26,954,699**	**1,800,262**	**-**	**30,754,961**

COMPANY 2019

	Share capital	Share premium	Retained earnings		Total equity
At 1 January 2019	-	-	-	-	-
					-
Restructuring of group entities and capital	2,000,000	26,954,699	-	-	28,954,699
	2,000,000	26,954,699	-	-	28,954,699
Total comprehensive income:					
Profit after tax for the year	-	-	1,099,720		1,099,720
	-	-	1,099,720		1,099,720
At 31 December 2019	2,000,000	26,954,699	1,099,720	-	30,054,419

FSDH HOLDING COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	GROUP 31 December 2020 N '000	GROUP 31 December 2019 N '000	COMPANY 31 December 2020 N '000	COMPANY 31 December 2019 N '000
Cash flows from operating activities					
Cash generated from operations	36	14,357,040	6,579,072	(240,925)	(488,469)
Interest received		10,899,970	18,492,199	10,787	33,999
Interest paid		(6,078,538)	(7,247,470)	-	-
Income taxes paid	13.	(638,358)	(1,521,088)	(207)	-
Net cashflows from operating activities		18,540,114	16,302,713	(230,345)	(454,470)
Cash flows from investing activities					
Purchase of investment securities		(57,963,796)	(102,067,277)	-	-
Redemption and proceeds from disposal of investment securities		62,450,720	95,028,975	-	-
Additions to property, plant and equipment	26	(818,566)	(699,090)	(130,190)	(130,744)
Additions to intangible assets	25	(225,906)	(348,770)	-	-
Proceeds from sale of property, plant and equipment		99,877	74,110	12,375	-
Dividends received		15,235	11,535	1,199,652	359,678
Net cash used in investing activities		3,557,564	(8,000,517)	1,081,837	228,934
Cash flows from financing activities					
Dividends paid to owners		(1,000,000)	(3,074,273)	(1,000,000)	-
Dividends paid to non-controlling interests		-	(916,300)	-	-
Principal element of lease payment		(149,151)	(175,372)	(10,050)	(7,125)
Repayment of long term borrowing		(18,261,832)	(1,655,760)	-	-
Proceeds from debt instrument issued		45,118,540	15,174,007	-	-
Repayment of debt instrument		(37,873,325)	(17,564,536)	-	-
Inflow on restructuring - scheme of arrangement		-	-	-	1,000,000
Net cash (used)/generated in financing activities		(12,165,768)	(8,212,234)	(1,010,050)	992,875
Cash and cash equivalents at start of year		14,619,947	21,491,257	767,339	-
Exchange difference on cash held		1,491,582	(6,961,272)	-	-
Net Increase/(Decrease) in cash and cash equivalents		9,931,910	89,962	(158,558)	767,339
Cash and cash equivalents at end of year		26,043,439	14,619,947	608,781	767,339
Cash and cash equivalents	37	26,043,439	14,619,947	608,781	767,339

1 General information

FSDH Holding Company Limited ("the company") was incorporated on the 15 January 2019 as a private limited liability company under the Companies and Allied Matters Act.

The Central Bank of Nigeria approved the granting of a Financial Holding Company License to FSDH Holding Company Limited on 17 April 2019, permitting it to operate as an Other Financial Institution. The company is a non-operating financial holding company, regulated by the CBN.

The company directly holds a 100% interest in FSDH Merchant Bank Limited, a CBN licensed merchant banking institution, 99.7% interest in FSDH Asset Management Limited, an asset management company, 99.9% interest in FSDH Capital Limited, a company involved in stockbroking and issuing house operations and a 51% interest in Pensions Alliance Limited, a company involved in pension fund administration. It indirectly holds a 100% interest in FSDH Funding SPV Plc, a special purpose vehicle set up by the merchant bank solely for the purpose of raising debt funding for its use in normal course of business.

The company has prepared consolidated financial statements and the financial results of all subsidiaries have been consolidated in these financial statements. The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 26 March, 2021.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements are the separate and consolidated financial statements of FSDH Holding Company Limited (“the company”), and its subsidiaries (herein collectively referred to “the Group”). The financial statements for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by national regulations is included where appropriate. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets held at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group’s financial statements therefore present the financial position and results fairly.

The statement of financial position are presented in order of liquidity and analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months (non-current) are presented in the respective related notes in the financial statements. The accounting policies adopted are consistent with those of the previous financial period.

a. Functional and presentation currency

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

b. Basis of measurement

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

-Financial assets measured at fair value through other comprehensive income (FVOCI) are measured at fair value through equity
-Financial assets held for trading measured at fair value.
-Loans and receivables are measured at amortised cost
-Derivative financial instruments which are measured at fair value.

c. Use of Estimates and Judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income 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 judgements 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 ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant estimates and judgements are in relation to the following as they affect the 2020 financial statements

i.Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
ii.recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.
iii.recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
iv.determination of the fair value of financial instruments with unobservable inputs.
v.impairment of non-financial assets

More details are provided in note 3.0.

New and amended standards and interpretations adopted by the Group

Standards and interpretations effective during the reporting period

The following standards became effective in the annual period starting from 1st January, 2020. The new reporting requirements as a result of the adoption of the new standards (and amendments) and clarifications have been evaluated and their impact or otherwise are noted below:

Amendments to IAS 1 and IAS 8 - Definition of Material Information

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
• the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

IFRS 3 Business Combination

The amendment outlines the accounting when an acquirer obtains control of a business in Merger and Acquisition transaction. In October 2018 the IASB issued an amendment to IFRS 3 which became effective for annual periods beginning on or after 1 January 2020.
The amemdment clarifies that to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
It further arrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
In addition, it removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. Lastly it adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This standard does not have any impact on the Group.

IFRS 9, IAS 39 & IFRS 7 on Interest Rate Benchmark Reform

On 26 September 2019, the IASB issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the Interbank Offered Rate (IBOR) reform could have on financial reporting. The amendments are effective for annual reporting periods beginning on or after 1 January 2020.
The International Accounting Standards Board (IASB) identified two groups of accounting issues that could impact financial reporting namely
1) Pre replacement issues i.e . issues affecting financial reporting in the period before terms of financial instruments are modified
2) Replacement issues i.e. issues that might affect financial reporting when existing interest rate benchmark is reformed or replaced.

IASB considered the pre-replacement issues to be more urgent, and on 26 September 2019 published "Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)" as a first response to the potential effects the IBOR reform could have on financial reporting.

The amendments are mandatory and effective for annual periods beginning on or after 1 January 2020 .
These amendments do not lead to a change in any of the Group's accounting policies as it does not have any interest rate hedge relationship. However, the potential impact of the second phase of the reforms are still being assessed by the group.

IFRS 16 - Covid 19 Related Rent Concessions

In May 2020, the IASB issued amendment to IFRS 16 on Leases to address the accounting and reporting issues arising from Covid 19-Related Rent Concessions such as rent holidays, temporary rent reductions and rent waivers granted to Lessees. The amendment applies to annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The amendment provide relief to lessee in accounting for rent concessions arising as direct consequence of the Covid-19 pandemic. A lessee that applies the optional practical expedient may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The Practical expedient will only be applied if the following conditions are met:
• The revised consideration is substantially the same or less than the original consideration.
• The reduction in lease payments relates to payments originally due on or before 30 June 2021.
• There is no substantive changes to other terms and conditions of the lease.

No practical expedient is provided for Lessors. Lessors are required to apply the existing requirements of IFRS 16. This amendment has no impact on the Group.

The Group is not impacted as it did not rely on the framework in determining the accounting policies for transactions.

Standards and interpretations issued/amended but not yet effective

Certain accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods hand have not been early adopted by the Group. These standards are not expected to have a material impact on our current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

The financial statements of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

(a) Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(b) Structured entities (also called Special Purpose Entities):
Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity such as when any voting right relates to administrative tasks only and the relevant activities are directed by means of contractual agreements.
The Group assesses structured entities that it is involved in for control and if it is exposed or has right to variable returns from its involvement with the entity and has ability to affect these returns through its power over the entity.

(c) Transactions and non-controlling interests
The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.
Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of comprehensive income as profit or loss attributable to non-controlling interests.

(d) Changes in ownership interests in subsidiaries without change of control
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(e) Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in the carrying amount recognised in the statement of comprehensive income. 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 the income statement.

2.3 Foreign currency translation

(a) 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 consolidated financial statements are presented in thousands (Naira), which is the The Group's functional and presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.
Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Translation differences on non-monetary financial assets and liabilities (such as equities) which are held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets classified as available for sale are included in Other Comprehensive income.
Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income financial assets are recognised in other comprehensive income.

2.4 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

It is also the Group's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance, and collectability has been ascertained as probable. Revenue is recognised when control of goods or services have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.
The following are the income lines of the Group and how income is recognised:

- **Credit related fees:** This includes fees charged for servicing loans, issuance fees on guarantees, commitment fee when it is unlikely that a specific lending arrangement will be entered into. These fees are not integral to the loan, therefore, they are not considered in determining the effective interest rate. The fees noted here are based on negotiation. The fees are either earned at point in time or over time dependent on the terms of the contract.

- **Fiduciary fees:** This relates to fee earned on funds managed by entities within the group. Also included in this fee income class are the administrative fees charged and incentive fees earned when certain milestones are reached or exceeded. These classes of fees are regarded as incentive fees and they are earned over time.

- Commission on trade related transactions: These are Commission earned on trade-related transactions. The rates are agreed ahead and income is based on the value of the transactions and thus are satisfied at a point in time.

- **Financial advisory and Issuing house activities fees:** : These are agreed upfront and based on financial advisory services rendered to clients. These include capital market service related fees, brokerage and advisory fees. The fees are either earned at point in time or over time dependent on the terms of the contract.

- **Other commissions:** This includes electronic Grouping charges, account transaction fee, custody fees among others. The fees are earned at a point in time

2.5 Sale and repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The counterparty liability received is recognised in the statement of financial position as a liability and classified as due to Group or from customers with an obligation to return it, including accrued interest. The financial assets are used as collateral on securities lent and repurchase agreement, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to 'pledged assets" as appropriate.

Securities purchased under agreements to resell (reverse repos) are recorded as due from Group and measured at amortised cost. The securities pledged under such agreements are not included in the statement of financial position.

Securities repossessed under a reverse repo transaction are recognised in the books of the Group. The instruments are classified in the financial statements according to their nature and purpose.

2.6 Financial assets and liabilities
Measurement methods

Amortised cost and effective interest rate

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

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

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

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date basis.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 2.10, which results in an accounting loss being recognised in the income statement when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:
(i)the Group's business model for managing the asset; and
(ii)the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

a) Financial assets measured at amortised cost
These represent assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

b) Financial assets measured at FVOCI
Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through
Other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement.

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

c) Financial assets measured at FVTPL
Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and presented in the income statement within 'Net gains on financial instruments held for trading' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in income. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment

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

SPPI Test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Group reclassifies debt investments when and only when its 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.

d) Equity Instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the "Net gains on financial instruments held for trading' line in the income statement.

2.7 Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in fair values are recognised immediately in the income statement. The Group's derivative transactions consist of foreign exchange forward transactions as at the balance sheet date.

2.8 Modifications of financial assets

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either
(i) the Group transfers substantially all the risks and rewards of ownership, or
(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

2.9 Financial liabilities
Classification and measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: 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 on 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 credit risk of that liability, 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 credit risk of the liability are also presented in the income statement;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Category (as defined by IFRS 9)		Classes as determined by the Group	Subclasses
Financial Assets	Financial assets held for trading	Debt Securities	Treasury Bills
			Corporate Bonds
			Federal Government of Nigeria Bonds
		Derivative financial instruments	Foreign exchange forward contracts
		Equity Securities	Quoted Equity Securities
		Mutual funds	Mutual funds
	Financial assets fair valued through other comprehensive income (FVOCI)	Debt securities	Treasury Bills
			Federal Government of Nigeria Bonds
			Unquoted equities
			Promissory Notes
			Corporate Bonds
	Amortised Cost	Investment Securities	Treasury bills
			FGN Bonds
			Corporate Bonds
			Promissory Notes
		Cash and bank balances	Cash
			Operating balances with Central Bank of Nigeria
			Mandatory reserve with Central Bank of Nigeria
			Balances with banks in Nigeria
			Balances with banks outside Nigeria
		Loans and advances to Banks	Placements with banks and discount houses
			Placements with other financial institutions
		Loans and advances to customers	Term loans and overdrafts
Financial liabilities	Financial liabilities at fair value through profit or loss	Derivative financial instrument liabilities	Foreign exchange forward contracts
	Financial liabilities at amortised cost	Due to banks	Call borrowings
			Trade related obligations
			Secured borrowings
		Due to Customers	Demand deposits
			Term deposits
			Client investment fund
		Lease liabilities	Lease liabilities
		Other liabilities	Account Payable
			Sundry accounts
		Short term debt instruments	FSDH Commercial Papers
		Other Borrowed funds	Trade and credit lines

2.10 Impairment

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at amortised cost and fair value through other comprehensive income and with the exposure arising from loan commitments and financial guarantee contracts.

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

• A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Group.
• If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.
• If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.
• Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
• A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
• Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group 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 Group's historical experience and expert credit assessment 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:

- identifying the rating classification at initial recognition i.e. investment grade or speculative grade
- comparing the initial rating as at initial recognition with the current rating
- four notches downward movement in a twenty-five notches scale is considered significant
- for loans initially recognized as investment grade, a drop to speculative grade is considered significant
- for corporate debt issue, two notches downgrade of the issuer rating is considered significant
- for all facilities an upward reclassification of rating to the rating captured at its initial recognition or higher is considered a significant reduction in credit risk and a probationary period of 30 days is triggered.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. Using its expert credit judgement and where possible relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Group has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition. The number of days past due is determined by counting the number of days since the date the full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria:

For large portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:

- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information. In relation to corporate and treasury financial instruments, where a Watchlist is used to monitor credit risk, this assessment is performed at the counterparty level. The criteria used to identify SICR are monitored and reviewed annually for appropriateness by the Risk Management Team.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2020.

Definition of default and credit-impaired assets

The Group defines default as the failure of counterparties to meet the financial and legal obligations including a deviation from the conditions associated with the transaction.
Credit risk default arises from the failure of an obligor of the Group to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk).

This definition is fully aligned with the definition of credit-impaired and is triggered when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The Group considers a financial asset to be in default when:

• the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
• the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default, the Group considers indicators that are:
a. qualitative – e.g. breaches of covenant;
b. quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
c. based on data developed internally and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and the significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. This is based on advice from the Group's Risk Management Department.

The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, some international organizations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. On an annual basis, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The factors the Group considers are as shown below:

Stages	Applicable ECL	Criteria (Quantitative)	Criteria (Quantitative)
Stage 1	12 Month ECL	• Less than 30 days past due	• All loans upon initial recognition
Stage 2	Lifetime ECL - Loans that have witnessed significant increase in credit risk	• Internal / external rating downgrade of loans from investment grade to non-investment grade • four notches downward movement in a twenty-five notches scale in rating. • One notch internal / external rating downgrade of loans for non-investment grade loans • Obligation with past due exceeding 30 days • Increase of more than 300bps in yield spread over corresponding Federal Government instrument for corporate debt issue • For corporate debt issue, three notches downgrade of the issuer rating	• Forbearance by CBN • Negative modification / restructure to the original loan agreement e.g. for easing the cash-flow burden on the obligor • Verified poor credit risk status from the credit bureau • Changes in regulatory, economic, or business of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology) • Overdue status and non-payment on another obligation of the same issuer to the Group
Stage 3	Lifetime ECL - Loans that have objective evidence of impairment or in default	• Obligation with past due exceeding 90 days • Internal and external rating downgrade to "C" rating	• Force majeure leading to loss of borrower's primary asset

The days past due default definition used by the Group as criteria in the credit classification for loan loss provisioning is consistent with the nature and observable trends in the credit of the Group.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

Forward-looking information incorporated in the ECL models

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

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's economic and research team on a quarterly basis and provide the best estimate view of the economy over the next five years.

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Research team also provide other possible scenarios along with scenario weightings. Three other scenarios were used to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded.

Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting
(as opposed to weighting the inputs).

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

Estimation of multi-year exposure at default

Exposure at Default (EAD) is an estimate of the Group's exposure to its counterparty at the time of default. This estimation (EAD) relates to payment terms, tenure of exposure and the point in time at which default is expected, or actually occurs. For defaulted accounts, the Group uses the principal amount outstanding and the accrued interest at the point of default as the EAD.

Prepayment is primarily an option to borrower to make bulk payment (full or partial) for the availed facility ahead of its scheduled time.

EAD Estimation for certain exposure facilities

Under this category, future exposure to the facility is known, as the counterparty cannot increase its exposure beyond contractual drawdown schedule. All forms of term loans including amortizing loans, step-up/step-down loans, bullet loans fall under this category, provided there is no prepayment option.

Periodic and Daily amortization schedule are generated using both contractual and computed effective interest rate (EIR).

Estimation of multi-year loss given default

Definition of LGD Parameters

Loss Given Default (LGD) parameter is defined as a percentage of exposure that the Group expects not to collect if default occurs on the contract. It is the complement of the Recovery Rate which is the percentage of exposure that the Group expects to recover in the event that there is a default.

Collateral: This is a property or other asset that a borrower offers as a way for a lender to secure the loan. Since collateral offers some security to the lender should the borrower fail to pay back the loan, loans that are secured by collateral typically have lower credit risk spreads than unsecured loans.

Haircut: The amount of the haircut reflects the lender's perceived risk of loss from the asset falling in value or being sold in a forced sale. Haircut is expressed as a percentage of the collateral's market value.

Discount Rate: This is the rate used to discount all estimated recovered cash flows from the period of collection to the period of default. The contractual interest rate is used as EIR for stage 3 facilities, while the EIR is used for other stages. Effective interest rate (EIR) is defined as the rate that exactly discounts future contractual cash payments through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at 45% as proposed by BASEL III.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

Qualitative Criteria

PDs are assigned by grouping facilities based on a shared risk characteristic, i.e. homogeneous group. The FSDH internal rating of the obligor was used as the relevant shared characteristic for the purpose of this grouping.

CREDIT RATING	DESCRIPTION	INVESTMENT DECISION
AAA	Exceptional Credit Quality	Investment Grade
AA+	Very High Credit Quality	
AA		
AA-		
A+	High Credit Quality	
A		
A-		
BBB+	Good Asset Quality	
BBB		
BBB-		
BB+	Satisfactory Asset Quality	Speculative Grade
BB		
BB-		
B+	Asset Quality with limited capacity	
B		
B-		
CCC+	Asset Quality with signs of deterioration	
CCC		
CCC-		
CC+	Asset Quality with probability of partial loss	
CC		
CC-		
C+	Default	Default Grade
C		
C-		

The Top-Down Approach
The impact of macro-economic variables on non-performance is determined by the model and applied on ECL level. Factors considered include:

- •Crude oil price
- •S&P corporate default rate

Data consideration included values from 2010 to 2019 and forecast for 2021 to 2025.

Probability – Weighted ECL Computation

A key aspect of IFRS 9 is the introduction of forward-looking estimates into the impairment calculation.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. This is based on advise from the banking subsidiary's Risk Management and Research Departments which have been equipped with relevant tools.

The Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two more additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, some international organizations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. On an annual basis, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

2.11 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to Groups, financial institutions and others on behalf of customers to secure loans, overdrafts and other Grouping facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

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

2.12 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.13 Offsetting financial instruments

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

The financial assets and liabilities are presented on a gross basis.

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

2.14 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.15 Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the se or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.16 Dividend income

Dividend income is recognised in the consolidated statement of comprehensive income when the entity's right to receive payment is established.

2.17 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.18 Cash and cash equivalent

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Property and equipment

(i) Recognition and measurement

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the income statement during the reporting period in which they are incurred.

An asset's net book value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with net book values. These are included in the income statement.

(ii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative periods are as follows:
Leasehold improvements over the shorter of the useful life of the item or lease term. Land is not depreciated.

-Leasehold improvements	-	25% or over the lease period
-Office equipment	-	20%
-Computer equipment	-	33%
-Office Furniture and fittings	-	12.5% - 25%
-Motor vehicles	-	25%
-Work in progress	-	0%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(iii) De-recognition

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

2.20 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Assets classified as held for sale are measured at fair value, gain or loss arising from a change in the fair value of the asset held for sale is recognised in income statement for the period in which it arise.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated in the financial statements of the Group.

2.21 Intangible assets

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

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

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use. The Group chooses to use the cost model for the measurement after initial recognition. Prior to deployment for usage, such assets are classified under work in progress and are not subjected to amortization.

Amortisation is calculated over 3 years on a straight line basis.

2.22 Income tax

(a) Current income tax

Income tax payable is calculated on the basis of the tax law in Nigeria and is recognised as an expense (income) for the period except to the extent that the current tax relates to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on equity instruments for which the entity has elected to present gains and losses in other comprehensive income).

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position.

Current tax for the current and prior periods is recognized as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid exceed the amount due. Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) tax authorities, using the rates/laws that has been enacted at the balance sheet date.

The Group does not offset current income tax liabilities and current income tax assets.

(b) Deferred income tax

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

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for gratuity and carry-forwards. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

The tax effects of carry-forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax related to fair value re-measurement of available for sale instruments, which are recognised in other comprehensive income, is also recognised in other comprehensive income and subsequently in the income statement together with the deferred gain or loss.

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

2.23 Employee benefits

The Group in addition to its defined contribution scheme under the Pension Reform Act, also sponsors a post-employment plan under which entities within the Group contribute a percentage of employees' basic salary to a fund manager in favour of the employees. The amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the company to the post-employment benefit plan, together with investment returns arising from the contributions. Thus, actuarial risk (that benefits will be less than expected) and investment risk fall on the employee.

(a) Pension costs

The Company operates a defined contribution scheme in line with the subsisting Pension Act where employees are entitled to join the scheme on confirmation of their employment. The employee and the Company contribute 6% and 12% respectively of the employee's basic salary, transport and rent allowances. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post-employment defined contribution plan

The Group in addition to its defined contribution scheme under the Pension Reform Act, also sponsors a post-employment plan under which entities within the group contribute a percentage of employees' basic salary to a fund manager in favour of the employees. The amount of the post-employment benefits received by the employee is determined by the amount of contributions paid by the company to the post-employment benefit plan, together with investment returns arising from the contributions. Thus, actuarial risk (that benefits will be less than expected) and investment risk fall on the employee.

2.24 Provisions, contingent liabilities and assets

Provisions are liabilities that are uncertain in amount and timing. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

A contingent liability is a possible obligation that arises from a past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of a past event. It is not recognised because it is not likely that an outflow of resources will be required to settle the obligation or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to occur.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised as assets in the consolidated statement of financial position but is disclosed if they are likely to eventuate.

2.25 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note. Dividends proposed by the Directors' but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act 2020 (CAMA).

(c) Treasury Shares

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

(d) Statutory Reserve

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

Likewise, National Pension Commission also requires all Pension Fund Administrations to appropriate 12.5% of the profit after tax to a statutory reserve. The pension fund administrator subsidiary – Pensions Alliance Limited manages this reserve and investment income on this reports under income in the statement of comprehensive income.

(e) Credit Risk Reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing for losses in risk assets. Assets are classified as performing or non-performing. Non-performing assets are further classed as Substandard, Doubtful or Lost with attendants provision as per the table below based on objective criteria.

Classification	**Basis**	**Percentage provided**
Substandard	Interest and/or principal overdue by 90 days but less than 180 days.	10%
Doubtful	Interest and/or principal overdue by more than 180 days but less than 365 days.	50%
Lost	Interest and/or principal overdue by more than 365 days.	100%

A more accelerated provision may be done using the subjective criteria. A 1% provision is taken on all risk assets not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement. Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve called "Credit Risk Reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in the Statement of Comprehensive Income.

All provisions determined under Prudential Guidelines are compared with that of IFRS in line with the CBN guidelines

2.26 Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

2.27 Comparatives

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

Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousands of naira unless otherwise stated.

3.0 Enterprise Risk Management Review

Management is fully aware that every financial, operational or strategic decision made may either adversely affect or strengthen our ability to meet the Group's organizational objectives. Management is also aware of the need to balance the contradictory pressures of greater entrepreneurialism with losses from downside risks. Thus, risk is seen as the level of exposure – opportunity, threat, and uncertainty that must be identified, understood, measured and effectively managed, as the Group executes its strategies to achieve its business objectives and create value.

The risks associated with the Group's businesses include - financial risks (which consist of credit, market, and liquidity risk), operational risk, concentration risk, reputational risk, interest rate risk, downgrade risk, business risk, regulatory compliance risk and environment and social risk.

For the Group to achieve long term success, it must manage all chosen opportunities and identified threats effectively within the Group's risk appetite.

The risk management philosophy and culture are the set of shared beliefs, values, attitudes and practices that govern how Management considers the risks inherent in the Group's business activities, from strategy development and implementation to day-to-day activities.

Management's risk philosophy is conservative. We believe that a sound risk management system is the foundation for building a vibrant and viable financial institution. Therefore, an enterprise-wide approach to risk management has been adopted, wherein key risks, financial and non- financial, from all areas of the business are managed within the context of the Group's risk appetite.

Consequent upon its risk management philosophy, the Group strives to embed the following guiding principles of its risk culture into its daily practices:

a. The Group insists on a robust risk management governance structure that enables it to manage all major aspects of its activities through an integrated planning and review process that includes strategic, financial, customer and risk planning.

b. Our Board and Senior Management insists on and promotes a strong culture of adherence to limits in managing risk exposure.

c. Risk management in the Group is governed by formally documented and defined policies and procedures, which are clearly communicated to all.

d. The Group avoids products, businesses and markets that it does not fully understand or for which management cannot reasonably and objectively measure and manage the associated risks.

e. The Group strives to maintain a balance between risk/opportunity and revenue consideration with its risk appetite. Thus, risk-related issues are considered in all our business decisions.

f. The Group creates and evaluates business units and enterprise risk profiles to consider what is best for its individual business units and the Group as a whole.

g. The Group's risk officers are empowered to perform their duties professionally and independently within clearly defined authorities.

h. Staff are encouraged to disclose inherent risks and actual losses openly, fully, honestly and quickly.

i. The Group creates a process for institutionalising the lessons learned from risk events and penalises negligent recurrence.

j. The Group has zero tolerance for breach of laws and regulations.

k. The Group has zero appetite for associating with disreputable individuals and organisations

Our risk management objectives are as follows:

a. To identify our material risks and ensure that our business plans are consistent with our risk appetite.

b. To ensure that our business growth plans are properly supported by an effective and efficient risk management function.

c. To manage our risk profile, ensuring that specific financial deliverables remain possible under a range of possible business conditions.

d. To optimise our risk and return trade-off by ensuring that our business units act as primary risk managers while establishing strong and independent review and challenge structures.

e. To protect the Group against unexpected losses and reduce the volatility of our earnings.

f. To maximise risk-adjusted opportunities, earnings potential and ultimately our stakeholder value.

g. To help Management improve the control and coordination of risk-taking across the Group.

h. To build a risk-smart workforce and environment that allows for innovation and responsible risk-taking by our staff while ensuring cost-effective and legitimate precautions are taken to protect the shareholders' interest.

The Group's risk appetite articulates the quantum of residual risk it is prepared to accept or tolerate in pursuit of its strategic business objectives.

The risk appetite guides in setting the parameters listed below:

Financial

a. Financial and prudential ratios are set to meet the minimum statutory requirements
b. Capital-at-risk driven by the Group's shareholder value creation objectives.
c. Capital adequacy is set to exceed the minimum regulatory limits.

Credit

a. Asset quality, measured by the ratio of non-performing loans to total loans.
b. Maximum credit exposure per industry, product, obligor.
c. Zero tolerance for undisciplined lending.

Reputational

a. Favourable reports from external auditors and rating agencies.

b. Zero tolerance for any utterance (by directors or employees) that may impact negatively on the Group's operations.

c. Zero appetite for association with disreputable individuals and organisations.

d. Zero appetite for unethical or illegal and/or unprofessional conduct by our directors, executive management and staff.

Ratings

The Group aims to achieve consistently good ratings issued by domestic or internationally recognised rating agencies. The ratings must reflect sound financial asset quality, strong liquidity position, strong capital adequacy level, strategic positioning in the fundamentals, excellent economy and potential for superior earnings.

Customer Service

a. Acceptable customer attrition level as defined by the Board.
b. Minimum acceptable percentage of satisfied customers from feedback surveys.
c. Acceptable complaints volume.

Regulatory

a. Zero amount or number of sanctions by the CBN and other regulatory agencies.
b. Zero tolerance for infractions and non-compliance with laws.

Market Risk

The following are the objectives for managing market risk in the Group:

- Maintaining market risk within limits in line with the Group's risk appetite;
- Identifying and accurately measuring our market risk exposure to aid efficient decision making; and
- Mitigating and monitoring our market risk exposures effectively.

The Group in managing market risk tracks the following limits:

a. Trading limit
b. Stop loss limits
c. Interest rate gap limits

Liquidity Risk

Within the Group, the following limits are trcaked in compliance with regulatory requirements and/or to conform to leading practices in liquidity risk management:

a. Liquidity ratio set to exceed minimum regulatory limits
b. Total deposits to total assets
c. Duration of liquid assets
d. Large fund provider to total deposits
e. Capital adequacy
f. Total loans to total deposits
g. Total earning assets to total assets
h. Aggregate large credit to shareholders funds

The Group also has an established process for allocating the appetite among its business units and subsidiaries.

FSDH HOLDING COMPANY LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
At 31 December 2020

3.1 Financial Instruments
The groups financial instruments are categorised as follows:

Group

31 December 2020	Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	At fair value through profit or loss	FVOCI - Debt	Amortised Cost	At fair value through profit or loss	At amortised cost
Financial assets:					
Cash	-	-	826	-	-
Balances with other banks					
- Operating balance with Central Bank of Nigeria	-	-	2,001,264	-	-
- Balances with banks in Nigeria	-	-	527,108	-	-
- Balances with banks outside Nigeria	-	-	20,484,753	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	27,061,559	-	-
Loans to banks					
- Placements with banks	-	-	6,743,049	-	-
Financial instruments at fair value through profit or loss					
- Quoted equity securities	213,412	-	-	-	-
- Nigerian Treasury Bills	2,284,241	-	-	-	-
- Federal Government of Nigeria Bonds	934,284	-	-	-	-
- Mutual Funds	1,639,536	-	-	-	-
Derivative financial instruments					
- Foreign exchange forward contract	238,691	-	-	-	-
Loans and advances to customers					
- Loans and advances (net of impairment)	-	-	38,617,398	-	-
Investment securities					
- Equity securities	-	-	-	-	-
- Nigerian Treasury Bills	-	1,871,094	-	-	-
- Federal Government of Nigeria bonds	-	975,850	962,704	-	-
- Corporate bonds	-	8,447,913	-	-	-
- Promissory notes and commercial papers	-	31,073,001	131,277	-	-
Pledged assets					
- Nigerian Treasury Bills	6,481,578	3,262,776	-	-	-
- Federal Government of Nigeria bonds	-	532,350	-	-	-
- Corporate bonds	-	2,200,280	-	-	-
- Promissory notes and commercial papers	-	4,074,104	-		
Other assets					
- Receivables (net impairment)	-	-	902,033	-	-
Financial liabilities:					
Due to banks					
- Secured borrowings	-	-	-	-	6,890,040
- Trade Related Obligations to foreign banks	-	-	-	-	12,725,474
- Other Balances	-	-	-	-	5,558
Due to customers					
- Demand	-	-	-	-	24,567,875
- Term	-	-	-	-	29,768,020
- Client investments fund	-	-	-	-	24,664,514
Derivative financial instruments					
- Foreign exchange forward contract	-	-	-	228,557	-
Other liabilities					
- Customers' deposit for foreign trade	-	-	-	-	3,125,599
- Amounts held on behalf of third parties	-	-	-	-	309,016
- Unclaimed third party deposits	-	-	-	-	30,103
- Sundry creditors	-	-	-	-	9,755
- Accruals	-	-	-	-	384,457
- Minimum oension guarantee					140,125
- Account payables	-	-	-	-	1,239,059
Debt securities					
- FSDH commercial papers	-	-	-	-	23,050,499
	3,715,128	**77,136,398**	**75,228,139**	**395,283**	**126,460,822**

Group

31 December 2019	Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	At fair value through profit or loss	FVOCI - Debt	Amortised Cost	At fair value through profit or loss	At amortised cost
Financial assets:					
Cash	-	-	588	-	-
Balances with other banks					
- Operating balance with Central Bank of Nigeria	-	-	3,907,089	-	-
- Balances with banks in Nigeria	-	-	767,706	-	-
- Balances with banks outside Nigeria	-	-	4,779,983	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	7,210,940	-	-
Loans to banks					
- Placements with banks	-	-	10,516,423	-	-
- Placements with other financial institutions	-	-	-	-	-
Financial instruments at fair value through profit or loss					
- Quoted equity securities	154,679	-	-	-	-
- Nigerian Treasury Bills	2,704,105	-	-	-	-
- Federal Government of Nigeria Bonds	689	-	-	-	-
- Corporate Bonds	-	-	-	-	-
- Mutual Funds	440,726	-	-	-	-
Derivative financial instruments					
- Foreign exchange forward contract	414,929	-	-	-	-
Loans and advances to customers					
- Loans and advances (net of impairment)	-	-	45,853,754	-	-
- Margin facilities	-	-	-	-	-
Investment securities					
- Equity securities	-	-	-	-	-
- Nigerian Treasury Bills	-	17,936,678	1,021,510	-	-
- Federal Government of Nigeria bonds	-	6,361,994	336,251	-	-
- Corporate bonds	-	17,055,840	-	-	-
- Commercial bills		2,676,133	53,533	-	-
Pledged assets					
- Nigerian Treasury Bills		31,958,201	-	-	-
- Federal Government of Nigeria bonds	-	1,147,552	-	-	-
Other assets					
- Receivables	-	-	780,362	-	-
Financial liabilities:					
Due to banks					
- Secured borrowings	-	-	-	-	27,681,910
Due to customers					
- Demand	-	-	-	-	7,969,162
- Term	-	-	-	-	37,393,996
- Client investments fund	-	-	-	-	9,275,871
Derivative financial instruments					
- Foreign exchange forward contract	-	-	-	395,283	-
Other liabilities					
- Customers' deposit for foreign trade	-	-	-	-	4,606,865
- Amounts held on behalf of third parties	-	-	-	-	5,298,251
- Unclaimed third party deposits	-	-	-	-	11,923
- Sundry creditors	-	-	-	-	28,439
- Accruals	-	-	-	-	494,586
- Other payables	-	-	-	-	876,498
Debt securities					
- FSDH commercial papers	-	-	-	-	14,086,009
Other borrowed funds					
- Due to AfDB	-	-	-	-	18,737,312
	3,715,128	**77,136,398**	**75,228,139**	**395,283**	**126,460,822**

Company

31 December 2020	Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	At fair value through profit or loss	FVOCI - Debt	Amortised Cost	At fair value through profit or loss	Amortised cost
Financial assets:					
Cash and bank balances					
- Balances with banks in Nigeria	-	-	608,781	-	-
Financial instruments held for trading					
- Mutual funds	1,383,227	-	-	-	-
Loans and advances					
- Loans and advances (net of impairment)	-	-	16,332	-	-
Other assets					
- Receivables (net impairment)	-	-	1,405,539	-	-
Financial liabilities:					
Other liabilities					
- Sundry creditors	-	-	-	-	461
- Accruals	-	-	-	-	25,175
- Other payable	-	-	-	-	948,787
	1,383,227	**-**	**2,030,652**	**-**	**974,424**

Company

31 December 2019	Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	At fair value through profit or loss	FVOCI - Debt	Amortised Cost	At fair value through profit or loss	Amortised cost
Financial assets:					
Balances with other banks					
- Balances with banks in Nigeria	-	-	767,339	-	-
Loans and advances					
- Loans and advances (net of impairment)	-	-	19,036	-	-
Other assets					
- Receivables (net impairment)	-	-	1,565,361	-	-
Financial liabilities:					
Other liabilities					
- Sundry creditors	-	-	-	-	20,500
- Accruals	-	-	-	-	205,425
- Other payable	-	-	-	-	225,421
	-	**-**	**2,351,736**	**-**	**451,346**

3.1.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's loans and advances to customers and other banks, and investment in debt securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor risk, country risk and sector risk).

The Group has in place an Enterprise Risk Management (ERM) Framework that defines the overall principles under which it assumes risks. The standard sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of risk, credit risk being a significant one.

These policies provide a comprehensive framework within which all credit risk emanating from the operations of Group are legally executed, properly monitored and controlled to minimise the risk of financial loss; and assure consistency of approach in the treatment of regulatory compliance requirements.

3.1.2 Settlement Risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group 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.

3.1.3 Principal Credit Policies

The principal credit policies guiding the Group shields the Group against inherent and concentration risks through all the credit levels of selection, underwriting, administration and control.
Some of the policies are:

- Credit will only be extended to suitable and well identified customers
- Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines.
- Credit will not be extended to customers where the source of repayment is unknown or speculative and also where the destination of the funds is unknown. There must be a clear and verifiable purpose for the use of funds.
- Corporate bonds
- The primary source of repayment for all credits must be from identifiable cash flows from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option.
- A pricing model that reflects variations in the risk profile of various credit facilities to ensure that higher risks are compensated with higher returns.
- All conflict of interest situations must be avoided.

3.1.4 Credit Risk Measurement

Over the years, the Group has expanded its operational scope and enhanced its suite of financial advisory services to its clientele. The product offerings of the Group include buying and selling of securities, term loans, invoice discounting, overdraft, commercial facilities, asset backed notes, LPO/Contract financing, trade finance, foreign exchange, bonds and guarantees, loan syndications, project finance, structured finance, corporate finance and financial advisory services (debt & equity).

Credit risk represents the loss that the Group would incur if a counterparty (such as a bank, corporate, individual or sovereign) or an issuer of securities (or other instruments the Group holds) fails to perform its contractual obligations or upon deterioration in the credit quality of third parties whose securities or other instruments it holds.

Over the years, the Group has devoted resources and harnessed its credit data into developing models to improve the determination of economic and financial threats due to credit risk. As a result, some key factors are considered in credit risk measurement:

1) Adherence to strict credit selection criteria which includes a defined target market, credit history, capacity and character of the customers.
2) The possibility of failure to pay over the period stipulated in the contract.
3) The size of the facility in case default occurs
4) Estimated rate of recovery which is a measure of the portion of debt that can be regained through freezing of assets and collateral should default transpire.

Methodology for Risk Rating

For loans & advances and placement with banks, the Group utilises Obligor Risk Rating and Facility Risk Rating models to assign ratings to obligor and facilities in line with the Bank's Credit Policy. The Obligor Risk Rating models include the Bank Risk Rating and Corporates Risk Rating models. The Group utilises the Bank Rating model and the Corporate Rating model to rate bank and corporate organisations respectively. Each rating model considers qualitative and quantitative conditions of the obligor. For the quantitative analysis, a three year history of financial position is required to adequately appraise the customer and the financial performance is benchmarked against industry averages. The qualitative section covers corporate governance issues, industry and business considerations to give a perception of the customer.

In summary, the key factors considered while doing an appraisal of the customer include:

- A measure of the financial and non financial risks of the borrower. In order to properly evaluate the non financial risks of the borrower, a thorough industry analysis is carried out by a dedicated team in Risk Management. This is used as a benchmark for the obligor

· Obligor rating considers the financial condition, management and ownership structure, industry and other qualitative factors of the customer.

· Facility rating recognises the risk mitigation and facility structuring as features of the credit facility. Considerations here include the nature and quality of collateral, the structure of the loan, and the nature and purpose of the loan, among others.

Ratings are assigned to customer for a period of one year. The exception to the foregoing is if the facility is project finance. Project finance facilities are monitored after the initial rating for any sign(s) of distress.

All ratings are reviewed annually. More frequent reviews are occasioned by unexpected developments such as policy and market changes. Changes to the obligor's status and/or capability will also trigger a review. The group generally avoids high risk obligors that will warrant frequent reviews and management.

The Group maintains the under listed rating grade which is applicable to both new and existing customers. A self explanatory rating grid showing how ratings are assigned is illustrated below:

SCORE BANDS	RATING
0% to 15%	CC/C
15% to 30%	CCC
30% to 40%	B
40% to 52%	BB
52% to 63%	BBB
63% to 75%	A
75% to 92%	AA
92% to 100%	AAA
For cash backed facilities; the bank assigns a default rating of AAA to them.	

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

3.1.5 Risk limit and control mitigation policies

The medium by which limits for banks and issuers are created is the credit appraisal (CA). A signed CA must evidence all types of credit lines being considered for the client. There are laid down procedures for approval limits based on volume, rating, collateral type etc. within the Group.

All credits in the Group are rated using the Group's internal rating model. As part of the credit appraisal process, such rating is compared and evaluated against published ratings of external rating agencies.
These ratings, apart from determining values of credit to be advanced to an obligor, also guides Management and the Board on authorisation limits for approving credit facilities.

This laid down authority governs credit extension by the banking subsidiary is as below -

Approving Authorities	Approved Volume	Ratings
*Management Risk Committee	Up to N10.5bn	Aa - Aaa
Board Risk Committee (BRC)	Up to N6bn	Aa - Aaa
Board Risk Committee (BRC)	Up to N3.7bn	Bbb- - A
Full Board	Up to N1.26bn	Bb+ - B-
Full Board	Up to N0.75bn	C

***** The Management Risk Committee of the bank comprise the officers specified below, signing jointly:

- Chief Risk Officer
- Executive Directors
- Managing Director/CEO

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 was Crude Oil Price using Brent as the benchmark considering its ability to be forecasted into the future.

31 December 2020		**2021**	**2022**	**2023**	**2024**
Brent Crude Price - Year on Year	Base Case	51.93%	58.02%	59.89%	62.09%
	Best Case	69.50%	70.00%	72.01%	75.53%
	Worst Case	40.50%	43.62%	46.18%	48.65%

31 December 2019		2020	2021	2022	2023
Real GDP Growth Rate - Year on Year	Base Case	2.80%	2.52%	2.73%	2.61%
	Best Case	2.46%	2.48%	2.73%	2.61%
	Worst Case	2.20%	2.40%	2.73%	2.61%
Exchange Rate (N/US$)	Base Case	381	406	439	479
	Best Case	385	411	445	487
	Worst Case	387	413	448	491
Inflation Rate	Base Case	9.00%	10.82%	10.49%	10.12%
	Best Case	11.57%	11.26%	11.06%	10.75%
	Worst Case	13.00%	11.50%	11.40%	11.14%

SENSITIVITY ANALYSIS

The most significant assumptions affecting the ECL allowance for 31 December 2020 was:

Set out below are the changes to the ECL as at 31 December 2020 that would result from reasonable possible changes in the EAD, LGD and PD from the actual assumptions used in the bank's economic variable assumptions (for example, the impact on ECL of increasing the estimated crude oil price by 10%).

GROUP

December 2020

	Effect on profit before tax
	31-Dec-20 N'000
Increase/decrease in loss given default	
+10%	30,581.89
-10%	(30,581.89)

The table below demonstrates the sensitivity of the Group’s profit before tax to movements in the exposure at default for financial asset, with all other variables held constant:

	Effect on profit before tax
	31-Dec-20 N'000
Increase/decrease in exposure at default	
+10%	132,445
-10%	(132,445)

The table below demonstrates the sensitivity of the Group’s profit before tax to movements in the probability of default for financial asset, with all other variables held constant:

	Effect on profit before tax
	31-Dec-20 **N'000**
Increase/decrease in probability of default	
+10%	(29)
-10%	29

December 2019	-2.3%	No change	-3.3%
GDP	1,269,320	1,299,202	1,256,328

COMPANY

The impact on the ECL for the company on change in estimation of ECL parameters are considered insignificant.

3.1.6 Collateral Policies

To minimise the risk of loss by the Group in the event of a decline in quality or delinquency, the Group ensures that credit exposures have appropriate collateral. Security documents are reviewed to ensure their continuous enforceability. Also, securities held against exposures are reviewed regularly to ensure realisability and value. Where diminution in value has occurred, appropriate steps are taken to shore up such positions.

This is done throughout the life of the credit exposure.

Collateral securities pledged to the Group must be in negotiable form and its types include the following:

- Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge) which have to be registered and enforceable under Nigerian law
- Collateral consisting of inventory, account receivables, floating debenture, etc., which have to be registered and, must be enforceable in Nigeria and under Nigerian law.
- Stocks and shares of publicly quoted companies
- Domiciliation of payment on contracts
- Letters of Lien

Currently, the various types of collateral held are against our margin facilities. They consist of stocks and shares of publicly quoted companies, real estate, letters of lien, domiciliation of payment contracts and charge on assets.

FSDH shall track, value and give or receive collateral during the eligible or applicable life of every credit transaction. General tasks on a day to day basis shall include:

- Managing collateral movement – record details of collateral, monitor customer exposure and collateral received or posted.
- Mark-to-market situation or position where applicable and call for margins as may be required.
- Deal with disagreements and disputes over exposure calculations and collateral valuations.
- Provide custody, clearing and settlement (depending on how the legal relationship is structured)
- Manage collateral inflows and outflows
- Do regular valuations (quarterly at the minimum) of all securities. Depending on security type (equity or fixed income), valuation can be done on an end of day (EOD) basis
- Deal with requests for collateral substitution where required

To ensure ease of realisation of collateral in the event of non-performance, all credit documentation requirements shall be met before a credit facility is availed and where there are waivers, relationship officers and Risk Management Department must ensure that such waivers are resolved within the approved period.

As a matter of good business practice, adequate security ought to be taken from a customer, whose financial standing and track record do not justify lending on a clean basis.

Clean lending situations may arise where it makes economic sense to do so based on perceived client's credit risk.

Therefore, depending on counterparty obligor/facility rating, collateral security may be waived as a pre-condition for granting the facility. Consequently, obligors with ratings below investment grade must, as a necessity, provide acceptable security before approval can be granted. Obligors with Investment Grade credit ratings may be allowed clean facility, depending on their financial standing. Accordingly, such decisions shall be taken by Management and/or the Board Risk Committee where necessary.

For placements with financial institutions which consist of mainly banks, the amount of credit extended is based on the strength of the institution as shown by the Group's internal rating model.

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

The table below shows the maximum exposure of financial assets to credit risk as of the balance sheet date;

Maximum Exposure to Credit Risk
Group

	Dec-20 ₦'000	**Dec-19 ₦'000**
Cash and bank balances		
Balances with other banks		
- Operating balance with Central Bank of Nigeria	2,001,264	3,907,089
- Balances with banks in Nigeria	527,108	767,706
- Balances with banks outside Nigeria	20,484,753	4,779,983
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	7,210,940
Loans to banks		
- Placements with banks	6,743,049	10,516,423
Financial instruments held for trading/fair value through profit or loss		
- Nigerian Treasury Bills	2,284,241	2,704,105
- Federal Government of Nigeria Bonds	934,284	689
- Mutual funds	-	-
Derivative financial instruments		
- Foreign exchange forward contract	238,691	414,929
Loans and advances to customers		
- Loans and advances (net of impairment)	38,617,398	45,853,754
Investment securities		
- Nigerian Treasury Bills	1,871,094	18,958,188
- Federal Government of Nigeria bonds	1,941,330	6,698,245
- Corporate bonds	8,447,913	17,055,840
- Promissory notes and commercial papers	31,204,278	2,729,666
Pledged assets		
- Nigerian Treasury Bills	9,744,354	31,958,201
- Federal Government of Nigeria bonds	532,350	1,147,552
- Corporate bonds	2,200,280	-
- Promissory notes and commercial papers	4,074,104	-
Other assets		
- Receivables	902,033	780,362
	159,810,083	155,483,672
Credit related commitments		
- Letters of Credit	11,516,711	13,795,747
- Performance bonds and guarantees	4,249,293	3,005,132
- Loan commitments	10,297,432	35,620,897
	26,063,436	52,421,776

Company

	Dec-20 ₦'000	Dec-19 ₦'000
Cash and bank balances		
Balances with other banks		
- Balances with banks in Nigeria	608,781	767,339
Financial instruments held for trading/fair value through profit or		
- Mutual fund	1,383,227	-
Loans and advances to customers		
- Loans and advances (net of impairment)	16,332	19,036
Other assets		
- Receivables	1,405,539	1,565,361
	3,413,879	2,351,736

3.1.8 Concentrations of Credit Risk

The group monitors concentration of credit risk by geographical location and by industry. An analysis of concentrations of credit risk as at 31 December 2019 and 31 December 2020 is set out below:

a) Geographical sectors

The group considers the credit exposure to geographical sectors. A large percentage of our credit facilities are domiciled in Nigeria for all periods. For exposures to balances with banks, the group is exposed to credit risk to banks within and outside Nigeria.

The table below shows the financial instruements in accordance with their geographical spread as at 31 December 2020.

In thousands of Nigerian Naira	Within Nigeria	Nigeria Outside	Total
Financial assets:			
Cash and bank balances			
Balances with other banks	56	-	56
- Operating balance with Central Bank of Nigeria	2,001,264	-	2,001,264
- Balances with banks in Nigeria	397,368	-	397,368
- Balances with banks outside Nigeria	-	20,484,753	20,484,753
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	-	27,061,559
Loans to banks			
- Placements with banks	4,003,401	-	4,003,401
Financial instruments held as fair value through profit or loss			
- Nigerian Treasury Bills	2,284,241	-	2,284,241
- Federal Government of Nigeria	933,540	-	933,540
Derivative financial instruments			
- Foreign exchange forward contract	238,691	-	238,691
Loans and advances			
- Loans and advances (net of impairment)	38,072,402	-	38,072,402
Investment securities			
- Nigerian Treasury Bills	1,860,114	-	1,860,114
- Federal Government of Nigeria	664,176	-	664,176
- Corporate bonds	8,233,491	-	8,233,491
- Promissory Notes & Commercial Bills	31,071,872	-	31,071,872
-Unquoted equity	743,563	-	743,563
Pledged assets			
- Nigerian Treasury Bills	9,744,354	-	9,744,354
- Federal Government of Nigeria	532,350	-	532,350
- Corporate bonds	2,200,280	-	2,200,280
- Promissory notes	4,074,105	-	4,074,105
Other assets			
-Receivables	738,376	-	738,376
Total	**134,855,203**	**20,484,753**	**155,339,956**
Off balance sheet financial assets			
- Letters of Credit	11,516,711	-	11,516,711
- Performance bonds and guarantees	4,249,293	-	4,249,293
- Loan commitments	10,297,432	-	10,297,432
Total	**26,063,436**	**-**	**26,063,436**

b) Industrial classification

The following table breaks down the group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support) categorised by industries as at 31 December 2020

FSDH HOLDING COMPANY LIMITED
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Group
31 December 2020

In thousands of Nigerian Naira	Personal Care	Government	Finance and Insurance	Conglomerate & Consumer goods	Oil and Gas Upstream	Oil and Gas Services	Agro Services	Telecoms	Plastics	Information Services Activities	Food Products	Pharmaceuticals	Power Generation/ Plants	General - Logistics	Other financial activities	Others				**Total**
Financial assets:																				
Cash and bank balances																				
Balances with other banks																				
- Operating balance with Central Bank of Nigeria	-	2,001,264	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**2,001,264**
- Balances with banks in Nigeria	-	-	527,108	-	-	-	-	-	-	-	-	-	-	-	-	-				**527,108**
- Balances with banks outside Nigeria	-	-	20,484,753	-	-	-	-	-	-	-	-	-	-	-	-	-				**20,484,753**
- Mandatory reserve deposit with Central Bank of Nigeria	-	27,061,559	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**27,061,559**
																				-
																				-
Loans to banks																				
- Placements with banks	-	2,000,250	4,742,675	-	-	-	-	-	-	-	-	-	-	-	-	-				**6,742,925**
Financial instruments at fair value through profit of loss																				
- Nigerian Treasury Bills	-	2,284,241	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**2,284,241**
- Federal Government of Nigeria Bonds	-	934,284	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**934,284**
Derivative financial instruments																				
- Foreign exchange forward contract	-	226,202	-	-	-	15	517	-	433	-	93	21	6,536	2,345	-	2,530				**238,691**
Loans and advances																				
- Loans and advances (net of impairment)	1,421	-	3,734,172	861,292	15,780,606	411,432	1,527,485	4,802,302	977,806	1,225,106	3,107,473	270,122	104,396	1,381,102	3,582,737	849,946				**38,617,398**
Investment securities																				
- Nigerian Treasury Bills	-	1,871,094	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**1,871,094**
- Federal Government of Nigeria Bonds	-	1,938,557	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**1,938,557**
- Corporate bonds	-	2,981,352	214,422	-	-	-	-	-	-	-	-	-	-	-	-	5,252,139				**8,447,913**
- Promissory Notes and Commercial Papers		31,094,801	73,651	30,885	-	-	-	-	-	-	-	-	-	-	-	4,941				**31,204,278**
																				-
Pledged assets																				**-**
- Nigerian Treasury Bills	-	9,744,354	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**9,744,354**
- Federal Government of Nigeria bonds	-	532,350	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**532,350**
- Corporate bonds	-	-	2,200,280	-	-	-	-	-	-	-	-	-	-	-	-	-				**2,200,280**
- Promissory Notes and Commercial Papers	-	4,074,104	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**4,074,104**
Other assets																				**-**
- Receivables	-	-	599,529	-	-	-	-	-	-	-	-	-	-	-	-	302,504				**902,033**
Total	**1,421**	**86,744,412**	**32,576,590**	**892,177**	**15,780,606**	**411,447**	**1,528,002**	**4,802,302**	**978,239**	**1,225,106**	**3,107,566**	**270,143**	**110,932**	**1,383,447**	**3,582,737**	**6,412,060**	**-**	**-**	**-**	**159,807,186**

Credit related commitments	Chemical and Allied Product	Finance and Insurance	Federal Parastatal	Oil & Gas Downstream	Oil & Gas Services	Pharmaceutica	Flourmills	Food products	Printing&Publishing	Power Generation/	Logistics	Agro-Services	Alluminium&Allied Products	Rubber&Allied Products	Plastic	Others	Personal Care	Asset Management	Conglomerate	**Total**
- Letters of Credit	873,269	-	-	-	-	144,094	2,675,085	1,651,479	122,818	1,191,097	1,787,204	226,165	1,284,685	64,472	1,492,056	-	3,052	-	1,237	11,516,713
- Performance bonds and guarantees	-	2,120,200	673,200		112,561	70,000	-	-	-	1,273,332	-	-	-	-	-	-	-	-		4,249,293
- Loan commitments	123,085	-	3,770,360	1,200,000	110,821	19,125	1,381,198	383,609	-	97,188	1,377,409	-	-	-	104,935	138,176	-	1,060,000	531,526	10,297,432
Total	**996,354**	**2,120,200**	**4,443,560**	**1,200,000**	**223,382**	**233,219**	**4,056,283**	**2,035,088**	**122,818**	**2,561,617**	**3,164,613**	**226,165**	**1,284,685**	**64,472**	**1,596,991**	**138,176**	**3,052**	**1,060,000**	**532,763**	**26,063,438**

31 December 2019

In thousands of Nigerian Naira	Chemical and Allied Product	Government	Finance and Insurance	Conglomerate	Oil and Gas Upstream	Oil and Gas Downstream	Real Estate	Telecoms	Plastics	Flour Mills and Bakeries	Food Products	Pharmaceuticals	Power Generation/ Plants	General - Logistics	Textiles and Apparel	Others				Total
Financial assets:																				
Cash and bank balances																				
Balances with other banks																				
- Operating balance with Central Bank of Nigeria	-	3,907,089	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**3,907,089**
- Balances with banks in Nigeria	-	-	767,706	-	-	-	-	-	-	-	-	-	-	-	-	-				**767,706**
- Balances with banks outside Nigeria	-	-	4,779,983	-	-	-	-	-	-	-	-	-	-	-	-	-				**4,779,983**
- Mandatory reserve deposit with Central Bank of Nigeria	-	7,210,940	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**7,210,940**
Loans to banks																				
- Placements with banks	-	-	10,516,423	-	-	-	-	-	-	-	-	-	-	-	-	-				**10,516,423**
Financial instruments at fair value through profit of loss																				
- Nigerian Treasury Bills	-	2,704,105	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**2,704,105**
- Federal Government of Nigeria Bonds	-	689	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**689**
Derivative financial instruments																				
- Foreign exchange forward contract	-	414,929	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**414,929**
Loans and advances																				
- Loans and advances (net of impairment)	672,504	-	10,219,367	2,595,332	14,696,259	2,947,828	3,031,053	6,674,450	-	-	1,686,474	254,641	64,190	2,256,916	-	754,740				**45,853,754**
Investment securities																				
- Federal Government of Nigeria bonds	-	6,698,245	-	-	-	-	-	-	-	-	-	-	-	-		-				**6,698,245**
- Nigerian Treasury Bills	-	18,958,188	-	-	-	-	-	-	-	-	-	-	-	-		-				**18,958,188**
- Corporate bonds	-	2,738,087	14,314,736	-	-	-	-	-	-	-	-	-	-	-		3,017.00				**17,055,840**
- Commercial papers	-	109,180	50,075	-	-	-	-	-	-	-	-	-	-	-	-	2,570,411.00				**2,729,666**
Pledged assets																				
- Nigerian Treasury Bills	-	31,958,201	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**31,958,201**
- Federal Government of Nigeria bonds	-	1,147,552	-	-	-	-	-	-	-	-	-	-	-	-	-	-				**1,147,552**
Other assets																				
- Receivables	-	-	46,167	-	-	-	-	-	-	-	-	-	-	-	-	734,195				**780,362**
Total	**672,504**	**75,847,205**	**40,694,759**	**2,595,332**	**14,696,259**	**2,947,828**	**3,031,053**	**6,674,450**	**-**	**-**	**1,686,474**	**254,641**	**64,190**	**2,256,916**	**-**	**4,062,363**				**155,483,672**

Credit related commitments	Chemical and Allied Product	Beverages	Finance and Insurance	Conglomerate	Oil and Gas Upstream	Oil and Gas Downstream	Real Estate	Telecomms	Crop Production	Flour Mills and	Food Products	Pharmaceuticals	Power Generation/	General - Logistics	Textiles and Apparel	Others				Total
- Letters of Credit	185,343	-	-	16,306	475,146	137,267	-	2,167	-	6,723,078	1,740,507	64,685	805,053	3,646,195	-	-				**13,795,747**
- Performance bonds and guarantees	77,510	-	-	-	-	-	-	-	-	-	-	70,000	290,636	2,566,986	-	-				**3,005,132**
- Loan commitments	843,276	-	7,130,000	436,663	-	3,065,658	-	662,660	4,000,000	10,500,000	7,664,355	139,319	-	1,128,966	-	50,000				**35,620,897**
Total	**1,106,129**	**-**	**7,130,000**	**452,969**	**475,146**	**3,202,925**	**-**	**664,827**	**4,000,000**	**17,223,078**	**9,404,862**	**274,004**	**1,095,689**	**7,342,147**	**-**	**50,000**				**52,421,776**

Company

31 December 2020

In thousands of Nigerian Naira	Chemical and Allied Product	Government	Finance and Insurance	Conglomerate	Oil and Gas Upstream	Oil and Gas Downstream	Real Estate	Telecoms	Crop Production	Flour Mills and	Food Products	Pharmaceuticals	Power Generation/	General - Logistics	Textiles and Apparel	Others				Total
Financial assets:																				
Cash and bank balances																				
- Balances with banks in Nigeria	-	-	608,781	-	-	-	-	-	-	-	-	-	-	-	-	-				**608,781**
Loans and advances																				
- Loans and advances (net of impairment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,332				**16.332**
Other assets																				
- Receivables	-	-	1,374,613	-	-	-	-	-	-	-	-	-	-	-	-	30,926				**1,405,539**
Total	**-**	**-**	**1,983,394**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,258**				**2,030,652**

31 December 2019

In thousands of Nigerian Naira	Chemical and Allied Product	Government	Finance and Insurance	Conglomerate	Oil and Gas Upstream	Oil and Gas Downstream	Real Estate	Telecoms	Crop Production	Flour Mills and	Food Products	Pharmaceuticals	Power Generation/	General - Logistics	Textiles and Apparel	Others				Total
Financial assets:																				**-**
																				-
																				-
Cash and bank balances																				**-**
- Balances with banks in Nigeria	-	-	767,339	-	-	-	-	-	-	-	-	-	-	-	-	-				**767,339**
																				-
Loans and advances																				**-**
- Loans and advances (net of impairment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,036				**19,036**
																				-
Other assets																				**-**
- Receivables	-	-	1,540,070	-	-	-	-	-	-	-	-	-	-	-	-	25,291				**1,565,361**
Total	**-**	**-**	**2,307,409**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,327**				**2,351,736**

3.1.9 Credit Quality
The following table breaks down the group's credit exposure and their carrying amounts (without taking into account any collateral held or other credit support) categorised by credit quality:-

Group
31 December 2020

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,001,264	-	-	2,001,264	-	2,001,264
- Balances with banks in Nigeria	527,108	-	-	527,108	-	527,108
- Balances with banks outside Nigeria	20,484,753	-	-	20,484,753	-	20,484,753
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	-	-	27,061,559	-	27,061,559
				-		
Loans to banks				-		
- Placements with banks	6,743,049	-	-	6,743,049	124	6,742,925
Financial instruments held for trading						
- Nigerian Treasury Bills	2,284,241	-	-	2,284,241	-	2,284,241
- Federal Government of Nigeria Bonds	934,284	-	-	934,284	-	934,284
- Corporate Bonds	-	-	-	-	-	-
Derivative financial instruments						
- Foreign exchange forward contract	238,691	-	-	238,691	-	238,691
Loans and advances						
- Loans and advances	38,615,160	-	2,280,392	40,895,552	2,278,154	38,617,398
Investment securities						
- Nigerian Treasury Bills	1,871,094	-	-	1,871,094	-	1,871,094
- Federal Government of Nigeria bonds	1,941,330	-	-	1,941,330	2,774	1,938,556
- Corporate bonds	8,447,913	-	-	8,447,913	-	8,447,913
- Promissory Notes and Commercial Papers	31,204,278	-	-	31,204,278	2	31,204,276
Pledged assets						
- Treasury bills	9,744,354	-	-	9,744,354	-	9,744,354
- Federal Government of Nigeria bonds	532,350	-	-	532,350	-	532,350
- Corporate bonds	2,200,280	-	-	2,200,280	-	2,200,280
- Promissory Notes and Commercial Papers	4,074,104	-	-	4,074,104	-	4,074,104
Total	**158,905,812**	**-**	**2,280,392**	**161,186,204**	**2,281,054**	**158,905,150**
Off balance sheet financial assets						
- Letters of Credit	11,516,711	-	-	11,516,711	22,996	11,493,715
- Performance bonds and guarantees	4,249,293	-	-	4,249,293	6,498	4,242,795
- Loan commitments	10,297,432	-	-	10,297,432	33,490	10,263,943
Total	**26,063,436**	**-**	**-**	**26,063,436**	**62,984**	**26,000,453**

Group
31 December 2019

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	3,907,089	-	-	3,907,089	-	3,907,089
- Balances with banks in Nigeria	767,706	-	-	767,706	-	767,706
- Balances with banks outside Nigeria	4,779,983	-	-	4,779,983	-	4,779,983
- Mandatory reserve deposit with Central Bank of Nigeria	7,210,940	-	-	7,210,940	-	7,210,940
				-		
Loans to banks				-		
- Placements with banks	10,516,523	-	-	10,516,523	100	10,516,423
Financial instruments held for trading						
- Nigerian Treasury Bills	2,704,105	-	-	2,704,105	-	2,704,105
- Federal Government of Nigeria Bonds	689	-	-	689	-	689
Derivative financial instruments						
- Foreign exchange forward contract	414,929	-	-	414,929	-	414,929
Loans and advances						
- Loans and advances	44,871,450	-	2,245,685	47,117,135	1,263,381	45,853,754
In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Investment securities						
- Nigerian Treasury Bills	18,959,054	-	-	18,959,054	866	18,958,188
- Federal Government of Nigeria bonds	6,698,530	-	-	6,698,530	285	6,698,245
- Corporate bonds	17,055,840	-	-	17,055,840	46	17,055,794
- Promissory Notes and Commercial Papers	2,729,712	-	-	2,729,712	-	2,729,712
Pledged assets						
- Treasury bills	31,958,201	-	-	31,958,201	-	31,958,201
- Federal Government of Nigeria bonds	1,147,552	-	-	1,147,552	-	1,147,552
Total	**153,722,303**	**-**	**2,245,685**	**155,967,988**	**1,264,678**	**154,703,310**

Off balance sheet financial assets						
- Letters of Credit	13,795,747	-	-	13,795,747	5,941	13,789,806
- Performance bonds and guarantees	3,005,132	-	-	3,005,132	4,024	3,001,108
- Loan commitments	35,620,897	-	-	35,620,897	31,884	35,589,013
Total	**52,421,776**	**-**	**-**	**52,421,776**	**41,849**	**52,379,927**

Company

31 December 2020

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Balances with other banks						
- Balances with banks in Nigeria	608,781	-	-	608,781	-	608,781
Loans and advances						
- Loans and advances	16,451	-	-	16,451	120	16,332
Total	**625,232**	**-**	**-**	**625,232**	**120**	**625,113**

31 December 2019

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Balances with other banks						
- Balances with banks in Nigeria	767,339	-	-	767,339	-	767,339
Loans and advances						
- Loans and advances	19,210	-	-	19,210	174	19,036
Total	**786,549**	**-**	**-**	**786,549**	**174**	**786,375**

3.1.10 Collaterals

The group holds collateral and other credit enhancements against certain of its credit exposures.

3.1.11 RATINGS

The credit quality of the portfolio of financial assets in stages 1 and stages 2 per IFRS 9 based on the internal rating system or rating agency adopted by the group are as follows:

Group

31 December 2020

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Financial assets:						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	2,001,264	-	-	-	-	2,001,264
- Balances with banks in Nigeria	366,945	101,888		58,260	15	527,108
- Balances with banks outside Nigeria	18,078,059	-	236,718	1,882,936	287,040	20,484,753
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	-	-	-	-	27,061,559
						-
Loans to banks						-
- Placements with banks	4,739,774	-	2,003,151	-	-	6,742,925
- Placements with other financial institutions	-	-	-	-	-	-
						-
Financial instruments held for trading						-
- Nigerian Treasury Bills	2,284,241	-	-	-	-	2,284,241
- Federal Government of Nigeria Bonds	934,284	-	-	-	-	934,284
Derivative financial instruments						-
- Foreign exchange forward contract	226,202	-	-	-	12,489	238,691
						-
- Loans and advances	18,213,590	680,038	22,001,924	-	-	40,895,552
						-
Investment securities						-
- Nigerian Treasury Bills	1,871,094	-	-	-	-	1,871,094
- Federal Government of Nigeria bonds	1,626,882	-	70,152	241,522	-	1,938,556
- Corporate bonds	-	2,545,263	-	650,691	5,251,959	8,447,913
- Promissory Notes and Commercial Papers	31,110,486	93,792	-	-	-	31,204,278

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Pledged assets						
- Nigerian Treasury Bills	9,744,354	-	-	-	-	9,744,354
- Federal Government of Nigeria bonds	532,350	-	-	-	-	532,350
- Corporate bonds	-	-	-	2,200,280	-	2,200,280
- Promissory Notes and Commercial Papers	4,074,104	-	-	-	-	4,074,104
Other assets						
- Receivables	-	1,195	-	-	900,838	902,033
Total	**122,865,188**	**3,422,176**	**24,311,945**	**5,033,689**	**6,452,341**	**162,085,339**

Group
31 December 2019

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Financial assets:						
Balances with other banks						
- Operating balance with Central Bank of Nigeria	3,907,089	-	-	-	-	3,907,089
- Balances with banks in Nigeria	359,265	238,319	170,122	-	-	767,706
- Balances with banks outside Nigeria	972,405	3,589,308	218,159	111	-	4,779,983
- Mandatory reserve deposit with Central Bank of Nigeria	7,210,940	-	-	-	-	7,210,940
						-
Loans to banks						-
- Placements with banks	2,235,788	2,515,225	5,765,410	-	-	10,516,423
- Placements with other financial institutions	-	-	-	-	-	-
						-
Financial instruments held for trading						-
- Nigerian Treasury Bills	2,704,105	-	-	-	-	2,704,105
- Federal Government of Nigeria Bonds	689	-	-	-	-	689
						-
Derivative financial instruments						-
- Foreign exchange forward contract	-	-	-	-	414,929	414,929
						-
Loans and advances						-
- Loans and advances	21,974,183	3,706,161	18,452,103	490,386	-	44,622,833
						-
Investment securities						-
- Nigerian Treasury Bills	18,958,188	-	-	-	-	18,958,188
- Federal Government of Nigeria bonds	6,591,251	-	269	106,725	-	6,698,245
- Corporate bonds	-	8,287,382	83,614	8,684,844	-	17,055,840
- Commercial Papers	109,180	2,620,486	-	-	-	2,729,666
Pledged assets						
- Nigerian Treasury Bills	31,958,201	-	-	-	-	31,958,201
- Federal Government of Nigeria bonds	1,147,552	-	-	-	-	1,147,552
Other assets						
- Receivables	-	-	-	-	780,362	780,362
Total	**98,128,836**	**20,956,881**	**24,689,677**	**9,282,066**	**1,195,291**	**154,252,751**

Balances with banks outside Nigeria are rated using the international Fitch ratings of these banks.

Company
31 December 2020

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Financial assets:						
Cash and bank balances						
Balances with other banks						
- Balances with banks in Nigeria	-	608,781	-	-	-	**608,781**
Loans and advances						
- Loans and advances	-	-	16,451	-	-	**16,451**
Financial instruments held for trading						
- Mutual Funds	-	-	-	-	1,383,227	**1,383,227**
Other assets						
- Receivables	**-**	1,267,132	-	-	138,408	**1,405,539**
Total	**178,867,391**	**1,875,913**	**16,451**	**-**	**1,521,635**	**3,413,998**

Company
31 December 2019

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
Financial assets:						
Cash and bank balances						
Balances with other banks						
- Balances with banks in Nigeria	-	767,339	-	-	-	**767,339**
Loans and advances						
- Loans and advances	-	-	19,036	-	-	**19,036**
Other assets						
- Receivables	**-**	1,540,070	-	-	25,291	**1,565,361**
Total	**-**	**2,307,409**	**19,036**	**-**	**25,291**	**2,351,736**

3.1.12 Financial Assets Individually Impaired

Individual assessment was conducted on all individually significant loans; and all non significant loans past due (91 days and above if any) in the portfolio. All individually significant loans are examined for any sign of impairment triggers. The triggers for impairments include:

1. significant financial difficulty of the issuer or obligor;
2. a breach of contract (such as a default or delinquency in interest or principal payments);
3. granting to the borrower a concession that FSDH would not otherwise consider, due to the borrower's financial difficulties;
4. becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
5. the disappearance of an active market for that financial asset because of financial difficulties;

IFRS 9 requires an entity to test a financial instrument for impairment at the end of each reporting period. If there is objective evidence that an impairment loss on individually s incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future cre incurred) discounted at the loan's interest rate computed at initial recognition.

At 31 December	**2020 Group Loans to customers at amortised cost N'000**	**2019 Group Loans to customers at amortised cost N'000**
Gross amount	2,280,392	2,240,831
Stage III impairment	1,946,082	1,009,910
Net amount	334,310	1,230,921
Fair value of collateral	-	-

3.1.12 Estimate of the value of collateral and other security enhancements held against loans and advances to customers is shown below:

	Loans and advances to customers	
Group	**December**	**December**
In thousands of Naira	**2,020**	**2,019**
Property	-	486,948
Equities	2,286,677	746,000
Cash	9,019,180	5,263,419
Pledged goods/receivables	-	-
FGN Securities	7,462,191	11,664,712
All Asset Debenture	21,599,003	4,892,225
Corporate guarantee	159,944	65,526
Total	**40,526,995**	**23,118,830**

3.1.13 - Disclosure on significant changes in Gross Amount
The following table explain the changes in the gross carrying amount between the beginning and the end of the annual period due to the factors mentioned in the table.

31 December 2020

In thousands of Nigerian Naira	Stage 1	Stage 1	Stage 1	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL	
Loss Allowance As At 1 January 2020	44,512,784	-	2,240,831	46,753,615
Transfers	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(34,707)	-	34,707	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Financial Assets derecognised during the period other than write-offs	(40,150,159)	-	-	(40,150,159)
New Financial Assets originated or purchased	33,255,531	-	-	33,255,531
FX and other movements	455,095	-	-	455,095
Gross Carrying Amount As At 31 December 2020	**38,038,544**	**-**	**2,275,538**	**87,067,697**

3.1.14 - Disclosure on changes in Loss Allowance

The following table explains the changes in the loss allowance between the beginning and the end of the annual period due to the factors mentioned there-in.

31 December 2020

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL	
Loss Allowance As At 1 January 2020	247,365	-	1,009,910	1,257,275
Transfers	-	-	-	-
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	(14,082)	-	14,082	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Transfer from Stage 2 to Stage 1	-			-
Financial Assets derecognised during the period other than write-offs	(162,006)	-	-	(162,006)
New Financial Assets originated or purchased	221,704	-	-	221,704
FX and other movements	7,472		917,236	924,708
Loss Allowance As At 31 December 2020	**300,453**	**-**	**1,941,228**	**2,241,681**

3.2 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises both currency risk and price risk. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Price risk is the earnings risk from changes in interest rates, foreign exchange rates, and equity and commodity prices. Price risk arises in non-trading portfolios, as well as in trading portfolios. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

3.2.1 Management of market risk

The Group's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risk in the Group and ensure that:

- The individuals who take or manage risk clearly understand it
- The Group's risk exposure is within established limits
- Risk taking decisions are in line with business strategy and objectives set by the Board of Directors
- The expected payoffs compensate for the risks taken
- Sufficient capital, as a buffer, is available to take risk'

3.2.2 Market risk measurement

The Group currently applies Non-Value at Risk measures in the measurement and management of market risks. The techniques currently used to measure and control market risk include:

Position Limit

The Board of Directors with the input of Risk Management unit sets limits on the aggregate trading portfolio for overnight positions. This limit, which is a product of our model tracking factor sensitivity, is reviewed frequently depending on market volatility

Trading Limit

Risk Management unit has put in place trading limit for all securities traders. Limits have been set based on experience and hierarchy, as it would be risky for traders to have equal ability to commit the Group. Limits are reviewed annually.

Mark-to-Market

The mark-to-market process is done by the Risk management unit of the subsidiaries involved in holding securities' position. Daily market quotes are obtained transparently and the unrealized profit or losses are computed. The results are presented to their respective management on daily basis for appropriate tracking and monitoring.

Other market risk measures

Other market risk measures specific to individual business units include permissible instruments, concentration of exposures, gap limits, issuer limits, maximum tenor and stop loss triggers. In addition, only approved products that can be independently priced and properly processed are permitted to be traded.

Pricing models and risk metrics used in production systems, whether these systems are off-the-shelf or in-house developed, are independently validated by the Risk Management unit before their use and periodically thereafter to confirm the continued applicability of the models. In addition, the Risk Management unit assesses the daily liquid closing price inputs (used to value instruments) and performs a review of less liquid prices from a reasonableness perspective at least monthly. Where differences are significant, mark-to-market adjustments are made.

Annual net interest income at risk
A dynamic forward-looking annual net interest income forecast is used to quantify the Group's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest rate scenario, to determine the effect these changes may have on future earnings. The analysis is completed under both normal market conditions as well as stressed market conditions.

Stress tests
Stress testing provides an indication of the potential losses that could occur in extreme market conditions and is carried out to augment other risk measures that are used by the Group, such as market risk factor sensitivities. These stress scenarios are typically used to highlight exposures that may not be explicitly incorporated by specific sensitivity calculations (such as basis, price and correlation) that can be the source of large losses when abnormally large market movements occur. Stress testing also attempts to indicate the size of the loss provoked by any of a number of unlikely but possible shock events given current positions held.

The stress tests carried out include individual market risk factor testing and combinations of market factors on individual asset classes and across different asset classes. Stress tests include a combination of historical and hypothetical simulations.

3.2.3 Foreign Exchange Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows, primarily with respect to the US dollar. The Group is exposed to foreign exchange risk primarily through its assets, managing customers' deposits and through acting as an intermediary in foreign exchange transactions.

The Group has a robust risk management system that identifies, measures and mitigates the foreign currency exchange rate risk on its financial position and cash flows. In addition, there are regulatory imposed limits such as the net open position limit (OPL) which is set at 10% of Shareholders' funds for the banking subsidiary that helps to limit these exposures, the Group has market risk limits such as:

- Daily mark-to-market mechanism that revalues all currency positions daily, ensuring that foreign currency positions are valued at current market price and not at cost.
- An Open Position Limit that is more stringent than the regulatory limit.
- A Group wide limit on the maximum volume of foreign currency denominated securities to invest in.
- Aggregate position limits for individual currency positions, which limits exchange rate risk in all currencies that the Group has exposures.

The Group mitigates the changes in fair value attributable to foreign-exchange rate movements in certain transactions. Typically, entering into a forward foreign-exchange contract is used as a preferred hedging mechanism.

In addition, the Group enters into currency swaps to hedge against foreign exchange risk. It also carries out daily monitoring of its foreign currency balance sheet to ensure that Open positions do not exceed regulatory prescribed limit.

3.2.3 Foreign Exchange Risk (con'd)

The table below shows a breakdown of financial assets and financial liabilities by currency

Group 31 December 2020	31-Dec-20 NGN N'000	31-Dec-20 USD N'000	31-Dec-20 GBP N'000	31-Dec-20 EUR N'000	31-Dec-20 CNY N'000	31-Dec-20 ZAR N'000	31-Dec-20 Total N'000
ASSETS							
Cash and bank balances	29,352,809	20,235,068	36,294	451,305	34	-	50,075,510
Loans and receivables to banks	4,739,774	2,003,151	-	-	-	-	6,742,925
Financial assets held for trading	5,071,473	-	-	-	-	-	5,071,473
Derivative financial instruments	-	238,691	-	-	-	-	238,691
Loans and receivables to customers	22,486,520	16,130,878	-	-	-	-	38,617,398
Investment securities	43,243,043	962,359	-	-	-	-	44,205,402
Pledged assets	14,350,808	2,200,280	-	-	-	-	16,551,088
Other assets	902,033	-	-	-	-	-	902,033
Total assets	120,146,460	41,770,427	36,294	451,305	34.00	-	162,404,520
LIABILITIES							
Due to banks	2,805,560	16,815,512	-	-	-	-	19,621,072
Due to customers	60,216,318	18,563,874	201,464	18,753	-	-	79,000,411
Derivative financial instruments	-	228,557	-	-	-	-	228,557
Other liabilities	2,000,922	3,046,007	15,386	175,799	-	-	5,238,114
Debt securities issued	23,050,499	-	-	-	-	-	23,050,499
Total liabilities	88,073,299	38,653,950	216,850	194,552	-	-	127,138,653
Net on Balance Sheet Financial Position	**32,073,161**	**3,116,477**	**(180,556)**	**256,753**	**34.00**	**-**	**35,265,867**
Credit Commitments							
- Letters of Credit	-	10,978,209	124,102	325,279	-	89,122	11,516,711
- Performance bonds and guarantees	4,249,293	-	-	-	-	-	4,249,293
- Loan commitments	10,297,432	-	-	-	-	-	10,297,432
	14,546,725	**10,978,209**	**124,102**	**325,279**	**-**	**89,122**	**26,063,436**

Group 31 December 2019	31-Dec-19 NGN N'000	31-Dec-19 USD N'000	31-Dec-19 GBP N'000	31-Dec-19 EUR N'000	31-Dec-19 CNY N'000	31-Dec-19 ZAR N'000	31-Dec-19 Total N'000
ASSETS							
Cash and bank balances	11,873,365	4,577,917	9,659	205,339	-	26	16,666,306
Loans and receivables to banks	2,699,482	7,670,081	146,860	-	-	-	10,516,423
Financial assets held for trading	3,300,199	-	-	-	-	-	3,300,199
Derivative financial instruments	-	414,929	-	-	-	-	414,929
Loans and receivables to customers	21,419,977	24,433,777	-	-	-	-	45,853,754
Investment securities	34,545,466	11,459,517	-	-	-	-	46,004,983
Pledged assets	33,105,753	-	-	-	-	-	33,105,753
Other assets	780,362	-	-	-	-	-	780,362
Total assets	107,724,604	48,556,221	156,519	205,339	-	26	156,642,709
LIABILITIES							
Due to banks	24,001,480	3,683,348	-	-	-	-	27,684,828
Due to customers	44,080,313	10,416,586	137,284	4,846	-	-	54,639,029
Derivative financial instruments	-	395,283	-	-	-	-	395,283
Other liabilities	6,708,746	4,429,691	-	178,125	-	-	11,316,562
Debt securities issued	14,086,009	-	-	-	-	-	14,086,009
Other borrowed funds	-	18,737,312	-	-	-	-	18,737,312
Total liabilities	89,128,715	37,662,220	137,284	182,971	-	-	127,111,190
Net on Balance Sheet Financial Position	**18,595,889**	**10,894,001**	**19,235**	**22,368**	**-**	**26**	**29,531,519**
Credit Commitments							
- Letters of Credit	868,325	11,157,012	45,235	1,589,046	-	136,088	13,765,747
- Performance bonds and guarantees	37,187	2,132,568	77,510	744,667	13,200	-	3,005,132
- Loan commitments	35,620,897	-	-	-	-	-	35,620,897
	36,526,409	**13,289,620**	**122,745**	**2,333,713**	**13,200**	**136,088**	**52,421,776**

Company 31 December 2020	31-Dec-20 NGN N'000	31-Dec-20 USD N'000	31-Dec-20 GBP N'000	31-Dec-20 EUR N'000	31-Dec-20 CNY N'000	31-Dec-20 ZAR N'000	31-Dec-20 Total N'000
ASSETS							
Cash and bank balances	608,341	439	1	-	-	-	608,781
Financial instruments held for trading	1,383,227	-	-	-	-	-	1,383,227
Loans and advances to customers	16,332	-	-	-	-	-	16,332
Other assets	1,405,539	-	-	-	-	-	1,405,539
	3,413,439	439	1	-	-	-	3,413,879
LIABILITIES							
Other liabilities	974,424	-	-	-	-	-	974,424
	974,424	-	-	-	-	-	974,424
	2,439,015	439	1	-	-	-	2,439,455

The parent company did not have any foreign currency exposure as at 31st December 2019.

The table below shows the impact on the group's profit before tax of a 20% depreciation of the Naira against foreign exchange rates on financial instruments held at amortised cost or at fair value, with all other variables held constant.

Group

	31-Dec-20	31-Dec-19
	N'000	N'000
Assets	13,443,693	12,415,644
Liabilities	12,645,516	10,228,518
Impact on profit /	798,177	2,187,126

At 31 December 2020, if the local currency had weakened/strengthened by 20% against the US dollar, GB pound and Euro with all other variables held constant, this would have translated to a revaluation gain/loss to the tune of the amounts indicated above. It is however pertinent to note that losses sustained on the assets are offset by the gain on the liabilities and vice versa. The gains and losses do not exactly match because of the funding gap in that currency.

3.2.4 Interest Rate Risk

The Group is exposed to cash flow interest rate risk, which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rate risk.

One of the Group’s primary business functions is providing financial products that meet the needs of its customers. Loans and deposits are tailored to the customers’ requirements with regard to tenor, and rate type. Net Interest Income (NII) is the difference between the yield earned on portfolio assets (including customer loans) and the rate paid on the liabilities (including customer deposits or wholesale borrowings). NII is affected by changes in the level of interest rates.

The exposure of other entities within the Group to interest rate risk is minimal as they are not deposit collecting agents. Their exposure is more limited to impact on their returns on investments.

Movements in interest rate on the Group’s core activities affect its reported earnings and book capital by affecting the Net Interest Income (NII). The value of the Group’s assets, liabilities, and interest-rate-related, off-balance-sheet items is affected by a change in rates because the present value of future cash flows, and in some cases the cash flows themselves, is changed.

The Group’s primary strategy for managing interest rate risk is to match interest rate sensitivities of both sides of its Balance sheet. In this respect, the Group separately identifies and classifies its assets and liabilities based on their sensitivities i.e. floating vs. fixed rates. All floating rate components of the Balance sheet are managed against a defined benchmark rate. All fixed rate components are managed against a re-pricing profile benchmark to be determined by the ALM desk and approved by the ALCO.

The table below summarises the Group's interest rate gap position:

Group

31 December 2020	Carrying amount	Variable interest	Fixed Interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	50,075,510	-	-	50,075,510
Loans to banks and other financial institutions	6,742,925	-	6,742,925	-
Financial assets held for trading	5,071,473	-	3,218,525	1,852,948
Derivative financial instruments	238,691	-	-	238,691
Loans and receivables to customers	38,617,398	20,648,069	17,969,329	-
Investment securities	44,208,178	-	43,464,615	743,563
Pledged assets	16,551,088	-	16,551,088	-
Other assets	902,033	-	-	902,033
	156,642,709	12,921,656	124,701,008	19,020,045
Liabilities				
Due to banks	19,621,072	-	19,621,072	-
Due to customers	79,000,409	-	54,432,534	24,567,875
Derivative financial instruments	228,557	-	-	228,557
Other liabilities	5,238,114	-	-	5,238,114
Debt securities issued	23,050,499	-	23,050,499	-
	127,111,190	18,737,312	88,440,704	19,933,174

Group

31 December 2019	Carrying amount	Variable interest	Fixed Interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	16,666,306	-	-	16,666,306
Loans and receivables to banks	10,516,423	-	10,515,403	-
Financial assets held for trading	3,300,199	-	2,704,794	595,405
Derivative financial instruments	414,929	-	-	414,929
Loans and receivables to customers	45,853,754	7,301,949	38,551,805	-
Investment securities	46,004,983	5,619,707	39,823,253	563,043
Pledged assets	33,105,753	-	33,105,753	-
Other assets	780,362	-	-	780,362
	156,642,709	12,921,656	124,701,008	19,020,045
Liabilities				
Due to banks	27,684,828	-	27,684,828	-
Due to customers	56,639,029	-	46,669,867	7,969,162
Derivative financial instruments	395,283	-	-	395,283
Lease liabilities	252,167	-	-	252,167
Other liabilities	11,316,562	-	-	11,316,562
Debt securities issued	14,086,009	-	14,086,009	-
Other borrowed funds	18,737,312	18,737,312	-	-
	127,111,190	18,737,312	88,440,704	19,933,174

Company

31 December 2020	Carrying amount	Variable interest	Fixed Interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	608,781	-	-	608,781
Financial assets held for trading	1,383,227	-	-	1,383,227
Loans and advances	16,332	-	16,332	-
Other assets	1,405,539	-	-	1,405,539
	3,413,879	-	16,332	3,397,547
Liabilities				
Other liabilities	974,424	-	-	974,424
	974,424	-	-	974,424

Company

31 December 2019	Carrying amount	Variable interest	Fixed Interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and bank balances	767,339	-	-	767,339
Loans and advances	19,036	-	19,036	-
Other assets	1,565,361	-	-	1,565,361
	2,381,736	-	19,036	2,362,700
Liabilities				
Other liabilities	451,346	-	-	451,346
	451,346	-	-	451,346

In monitoring and measuring its Interest Rate Risk exposure, the Group monitors set gap limits and measures the potential impact on net interest revenue over a specified period, for the accrual positions, from a defined parallel shift in the yield curve. It is a forward-looking measure, analogous to factor sensitivity on the trading portfolios. We measure the potential change of interest rate margin of the Group for 100 basis points parallel change of interest rate curve in the horizon.

In order to manage these risks effectively, the Group may modify pricing on new customer loans and deposits, enter into transactions with other institutions or enter into forward exchange contracts that have the opposite risk exposures. Therefore, the Group regularly assesses the viability of strategies to reduce unacceptable risks to earnings and implements such strategies when the bank believes those actions are prudent.

The Group employs additional measurements, including stress testing on the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration, volatility and the potential impact of the change in the spread between different market indices

The table below indicates the earliest time the Group can vary the terms of the underlying financial asset or liabilities. The Group's interest rate risk exposure on assets and liabilities are categorised by the re–pricing dates.

Group

At 31 December 2020 (N'000)	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non-Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	50,075,510	50,075,510
Loans and receivables to banks	6,742,925	-	-	-	-	-	-	6,742,925
Financial assets held for trading	349,965	5,553	48,860	1,879,887	31,471	-	2,755,720	5,071,456
Derivative financial instruments	-	-	-	-	-	-	238,691	238,691
Loans and receivables to customers	10,113,595	2,790,672	15,634,734	3,275,360	6,320,218	482,353	466	38,617,398
Investment securities	1,569,716	13,206,944	5,267,839	1,521,893	17,584,268	4,311,179	743,563	44,205,402
Pledged assets	2,399,672	5,123,526	2,495,100	3,800,161	2,200,280	532,349	-	16,551,088
Other assets	-	-	-	-	-	-	1,100,646	1,100,646
Total financial assets (contractual maturity)	21,175,874	21,126,694	23,446,533	10,477,301	26,136,237	5,325,881	54,914,596	162,603,116

	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non-Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	2,812,656	23,759	312,141	16,472,516	-	-	-	19,621,072
Due to customers	9,428,079	36,673,363	6,483,755	1,847,336	-	-	24,567,876	79,000,409
Derivative financial instruments	-	-	-	-	-	-	228,557	228,557
Other liabilities	-	-	-	-	-	-	5,238,114	5,238,114
Debt securities issued	-	-	-	23,050,499	-	-	-	23,050,499
Total financial liabilities (contractual maturity)	12,240,735	36,697,122	6,795,896	41,370,351	-	-	30,034,547	127,138,651
Liabilities Commitments								
Letters of Credit	-	-	11,516,711	-	-	-	-	11,516,711
Performance bonds and Guarantees	-	-	-	-	-	-	4,249,293	4,249,293
Loan Commitments	1,621,873	1,894,330	43,665	5,877,565	860,000	-	-	10,297,433
Total	**1,621,873**	**1,894,330**	**11,560,376**	**5,877,565**	**860,000**	**-**	**4,249,293**	**26,063,437**
Interest Rate GAP	**8,935,139**	**(15,570,428)**	**16,650,637**	**(30,893,050)**	**26,136,237**	**5,325,881**	**24,880,049**	**35,464,465**

Group

At 31 December 2019 (N'000)	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non-Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	16,666,306	16,666,306
Loans and receivables to banks	10,232,809	283,614	-	-	-	-	-	10,516,423
Financial assets held for trading	5,011	1,968,791	730,303	-	689	-	595,405	3,300,199
Derivative financial instruments	106,051	141,721	134,755	32,402	-	-	-	414,929
Loans and receivables to customers	4,741,003	11,930,485	2,040,788	6,547,110	14,378,557	6,215,811	-	45,853,754
Investment securities	9,858,530	7,414,550	9,927,180	7,139,206	6,198,488	4,903,986	563,043	46,004,983
Pledged assets	-	5,435,372	1,915,274	24,607,555	788,748	358,804	-	33,105,753
Other assets	-	-	-	-	-	-	780,362	780,362
Total financial assets (contractual maturity)	24,943,404	27,174,533	14,748,300	38,326,273	21,366,482	11,478,601	18,605,116	156,642,709

	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non-Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	24,001,480	-	3,680,431	-	-	-	2,917	27,684,828
Due to customers	30,055,563	12,698,128	2,864,015	1,052,161	-	-	7,969,162	54,639,029
Derivative financial instruments	104,502	138,420	128,486	23,875	-	-	-	395,283
Other liabilities	-	-	-	-	-	-	11,316,562	11,316,562
Debt securities issued	-	14,086,009	-	-	-	-	-	14,086,009
Other borrowed funds	-	18,737,312	-	-	-	-	-	18,737,312
Total financial liabilities (contractual maturity)	54,161,545	45,659,869	6,672,932	1,076,036	-	-	19,540,808	127,111,190
Liabilities Commitments								
Letters of Credit	5,362,030	4,100,782	393,378	3,939,554	-	-	-	13,795,747
Performance bonds and Guarantees	-	-	-	-	-	-	3,005,132	3,005,132
Loan Commitments	7,795,657	8,093,276	2,019,952	16,803,046	908,965	-	-	35,620,896
Total	**13,157,687**	**12,194,058**	**2,413,330**	**20,742,600**	**908,965**	**-**	**3,005,132**	**52,421,776**
Interest Rate GAP	**(29,218,141)**	**(18,485,336)**	**8,075,368**	**37,250,237**	**21,366,482**	**11,478,601**	**(935,692)**	**29,531,519**

Company

At 31 December 2020 (N'000)	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non-Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	608,781	608,781
Loans and advances to customers	4,052	42	-	4,615	7,623	-	-	16,332
Financial assets held for trading	-	-	-	-	-	-	1,383,227	1,383,227
Other assets	-	-	-	-	-	-	1,405,539	1,405,539
Total financial assets (contractual maturity)	4,052.00	42.00	-	4,615.00	7,623	-	3,397,547	2,351,910

	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Non-Interest Bearing	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Other liabilities	-	-	-	-	-	-	974,424	974,424
Total financial liabilities (contractual maturity)	-	-	-	-	-	-	974,424	451,346
Interest Rate GAP	**4,052.00**	**42.00**	**-**	**4,615.00**	**7,623**	**-**	**2,423,124**	**1,900,564**

At 31 December 2019 (N'000)	Up to 1	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5	Above 5	Non-Interest	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	-	-	-	-	-	-	767,339	767,339
Loans and advances to customers	-	-			19,210	-	-	19,210
Other assets	-	-	-	-	-	-	1,565,361	1,565,361
Total financial assets (contractual maturity)	-	-	-	-	19,210	-	2,332,700	2,351,910

	Up to 1	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5	Above 5	Non-Interest	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Other liabilities	-	-	-	-	-	-	451,346	451,346
Total financial liabilities (contractual maturity)	-	-	-	-	-	-	451,346	451,346
Interest Rate GAP	-	-	-	-	**19,210**	-	**1,881,354**	**1,900,564**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to specific interest rate scenarios. The sensitivity analysis is the effect of the assumed changes in interest rates on the profit or loss for the period, based on the floating rate non-trading financial assets & liabilities and trading financial assets held as at 31 December 2020. The sensitivity analysis on both the trading & non-trading portfolio measures the change in value due to a 100 basis point parallel move in the interest rates.

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments (trading and non-trading) held at amortised cost and at fair value had increased by 100 basis points, with all other variables held constant.

	31-Dec-20	31-Dec-19
	N'000	N'000
Effect of 100 basis points movement on profit before tax & equity	(293,685)	(567,689)

3.2.5 Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Group assess the potential impact that fluctuations of identified market risk factors would have on the bank income and the value of its holdings of financial instruments. The Group employs additional measurements, including stress testing on the impact of non-linear interest rate movements on the value of the balance sheet; the analysis of portfolio duration, volatility and the potential impact of the change in the spread between different market indices.

The Group is exposed to equity price risk through its subsidiaries' investments in quoted securities on the Nigerian Stock Exchange (NSE) and other non-quoted investments held by the Group. Equity securities quoted on the NSE are exposed to movement based on the general movement of the All Share Index and movement in prices of specific securities held by the Group. The Group does not deal in commodities hence it is not exposed to commodities price risk. The Group's exposure to price risk is largely limited to quoted securities.

The Group conducts a sensitivity analysis on its exposure to price risk. This is done by assuming a 10% negative movement on the market price of the financial assets exposed to price risk

The table below shows the impact of a 10% movement on the price of equities held by the group.

	31-Dec-20	31-Dec-19
	N'000	N'000
Effect of 10% movement on the price of equity securities & profit before tax	21,342	14,421

3.2.6 Liquidity Risk

Liquidity risk is one of the key risks we contend with at the Group. This is the risk that securities or assets held by the Group cannot be traded quickly enough to meet obligations as they become due. It occurs when the cushion provided by liquid assets is not sufficient to meet outstanding obligations.

Liquidity risk does not occur in isolation; it is often triggered by consequences of other financial risks like credit risk and market risks such as interest rate risk, foreign exchange risk and security price risk.

3.2.6.1 Managing Liquidity Risk

The Group's board of directors sets the Group's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to the Assets & Liability Committee (ALCO). ALCO approves the Group's liquidity policies and procedures. The Asset and Liability Management Desk manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows.

- Maintaining a diversified funding base consisting of customer deposits and wholesale market deposits and maintaining contingency facilities.

- Carrying a portfolio of highly liquid assets, diversified by currency and maturity.

- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and financial liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.

- Carrying out stress testing of the Group's liquidity position

Liquidity limits establish boundaries for market access in business-as-usual conditions and are monitored against the liquidity position on a daily basis. The survival horizon of the Bank has been set to 14 days. To ensure this is the case, the Group intends to hold enough liquid assets to cover for any negative GAP over the next 14 days.

Regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Group specific events (e.g. a rating downgrade) and market-related events (e.g. prolonged market illiquidity, reduced flexibility of currencies, natural disasters or other catastrophes).The Group has in place contingency funding lines with Nigerian financial institutions.

3.2.6.2 Funding approach

Our sources of liquidity are regularly reviewed by ALCO and ALM Desk in order to avoid undue reliance on large individual investors and ensure that a satisfactory overall funding mix is maintained at all times. The funding strategy is geared towards ensuring effective diversification in sources and tenor of funding.

The tables below analyse the group's financial assets and liabilities into relevant maturity groupings based on their contractual maturities for:

a)all non-derivative financial assets and liabilities, and

b)net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

3.2.6.2 Funding approach (con'd)

Our sources of liquidity are regularly reviewed by ALCO and ALM Desk in order to avoid undue reliance on large individual investors and ensure that a satisfactory overall funding mix is maintained at all times. The funding strategy is geared towards ensuring effective diversification in sources and tenor of funding.

The tables below analyse the Group's financial assets and liabilities into relevant maturity bankings based on their contractual maturities for:

a)all non-derivative financial assets and liabilities, and
b)net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts in the table below are the contractual undiscounted cashflows

Group

At 31 December 2020	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	50,075,510	-	-	-	-	-	-	50,075,510
Loans and receivables to banks	2,739,524	4,015,781	-	-	-	-	-	6,755,305
Financial assets held for trading	1,852,948	371,998	14,409	57,039	1,936,118	404,756	1,637,722	6,274,990
Derivative financial instruments	-	144,141	42,107	42,309	-	-	-	228,557
Loans and advances to customers	-	10,765,385	2,623,369	3,156,149	5,599,689	21,021,148	877,403	44,043,143
Investment securities	743,563	1,709,149	13,276,105	5,356,519	2,155,596	22,649,738	5,237,783	51,128,453
Pledged assets	-	2,400,000	5,130,000	2,612,571	3,937,571	2,954,719	455,000	17,489,861
Other assets	902,033	-	-	-	-	-	-	902,033
Total financial assets (contractual maturity)	56,313,578	19,406,454	21,085,990	11,224,587	13,628,974	47,030,361	8,207,908	176,897,852

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	-	2,813,551	23,859	316,582	16,752,894	-	-	19,906,886
Due to customers	23,942,233	10,263,808	36,749,264	6,535,750	1,891,978	-	-	79,383,033
Derivative financial instruments	-	144,141	42,107	42,309	-	-	-	228,557
Other liabilities	5,238,115	-	-	-	-	-	-	5,238,115
Debt securities issued	-	-	-	-	23,602,650	-	-	23,602,650
Total financial liabilities (contractual maturity)	29,180,348	13,221,500	36,815,230	6,894,641	42,247,522	-	-	128,359,241
Liabilities Commitments								
Letters of Credit	-	-	-	11,516,711	-	-	-	11,516,711
Performance bonds and Guarantees	5,740,382	-	-	-	-	-	-	5,740,382
Loan Commitments	-	2,717,777	4,064,634	-	3,346,346	168,675	-	10,297,432
Total	5,740,382	2,717,777	4,064,634	11,516,711	3,346,346	168,675	-	27,554,525
Interest Rate GAP	**20,448,865**	**6,607,473**	**(16,165,576)**	**165,114**	**(24,868,164)**	**45,796,176**	**6,902,207**	**38,886,095**

Group

At 31 December 2019	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	16,666,306	-	-	-	-	-	-	16,666,306
Loans and receivables to banks	-	10,278,225	288,036	-	-	-	-	10,566,261
Financial assets held for trading	595,405	5,027	2,004,309	754,000	-	689	-	3,359,430
Derivative financial instruments	-	1,443,932	1,471,150	623,594	37,091	-	-	3,575,767
Loans and advances to customers	-	4,781,385	12,038,563	1,922,282	6,703,976	14,578,656	7,108,762	47,133,623
Investment securities	563,043	7,860,934	8,429,857	3,856,540	8,362,572	10,119,839	8,762,865	47,955,650
Pledged assets	-	-	5,586,467	2,022,500	27,870,070	1,227,990	300,000	37,007,027
Other assets	71,458	-	708,904	-	-	-	-	780,362
Total financial assets (contractual maturity)	17,896,212	24,369,503	30,527,286	9,178,916	42,973,709	25,927,174	16,171,627	167,044,426

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Due to banks	-	24,004,146	-	3,757,018	-	-	-	27,761,164
Due to customers	7,969,162	30,116,635	12,816,048	2,935,811	1,103,367	-	-	54,941,023
Derivative financial instruments	-	1,443,932	1,469,896	618,318	28,574	-	-	3,560,720
Lease liabilities	-	-	102,350	-	82,240	104,203	-	288,793
Other liabilities	11,316,562	-	-	-	-	-	-	11,316,562
Debt securities issued	-	-	14,270,675	-	-	-	-	14,270,675
Other borrowed funds	-	-	610,109	18,481,405	-	-	-	19,091,514
Total financial liabilities (contractual maturity)	19,285,724	55,564,713	29,269,078	25,792,552	1,214,181	104,203	-	131,230,451
Liabilities Commitments								
Letters of Credit	-	5,362,030	4,100,784	393,379	3,939,554	-	-	13,795,747
Performance bonds and Guarantees	-	1,914,697	970,048	-	83,200	37,187	-	3,005,132
Loan Commitments	-	7,795,658	8,093,276	2,019,952	16,803,046	908,965	-	35,620,897
Total	**-**	**15,072,385**	**13,164,108**	**2,413,331**	**20,825,800**	**946,152**	**-**	**52,421,776**
Interest Rate GAP	**(1,389,512)**	**(31,195,210)**	**1,258,208**	**(16,613,636)**	**41,759,528**	**25,822,971**	**16,171,627**	**35,813,975**

Company

At 31 December 2020	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	608,781	-	-	-	-	-	-	608,781
Loans and receivables to customers	-	5,041	53	-	2,213	8,918	-	16,225
Other assets	30,926	-	-	1,374,613	-	-		1,405,539
Total financial assets (contractual maturity)	792,630	-	-	-	493	20,524	-	813,647

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Lease liabilities	-	-	-	5,456	-	-	-	5,456
Other liabilities	451,346	-	-	-	-	-	-	451,346
Total financial liabilities (contractual maturity)	451,346	-	-	-	-	-	-	451,346
GAP	**(527,001)**	**-**	**(185,717)**	**-**	**493**	**20,524**	**-**	**362,301**

Company

At 31 December 2019	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets								
Cash and bank balances	767,339	-	-	-	-	-	-	767,339
Loans and receivables to customers	-	-	-	-	493	20,524	-	21,017
Other assets	25,291	-	-	-	-	-		25,291
Total financial assets (contractual maturity)	792,630	-	-	-	493	20,524	-	813,647

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities								
Other liabilities	451,346	-	-	-	-	-	-	451,346
Total financial liabilities (contractual maturity)	451,346	-	-	-	-	-	-	451,346
GAP	**(527,001)**	**-**	**(185,717)**	**-**	**493**	**20,524**	**-**	**362,301**

GROUP	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total	Carrying amount (assets) /
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
At 31 December 2020									
Contractual maturities of financial assets									
Derivatives									
Trading derivatives	-	3,104,384	1,951,912	1,392,926	490,404	-	-	6,939,626	6,939,626
Gross settled (forward foreign exchange contracts – cash flow hedges)									
- (inflow)	-	144,405	44,544	44,046	5,696	-	-	238,691	238,691
- outflow	-	139,057	42,107	42,309	5,084	-	-	228,557	231,370

	No Contractual Maturity	Up to 1 months	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Total	Carrying amount (assets) / liabilities
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	
At 31 December 2019									
Contractual maturities of financial assets									
Derivatives									
Trading derivatives	-	-	1,226	8,986	6,464	-	-	16,676	16,676
Gross settled (forward foreign exchange contracts – cash flow hedges)									
- (inflow)	-	106,051	141,721	134,756	32,402	-	-	414,929	414,929
- outflow	-	104,502	138,420	128,486	23,875	-	-	395,283	395,283

3.3 Fair Value

Financial instruments measured at fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Group'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: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices) This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

The Group uses the following procedures to determine the fair value of financial assets and liabilities:

Trading / Investment securities

Where available, the Group uses the quoted market prices to determine the fair value of trading assets and such items are classified as Level 1 of the fair value hierarchy. Quoted market prices are gotten from the website of the Financial Market Dealers Quotations (FMDQ).

Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available and therefore are classified as Level 1

Where there are securities that are not actively traded, the Group uses internal valuation techniques which are based on observable inputs obtained from the quoted market prices of similar actively traded securities. In this instance, these are classified as level 2

Derivatives Instruments

The fair value of financial instruments including forward foreign exchange contracts traded in active markets is based on quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments.

The Group bases the calculation on existing market conditions at each closing date. Financial instruments used in FSDH are standardised products that are either cleared via exchanges or widely traded in the market. Forward foreign exchange contracts are entered into with creditworthy financial institutions and with corporates.

Unquoted equity

If quoted market prices are not available, the fair values are estimated based on internal valuation techniques or the last traded price on an OTC exchange. The key inputs depend upon the type of equity and the nature of inputs to the valuation technique. The item is placed in either Level 2 or Level 3 depending on the type of investment and valuation technique used

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

There was no transfer within fair value hierarchies during the period.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2020:

Group **At 31 December 2020**	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial assets				
Financial assets held for trading				
- Treasury bills	2,284,241	-	-	2,284,241
- Federal Government of Nigeria Bonds	934,284	-	-	934,284
- Equities	213,412	-	-	213,412
- Mutual Funds	-	1,639,536	-	1,639,536
	3,431,937	-	-	5,071,473
Derivative financial instruments				
- FX forward contract	-	238,691	-	238,691
	-	238,691	-	238,691
Investment securities classified as FVOCI				
-Treasury bills	1,871,094	-	-	1,871,094
-Federal Government of Nigeria Bonds	975,850	-	-	975,850
-Corporate bonds	3,199,406	5,248,507	-	8,447,913
-Promissory notes and commercial papers	-	31,073,001	-	31,073,001
-Unquoted Equity	-	-	743,563	743,563
	6,046,350	36,321,508	743,563	43,111,421
Pledged Securities				
FVTFL				
-Treasury bills	6,481,578	-	-	6,481,578
FVOCI				
-Treasury bills	3,262,776	-	-	3,262,776
-Federal Government of Nigeria Bonds	532,350	-	-	532,350
-Corporate bonds	2,200,280	-	-	2,200,280
-Promissory notes and commercial papers	-	4,074,104	-	4,074,104
	12,476,984	4,074,104.00	-	16,551,088

Group **At 31 December 2019**	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial assets				
Financial assets held for trading				
-Treasury bills	2,704,105	-	-	2,704,105
- Federal Government of Nigeria Bonds	689	-	-	689
-Equities	154,679	-	-	154,679
-Mutual Funds	440,726	-	-	440,726
	3,300,199	-	-	3,300,199

Derivative financial instruments				
- FX forward contract	-	414,929	-	414,929
	-	414,929	-	414,929
Investment securities classified as FVOCI				
-Treasury bills	17,702,636	234,042	-	17,936,678
-Federal Government of Nigeria Bonds	6,361,994	-	-	6,361,994
-Corporate bonds	3,083,480	13,972,360	-	17,055,840
-Promissory notes and commercial papers	-	2,676,133	-	2,676,133
-Unquoted Equity	-	-	563,043	563,043
	27,382,153	16,877,535	563,043	44,593,688
Pledged Securities				
FVOCI				
-Treasury bills	31,958,201	-	-	31,958,201
-Federal Government of Nigeria Bonds	1,147,552	-	-	1,147,552
	33,105,752	-	-	33,105,752

The following table presents changes in level 3 instruments - Group

Investment securities classified as FVOCI	Dec-20	Dec-19
	N'000	**N'000**
At 1 January	563,043	342,473
Additions	180,520	220,570
At 31 December	743,563	563,043

Company

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial assets				
Financial assets held for trading				
- Mutual Funds	-	1,383,227	-	1,383,227
	-	1,383,226.83	-	1,383,227

The company did not have any fair value financial assets as at 31st December 2019

3.4 Fair value of financial assets and liabilities not measured at fair value

Investment securities have been fair valued using market prices and is within level 1 of the fair value hierarchy.

The carrying value of the following financial assets and liabilities for the group approximate their fair values: - cash and bank balances, loans and advances to banks, loans and advances to customers, other assets, due to banks, due to customers, lease liabilities and other liabilities.

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

Group	**At 31 December 2020**		**At 31 December 2019**	
	Carrying value N'000	**Fair value N'000**	**Carrying value N'000**	**Fair value N'000**
Financial assets				
Cash and bank balances	50,075,510	50,075,510	16,666,306	16,666,306
Loans and advances to banks	6,742,925	6,742,925	10,516,423	10,516,423
Loans and advances to customers	38,617,398	38,617,398	45,853,754	45,853,754
Investment securities	1,093,981	1,096,755	1,411,391	2,152,495
Other assets	902,033	902,033	780,362	780,362
	97,431,847	97,434,621	75,228,236	75,969,340
Financial liabilities				
Due to banks	19,621,072	19,621,072	27,684,828	27,684,828
Due to customers	79,000,409	79,000,409	54,639,029	54,639,029
Other liabilities	5,238,114	5,238,114	11,316,562	11,316,562
Debt securities issued	23,050,499	23,112,798	14,086,009	14,181,057
Other borrowed funds	-	-	18,737,312	18,737,312
	126,715,907	126,810,955	126,715,907	126,810,955

Company	**At 31 December 2020**		**At 31 December 2019**	
	Carrying value N'000	**Fair value N'000**	**Carrying value N'000**	**Fair value N'000**
Financial assets				
Cash and bank balances	608,781	608,781	767,339	767,339
Loans and advances to customers	16,332	16,332	19,036	19,036
Other assets	1,579,205	1,579,205	1,565,361	1,565,361
	2,204,318	2,204,318	2,351,736	2,351,736
Financial liabilities				
Other liabilities	974,424	974,424	451,346	451,346
	974,424	974,424	451,346	451,346

Fair value hierarchy for financial assets and financial liabilities not measured at fair value

Group

At 31 December 2020 (N'000)	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial Assets				
Investment securities	1,042,943	53,813	-	1,096,756
	1,042,943	53,813	-	1,096,756
Financial liabilities				
Debt securities issued	-	23,112,798	-	23,112,798
	-	23,112,798	-	23,112,798

At 31 December 2019 (N'000)	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial Assets				
Investment securities	2,083,135	69,360	-	2,152,495
	2,083,135	69,360	-	2,152,495
Financial liabilities				
Debt securities issued	-	14,181,057	-	14,181,057
	-	14,181,057	-	14,181,057

3.5 Capital Management
The Group's objectives in managing Capital are:

- To comply with the regulatory requirements of the Central Bank of Nigeria and Securities and Exchange Commission
- To ensure that the Group continues as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders by ensuring that capital deployed meets our RAAC (Risk Asset Acceptance Criteria)

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission where applicable, for supervisory purposes.

In line with the CBN circular BSD/DIR/GR/GEN/LAB/06/053 regarding Regulatory Capital Measurement for the Nigerian Banking System for the implementation of Basel II/III in Nigeria, Capital adequacy is measured daily and reported monthly to the Central Bank of Nigeria in line with Basel II set principles, which measures Credit, Market and Operational Risks.

Over this review period, the Group complied with all the externally imposed capital requirements to which it was and is subject.

3.6 Critical accounting estimates and judgements

The Group's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

(a) Impairment losses on financial assets
The Group has set policies to guide staging criteria in determining significant increase in credit risk. The Group has also developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process.

The methodology and assumptions used for estimating probability of default, loss given default, discount factor, exposure at default, forward looking macro-economic factors and timing of future cash flows are reviewed regularly as the Group builds historical data in computation of its expected credit loss.

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

Fair valuation techniques and assumptions

1.Bonds
The fair values for illiquid bonds are gotten from an independent source. The source's bond prices are model prices derived from a modelled yield. The modelled yield is calculated by adding a risk premium to the valuation yield (corresponding Tenor To Maturity (TTM) yield interpolated off the FGN bond theoretical spot rate curve). This is used to calculate the bond bid price.

Risk premiums are derived by 2 methods described below;
(i). Apply risk spread on latest acceptable trade for the respective bonds i.e. determine the spread between the bond yield on the latest acceptable trade and the FGN bond spot rate of comparable TTM.
(ii). Apply risk spread at issuance i.e. determine the spread between the bond yield at issuance and the FGN bond spot rate of comparable TTM. However, where the risk spread at issuance is less than 1% (100 basis points), a base risk premium of 100 basis points is applied.
The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) from the Nigerian Stock Exchange.
However, fair value of unquoted equity investments have been derived from the last OTC (over the counter) transaction.

2.Derivatives
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are presented as financial assets or financial liabilities. Derivative assets and liabilities are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle on a net basis.
Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date.

(c) 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 24.

(d) Extension and termination options - Determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).
For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate). '
- If any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Company.

4 Segment Information

The Group segmental reporting is in compliance with IFRS 8 Operating segments. Operating Segments are reported in accordance with the internal reports provided to the Group's Board of Directors which is responsible for the Group's resources allocation and performance review of the Operating segments. All transactions between operating segments are conducted on fair value principle.

The group has identified the following reportable operating segments:

Merchant Banking

This segment provides wholesale and investment banking services ranging from corporate finance, fund raising, investment and other financial advisory activities to the middle and top end of the banking value chain across diverse sectors.

Asset Management

This segment engage in portfolios management and investment advisory services

Pension Funds management

This segment engage in the management of pension funds and other retirement benefit related activities.

Stockbroking

This segment engage in stock trading with proprietary portfolio and customers' portfolio as well as issuing house activities.

Segment result of operation

Total revenue in the segment represents: interest income, fees and commissions, net gains or loss from financial assets, dividend income, foreign exchange translation, and other operating income.

Segment Assets and Liabilities

Segment assets and liabilities are measured in the same way as presented in the financial statements.

31 December 2020	Holding Company	Merchant Banking	Asset Management	Pensions Fund Management	Stockbroking & Advisory	Group Adjustment	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total segment revenue	2,729,121	16,313,735	892,092	5,087,154	381,190	(2,812,824)	22,590,468
Inter segment revenue	(2,627,096)	(171,927)	(1,215)	(5,805)	(6,781)	2,812,824	-
Segment result – revenue from external customers	102,025	16,141,808	890,877	5,081,349	374,409	-	22,590,468
Segment result - profit after tax	1,700,542	3,277,836	300,230	1,492,118	(29,866)	(2,663,797)	4,077,063
Interest expense	(591)	(6,814,365)	(1,163)	(17,612)	(591)	22,221	(6,812,102)
Impairment write-back/(charge)	(326)	(1,026,940)	(7,901)	(31,191)	1,355	-	(1,065,003)
Depreciation- plant & equipment	39,938	284,221	13,878	200,534	15,051	-	553,622
Depreciation – right of use assets	6,749	49,343	4,798	90,726	4,972	-	156,588
Amortisation	-	191,595	10,184	22,615	-	-	224,394

	Holding Company	Merchant Banking	Asset Management	Pensions Fund Management	Stockbroking & Advisory	Group Adjustment	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total Assets	31,744,766	159,448,730	1,790,092	5,530,289	1,558,664	(31,748,268)	168,324,273
Other measure of assets							
Loans and advances to customer	16,332	38,072,402	7,751	89,930	430,983	-	38,617,398
Capital expenditure – Fixed Asset	130,190	292,177	90,296	219,284	81,459	5,160	818,566
Capital expenditure - Intangibles	-	89,133	31,687	4,299	-	-	125,119
Investment securities	-	42,573,216	538,205	1,063,098	30,887	-	44,205,406
Total Liabilities	989,804	128,634,600	475,289	1,243,074	698,726	(3,708,432)	128,333,061

31 December 2019	Holding Company	Merchant Banking	Asset Management	Pensions Fund Management	Stockbroking & Advisory	Group Adjustment	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total segment revenue	1,946,219	20,822,342	610,369	4,898,000	292,060	(2,951,812)	25,617,178
Inter segment revenue	(1,944,850)	(974,715)	(47)	(7,503)	(24,697)	2,951,812	-
Segment result – revenue from external customers	1,369	19,847,627	610,322	4,890,497	267,363	-	25,617,178
Segment result - profit after tax	1,099,720	3,610,403	309,633	1,341,343	125,317	2,844,632	3,641,784
Interest expense	-	11,009,079	-	27,600	1,226	-	10,971,272
Impairment write-back/(charge)	(174)	400,568	3,638	19,983	3,501	-	427,516
Depreciation- plant & equipment	16,042	292,947	56	199,851	-	-	508,896
Depreciation – right of use assets	5,348	47,733	-	81,871	-	-	134,952
Amortisation	-	117,313	15,984	15,189	-	-	148,486

	Holding Company	Merchant Banking	Asset Management	Pensions Fund Management	Stockbroking & Advisory	Group Adjustment	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Total Assets	30,517,098	155,994,069	1,992,252	4,332,900	1,346,617	(31,460,404)	162,722,532
Other measure of assets							
Loans and advances to customer	19,036	45,496,340	8,387	95,964	232,637	1,390	45,853,754
Capital expenditure – Fixed Asset	130,744	382,426	1,016	184,900	-	-	699,090
Capital expenditure - Intangibles	-	330,354	1,156	17,260	-	-	348,770
Investment securities	-	43,447,218	506,127	569,780	643,803	838,055	46,004,983
Total Liabilities	462,679	129,224,107	712,039	1,179,754	338,338	(3,509,563)	128,407,353

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
5. Interest income				
5(a) Financial assets fair value through profit or loss				
- Debt securities	753,018	892,370	-	-
	753,018	892,370	-	-
5(b) Financial assets fair value through other comprehensive income				
- Debt securities	4,778,244	7,066,597	-	-
	4,778,244	7,066,597	-	-
5(c) Financial assets at amortised costs				
- Debt securities	179,537	1,227,715		-
- Loans to banks and other financial institutions	575,112	1,392,024	8,383	32,630
- Loans and advances to customers	4,294,040	6,150,322	2,404	1,369
- Correspondent credit lines	356,512	338,961	-	-
	5,405,201	9,109,022	10,787	33,999

Interest income on stage III impaired loans was nil for the year ended 31 December 2020 (December 2019: Nil)

During the year, the bank restructured facilities which resulted in a net modification loss of N54.26m.

6. Interest and similar expense

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Customer deposits	1,768,991	5,072,875	-	-
Interbank call borrowings	1,149,569	1,219,767	-	-
Discount on issued commercial papers	1,719,275	2,134,629	-	-
Interest on other borrowed funds	486,254	1,358,913	-	-
Correspondent credit lines	687,892	269,379	-	-
Clients' investment fund	975,530	874,886	-	-
Interest expense on leases	24,591	40,823	591	-
	6,812,102	10,971,272	591	-

7. Fee and commission income

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Credit related fees	257,766	315,092	-	
Fiduciary fees	5,383,340	4,848,201	-	
Comission on trade related transactions	133,084	125,046	-	
Financial advisory & issuing house activities' fees	197,617	80,210	-	
Other commissions, fees and charges	167,923	278,678	-	
	6,139,730	5,647,227	-	-
Fees and commission expense	(8,844)	(7,069)	-	-
	6,130,886	5,640,158	-	-

Other commissions, fees and charges includes brokerage commission, current account maintenance charge and funds transfer charges

The fees and commission income can be further analysed as below in line with IFRS 15

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Point in time	299,933	400,586	-	-
Over time fees	5,839,797	5,246,641	-	-
	6,139,730	5,647,227	-	-

8. Impairment charge for credit losses

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Impairment charge /(write-back) for credit loss on loans and	1,016,450	(40,430)	(54)	174
Impairment charge /(write-back) for credit loss on other financial assets	48,173	(387,086)	-	-
Uncollectable amounts written off	380	-	380	-
	1,065,003	(427,516)	326	174

9. Net gains/(losses) on financial instruments held for trading

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Equity securities	(13,009)	(10,825)	-	-
Bonds	752,541	281,150	-	-
Treasury bills	637,330	217,635	-	-
Foreign exchange	(291,617)	181,539	-	-
Derivatives	(7,148)	21,642	-	-
Mutual funds	131,005	-	93,102	-
	1,209,102	691,141	93,102	-

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
10. Net gains on debt instruments classified as fair value through other comprehensive income				
Bonds	712,790	111,220	-	-
Treasury bills	2,161,679	919,163	-	-
Promissory notes	831,750	764,015	-	-
	3,706,219	1,794,398	-	-
11. Other income				
Profit on disposal of property & equipment	9,919	9,815	-	-
Dividend income	16,430	11,535	2,574,265	1,904,720
Foreign currency translation	431,131	96,957	-	-
Intermediation income	72,611	85,621	-	-
Other sundry income	77,707	219,564	50,966	7,500
	607,798	423,492	2,625,231	1,912,220
12. Operating expenses				
Staff related expenses (Note (i) below)	4,713,736	4,283,700	477,148	281,714
Depreciation (Note 26)	553,622	508,896	39,938	16,042
Amortisation (Note 25)	224,394	148,487	-	-
Right-of-use asset amortisation (Note 21(i))	156,588	134,952	6,749	5,348
Auditors' remuneration	99,808	88,675	5,375	4,000
Directors' fees	782,863	607,965	220,040	187,500
Deposit Insurance	147,341	152,345	-	-
Minimum Pensions Guarantee	140,125	164,530	-	-
Occupancy costs	69,605	310,170	6,660	5,682
Insurance	71,511	102,801	12,320	3,861
Corporate advert and other business development	148,186	399,478	5,323	4,393
Donations	124,615	14,850	-	-
Consultancy and other professional fees (Note (ii) below)	394,968	427,590	144,378	115,728
Information technology and related expenses	667,467	619,710	47	-
Administrative and operating expenses	1,246,460	1,353,485	109,324	222,056
	9,541,289	9,317,634	1,027,299	846,324
(i) Staff related costs, excluding executive directors, during the year amounted to:				
Wages, salaries and staff costs	4,363,674	3,952,305	435,184	256,657
Pension costs - Defined contribution plan	273,083	246,800	37,569	22,581
Post employment costs - Defined contribution plan	76,979	84,595	4,395	2,476
	4,713,736	4,283,700	477,148	281,714
The average number of persons employed by the group during the year was as follows -				
Executive	4	1	1	1
Management staff	67	70	4	4
Non management staff	403	402	4	3
	474	473	9	8

The number of employees of the group, who received emoluments (excluding pension contributions and other benefits) in the following ranges were -

Below N3,000,000	245	263	3	2
N3,000,001 - N5,000,000	44	50	1	1
N5,000,001 - N7,000,000	43	43	-	-
Above N7,000,000	139	117	5	5
	471	473	9	8

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Directors' remuneration paid in respect of the group:				
Fees and sitting allowances	678,571	607,965	220,040	187,500
Executive compensation	728,577	160,833	241,250	160,833
	1,407,148	768,798	461,290	348,333
The directors' remuneration shown above (excluding pension and other benefits) includes:				
Chairman	50,000	50,000	50,000	50,000
Highest paid director	241,250	160,833	241,250	160,833

(ii) Included in the consultancy & other professional fees expense of the company and group is the sum of Nil and N8.18m (2019: N12.22m) respectively, paid to PricewaterhouseCoopers for non-audit services provided during the year.

13. Income tax expense

Tax charge for the year comprises:				
a) Income Tax Charge				
Income tax	639,059	1,621,414	154	-
WHT on dividend	-	94,140	-	-
Education tax	81,485	38,279	-	-
Tax under-provision	-	-	208	-
Total current tax charge	720,544	1,753,833	362	-
b) Deferred tax				
Recognised in income statement:				
Origination and reversal of temporary differences	374,466	360,171	-	-
Total deferred tax charge/(credit)	374,466	360,171	-	-
Income tax expense	1,095,010	2,114,004	362	-
(ii) Reconciliation of effective tax				
Profit before income tax	5,172,074	5,755,788	1,700,904	1,099,720
Effective tax as per accounts:				
Income tax using the companies income tax rate at 30%	1,551,622	1,726,736	510,271	329,916
Non-deductible expenses	626,874	225,275	15,618	6,417
Tax exempt income	(1,209,255)	(1,358,062)	(772,242)	(571,416)
Tax incentives	-	(357,187)	-	-
Tax loss unutilised	-	241,500	246,352	235,083
Minimum tax	40,938	-	154	-
Education tax	81,485	38,977	-	-
Dividend tax	13,400	1,142,490	-	-
Tax under-provision	4,110	-	208	-
WHT on franked income	-	94,104	-	-
Tax effect on unrelieved losses	(311,398)	-		
Capital allowance	(77,176)	-		
Effect of deferred tax	374,466	360,171	-	-
Income tax	1,095,066	2,114,004	362	-
Effective tax rate	21.17%	36.73%	0.01%	0.00%

Based on Nigerian tax law, Companies Income Tax Act provides that current tax is determined as the higher of amount computed based on 30% of taxable profit, minimum tax and 30% of dividend declared. There were no changes in corporate and education tax rates during the year. The Group's corporate income tax charge for the year was based on the tax provisions as it applies to the respective entities within the group.

Tax exempt income include incomes such as dividend income, income on Federal Government of Nigeria, municipal and corporate bonds and the Nigerian Treasury Bills (Exemption of Bonds and Short Term Government Securities Order 2011) which are exempt from income tax and other applicable taxes as gazetted by the Federal Government of Nigeria.

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
The movement in the current income tax liability is as follows:				
At start of the period	1,122,912	989,978	-	-
Tax paid	(640,597)	(1,521,088)	(207)	-
WHT on franked investment	-	(94,140)	-	-
WHT recovered	(640,489)	(5,671)	-	-
Prior period under provision	-	-	208	-
Income tax charge	720,544	1,753,833	154	-
At end of the period	562,370	1,122,912	154	-
The current income tax balance is analsyed into:				
Current income tax assets (Note i.)	(116,119)	-	-	-
Current income tax liability	678,489	1,122,912	154	-
	562,370	1,122,912	154	-

(i) The merchant banking subsidiary had a curent income asset as at 31 December 2020. This arose from over-payments to tax authorities. This has been recognised as an asset on the statement of financial position and will be used to offset future tax payments.

14. Cash and bank balances

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Cash in hand	826	588	-	-
Balances held with other banks:				
- Operating balance with Central Bank of Nigeria	2,001,264	3,907,089	-	-
- Balances with banks in Nigeria	527,108	767,706	608,781	767,339
- Balances with banks outside Nigeria	20,484,753	4,779,983	-	-
Cash on hand and balances with banks	23,013,951	9,455,366	608,781	767,339
- Mandatory reserve deposit with Central Bank of Nigeria	27,061,559	7,210,940	-	-
	50,075,510	16,666,306	608,781	767,339
Current	23,013,951	9,455,366	608,781	767,339
Non-Current	27,061,559	7,210,940	-	-
	50,075,510	16,666,306	608,781	767,339

Included in the Group's balances with banks is the amount of N3.13billion (31 Dec 2019: N4.61billion) representing the Naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability is reported as customers' deposit for foreign trade under other liabilities (see Note 29).
Mandatory reserve deposits with the Central Bank of Nigeria represents a percentage of customers' deposits (prescribed from time to time by the Central Bank) which is not available for day to day use by the Group.
For purpose of statement of cashflows, these amounts are excluded from cash and cash equivalents.

15. Loans to banks and other financial institutions

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Placements with banks	6,743,049	10,516,523	-	-
	6,743,049	10,516,523	-	-
Impairment on investment securities at amortised cost				
Stage 1 ECL provision	(124)	(100)	-	-
	(124)	(100)	-	-
Loans to banks and other financial institutions net of impairment	6,742,925	10,516,423	-	-
Current	6,743,049	10,516,523	-	-
	6,743,049	10,516,523	-	-

Included in the Group balance is the sum of N587.96million which represents a part of Pensions Alliance Limited's statutory reserve account balance placed with banks in compliance with the Pensions Reform Act of 2004. This amount is excluded from cash and cash equivalents for the purpose of the statement of cashflow.

16. Financial instruments held for trading

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Quoted equity securities FVPL	213,412	154,679	-	-
Nigerian Treasury Bills	2,284,241	2,704,105	-	-
Federal Government of Nigeria Bonds FVPL	934,284	689	-	-
Mutual funds	1,639,536	440,726	1,383,227	-
	5,071,473	3,300,199	1,383,227	-
Current	2,284,241	2,704,105	-	-
Non-current	2,787,232	596,094	1,383,227	-
	5,071,473	3,300,199	1,383,227	-

Gains or losses are recognised in the income statement under 'Net gains on financial instruments held for trading'

17. Derivative financial instruments

	GROUP 2020 N'000	GROUP 2019 N'000	COMPANY 2020 N'000	COMPANY 2019 N'000
Assets				
- FX forward contracts (Note 17(i))	238,691	414,929	-	-
	238,691	414,929	-	-
Liabilities				
- FX forward contracts	228,557	395,283	-	-
	228,557	395,283	-	-
Notional principal				
- FX forward contracts (Note 17(i))	3,413,398	18,665,228	-	

(i) This represents the notional principal amounts, the positive (assets) and negative (liabilities) fair values of the Group's FX forward contracts. Fair value changes are recognised in the statement of comprehensive income. All derivative financial instruments are current.

18. Loans and advances to customers

Loans and advances at amortised cost	40,895,552	47,117,135	16,451	19,210
Allowance for impairment (Note 18(ii))	(2,278,154)	(1,263,381)	(120)	(174)
	38,617,398	45,853,754	16,332	19,036
Current	31,781,190	25,148,981	8,690	407
Non-Current	6,836,208	20,704,773	7,642	18,629
	38,617,398	45,853,754	16,332	19,036

The reconciliation of the allowance account for losses on loans and advances to customers:

	GROUP N'000	GROUP N'000	COMPANY N'000	COMPANY N'000
Balance at 1 January	1,263,381	1,303,813	174	-
Increase/(decrease) in loan provision for the year	1,014,773	(40,432)	(54)	174
At 31 December	2,278,154	1,263,381	120	174
Analysis of impairment:				
Stage 1 impairment on loans and advances	332,072	256,973	120	174
Stage 3 impairment on loans and advances	1,946,082	1,006,408	-	-
	2,278,154	1,263,381	120	174

Management adjustments to impairment models are applied in order to factor in certain conditions that are not fully incorporated into the impairment model, or to reflect addional facts and circumstances at period end. Management adjustments are reversed and incorporated into future model developments, where applicable.

Total management adjustments to impairment allowance is presented below:

	Management adjustment to impairment allowance N'000	Proportion of total impairment allowance %
Merchant banking subsidiary	917,236	40.26
Other subsidiaries	-	-
Total	917,236	40.26

The adjustment is included in Statge 3 impairment.

19. Investment securities

	GROUP 31 December 2020 N'000	GROUP 31 December 2019 N'000	COMPANY 31 December 2020 N'000	COMPANY 31 December 2019 N'000
Analysis of investment securities				
Debt securities (Note (i))	43,461,839	45,441,940	-	-
Equity securities (Note (ii))	743,563	563,043	-	-
	44,205,402	46,004,983	-	-
Current	21,562,580	34,002,900	-	-
Non-current	22,642,822	12,002,083	-	-
	44,205,402	46,004,983	-	-
(i) **Debt securities**				
Classified as fair value through other comprehensive income				
Nigerian Treasury Bills	1,871,094	17,936,678	-	-
Federal Government of Nigeria bonds	975,850	6,361,994	-	-
Corporate bonds	8,447,913	17,055,840	-	-
Promissory notes and Commercial papers	31,073,001	2,676,133	-	-
	42,367,858	44,030,646	-	-
Classified as amortised cost				
Nigerian Treasury Bills	-	1,022,376	-	-
Federal Government of Nigeria bonds	965,480	336,536	-	-
Promissory notes and Commercial papers	131,277	53,579	-	-
	1,096,757	1,412,491	-	-

Impairment on investment securities at amortised cost				
Stage 1 ECL provision	(2,776)	(1,197)	-	-
	(2,776)	(1,197)	-	-
Net debt securities at amortised cost	1,093,981	1,411,294	-	-
Total debt securities	43,461,839	45,441,940	-	-
The reconciliation of the impairment allowance on debt securities is as below:				
Balance at 1 January	1,197	75,089	-	-
Increase/(write-back) in provision for the year	1,579	(73,892)	-	-
At 31 December	2,776	1,197	-	-

Included in the Group's investment securities at amortised cost balance is the sum of N1.07billion (Dec. 2019: N1.41billion) which represents part of the investment of Pensions Alliance Limited's statutory reserve account in compliance with the Pensions Reform Act of 2004.

(ii) **Equity securities**

Classified as fair value through other comprehensive income				
Unquoted equity securities	743,563	563,043	-	-
	743,563	563,043	-	-

i. The N743.56M investment in equity securities represents the N727.90M equity contribution to the Agricultural/Small and Medium Enterprises Investment Scheme (AGSMEIS), N15M investment in FMDQ OTC exchange and N0.67M investment in the Nigeria Inter-bank Settlement Scheme (NIBSS). Total dividend of N0.08M was received as dividend from NIBSS during the year (2019: N0.1M). The Group chose this presentation alternative because these investments were made based on regulatory directives 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.

ii. The Group has made an irrevocable election to classify all its unquoted equity investment at FVOCI.

	GROUP 31 December 2020 N'000	GROUP 31 December 2019 N'000	COMPANY 31 December 2020 N'000	COMPANY 31 December 2019 N'000
20. Pledged assets				
Financial instruments at fair value through profit or loss				
Nigerian treasury bills	6,481,578	-	-	-
	6,481,578	-	-	-
Classified as fair value through other comprehensive income				
Nigerian treasury bills	3,262,776	31,958,201	-	-
Federal Government of Nigeria bonds	532,350	1,147,552	-	-
Corporate bonds	2,200,280	-	-	-
Promissory notes and Commercial papers	4,074,104	-	-	-
	10,069,510	33,105,753	-	-
Total pledged assets	16,551,088	33,105,753	-	-
Current	13,817,586	31,958,201	-	-
Non-current	2,733,502	1,147,552	-	-
	16,551,088	33,105,753	-	-

Debt securities are pledged for purpose of providing collateral to secure liabilities with counterparties. The disclosure above includes any transferred assets associated with secured borrowing as disclosed in Notes 27.

21. Leases

Buildings

i) Right of use of assets

Opening balance as at 1 January	502,054	-	7,125	-
Impact of adopting IFRS 16	-	461,078	-	-
Additions during the period	46,045	40,976	14,915	7,125
Modification gain	3,105	-	-	-
Expired lease during the period	(7,125)	-	(7,125)	-
Closing balance as at 31 December	544,079	502,054	14,915	7,125
Depreciation				
Opening balance as at 1 January	134,952	-	5,348	-
Charge for the period	156,588	134,952	6,749	5,348
Expired lease during the period	(7,125)	-	(7,125)	-
Closing balance as at 31 December	284,414	134,952	4,972	5,348
Net book value as at 31 December	**259,665**	**367,102**	**9,943**	**1,777**

For the Group and Parent, the right-of-use assets relates to lease rentals on its office spaces.

ii) Lease liabilities

Opening balance as at 1 January	252,167	-	-	-
Impact of adopting IFRS 16	-	347,884	-	-
Additions	14,724	31,333	4,865	-
Interest expense	24,591	40,823	591	-
Lease modification gain	2,865	187	-	-
Payments made during the period	(118,752)	(168,060)	-	-
Closing balance as at 31 December	175,595	252,167	5,456	-

iii) Amounts recognised in the statement of profit or loss

Depreciation charge of right-of-use assets	156,588	134,952	6,749	5,348
Interest expense	24,591	40,823	591	-

iv) Liquidity risk (maturity analysis of lease liabilities)

	0-3 months	**3-12 months**	**1-2 years**	**Above 2 years**
Lease liability	12,330	122,600	42,702	13,750

22. Other assets

	GROUP 31 December 2020 N'000	**GROUP 31 December 2019 N'000**	**COMPANY 31 December 2020 N'000**	**COMPANY 31 December 2019 N'000**
Financial assets				
Fees and other income receivables	812,731	689,110	1,374,613	1,540,070
Other receivables	89,302	91,252	30,926	25,291
	902,033	780,362	1,405,539	1,565,361
Non financial assets				
Prepayments	460,307	648,891	57,673	90,204
Withholding tax receivable	541,067	523,570	115,993	3,980
Others	14	-	-	-
Gross non financial assets	1,001,388	1,172,461	173,666	94,185
less: provision for doubtful WHT receivables	(15,740)	(11,708)	-	-
	985,648	1,160,753	173,666	94,185
	1,887,681	1,941,115	1,579,205	1,659,545
Current	1,749,573	1,729,933	1,578,515	1,638,987
Non-current	138,108	211,182	690	20,558
	1,887,681	1,941,115	1,579,205	1,659,545

23. Investment in subsidiaries

	% Holding	**31 December 2020 N'000**	**31 December 2019 N'000**
FSDH Merchant Bank Limited	100.0	26,993,322	26,993,322
FSDH Asset Management Limited	99.7	200,000	200,000
Pensions Alliance Limited	51.0	587,010	587,010
FSDH Capital Limited	99.9	174,367	174,367
		27,954,699	27,954,699

Further disclosures on the control and line of business of the subsidiaries are as stated in Note 38 of this financial statements. There was no change in the holding structure during the period

24. Deferred tax

Deferred income taxes are calculated on temporary differences under the liability method using a statutory tax rate of 30% (2019: 30%)

Deferred income tax are attributable to the following items:
GROUP

Deferred tax liabilities				
Accelerated tax depreciation	(183,130)	(121,685)	-	-
Foreign exchange translation	(19,601)	(24,942)	-	-
	(202,731)	(146,627)	-	-
Deferred tax assets				
Accelerated tax depreciation	5,594	-	-	-
Tax loss carry forward	2,693,721	3,017,676	-	-
	2,699,315	3,017,676	-	-

Movements in temporary differences during the year:
Deferred tax liabilities

	1 January 2020 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 December 2020 N'000
Accelerated tax depreciation	(121,685)	(61,445)	-	(183,130)
Foreign exchange translation	(24,942)	5,341	-	(19,601)
	(146,627)	(56,104)	-	(202,731)

Deferred tax assets

	1 January 2020 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 December 2020 N'000
Accelerated tax depreciation	-	5,594	-	5,594
Tax loss carry forward	3,017,676	(323,955)	-	2,693,721
	3,017,676	(318,361)	-	2,699,315

GROUP	1 January 2019 N'000	Recognised in P&L N'000	Recognised in OCI N'000	31 December 2019 N'000
Accelerated tax depreciation	10,562	(132,247)	-	(121,685)
Foreign exchange translation	(39,294)	14,352	-	(24,942)
Credit impairment	(1,201)	1,201	-	-
Tax loss carry forward	3,261,153	(243,477)	-	3,017,676
	3,231,220	(360,171)	-	2,871,049

The Group has assessed that based on its profit forecast, it is probable that there will be future taxable profits against which the tax losses from which deferred tax asset has been recognised, can be utilised. The value of unrecognised deferred tax asset as at 31 December 2020 was N8.61B (2019: N7.80B)

The company as an entity had no deferred tax assets or liabilities as at December 2020.

25 Intangible asset

GROUP

Cost	Computer Software N'000	Work in progress N'000	Total N'000
At 1 January 2020	1,361,349	274,959	1,636,308
Additions	125,119	100,787	225,906
Reclassifications	256,584	(256,584)	-
At 31 December 2020	1,743,052	119,162	1,862,214
Accumulated amortisation			
At 1 January 2020	(1,120,338)	-	(1,120,338)
Charge for the year	(224,394)	-	(224,394)
At 31 December 2020	(1,344,732)	-	(1,344,732)
Net book amount at 1 January 2020	241,011	274,959	515,970
Net book amount at 31 December 2020	398,320	119,162	517,482

Cost	Computer Software N'000	Work in progress N'000	Total N'000
At 1 January 2019	1,207,665	79,873	1,287,538
Additions	73,811	274,959	348,770
Reclassifications	79,873	(79,873)	-
Disposals	-	-	-
At 31 December 2019	1,361,349	274,959	1,636,308
Accumulated amortisation			
At 1 January 2019	(971,851)	-	(971,851)
Charge for the year	(148,487)	-	(148,487)
At 31 December 2019	(1,120,338)	-	(1,120,338)
Net book amount at 1 January 2019	235,814	79,873	315,687
Net book amount at 31 December 2019	241,011	274,959	515,970

The software was not internally generated. The amortisation charge for the year is included within operating expenses. Likewise, there were no impairment losses on any class of intangible assets during the year (2019: Nil).

The company had no intangible assets during the year.

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26 Property and equipment

GROUP	Leasehold Improvement N'000	Office Equipment N'000	Computer Equipment N'000	Furniture, fittings & Equipment N'000	Motor Vehicles N'000	Work in Progress N'000	Total N'000
Cost							
At 1 January 2020	314,971	248,334	675,551	136,960	1,528,815	50,001	2,954,632
Additions	762	20,045	70,671	6,139	581,647	139,302	818,566
Transfer	-	-	-	-	50,001	(50,001)	-
Reclassifications	(88)	(1,537)	(116)	(1,595)	-	-	(3,336)
Disposals	-	(674)	(1,836)	(773)	(281,713)	-	(284,996)
At 31 December 2020	315,645	266,168	744,270	140,731	1,878,750	139,302	3,484,866
Accumulated depreciation							
At 1 January 2020	(257,980)	(141,584)	(509,750)	(91,843)	(788,526)	-	(1,789,683)
Charge for the year	(31,466)	(39,364)	(108,523)	(15,768)	(358,501)	-	(553,622)
Reclassifications	88	1,240	116	1,076	-	-	2,520
Disposals	-	674	1,836	773	193,341	-	196,624
At 31 December 2020	(289,358)	(179,034)	(616,321)	(105,762)	(953,686)	-	(2,144,161)
Net book amount at 31 December 2020	**26,287**	**87,134**	**127,949**	**34,969**	**925,064**	**139,302**	**1,340,705**
Cost							
At 1 January 2019	308,170	223,640	583,313	213,879	1,313,596	-	2,642,598
Additions	6,801	25,783	111,729	9,529	495,247	50,001	699,090
Disposals	-	(1,089)	(19,491)	(86,448)	(280,028)	-	(387,056)
At 31 December 2019	314,971	248,334	675,551	136,960	1,528,815	50,001	2,954,632
Accumulated depreciation							
At 1 January 2019	(225,659)	(107,757)	(428,640)	(162,136)	(679,354)	-	(1,603,546)
Charge for the year	(32,321)	(34,628)	(100,500)	(16,090)	(325,435)	-	(508,974)
Disposals	-	801	19,390	86,383	216,263	-	322,837
At 31 December 2019	(257,980)	(141,584)	(509,750)	(91,843)	(788,526)	-	(1,789,683)
Net book amount at 1 January 2019	82,511	115,883	154,673	51,743	634,242	-	1,039,052
Net book amount at 31 December 2019	**56,991**	**106,750**	**165,801**	**45,117**	**740,289**	**50,001**	**1,164,949**

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COMPANY	Leasehold Improvement **N'000**	Office Equipment **N'000**	Computer Equipment **N'000**	Furniture, fittings & Equipment **N'000**	Motor Vehicles **N'000**	Work in Progress **N'000**	Total **N'000**
Cost							
At 1 January 2020	-	691	3,887	183	100,983	25,000	130,744
Additions	-	-	2,359	374	43,854	83,603	130,190
Reclassifications	-	-	-	-	25,000	(25,000)	-
Disposals	-	-	-	-	(16,500)	-	(16,500)
At 31 December 2020	-	691	6,246	557	153,337	83,603	244,434
Accumulated depreciation							
At 1 January 2020	-	(52)	(626)	(18)	(15,346)	-	(16,042)
Charge for the year	-	(138)	(1,820)	(37)	(37,942)	-	(39,938)
Disposals	-	-	-	-	4,125	-	4,125
At 31 December 2020	-	(190)	(2,446)	(55)	(49,164)	-	(51,854)
Net book amount at 31 December 2020	-	501	3,799	502	104,174	83,603	192,579

Cost							
At 1 January 2019	-	-	-	-	-	-	-
Additions	-	691	3,887	183	100,983	25,000	130,744
At 31 December 2019	-	691	3,887	183	100,983	25,000	130,744
Accumulated depreciation							
At 1 January 2019	-	-	-	-	-	-	-
Charge for the year	-	(52)	(626)	(18)	(15,346)	-	(16,042)
At 31 December 2019	-	(52)	(626)	(18)	(15,346)	-	(16,042)
Net book amount at 1 January 2019	-	-	-	-	-	-	-
Net book amount at 31 December 2019	-	639	3,261	165	85,637	25,000	114,702

27 Due to banks and other financial institution

Secured borrowings	6,890,040	27,681,910	-	-
Trade related obligations to foreign banks	12,725,474	-	-	-
Other balances	5,558	2,918	-	-
	19,621,072	27,684,828	-	-
Current	19,621,072	27,684,828	-	-
	19,621,072	27,684,828	-	-

Secured borrowings represent various transactions in which financial assets are transferred in exchange for cash and a concurrent obligation to re-acquire the financial asset at a future date for a pre-determined consideration. The transferred asset have not been de-recognised in the books and form part of the financial assets in the statement of financial position disclosed as pledged assets (Note 20).

28 Due to customers

Demand	24,567,875	7,969,162	-	-
Term	29,768,020	37,393,996	-	-
Client investments fund	24,664,514	9,275,871	-	-
	79,000,409	54,639,029	-	-
Current	79,000,409	54,639,029	-	-
	79,000,409	54,639,029	-	-

29 Other liabilities

Financial liabilities:				
Customers' deposit for foreign trade (Note (i))	3,125,599	4,606,865	-	-
Amounts held on behalf of third parties	309,016	5,298,251	-	-
Unclaimed third party deposits	30,103	11,923	-	-
Sundry creditors	9,755	28,439	461	20,500
Accruals	384,457	494,586	25,175	205,425
Minimum pension guarantee	140,125	131,555	-	-
Account payables	1,239,059	744,943	948,787	225,421
	5,238,114	11,316,562	974,424	451,346
Non financial liabilities:				
Non financial liabilities				
VAT payable	43,520	35,382	-	-
WHT payable	47,499	95,688	9,770	11,333
Impairment on off balanace sheet financial assets (Note (ii))	46,576	41,981	-	-
	137,595	173,051	9,770	11,333
	5,375,709	11,489,613	984,194	462,679
Current	5,375,709	11,489,613	984,194	462,679
	5,375,709	11,489,613	984,194	462,679

(i) This represents the naira value of foreign currencies held on behalf of customer(s) to cover letters of credit transactions.

(ii) This represents IFRS 9 ECL impairment provisions on off-balance sheet financial assets such as loan commitments and financial guarantee contracts - letters of credits.

The movement in ECL impairment provision on off balance sheet financial assets:				
Opening balance - 1 January	41,981	103,535	-	-
Additions/(Write-back) for the year	4,595	(61,554)	-	-
	46,576	41,981	-	-
Impairment on contingent off-balanace sheet financial assets:				
Stage 1 ECL provision	46,576	41,981	-	-
	46,576	41,981	-	-

30 Debt instruments issued

Debt instrument at amortised cost:				
FSDH Commercial Papers	23,050,499	14,086,009	-	-
	23,050,499	14,086,009	-	-
Current	23,050,499	14,086,009	-	-
	23,050,499	14,086,009	-	-

This represent the outstanding FSDH CP Notes that were issued during the year by FSDH Merchant Bank Limited. The face value of the CP Notes as at the reporting date is N24billion and listed on the FMDQ OTC Securities Exchange.

Movement in debt securities for the year:				
Opening position	14,086,009	14,341,909	-	-
Net discounted value of notes issued	45,118,540	15,174,007	-	-
Redemptions during the year	(37,873,325)	(17,564,536)	-	-
Interest expense	1,719,275	2,134,629	-	-
Closing position	23,050,499	14,086,009	-	-

31 Other borrowed funds

Due to AfDB (ii)	-	18,737,312	-	-
	-	18,737,312	-	-
Current	-	18,737,312	-	-
Non-current	-	-	-	-
	-	18,737,312	-	-

(i) The N18.74bn (face value of $50million) line of credit granted to the banking subsidiary by African Development Bank, Abidjan, Cote dÍvoire (AfDB) in two tranches - 20th December 2016 and 7th November 2017 matured on same date of 22 June 2020 and was duly repaid.

	GROUP 2020 N'000	GROUP 2019 N'000	GROUP 2020 N'000	COMPANY 2019 N'000
Movement in other borrowed funds for the year:				
Opening position	18,737,312	18,725,951	-	-
Interest expense	370,010	1,357,687	-	-
Interest paid	(845,490)	(1,333,351)	-	-
Repayments	(18,779,250)	(322,409)	-	-
Exchange valuation	517,419	309,434	-	-
Closing position	-	18,737,312	-	-

32 Share capital

	31 December 2020 N'000	31 December 2019 N'000	31 December 2020 N'000	31 December 2019 N'000
GROUP AND COMPANY				
Authorised				
2,000,000,000 Ordinary shares of N1 each	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid				
2,000,000,000 Ordinary shares of N1 each	2,000,000	2,000,000	2,000,000	2,000,000

33 Share premium and reserves

GROUP AND COMPANY

The nature and purpose of the reserves in equity are as follows:

(a) Share premium: Premiums from the issue of shares are reported in share premium.

	N'000
Value of assets transferred under the scheme of arrangement to FSDH Holding Company Limited	28,954,699
Issued shares	(2,000,000)
Share premium	26,954,699

(b) Retained earnings: Retained earnings comprise the undistributed profits from previous years, which have not been reclassified to the other reserves noted below.

(c) Restructuring reserve: This reserve arose as a result of the implementation of the holding company restructuring. It represents the difference between pre-restructuring share premium/share capital and the post-restructuring share premium/share capital.

	Pre-Restructuring N'000	Post-restructuring N'000	Business restructuring reserve N'000
Share capital	2,794,794	2,000,000	
Share premium	1,539,587	26,954,699	
	4,334,381	28,954,699	(24,620,318)

(d) Statutory reserve: In accordance with the Banks and Other Financial Institutions Act of 1991 (Amended), 15% of profit after taxation of FSDH Merchant Bank Limited, a subsidiary in the group has been transferred to statutory reserve. In addition, Pensions Alliance Limited, another subsidiary company in the group, has transferred 12.5% of its profit after taxation to a statutory reserve account which is required to be done on an annual basis under existing legislation of the Pensions Act.

(d) Fair value through other comprehensive income (FVOCI) reserve: The revaluation reserve shows the effects from the fair value measurement of financial instruments of the FVOCI category. Any gains or losses on this class of financial instruments are not recognised in the consolidated income statement until the asset has been sold or impaired.

(e) AGSMEIS reserve: In 2017, the Central Bank of Nigeria (CBN) issued guidelines to govern the operations of the Agricultural, Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at achieving sustainable economic development and employment generation.

During the year under review, a total of N891.79M was appropriated from retained earnings into the AGSMEIS reserve.

34 Credit risk reserve

The credit (regulatory) risk reserve represents the difference between the impairment on loans and advances determined using the prudential guidelines issued by the Central Bank of Nigeria compared with the expected loss model used in determining the impairment loss under IFRSs.

Where the loan loss impairment determined using the prudential guidelines is greater than the loan loss impairment determined using the expected loss model under IFRSs, the difference is transferred to regulatory credit risk reserve and it is non-distributable to owners of the parent. When the prudential provisions is less than IFRS provisions, the excess charges resulting is transferred from the regulatory reserve to retained earnings to the extent of the non-distributable reserve previously recognised.

Movement in credit risk reserve

	GROUP		COMPANY	COMPANY
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	N '000	N '000	N '000	N '000
Balance as at 1st January	-	157,039	-	-
Transfer from/(to) retained earnings	-	(157,039)	-	-
Balance as at 31st December	-	-	-	-

35 Prudential adjustment

	N '000	N '000
Prudential guideline provision on loans & advances and off balance sheet exposure:		
- Specific provisions	51,936	8,849
- General provisions	1,417,954	1,051,534
	1,469,890	1,060,383
IFRS impairment provisions:		
- Impairment allowance on financial assets: loans & advances	2,241,681	1,257,275
	2,241,681	1,257,275
Difference in IFRS impairment over prudential guidelines accounted for in credit risk reserve	-	-

In line with the regulatory requirements of the Central Bank of Nigeria, provisions for loans recognised in the statement of comprehensive income determined based on the impairments provision requirements under IFRS should be compared with provisions determined under prudential guidelines and the difference should be treated as follows:
i. If impairment provisions under Prudential Guidelines exceeds the IFRS provisions; the resulting excess provision should be transferred from the general reserve account to a non-distributable "credit risk reserve".
ii. If provisions under the Prudential guidelines is less than the IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.
As at 31 December 2020, the IFRS impairment provision was higer than provision under the prudential guidelines, thus, no amount was required to be designated to a non-distributable credit risk reserve classified under Tier 1 as part of core capital.

36 Reconciliation of profit before tax to cash generated from operations

Profit before income tax	5,172,074	5,755,788	1,700,904	1,099,720
Adjustments for:				
– Amortisation (note 25)	224,394	148,487	-	-
– Depreciation (note 26)	553,622	508,896	39,938	16,042
– Depreciation on right of use asset (Note 21)	156,588	134,952	6,749	5,348
– Foreign exchange revaluation	(431,131)	(96,957)	-	-
– Profit on disposal of property and equipment (note 11)	(9,919)	(9,815)	-	-
– Net interest income	(4,124,360)	(6,096,717)	(10,196)	(33,999)
– Dividend income	(16,430)	(11,535)	(2,574,265)	(1,904,720)
– Fair value (gain)/loss on financial instruments held for trading	113,920	(669,499)	(93,102)	-
– Fair value gain on derivative instruments held for trading	7,148	(21,642)	-	-
– Impairment (write-back)/charge on loans and advances (Note 8)	1,016,450	(40,430)	(54)	174
– Uncollectable amounts written off (Note 8)	380	-	380	-
– Impairment charge on other financial assets	48,173	(387,086)	-	-
– Provision for doubtful receivables		-	-	-
– Lease modification adjustment		-	-	-
– WHT recovered	-	(5,688)	-	-
Changes in working capital:				
– Balances with banks inside Nigeria (restricted cash)	(19,850,619)	(3,344,875)	-	-
– Balances with banks outside Nigeria (restricted cash)	1,481,266	(1,328,089)	-	-
– Loans to banks (restricted cash)	(303,053)	-	-	-
– Loans to banks (non-short term placements)	-	(235,417)	-	-
– Loans and receivables to customers	8,243,540	(583,395)	2,759	(19,210)
– Financial instruments held for trading	(1,331,070)	(773,139)	(1,290,125)	-
– Derivatives financial assets	169,013	213,789	-	-
– Pledged assets	16,554,664	(24,211,524)	-	-
– Other assets	(883,951)	(266,188)	1,454,573	(114,503)
– Due to banks	(10,346,036)	22,578,655	-	-
– Due to customers	24,051,039	10,606,626	-	-
– Derivatives financial liabilities	(496,508)	(195,620)	-	-
– Other liabilities	(5,642,154)	4,909,494	521,515	462,679
Cash (used)/generated from operations	14,357,040	6,579,072	(240,925)	(488,469)

37 Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. This includes cash-on-hand, deposit held at call with banks and other short-term highly liquid investments which originally matures in three months or less from when the group became a party to the instrument.

	GROUP		COMPANY	
	2020 N'000	**2019 N'000**	**2020 N'000**	**2019 N'000**
Cash and bank balances (Note 14)	50,075,510	16,666,306	608,781	767,339
Placements with banks and other financial institution (Note 15)	6,743,049	10,516,523	-	-
	56,818,559	27,182,829	608,781	767,339
Mandatory reserve with Central Bank of Nigeria	(27,061,559)	(7,210,940)	-	-
Restricted cash with banks in Nigeria	-	(226,047)	-	-
Restricted placements with banks and other financial institution	(587,962)	(283,613)	-	-
Placements with banks and other financial institution > 90 days	-	(235,417)	-	-
Customers' deposit for foreign trade (Note 29)	(3,125,599)	(4,606,865)	-	-
	26,043,439	14,619,947	608,781	767,339

38 Group entities

The Group is controlled by FSDH Holding Company Limited "the ultimate parent". The controlling interest of FSDH Holding Company Limited in the Group entities is as disclosed in the accompanying disclosures below -

The basis of consolidation of the Group's subsidiaries is as stated in Note 2.2. The following disclosures are provided as regards the company's interest in other entities and information relating to significant non-controlling interests in entities within the Group.

	Type of holding	Principal line of business	Ownership Interest	
			2020	**2019**
FSDH Merchant Bank Limited, incorporated in Nigeria	Direct	Merchant Banking	100.0%	100.0%
FSDH Asset Management Limited, incorporated in Nigeria	Direct	Fund & portfolio management	99.7%	99.7%
Pensions Alliance Limited, incorporated in Nigeria	Direct	Pension fund administration	51.0%	51.0%
FSDH Securities Limited, incorporated in Nigeria	Direct	Stockbroking	99.9%	99.9%
FSDH Funding SPV PLC, incorporated in Nigeria **		Fund Raising	0.0%	0.0%

**FSDH Funding SPV PLC was established as a special purpose vehicle for the purpose of issuing bonds to fund working capital, enhance the liquidity and the capital base of FSDH Merchant Bank. Its shares are held by nominees under the declaration of a trust. The SPV did not engage in any principal activities during the year other than those incidental to its incorporation and recorded no transaction.
The Group is deemed to have control over the activities of the SPV.

Unconsolidated structured entities

The Group has interests in some special purpose entities set up to hold the title to underlying assets held as collateral for mortgage loans advanced to employees. The entities are set up primarily to ensure that the employees do not suffer a double charge on transfer of title, while still providing collateral to the Group for the loans advanced. The SPEs are held in trust by nominees and the title to the property vested in the SPE. Under the terms of the Trust, the nominee can only take the following actions; return ownership of SPE to employee upon liquidation of the loan or commence recovery process on behalf of the Group against the property upon a default event by the employee.
The Group did not give any financial support during the year (2019 : Nil) to any unconsolidated structured entity.

Significant restrictions

There are no significant restrictions on the Group's ability to access and use assets or settle liabilities of the group other than those resulting from regulatory frameworks within which the subsidiaries operate. FSDH Merchant Bank Limited, a licensed banking entity by the Central Bank of Nigeria and Pensions Alliance Limited, a pension fund administration company are the only group subsidiaries that regulatory framework requires them to keep certain percentages of their profits in a restricted statutory reserve account (as disclosed in Note 33).

Non-Controlling Interests (NCI) in subsidiaries
Information relating to the Group's subsidiary with material NCI is as below -

Pensions Alliance Limited

NCI ownership interests & voting rights percentage	49%	49%
	2020 N'000	**2019 N'000**
Total assets	5,530,289	4,332,900
Total liabilities	1,243,074	1,179,754
Net assets	4,287,215	3,153,146
Carrying amount of NCI	2,100,735	1,545,042

Pensions Alliance Limited (cont'd)	**2020 N'000**	**2019 N'000**
Revenue	5,087,154	4,898,391
Profit before tax	2,142,051	1,842,564
Total comprehensive income	1,492,118	1,341,343
Profit allocated to NCI	731,138	657,258
Dividend paid to NCI during the year	175,445	916,300
Summarised cashflows		
Cashflow from operating activities	1,500,367	938,729
Cashflow from in investing activities	652,465	964,771
Cashflow used in financing activities, before dividends to NCI	(280,384)	(1,002,282)
Cashflow used in financing activities, cash dividends to NCI	(175,445)	(916,300)
Net increase/(decrease) in cash and cash equivalents	1,697,004	(15,082)

39 Contingent liabilities and commitments

(a) Legal proceedings

The Group has litigation and claims which arose in the normal course of business and they are being contested by the Group. The directors, having sought professional legal counsel, are of the opinion that no loss will eventuate, hence no provision has been made for them in these financial statements.

(b) Credit related commitments

In the normal course of business, the banking subsidiary of the Group is party to financial instruments with off-balance sheet risk. The instruments are used to meet credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	GROUP		**COMPANY**	
	31 December 2020 N'000	**31 December 2019 N'000**	**31 December 2020 N'000**	**31 December 2019 N'000**
Letters of Credit	11,516,711	13,795,747	-	-
Performance bonds and guarantees	4,249,293	3,005,132	-	-
Loan Commitments	10,297,432	35,620,897	-	-
	26,063,436	52,421,776	-	-

The total outstanding contractual amount of the undrawn credit lines which represents loan commitments does not necessarily represent future cash outflows, as these lines may expire or terminate without being drawn. Likewise, there are varying conditions to be met before such commitments can be drawn upon.

40 Related party transactions

The parent company of the Group is FSDH Holding Company Limited

A number of transactions are entered into with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows -

Name of entity	Relationship	Transaction	31 December 2020 N'000	31 December 2019 N'000
FSDH Merchant Bank Limited	Subsidiary	Current account	608,772	767,339
FSDH Merchant Bank Limited	Subsidiary	Interest income	8,384	32,630
FSDH Merchant Bank Limited	Subsidiary	Intercompany payable	583,699	-

Key management personnel

(a) Compensation	31 December 2020 N'000	31 December 2019 N'000
Wages and salaries	391,678	230,092
Pension costs	54,586	22,199
	446,264	252,291

(b) Loans and advances	31 December 2020 N'000	31 December 2019 N'000
Loans outstanding	13,455	21,017
Interest income	2,308	544

Loans to key management personnel as disclosed above represent staff loans which are payable between 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employ of the Group for over 5 years. Mortgage loans are collateralised by the underlying property. There were no specific loan loss provision related to the amounts outstanding.
No loan was granted to any key management staff or employee outside their employment scheme of service.

(c) Dividends
Dividend income accrued or received by the Holding Company during the year from its subsidiaries are as listed below:

Name of entity	Relationship		31 December 2020 N'000	31 December 2019 N'000
FSDH Merchant Bank Limited	Subsidiary	Received	626,172	-
Pensions Alliance Limited	Subsidiary	Received	182,605	-
FSDH Asset Management Limited	Subsidiary	Received	278,000	-
FSDH Capital Limited	Subsidiary	Received	112,750	-
FSDH Merchant Bank Limited	Subsidiary	Receivable	1,374,613	1,540,070
Pensions Alliance Limited	Subsidiary	Receivable	-	364,650

41 Insider related credits

There were no extension of credits to directors of the Group or affiliated entities as at December 2020.

Insider-related credits include transactions involving shareholders, employees, directors and their related interests; the term director being as defined in section 20(5) of BOFIA 1991 (as amended). Under the circular, credits to employees under their employment scheme of service and shareholders' whose shareholding and related interest are less than 5% of the bank's paid up capital, are excluded. Impairment charge has been recognised in these financials with respect to the loans.

42 Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the net profit after tax attributable to the equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares held as treasury shares.

	GROUP		COMPANY	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit after tax attributable to equity holders of the parent bank (N'000)	3,345,926	2,984,526	1,700,542	1,099,720
Weighted average number of ordinary shares ('000)	2,000,000	2,000,000	2,000,000	2,000,000
Basic earnings per share (in kobo per share)	167	149	85	55

(ii) Diluted

The company does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders.

43 Dividends

	31 December 2020 N'000	31 December 2019 N'000
Proposed dividend (N0.80k per share)	1,600,000	1,000,000

Dividends are not accounted for until they have been ratified at the Annual General Meeting (AGM). At the AGM, a dividend in respect of the financial year ended 31 December 2020 of N0.80 per share amounting to a total of N1.6billion will be proposed.

These financial statements do not reflect this resolution which will be acounted as an appropriation of retained earnings in the year ending 31 December 2021.

44 Compliance with regulations

During the year, the sum of N1.1million was as penalties to regulators (2019: Nil) as below -

Entity	Nature of Infraction	Regulator	N'000
FSDH Asset Management	Exceeding approved units of its CIF and MM Funds in breach ofSection 16(1) of the Investment Securities Act 2007	Securities & Exchange Commission	1,110
			1,110

FSDH HOLDING COMPANY LIMITED

OTHER NATIONAL DISCLOSURES

STATEMENT OF VALUE ADDED

GROUP

	Dec 2020 ₦'000	%	Dec 2019 ₦'000	%
Gross earnings	**22,590,468**		25,617,178	
Interest and similar expenses	**(6,812,102)**		(10,971,272)	
	15,778,366		14,645,906	
Impairment allowance on risk assets	**(1,065,003)**		427,516	
Administrative Overheads- local	**(3,110,086)**		(3,633,634)	
Value added	**11,603,277**	100	11,439,788	100
Distribution of value added				
To employees and directors:				
Salaries and benefits	**5,496,599**	47	4,891,665	43
To government:				
Government as taxes	**1,095,010**	9	2,114,004	18
The future:				
For replacement of fixed assets (depreciation)	**553,622**	5	508,896	4
For replacement of intangible assets (amortisation)	**224,394**	2	148,487	1
For amortisation of Right of use asset	**156,588**	1	134,952	1
Due to non-controlling Interest	**731,138**	6	657,258	6
To reserves	**3,345,926**	29	2,984,526	26
	11,603,277	100	11,439,788	100

These statements shows the distribution of the wealth created by the Group during the periods.

COMPANY

	Dec 2020 ₦'000	%	Dec 2019 ₦'000	%
Gross earnings	**2,729,119**		1,946,219	
Interest and similar expenses	**(591)**		-	
	2,728,528		1,946,219	
Impairment allowance on risk assets	**(326)**		(174)	
Administrative Overheads- local	**(283,425)**		(355,720)	
Value added	**2,444,777**	100	1,590,325	100
Distribution of value added				
To employees and directors:				
Salaries and benefits	**697,187**	29	469,214	38
To government:				
Tax	**362**	0	-	-
The future:				
For replacement of fixed assets (depreciation)	**39,938**	2	16,042	2
For amortisation of Right of use asset	**6,749**	0	5,348	0
To reserves	**1,700,542**	70	1,099,720	60
	2,444,777	100	1,590,324	100

These statements shows the distribution of the wealth created by the company during the period.

FIVE YEAR FINANCIAL SUMMARY - GROUP

	Dec 2020	Dec 2019	Dec 2018	Dec 2017	Dec 2016
	₦'000	₦'000	₦'000	₦'000	₦'000
Gross earnings	**22,590,468**	25,617,178	23,248,640	28,059,544	19,332,820
Interest and similar expenses	**(6,812,102)**	(10,971,272)	(10,287,949)	(12,906,092)	(9,098,875)
Operating income	**15,778,366**	14,645,906	12,960,691	15,153,452	10,233,945
Profit before tax	**5,172,074**	5,755,788	6,754,848	5,566,016	3,867,114
Tax	**(1,095,010)**	(2,114,004)	(1,388,148)	(825,410)	(601,517)
Profit after tax	**4,077,064**	3,641,784	5,366,700	4,740,606	3,265,597
Minority interest	**(731,138)**	(657,258)	(719,945)	(641,578)	(484,312)
Profit attributable to equity holders	**3,345,926**	2,984,526	4,646,755	4,099,029	2,781,285
Earnings per share (kobo)	**167**	149	149	164	109

	Dec 2020	Dec 2019	Dec 2018	Dec 2017	Dec 2016
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Cash and bank balances	**50,075,510**	16,666,306	11,222,251	15,764,178	19,432,950
Loans to banks and other financial institutions	**6,742,925**	10,516,423	17,740,029	17,477,008	12,194,617
Financial instruments held for trading	**5,071,473**	3,300,199	1,827,142	7,704,048	10,647,525
Derivative financial instruments	**238,691**	414,929	607,076	70,037	-
Loans and advances to customers	**38,617,398**	45,853,754	40,870,509	38,025,050	35,775,678
Investment securities	**44,205,402**	46,004,983	37,521,440	55,854,215	34,993,161
Pledged assets	**16,551,088**	33,105,753	8,894,229	10,201,862	21,807,050
Other assets	**1,887,681**	1,941,115	2,041,710	1,788,907	1,627,955
Leases - Right of use assets	**259,665**	367,102	-	-	-
Current income tax asset	**116,119**	-	-	-	-
Retirement benefit scheme asset	**-**	-	-	-	431,333
Deferred tax assets	**2,699,315**	2,871,049	3,231,220	3,503,749	3,582,918
Intangible assets	**517,482**	515,970	315,687	344,535	119,301
Property and equipment	**1,340,705**	1,164,949	1,039,052	950,335	700,564
Total assets	**168,323,454**	162,722,532	125,310,345	151,683,924	141,313,052
Assets classified as held for sale	-	-	-	48,450	-
	168,323,454	162,722,532	125,310,345	151,732,374	141,313,052
LIABILITIES					
Due to banks	**19,621,072**	27,684,828	4,744,992	19,877,963	22,158,574
Due to customers	**79,000,409**	54,639,029	46,542,640	54,574,920	54,347,925
Other borrowed funds	**-**	18,737,312	18,725,951	20,201,819	16,729,278
Derivative financial instruments	**228,557**	395,283	590,903	54,106	-
Lease liabilities	**175,595**	252,167	-	-	-
Current income tax liability	**678,489**	1,122,912	989,978	1,129,618	1,012,172
Other liabilities	**5,375,709**	11,489,613	5,137,097	9,187,852	6,121,459
Deferred tax liabilities	**202,731**	-	-	-	-
Debt securities issued	**23,050,499**	14,086,009	14,341,909	12,077,787	13,074,816
	128,333,061	128,407,153	91,073,470	117,104,065	113,444,224
NET ASSETS	**39,990,393**	34,315,379	34,236,875	34,628,309	27,868,828
SHAREHOLDERS' FUNDS:					
Share capital	**2,000,000**	2,000,000	2,794,794	2,794,794	2,794,794
Share premium	**26,954,699**	26,954,699	1,539,587	1,539,587	1,539,587
Treasury share reserve	**-**	-	-	(809,753)	(497,653)
Business restructure reserve	**(24,620,318)**	(24,620,318)	-	-	-
Retained earnings	**21,330,018**	20,554,069	21,229,882	23,182,288	19,267,126
Statutory reserve	**8,528,692**	7,850,504	7,141,272	6,295,904	5,579,308
Fair value reserve	**2,804,779**	31,384	(429,782)	20,051	(2,751,665)
Credit risk reserve	**-**	-	157,039	-	596,170
	36,997,871	32,770,338	32,432,792	33,022,871	26,527,667
Non-controlling interest	**2,100,734**	1,545,041	1,804,083	1,605,438	1,341,161
SHAREHOLDERS' FUNDS	**39,098,604**	34,315,379	34,236,875	34,628,309	27,868,828

FINANCIAL SUMMARY - COMPANY

	Dec 2020	Dec 2019
	₦'000	N'000
Gross earnings	2,729,119	1,946,219
Interest and similar expenses	(591)	-
Operating income	2,728,528	1,946,219
Profit before tax	1,700,904	1,099,720
Tax	(362)	-
Profit after tax	1,700,542	1,099,720
Earnings per share (Kobo)	85	55

	Dec 2020	Dec 2019
	₦'000	₦'000
ASSETS		
Cash and bank balances	608,781	767,339
Financial instruments held for trading	1,383,227	-
Loans and advances to customers	16,332	19,036
Leases - Right of use assets	9,943	1,777
Other assets	1,579,205	1,659,545
Investment in subsidiaries	27,954,699	27,954,699
Property and equipment	192,579	114,702
Total assets	31,744,766	30,517,098
LIABILITIES		
Current income tax liability	154	-
Other liabilities	984,194	462,679
Lease liabilities	5,456	-
	989,804	462,679
NET ASSETS	30,754,962	30,054,419
SHAREHOLDERS' FUNDS:		
Share capital	2,000,000	2,000,000
Share premium	26,954,699	26,954,699
Retained earnings	1,800,262	1,099,720
SHAREHOLDERS' FUNDS	30,754,961	30,054,419