

**TOGETHER,
WE ACHIEVE MORE.**

Annual Report

for the year ended 31st December 2022



Annual Report

for the year ended 31st December 2022

*"Alone we can do so little;
together we can do so much."
– Helen Keller*

Board of **Directors**



Mr. Femi Agbaje
Chairman



Bukola Smith
Managing Director/CEO



Mr. Taiwo Oti
Executive Director



Mr. Patrice Backer
Non-Executive Director



Mr. Godwin Ize-Iyamu
Non-Executive Director
(Independent)



Mr. Kelechi Okoro
Non-Executive Director



**Prof. Isabella Elizabeth
Okagbue FNIALS**
Non-Executive Director



Mr. Musa Ali Baba
Non-Executive Director
(Independent)



Stella-Marie Omogbai
Executive Director Corporate
Banking & Branches



The Chairman's Statement

Distinguished Shareholders, it is with great pleasure that I welcome you to the 11th Annual General Meeting of our Bank, FSDH Merchant Bank Limited. I hereby present to you the financial statements of the Bank for the year ended 31 December 2022. The results I am presenting today represent the statement of affairs for our tenth year of operations as a Merchant Bank, having started full merchant banking operations on 15 January 2013. Before I present the results, permit me to review the environment under which we operated.

Global Economic Environment

The Russia's invasion of Ukraine which started on 24 February 2022, truncated the global economic recovery, after the Covid-19 pandemic. According to the International Monetary Fund (IMF), the

global economy is at a highly uncertain moment, because of the adverse shocks of the COVID-19 pandemic and Russia's invasion of Ukraine. IMF added that with suppressed demand, persistent supply disruptions, and increase in commodity prices (particularly energy and food), inflation reached multi-decade highs in the year 2022 in many economies, leading central banks to tighten aggressively with a view to bring inflation back toward their targets. Data released by the IMF indicates that the global economy grew by 3.4% in 2022 lower than the growth rate of 6.3% recorded in 2021. IMF notes that major forces that affected the world economy in 2022 are: the tight monetary stance of major central banks to curb the rising inflation rate; limited fiscal buffers to absorb shocks amid historically high debt levels;

spikes in commodity prices and geo-economic fragmentation with Russia's war in Ukraine. More infectious COVID-19 variants, which slowed down the economic recovery of China (a growth of 3% in 2022 from a growth of 8.4% in 2021) also depressed the global economic growth in 2022. Outbreaks affected activity in countries in which populations had lower levels of resistance and where strict lockdowns were enforced, such as in China. Although these developments hampered economic recovery, activity in many countries turned out better than expected in the second half of 2022.

IMF said global inflation rate rose steadily in 2022 faster than projected. Inflation rate rose in the United States by 9.1% in June, compared with same period in 2021 and the highest level recorded in 40 years. Inflation rate also reached 9.1% in the United Kingdom in May 2022 – the highest level in 40 years. Inflation rate reached 8.6% in the Euro Area, the highest level since the inception of the Monetary Union. The

inflation rate was estimated to have reached 9.8% in Q2 2022 in Emerging Market and Developing Economies. High food and energy prices, and supply restraints in many sectors are among the major factors that drove inflation rate in many countries and regions. Wage growth in many countries could not match the pace of increase in inflation rate in both advanced and emerging market and developing economies, therefore, eroding purchasing power households.

To curb the rising inflation rate, central banks of major advanced economies withdrew monetary support aggressively and raised policy interest rates faster than expected. In the United States, the Federal Reserve raised the Federal Fund Rate by 4.25% from a range of 0%-0.25% in January 2022 to 4.25% - 4.50% in December 2022. The European Central Bank (ECB) increased its key interest rate (interest rate on the main refinancing operations) by 2.5% in 2022 from 0% in January 2022 to 2.5% in December 2022, the first

increase since 2019. The increase was to fight the rising inflation rate. The Bank of England raised the Bank rate by 3.25% from 0.25% in January 2022 to 3.5% in December 2022 to curb rising inflation rate. The increase in the interest rate led to increase in the borrowing costs, tight global financial conditions, declines in global equity prices and economic growth.

The Central Bank of Nigeria (CBN) adopted tight monetary policy stance in 2022 to curb the rising inflation rate which resulted from rising energy and food prices. The CBN increased the Monetary Policy Rate (MPR) by 5% in 2022 from 11.5% in January to 16.5% in December. The CBN also collaborated with the fiscal authorities to drive economic growth while maintaining price stability, despite the challenges the economy faced both locally and externally. The main objective of the CBN during the year was the use of both monetary policy and administrative measures to stimulate sustainable economic recovery, create jobs,

continue the pursuit of the diversification of the economy in terms of revenue and productive base, while maintaining price stability (exchange rate and inflation rate) and financial sector soundness. The CBN continued with its various intervention funds to finance critical sectors of the economy that can create jobs, supply basic raw materials, and supply foreign exchange to deliver its import substitution policy. The CBN however, increased the interest rate on the intervention fund from 5% to 9% with effect from 01 September 2022.

To mitigate the negative impacts of the global economic developments on Nigeria, particularly the invasion of the Russia on Ukraine, the Monetary Policy Committee (MPC) of the CBN increased the Monetary Policy Rate (MPR) by 1.5% to 13% in May 2022, the first increase since July 2016. The MPC retained the asymmetric corridor of +1%/-7% around the MPR; retained the Cash Reserve Requirement (CRR) at 27.5% and Liquidity Ratio (LR) at 30%. In July, MPC increased the MPR by 1% to 14%,

retained the asymmetric corridor of +1%/-7% around the MPR; retained the CRR at 27.5% and LR at 30%. In September, MPC increased the MPR by 1.5% to 15.5%, retained the asymmetric corridor of +1%/-7% around the MPR; increased the CRR to 32.5% and retained the LR at 30%. In November, the MPC increased the MPR by 1% to 16.5%, retained the asymmetric corridor of +1%/-7% around the MPR; retained the CRR at 32.5% and the LR at 30%.

There was a recovery in the crude oil market in 2022 compared with 2021. Data from the Organization of the Petroleum Exporting Countries (OPEC) Monthly Oil Market Report for (January 2023 Edition) shows that the global demand for crude oil increased from 97.01million barrels per day (mb/d) in 2021 to 99.55mb/d in 2022, while global supply increased from 100.83mb/d in 2021 to 103.50mb/d in 2022. The growth in the demand for crude oil reflected the mild growth in the global economic activity despite the Russia and Ukraine war that dominated the year.

The OPEC Reference Basket (ORB) closed the year 2022 at US\$81.29per barrel. This represents an increase of 4.26% over the 2021 price which closed at US\$77.97 per barrel. The Bonny Light Crude Oil price closed the year 2022 at US\$82.58per barrel. This represents an increase of 8.30% over the 2021 price which closed US\$76.25 per barrel.

Operating Environment in Nigeria

The Nigerian economy continued its recovery path in 2022 despite the global challenges that had adverse impacts on the economy, following the invasion of Russia on Ukraine which resulted in supply disruption, increase in energy and food prices and consequently rising inflation rate. Figures released by the National Bureau of Statistics (NBS) indicate that the real Gross Domestic Product (GDP) of Nigeria expanded by 3.1% in 2022 compared with the growth rate of 3.4% recorded in 2021. The economy recorded growth in all the quarters of the year 2022 with the highest growth of 3.52% recorded in Q4

2022.

The data from the Debt Management Office (DMO) shows that Nigeria's total debt stock as at 31 December 2022 stood at N46.25trillion, an increase of 16.92% from the 31 December 2021 figure of N39.56trillion. There has been a consistent growth in the public debt in Nigeria over the last ten years without a corresponding increase in revenue. The negative impacts of the COVID-19 pandemic, low revenue in the face of rising inflation, increase in external debt and the depreciation of the value of the Naira are some of the reasons for the increase in the total debt. The combination of these factors resulted in a ratio of FGN interest payments to FGN revenue at 96.3% in 2022 from 87.8% in 2021, according to IMF estimates. This high ratio is a major constraint to the ability of government at all levels to provide the essential facilities needed to improve the welfare of people and business environment. The Federal Government of Nigeria (FGN) has introduced some measures to improve FGN revenue going forward. Some of

these measures are:

- 1.To improve tax administration and sustain efforts to expand the non-oil revenue.
- 2.To further strengthen the tax system over the medium-term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies as well as employing appropriate technology.
- 3.To bring more businesses in the informal sector into the tax net.
- 4.In the medium term, the Nigerian Custom Service (NCS) will introduce frameworks for recovering duties, taxes and appropriate fees from transactions conducted over electronic networks.
- 5.The Federal Government will further enhance port efficiency, strengthen anti-smuggling measures, review tariffs and waivers and issue more licenses to build modern terminals in existing ports, especially outside Lagos.

The FGN said it will intensify its revenue

mobilization efforts and intensify current efforts towards the realization of crude oil production and export targets. It will augment available resources by accelerating the implementation of Public Private Partnership (PPP) initiatives, especially those designed to fast-track the pace of infrastructural development.

The CBN announced currency redesign policy in the last quarter of the year. According to the CBN, the policy will help deepen the drive to entrench a cashless economy as it will be complemented by increased minting of eNaira. It will further rein the currency outside the banking system into the banking system thereby making monetary policy more efficacious. The CBN added that the policy will minimize the incidents of terrorism and kidnapping in the country as access to the large volume of money outside the banking system used as source of funds for ransom payments will begin to dry up. The capital importation data for the year 2022 released by the National

Bureau of Statistics (NBS) shows that the total capital importation into Nigeria in 2022 declined by 20.47% from US\$6.70billion in 2021 to US\$5.33billion in 2022. The major contributor to the decline came from the decline recorded in the money market instruments which dropped by 46.26% from US\$2.61billion in 2021 to US\$1.41billion in 2022. Foreign Portfolio Investments (FPIs) declined by 27.86% from US\$3.39billion in 2021 to US\$2.44billion in 2022. FPIs were the largest contributor to total inflows in 2022 and accounted for 45.83% of total inflows. Foreign Direct Investments (FDIs) decreased by 33.02% from US\$698.78million in 2021 to US\$468.08million in 2022. Other Investments, which are made up of trade credits, loans and currency deposits also dropped by 7.55% from US\$2.62billion in 2021 to US\$2.42billion in 2022.

The value of the Naira relative to the US Dollar closed the year 2022 at N449.05/US\$, a depreciation of 7.92% from N413.49/US\$ in 2021. The inflation

rate increased consistently from January 2022 to November 2022 but dropped marginally in December 2022 because of base effect of prior year. Inflation which was 15.60% in January 2022, increased to 21.47% in November 2022 but dropped marginally to 21.34% in December 2022. The fact that inflation rate remained at double digits throughout the year, and higher than the target of the CBN means that it may be difficult for the CBN to embark of aggressive monetary policy expansion.

The CBN maintained the Loan-to-Deposit Ratio at 65% throughout the year. It continued with its policies to restrict certain categories of investors from buying securities at the Open Market Operations (OMO) while it continued to use the OMO for liquidity management strategy, fine-tuning it to encourage foreign investors to invest in the Nigerian financial system, to bring in the much-needed foreign exchange. The yield on the 91-Day, 182-Day and 364-Day Treasury Bill stood at 2.5056%, 3.5104% and 5.1517% respectively in

December 2021 but increased to 2.7680%, 7.4143% and 9.2753% in December 2022. Although the yields increased from 2021 to 2022 they fell short of the inflation rate and was not attractive enough for investors looking for inflation adjusted return.

Despite the high inflation rate, increase in interest rate, the Nigerian equity market appreciated in 2022 with the Nigerian Exchange All Share Index (NGX ASI) appreciating by 19.98% to close at 51,251.06 points. The major drivers of the performance are: attractive dividend yields of some stocks; recovering corporate earnings and low yield in the fixed income securities.

Operations & Technology

Your bank continues to push further in its digitalization initiatives. Electronic Document Management System (EDMS) has been delivered as an essential part of regulatory compliance and for quality and safety of our documents in electronic format. The bank uses this to receive, track, manage and store documents, reduce paper utilization and

costs. EDMS is also used for document archiving of existing physical records. Data management has been streamlined with the establishment of an Enterprise Data Warehouse (EDW) providing a consolidated single source of truth for all data and relevant access management. This further provides for the agility to make data-driven business decisions in a simple, easy, and quick ways for more efficient business intelligence and quicker time to insights intended to enhance our brand appeal and customer retention.

Under our electronic channels, banking as a service (BaaS) has commenced.

We have extended banking services through relevant APIs to corporate and non-bank financial institutions to further deepen our service offering for payments and collections, extended products, and improved operational efficiencies to our customers. Included in the package are virtual account services, wallets etc.

The guiding philosophy is customer first, digital first! This is in line with our

strategy to offer personalized banking experience to our customers. The goal is elevated convenience by continually bringing banking home to you anywhere and everywhere. To achieve this, we have increased our investments in relevant technology, expanded our capacities and products – all to serve you better. This is part of our promises to our client as a trusted partner and a one stop shop for innovative financial products and services.

A new version of the mobile and internet banking platforms which is designed to be more stable and faster was commissioned.

Additionally, international spending was activated on our payment cards (debit cards). This means that our esteemed clients can now use FSDH Merchant Bank debit cards for international transactions subject to applicable limits from time to time. In addition to this, we implemented an enhanced version of the popular collection solution by NIBSS, EBillsPay. Closely related, the bank has implemented the NQR which is the

NIBSS quick response-based payments and collection solution. NQR provides fast, easy, secure, reliable, contactless, and account-based option to receive and pay for goods and services. We have added NESS (Nigeria Export Supervision Scheme) fees collection to our government collection products.

To continue to provide secure, reliable, stable, and uninterrupted services, we have moved our information technology Data Centre infrastructure formerly housed in our premises to a certified second Tier-3 collocation Data Centre.

Both the primary and backup data centers are now in certified tier-3 environment. We take secured banking seriously, so we continue to invest in solutions, platforms and processes that enhance secure banking transactions. Clients' financial business is safe with us at FSDH. Once again, we are happy to inform you that we retained all our ISO (International Standards Organization) certifications including ISO 27001 - Information Security Management System, ISO 22301 - Business Continuity

Management System, ISO 20000 IT Service Management, etc.

In the deployment of technology and our operational processes, we are very mindful of the ever-changing landscapes in regulations, evolving systems, and platforms. To this end we constantly keep our process abreast with technology offerings while staying compliant to regulatory guidelines. We have gained millage in the seamless integration of technology to drive our processes with automation in many areas to enhance speed and efficiency.

We have launched our contact center with interactive voice response (IVR) system to enhance interaction with customers calling in for inquiries or complaints. This has come with a series of automated menus often enabling the customer to self-serve for faster issue resolution.

Financial Performance

The Bank recorded impressive performance in 2022, surpassing the 2021 performance by wide margins

despite the challenges in the operating environment during the year. Profit Before Tax (PBT) stood at N4.05billion for the financial year ended 31 December 2022. This represents an increase of 302.47% from the PBT of N1.01billion for the year ended 31 December 2021. The Profit After Tax (PAT) for the Bank increased by 301.49% from N886.74million for the year ended 31 December 2021 to N3.56billion for the period ended 31 December 2022. The income tax increased by 309.70%, from N120.27million in 2021 to N492.75 million in 2022. Earnings Per Share (EPS) for the Bank stood at 166kobo, which is 118kobo higher than the 48kobo that was recorded in the financial year ended 31 December 2021. The impressive financial performance of the Bank during the year reflects deliberate efforts of the management to collaborate with our growing clients to provide innovative financial solutions to them. The Bank is well positioned to take advantage of opportunities in the existing business and new business areas it recently

entered to deliver sustainable growth for all stakeholders.

Outlook

In April 2023, the World Economic Outlook (WEO) of IMF projected that the global economy would grow by 2.8% in 2023 from a growth of 3.4% recorded in 2022. The April projection represents a marginal decrease from the 2.9% forecast the IMF released in January 2023. Advanced economies are expected to experience a pronounced growth slowdown, from 2.7% in 2022 to 1.3% in 2023. For emerging markets and developing economies, economic prospects are on average stronger than for advanced economies. On average, growth is expected to be 3.9% in 2023. And in a probable alternative scenario with further financial sector stress, global growth could decline to about 2.5% in 2023 with advanced economy growth falling below 1%. Nigeria is expected to record a growth rate of 3.2% in 2023.

The IMF noted that the major factors that affected the world in 2022—central banks' tight monetary stances to calm

inflation, limited fiscal buffers to absorb shocks amid historically high debt levels, commodity price spikes and geoeconomic fragmentation with Russia's war in Ukraine, and China's economic reopening—seem likely to continue into 2023. Adding that these factors are now shrouded by and interacting with new financial stability concerns. A hard landing—particularly for advanced economies—has become a much larger risk.

It warned that policymakers may face difficult trade-offs to bring down sticky inflation and maintain growth while also preserving financial stability.

The IMF said the unexpected failures of two specialized regional banks in the United States in mid-March 2023 and the collapse of confidence in Credit Suisse have shaken financial markets, with bank depositors and investors re-evaluating the safety of their holdings and shifting away from institutions and investments perceived as vulnerable, particularly in advanced economies. On the outlook of inflation, the IMF said the global

headline inflation is set to fall from 8.7% in 2022 to 7.0% in 2023 on the back of lower commodity prices, but core inflation is likely to fall more slowly. Inflation's return to target is unlikely before 2025 in most cases. Once inflation rates are back to targets, deeper structural drivers will likely reduce interest rates toward their pre-pandemic levels. IMF's average crude oil forecast for 2023 is US\$73.13/barrel from US\$96.36/barrel in 2022.

The oil price is based on a simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The IMF recommends that central banks need to remain steady with their tighter anti-inflation stance, but also be ready to adjust and use their full set of policy instruments—including addressing financial stability concerns—as developments demand. Fiscal policymakers should buttress monetary and financial policymakers' actions in getting inflation back to target while maintaining financial stability. Governments should aim for an overall

tight stance while providing targeted support to those struggling most with the cost-of-living crisis. Medium-term debt sustainability will require well-timed fiscal consolidation but also debt restructuring in some cases. Currencies should be allowed to adjust to changing fundamentals but deploying capital flow management policies on outflows may be warranted in crisis or imminent crisis circumstances.

Measures to address structural factors impeding supply could ameliorate medium-term growth. Steps to strengthen multilateral cooperation are essential to make progress in creating a more resilient world economy.

In Nigeria, the President Buhari led administration has laid the foundation for critical infrastructure development across the country that the incoming administration should build on. However, to accelerate the infrastructure development that can support rapid economic growth in Nigeria, the incoming administration should involve the private sector through various Public

Private Partnership (PPP) Models. This will unlock private capital for infrastructures development (as against relying on governing borrowing) and create jobs for the growing youths in the country. It will also lay the foundation for rapid industrialization of the country.

President Muhammadu Buhari has also signed into law the amendment to the constitution that allows each state of the federation to generate, transmit and distribute electricity in regions covered by the national grid. In addition, there are plans to remove the subsidy on Premium Motor Spirit (PMS). This will encourage more private participation in the industry, encourage competition and free up resources that the government spends on subsidy yearly. All these will open more financing opportunities in the country, and we are well positioned to take advantage of this opportunities.

The Federal Government of Nigeria (FGN) believes its 2023 budget, which is tagged budget of "Budget of Fiscal Consolidation and Transition" is very critical to maintain fiscal viability and

ensure smooth transition to the incoming administration. The major assumptions in the budget are: the benchmark crude oil price of US\$75 per barrel, up from US\$73 per barrel in 2022 budget; crude oil production volume of 1.69 million barrel per day same as 1.69million barrel per day in 2022, and exchange rate of N435.57/US\$1 from N410.15/US\$ in 2022. The implication of this is that the FGN is expected to run a budget deficit of over N10.78trillion representing a deficit to GDP ratio of 4.78%. The deficit will be financed from borrowings as follows: domestic sources – N7.04trillion; foreign sources – N1.76trillion; multilateral/bilateral loan drawdown – N1.77trillion; and privatization proceed N206.18billion. This degree of deficit financing is likely to put upward pressure on interest rates in the domestic market.

Despite the short-term risks in the economy, we still see a lot of opportunities for the medium to long-term. We will continue to partner with relevant stakeholders to develop

innovative financing and investment solutions to enable us to exploit these opportunities and create shared prosperity for all stakeholders in 2023. We remain committed to fostering mutually beneficial relationships with our clients by providing world-class personalized solutions that meet their needs. We will continue to leverage on our robust digital channels and deep industry knowledge to serve our existing clients and attract new customers as we engage the various identified opportunities. To my fellow board members, your sterling contributions in providing the required oversight over the affairs of the Bank cannot be over-emphasized, we thank you.

I assure you all that FSDH Merchant Bank will continue to justify the confidence you have reposed in it.

Thank you,

Femi Agbaje

Management Team



Bukola Smith
Managing Director/CEO,
FSDH Merchant Bank



Taiwo Otiti
Executive Director,
Operations and Information Technology
FSDH Merchant Bank



Stella-Marie Omogbai
Executive Director,
Corporate Banking & Branches
FSDH Merchant Bank



Hakeem Muhammed
Divisional Head,
Global Markets & Prestige Banking
FSDH Merchant Bank



Richard Osuagwu
Chief Risk Officer,
FSDH Merchant Bank



Babatunde Obidare
Group Head,
Operations
FSDH Merchant Bank



Taiwo Sanusi
Chief Compliance Officer,
FSDH Merchant Bank



Oluwaseun Omole
Chief Financial Officer,
FSDH Merchant Bank



Bolanle Meshida
Company Secretary & Legal Adviser,
FSDH Merchant Bank



Kunle Osunkunle
Head, Corporate Banking
FSDH Merchant Bank



Diran Oni
Head, Energy Desk
FSDH Merchant Bank



Dennis Ezaga
Head, Business Banking,
FSDH Merchant Bank

FSDH MERCHANT BANK LIMITED

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**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS REPORT

The Directors present the consolidated and separate financial statements of FSDH Merchant Bank Limited ("the Bank") for the year ended 31 December 2022.

(a) Legal form

First Securities Discount House Limited was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act (CAMA). It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. It was granted an approval to convert to a merchant bank on 22 November 2012 and officially changed its name to FSDH Merchant Bank Limited from First Securities Discount House Limited on 31 December 2012. The Bank commenced banking and financial services on 15 January 2013.

(b) Principal activity

The Bank's principal activity during the period was the provision of merchant banking services to its customers. The services principally involve transactional products and structuring of finance, money market activities including trading and holding of marketable securities such as treasury bills, government bonds, commercial bills and other eligible instruments.

The Bank has 100% controlling interest in FSDH Funding SPV Plc, a special-purpose entity incorporated in Nigeria. The SPV was set up to issue bonds to the public in order to provide funding to the Bank. The Bank issued Naira denominated unsecured senior debt and Naira denominated subordinated debt in the prior year through FSDH Funding SPV Plc, while no transaction was recorded in the current year. The Bank did not give any financial support to the entity during the year (2021 : Nil).

The Bank is a subsidiary of FSDH Holding Company Limited, a non-operating legal entity domiciled in Nigeria, and regulated by the Central Bank of Nigeria as an "other financial institution".

(c) Operating results:

The following is a summary of the Group and Bank's operating results:

	Group		Bank	
	31 December 2022 (N'000)	31 December 2021 (N'000)	31 December 2022 (N'000)	31 December 2021 (N'000)
Profit before tax	4,052,967	1,007,013	4,052,967	1,007,013
Income tax expense	(492,752)	(120,272)	(492,752)	(120,272)
Profit after tax	3,560,215	886,741	3,560,215	886,741
Other comprehensive loss for the year, net of tax	(3,086,535)	(4,133,722)	(3,086,535)	(4,133,722)
Total Comprehensive Income(loss) for the year	473,680	(3,246,981)	473,680	(3,246,981)
Profit after tax attributable to equity holder of the holding company	3,560,215	886,741	3,560,215	886,741
Total comprehensive income(loss) attributable to equity holders of the holding company	473,680	(3,246,981)	473,680	(3,246,981)

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS REPORT

(d) Proposed dividend

The Board of Directors recommend, for the approval of the shareholders, the payment of a final dividend of ₦342million representing ₦0.16k per share (December 2021: ₦0.22) for the year ended December 31, 2022. The dividend is subject to deduction of withholding tax of 10%.

(e) Directors and their interests

The following directors of the Bank held office during the period as at December 31, 2022:

Mr. Olufemi Agbaje	Chairman
Mrs. Bukola Smith	Managing Director
Mr. Taiwo Oti	Executive Director
Mr Tosa Ogbomo	Non-Executive Director (resigned effective from 31 December 2022)
Mr Patrice Backer	Non-Executive Director
Mr. Kelechi Okoro	Non-Executive Director
Prof. Isabella Okagbue	Non-Executive Director
Mr. Musa Ali Baba	Independent Director
Mr. Godwin Ize-Iyamu	Independent Director (re-elected for another term at the Annual General Meeting held on May 12, 2022)

All non-executive directors except the independent directors are representatives of companies which have interests in the share capital of the Bank.

The proportion of women on the board of directors of FSDH Merchant Bank Limited as at December 31, 2022 was 22.22% (December 2021: 22.22%) broken down as below:

December 2022	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	1	2	50.00%
Non-executive directorship	1	7	14.29%
Total	2	9	22.22%

December 2021	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	1	2	50.00%
Non-executive directorship	1	7	14.29%
Total	2	9	22.22%

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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DIRECTORS REPORT

(f) Directors' interests in contracts

In accordance with Section 303 of the Companies and Allied Matters Act (CAMA), none of the directors has notified the Bank of any declarable interests in contracts with the Bank.

(g) Composition of top management

The Bank's top management is defined from the positions of Assistant General Manager (AGM) and above. As at 31 December 2022, the Bank had 14 staff members in this category (Dec 2021: 12).

The proportion of women in the Bank's top management positions as at 31 December 2022 was 21.43% (December 2021: 25.00%) broken down as below:

December 2022	Female	Total	Percentage of Female
Assistant General Manager - General Manager	2	12	16.67%
Executive Director - Managing Director	1	2	50.00%
Total	3	14	21.43%

December 2021	Female	Total	Percentage of Female
Assistant General Manager - General Manager	2	10	20.00%
Executive Director - Managing Director	1	2	50.00%
Total	3	12	25.00%

(h) Gender Balance ratio

According to the Bank's Diversity, Equality and Inclusion Policy, the applicable aspirational Gender Balance ratio for the Bank shall be 60:40 for men and women, respectively. The Bank will intentionally work towards achieving this ratio through the identification of prospective staff members for new roles and the replacement of outgoing staff.

(i) Board appointment process

The Governance and Nominations Committee shall manage the process for recommending nominees for appointment as directors of the Bank. All Board nominations shall be subject to the approval of the Board, the Central Bank of Nigeria and shareholders' ratification at the Annual General Meeting.

(j) Directors induction and training

Upon appointment, new directors of the Bank attend the formal induction programme of the Bank. Directors also attend training programs in line with the directors' training plan.

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS REPORT

(k) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2022 shows that the Bank is owned 99.99% by FSDH Holding Company Limited.

(l) Substantial interest in shares

According to the register of members as at 31 December 2022, the Bank is owned substantially by FSDH Holding Company Limited.

(m) Property and equipment

Information relating to changes in the property and equipment of the Bank is disclosed in Note 26 to the financial statements. In the directors' opinion, the market value of the Bank's property and equipment is not less than the value shown in the financial statements.

(n) Customer Complaints

It is the policy of the Bank to respond to customer complaints, disputes and issues swiftly and to take each complaint seriously. We diligently track complaint information for continuous improvement of our processes and services. An independent review of the root cause of complaints made is carried out and lessons learnt are fed back to the relevant business units to avoid future repetition. Customer complaint metrics are analysed and reports presented to Executive Management and the Risk Management Committee. Reports on customer complaints are also sent to the Central Bank as required.

In line with the Central Bank of Nigeria circular reference FPR/DIR/CIR/GEN/01/020, the activities of customer complaints management desk for the period is summarized below.

Financial Period	Number		Amount Claimed		Amount refunded	
	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21
Pending Complaints at start of the period	-	-	-	-	-	-
Customer Complaints received	47	2	24,634,952	-	4,154,447	-
Customer Complaints resolved	43	1	-	-	-	-
Unresolved Complaints escalated to the CBN for intervention	2	1	22,260,092	32,508,000	555,447	27,823,526
Unresolved Complaints pending with the Bank as at the end of the period	2	-	-	-	-	-

(o) Report/Statement on Frauds and Forgeries

In the 2022 financial year, one case of attempted fraud was reported which resulted in no financial loss to the bank. Accordingly, this was included in our October 2022 returns on Fraud and Forgeries to the Central Bank of Nigeria. (December 2021: Nil)

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****DIRECTORS REPORT****(p) Events after reporting date**

There was no significant event after the reporting date that can materially affect the true and fair position of the financial statements as at 31st December 2022.

(q) Human resources**Employee consultation and training**

The Bank places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and the various factors affecting the performance of the Bank. This is achieved through regular and informal meetings between management and staff.

The Bank places a high premium on training and development of its manpower and sponsors employees for various training courses as appropriate.

Health, safety and welfare at work

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy operating conditions of its employees and customers alike. Employees are adequately insured against occupational hazards. In addition, medical facilities are provided to employees and their immediate families at the Bank's expense.

Equal opportunity

The Bank's policy is that the highest 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. During the year, the proportion of women in the employment of the Bank was 50 out of a total staff strength of 146, which represents 34.25% (December 2021: 42 out of a total staff strength of 130, which is 32.31%) of the workforce.

Employment of physically challenged persons

The Bank continues to maintain a policy of giving fair consideration to applications for employment made by disabled persons with due regard to their abilities and aptitude. The Bank's policy prohibits discrimination of disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that, as far as possible, their employment with the Bank continues and appropriate training is arranged to ensure that they fit into the Bank's working environment. Currently, the Bank has no person on its staff list with a physical disability.

(r) Donations

In order to identify with the aspirations of the community and the environment within which the Bank operates, a total sum of N22,854,347 (31 December 2021: N359,828,393) was incurred in respect of donations during the period. Details of the donations and charitable contributions include:

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

DIRECTORS REPORT

Breakdown of Donations	Dec-22	Dec-21
Rising Girls In Tech - Sheevolution Africa	500,000	-
Child Life Line	2,500,000	2,500,000
Children Development Centre	2,500,000	2,500,000
Nigeria Society For The Blind	2,500,000	3,500,000
Financial Literacy Awareness Campaign	-	5,500,000
Literacy And Public Enlightenment Awareness Campaign	9,954,347	-
Gala Corporate Sponsorship (Bronze Package)	300,000	-
Salt & Light Christmas Experience	500,000	-
Annual Bankers Dinner	-	10,000,000
Cerebral Palsy Centre	1,500,000	2,000,000
Scientific Conference Of Association Of Postgraduate Medical College	500,000	-
Reheborn Dreams Solid Foundation	500,000	-
National Risk Policy Conference-Cdn	1,000,000	-
Renovation Of Police Stations Damaged During Endeavors	-	79,828,393
Support To Nigeria Police For Equipment	-	25,000,000
Olashore International School	200,000	1,500,000
Opelere Foundation Florence Fund	-	2,500,000
Olashore Foundation	200,000	-
	22,854,347	358,828,393

In compliance with Section 43(2) of the Companies and Allied Matters Act (CAMA 2020), the Bank did not make any donation or gift to any political party, political association or for any political purpose during the year.

(s) Auditors

KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Bank. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA) 2020, therefore, the auditors will be re-appointed at the next annual general meeting of the Bank without any resolution passed.

1-5 Odunlami Street,
UAC House, 5th floor
Lagos, Nigeria

BY ORDER OF THE BOARD



Bolanle Meshida
Company Secretary
FRC/2019/002/00000020171
23 March 2023

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE IN FSDH

Corporate governance in FSDH is based on the philosophy of building a structured organization, anchored on core values, with well-defined systems and processes that are adaptive to changes in the environment and resilient enough to cope with succession at all levels. This philosophy has been the guidepost in navigating the organization through its various phases of growth. It has ensured stability for the Bank, even as the economy as a whole and the financial services industry, in particular, went through various cycles of boom and bust.

At FSDH, corporate governance is not just about adopting national and international codes of best practices - it is rooted in shared values and a culture that aims to bring out the best in our staff members. This culture is well articulated in a "Culture Wheel" and well known to all members of staff. The culture wheel defines who the FSDH person is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars – High Performance, Customer Orientation, Learning, Collaboration, and Image Building. The interplay of these five pillars defines who we are and our way of doing business. It is reinforced by the Bank's Code of Conduct, the policies and procedures in place in the Bank, the examples set at the top by the Board and senior management, and the reward system.

The FSDH culture serves as a powerful tool in shaping the Bank's control and risk management environment and has continued to play an important role in improving the governance systems in the organization. It is the glue that binds all the stakeholders together and has resulted in the alignment of the external and the internal environment towards a common objective – that of meeting and exceeding the needs of our customers. Our unique ownership structure has combined with a responsive Board to produce a highly empowered management and staff, resulting in a governance structure that promotes accountability and transparency throughout the whole organization.

Over the years, we have taken deliberate steps towards improving our governance structures. We have put in place all the structures and processes stipulated in the CBN's Code of Corporate Governance. The position of the Managing Director/Chief Executive Officer of the Bank is separate from the position of the Chairman. Both positions are occupied by different people who are not related in any way. We have two independent directors and the number of Non-Executive Directors is more than the number of Executive Directors. We have also institutionalized the processes for the performance appraisal of directors (both executive and non-executive directors) and have revised the processes for setting goals for directors.

Directors and members of staff are regularly trained and we have continued to increase capacity in the key departments involved in the governance process. The Bank's Enterprise-wide Risk Management Framework (ERM) provides the platform for the management of risks in the organization. The ERM is regularly reviewed and updated in line with changing business and operational circumstances. In addition, the Bank has a code of professional conduct for directors and members of staff. The code of conduct specifies the Bank's expectations from its directors and members of staff.

Furthermore, the Bank has set up a robust whistle-blowing process as an added measure to ensure that the Board and members of staff of the Bank conform to the Bank's expectation in the performance of their duties. Whistle blowing provides a confidential channel for stakeholders to report wrong-doing, through hotlines and confidential email. Our whistle-blowing process was reviewed in October 2020 to make it more transparent. This resulted in the outsourcing of the process to an independent party - Deloitte Professional Services - a reputable

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE GOVERNANCE REPORT

professional services and advisory firm. Outsourcing the whistle-blowing process ensures that no member of staff in FSDH is in a position to access the whistle-blowing reports. All reports are processed by Deloitte and a summary sent to FSDH for investigation. Details are contained in the Bank's website: www.fsdhgroup.com.

The Bank adopted a framework for the management of environmental and social risks as stipulated in the sustainable banking guidelines of the CBN. The aim is to ensure that FSDH carries on its banking activities in a manner that will ensure the protection of our environment, enhance social harmony and ensure sustainable development. Our sustainable banking practices are based on the principles of meeting the needs of today without compromising the needs of future generations. Our policies and processes for on-boarding of clients (customers, vendors and suppliers) are very sensitive to environmental and social issues. The results of some of the measures we have taken in this regard are evident in the bio-friendly work environment that we maintain and the positive changes from our clients' environmental and social practices. We will continue to seek every opportunity to strengthen the processes to ensure that we contribute our own quota towards ensuring sustainable banking practices in Nigeria.

OWNERSHIP

FSDH Merchant Bank Limited is one of the subsidiaries of FSDH Holding Company Limited. While the ownership has gone through a number of changes, the quality has remained the same. The Bank intends to continue to explore the opportunity of the changing ownership structure to establish key relationships necessary for the advancement of its strategic objectives.

THE BOARD

FSDH's Board is composed of experienced and knowledgeable professionals who have made their mark in key sectors of the economy. The Board is headed by a Chairman. The position of the Chairman of the Board is separate from the position of the Chief Executive Officer and therefore both positions are not occupied by the same person. At least once a year, an evaluation of the effectiveness of the Board is performed by an external consultant, in line with the requirements of the CBN's Code of Corporate Governance. An external consultant is engaged to conduct the Board performance appraisals. The Board has continued to receive good ratings on its effectiveness in the performance of its duties.

The Board has four standing committees – the Board Audit Committee, the Board Risk Committee, the Governance and Nominations Committee and the Board Finance and Strategy Committee. Together with the four committees, the Board provides effective oversight over the operations of the Bank. The duties of the Board are spelt out in the Board Charter. They include:

- Determination of the Bank's strategic direction and business objectives necessary to ensure long-term growth and sustained creation of value for customers
- Ensuring the existence of plans and policies for the achievement of the Bank's strategic business objectives
- The establishment of effective risk management framework to identify, measure, and manage risks in the Bank
- The establishment of a good system of internal controls to ensure the integrity of financial reporting and compliance with laws and regulations
- Fostering a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE GOVERNANCE REPORT

- Selection, compensation and monitoring of senior management staff and ensuring the existence of a good system of succession planning
- Approval of major capital expenditure, changes to the Bank's capital structure, annual budgets, changes to accounting policies and dividend policy

The Board Committees

The CBN's Code of Corporate Governance (2014) requires every Bank to have at least three Standing Committees namely: the Audit Committee, the Risk Management Committee, and the Governance and Nominations Committee. FSDH has all the three Board Committees in compliance with the Code of Corporate Governance. In addition to the three Standing Committees, FSDH also has the Finance and Strategy Committee as a fourth Committee. Each Board Committee has a charter approved by the CBN.

The duties and responsibilities of the Board Committees are **summarized below**.

The Board Audit Committee

- Ensuring the establishment of effective systems and processes for the preparation of the Bank's financial statements.
- Ensuring the existence of good system of internal controls in the Bank
- Ensuring the existence of a good internal audit function to monitor the activities of the Bank to ensure that the Bank's governance process is working properly, that risks are properly managed and that applicable laws are being complied with.
- Reviewing and monitoring the performance of external auditors and recommending to the Board on the appointment and discharge of external auditors
- Ensuring that there is an effective system of monitoring compliance with laws and regulations and all licensing requirements and the results of management's investigation and follow-up (including disciplinary action) of any instance of non-compliance

The Audit Committee is expected to have a minimum of 3 members and meets at least once every quarter. The Internal Audit Department, which is independent of management, reports directly to the Audit Committee.

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The Board Risk Committee

The Committee comprises a minimum of 6 members and its duties are:

- To approve and review the Enterprise Wide Risk Management Framework
- The management of market risk in the Bank covering price risk, interest rate risk in the banking book and foreign exchange risk
- The management of credit risk covering:
 - Credit risk strategy and policy formulation
 - Credit approval
 - Loan review and credit performance monitoring
 - Credit risk compliance
- Management of operational risk
- Management of the Internal Capital Adequacy Process
- Management of other risks which includes:
 - liquidity risk
 - reputational risk
 - regulatory compliance risk
 - concentration risk
 - downgrade risk
 - business risk

The Risk Management Department, which is independent of the operating departments, presents regular reports to the Risk Management Committee.

The Governance and Nominations Committee

The Governance and Nominations Committee is made of 3 members. The Committee's duties include:

- Regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its present position and make recommendations to the Board on any changes the Committee may deem necessary.
- Give full consideration to succession planning for directors and top management in the course of its work, taking into account the challenges and opportunities facing the Bank, and what skills and expertise are needed on the Board in the future.
- Be responsible, subject to the Bank's Memorandum, for identifying and nominating for approval of the Board, candidates to fill Board vacancies as and when they arise.
- Make recommendations to the Board on matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Bank subject to the provisions of the law and their service contract.

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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- Make recommendations to the Chairman on the membership of other Board Committees, taking into consideration the skills, knowledge and experience required to function effectively in those Committees.
- Make recommendations to the Board for appointments and promotions of staff from the position of Assistant General Manager and above.
- Determine and agree with the Board the framework or broad policy for the remuneration of the Bank's Executive Directors and Chairman. (To avoid conflict of interest, the remuneration for non-executive Directors shall be determined by the Board and approved by the Shareholders).
- Determine and agree with the Board the policy for the terms of employment of the Executive Directors.
- Reviewing and approving the remuneration structure for the Bank.
- Review the ongoing appropriateness and relevance of the Bank's Remuneration policies.
- Review annually the remuneration trends across the Bank and the industry in which the Bank operates with a view to ensuring that the Bank remains competitive in order to retain and attract the right talents
- Determine and agree policy for the reimbursement of the expenses of the Chairman and the Executive Directors.
- Ensure that the disclosures in the audited accounts regarding directors' remuneration are adequate and consistent with the requirements of the law.
- Review and approve the design and structure of all retirement benefit schemes.

The Head of the HR Department presents reports at every sitting of the Committee.

The Board Finance and Strategy Committee

The Committee comprises a minimum of 3 members and its duties include:

- Understand, identify and discuss with management the key issues, assumptions, risks and opportunities relating to the development and implementation of the Bank's strategy.
- Ensure that a proper strategic planning process is implemented. This can be done by setting the parameters within which management develops the strategy – ensure that the strategy is aligned to the business objectives and prevailing operating environment, ensure that an annual strategy retreat is organized for the Board and management to provide input into management's assumptions and planning, etc.
- Review the information made available by management, including business plans and financial, operational and personnel requirements to implement the agreed strategy.
- Critically evaluate and make recommendations to the Board for the approval of the Bank's business strategy.
- Oversee the Bank's Investment planning, execution and monitoring process.
- Oversee the long-term financing strategy and options for the Bank's projects.
- Review annually, the Bank's financial projections, as well as capital and operating budgets.
- Review on a quarterly basis with management, the progress of key initiatives, including actual financial results against targets and projections.

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CORPORATE GOVERNANCE REPORT

- Review and recommend for Board approval, the Bank's capital structure, including, but not limited to mergers, acquisitions, business expansions, allotment of new capital, debt limits and any changes to the existing capital structure.
- Oversee the process of capital raising and any listing of the Bank's shares.
- Review the Bank's strategy and financial objectives and monitor implementation of those strategies and objectives.
- Review and approve all operating expenses not in the approved budget that are above N10 million, but not exceeding N50 million. Operating expenses above N50 million, not in the approved budget, are to be recommended to the Board for approval.
- Review and approve capital expenditure above N10 million but not exceeding N50 million not included in approved budget.
- Review and make appropriate recommendations to the Board on any capital expenditure not included in the approved budget that is above N50 million.
- The Committee shall report all expenditure approvals by the Committee to the subsequent meeting of the Board.

Board and Board Committee Meetings

The record of attendance at meetings of Board and Board Committees is stated below:

BOARD MEETINGS										
Sl#	Name	Directorship	23-Mar-22	24-Mar-22	27-April-22	16-Jun-22	28-Jul-22	27-Oct-22	03-Dec-22	Total Attendance
1	Mr. Femi Agbaje	Chairman	0	0	0	0	0	0	7	
2	Mr. Godwin Ize-Iyemu	Independent Director	0	0	0	0	0	0	7	
3	Mr. Tosi Ogburno	Non-Executive Director	0	0	0	0	0	0	7	
4	Mr. Patrice Bader	Non-Executive Director	0	0	0	0	0	0	7	
5	Mr. Kelechi Okoro	Non-Executive Director	0	0	0	0	0	0	7	
6	Mr. Taiwo Oti E	Executive Director	0	0	0	0	0	0	7	
7	Mrs. Bukola Smith	MD/CEO	0	0	0	0	0	0	7	
8	Prof. Isabella Okagbue	Non-executive Director	0	0	0	0	0	0	7	
9	Mr. Musa Ali Baba	Independent Director	0	0	0	0	0	0	7	

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CORPORATE GOVERNANCE REPORT

GOVERNANCE AND NOMINATIONS COMMITTEE								
S/N	Name	Directorship	11-Mar-22	05-Apr-22	18-Jul-22	19-Oct-22	15-Dec-22	Total Attendance
1	Mr. Patrice Backer	Chairman	ü	ü	ü	ü	5	
2	Prof. Isabella Okagbue	Non-executive Director	ü	ü	ü	ü	5	
3	Mr. Godwin Izo - Iyarru	Independent Director	ü	ü	ü	ü	5	

BOARD AUDIT COMMITTEE								
S/N	NAME	DIRECTORSHIP	10-Mar-22	12-Apr-22	14-Jul-22	24-Nov-22	Total Attendance	
1	Mr. Musa Ali Baba	Chairman	ü	ü	ü	4		
2	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	4		
3	Mr. Kalechi Okoro	Non-executive Director	ü	ü	ü	4		

BOARD FINANCE AND STRATEGY COMMITTEE									
S/N	Name	Directorship	09-Mar-22	13-Apr-22	20-Jul-22	13-Oct-22	17-Nov-22	22-Dec-22	Total Attendance
1	Patrice Backer	Chairman	ü	ü	ü	ü	ü	6	
2	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	ü	ü	6	
3	Mrs. Bukola Smith	Managing Director	ü	ü	ü	ü	ü	6	
4	Mr. Taiwo Offi	Executive Director	ü	ü	ü	ü	ü	6	
5	Musa Ali Baba	Independent Director	ü	ü	ü	ü	ü	6	

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CORPORATE GOVERNANCE REPORT

BOARD RISK COMMITTEE							
S/N	Name	Directorship	25-Jan-22	21-Apr-22	19-Jul-22	18-Oct-22	Total Attendance
1	Mr. Godwin Ize-Iyamu	Chairman	ü	ü	ü	ü	4
2	Mr. Tosa Ogbomo	Non-executive Director	ü	ü	ü	ü	4
3	Mr. Kelechi Okoro	Non-executive Director	ü	ü	ü	ü	4
4	Prof. Isabella Okagbue	Non-executive Director	ü	ü	ü	ü	4
5	Mrs. Bukola Smith	Managing Director	ü	ü	ü	ü	4
6	Mr. Taiwo Oti	Executive Director	ü	ü	ü	ü	4

ü	Present at Meeting
X	Absent
N/A	Not Yet Appointed
R	Resigned

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****CORPORATE GOVERNANCE REPORT****REMUNERATION POLICY**

Introduction:

The purpose of this section is to provide stakeholders with an understanding of the remuneration policy applied by the Bank for its employees and Directors (executive and non-executive).

The Bank's remuneration philosophy describes its approach to pay and pay peer group and a market anchor point within the Bank. It also indicates the extent of usage of variable pay or other strategic components for driving desired behaviour and strategic objectives.

The Bank recognises that its employees and Directors are key to executing its business strategy. In line with this realisation, the Bank is committed to developing and continuously refining its Value Proposition for its employees and Directors with a view to optimising business results and ensuring sustainability. Given the important role of remuneration in driving performance, the Bank has put in place a Remuneration Policy that defines the underlying principles and framework for setting and managing remuneration in a way that aligns with business objectives. The Policy follows leading practices, leveraging key principles from the corporate governance code issued by the Central Bank of Nigeria (CBN) and defines a framework for managing remuneration at the Bank.

The Governance & Nominations Committee ("GNC") of the Bank, on behalf of the Board of Directors ("the Board"), is responsible for putting in place and reviewing the Policy. This is in line with the Committee's primary responsibility of advising the Board on remuneration and all other human resource matters affecting Directors and employees of the Bank.

Directors (Executive and Non-Executive)

The Director's Remuneration Policy defines a framework for managing Directors' remuneration at the Bank, which covers the following categories:

- I. Executive Directors (EDs): Managing Director (MD) and Executive Directors (Executives)
- II. Non-Executive Directors (NEDs): Chairman and Other Non-Executive Directors.

The Policy sets forth the Bank's remuneration philosophy, remuneration structure, the various pay components, the rules for administering each remuneration component, remuneration review process, disclosure, reporting requirements and persons responsible as custodians of the Policy.

The objectives of the Policy are as follows:

1. To provide remuneration capable of attracting, retaining, and rewarding well qualified Directors.
2. To ensure that Directors are adequately rewarded and motivated by a remuneration strategy that adequately reflects individual efforts and contributions to the success of the Bank.
3. Align Directors' remuneration with the Bank's performance, Shareholders' interests, and a prudent approach to risk management.

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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4. Provide a fair, equitable and transparent framework for setting and managing Directors' remuneration at the Bank.
5. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability.
6. Incentivise Directors to deliver sustained performance consistent with strategic goals and appropriate risk management, and to reward success based on the value created.

Executive management and employees

The goal of the policy is to attract the best hands, meet the needs of all current employees and encourage well performing employees to stay with the Bank, while optimizing the wage bill of the Bank. With this, the compensation structure is built to balance both the needs of the employees and the Bank. It is the goal of the Bank to pay members of staff salaries that are competitive with other players in the industry segment in a way that will be motivational, fair and equitable. Total compensation may, however, vary depending upon the performance of the individual staff and their contribution to the global performance of the Bank. In setting the compensation of members of staff in the Bank, the HR Unit, with the approval of the GNC of the Board will employ industry best practices and existing compensation surveys in determining the appropriate compensation for all members of staff.

MANAGEMENT

The management is charged with the day-to-day running of the Bank. It is headed by the Managing Director, who is also the Chief Executive Officer (CEO). She is supported by an Executive Director and heads of departments. In addition, the Bank makes use of standing committees in the performance of certain key functions whose processes cut across different departments. The standing committees are:

The Executive Committee

The Executive Committee is made up of the Managing Director, the Executive Director and the Heads of Departments. This is the principal decision-making organ of Management and the committee meets on a monthly basis.

The Asset and Liability Management Committee (ALCO)

The ALCO meets monthly and is composed of heads of departments and key officers of the Business Units, Fincon and Risk Management. The Committee makes decision on the structure and composition of the Bank's assets and liabilities and also sets the guidelines on interest rates.

The Management Risk Committee

The Management Risk Committee is responsible for identifying, quantifying and managing the risks inherent in the Bank's operations. The membership of the Committee is constituted by heads of departments and key officers in the business units. The Committee is also responsible for monitoring the whole enterprise risk management framework of the bank including credit risk, loan monitoring, market risk, operational risk etc.

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****CORPORATE GOVERNANCE REPORT**

The IT Steering Committee

The IT Steering Committee is responsible for making recommendations to Executive Management on the formulation of IT strategies and the identification of systems needed to support the Bank's business. It is also in charge of implementing these systems. The Committee is constituted by the CEO and Heads of Departments.

The Sustainable Banking Committee

The Committee is charged with the responsibility of ensuring that the Bank conducts its operations in a way that will ensure protection for the environment, enhance social harmony and ensure sustainable development. The Committee ensures that social and environmental risks in all areas of the Bank's operations are identified and dimensioned; and develops policies and controls to ensure that the risks are properly managed



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16 March 2023

The Chairman

FSDH Merchant Bank Limited
UAC House (5th – 8th Floors)
1/5 Odunlami Street
Lagos Island
Lagos State, Nigeria.

Dear Sir,

Report of the Independent Consultants on the Review of the Corporate Governance Framework and Performance of the Board of Directors of FSDH Merchant Bank Limited

Deloitte & Touche has performed the annual review of the corporate governance framework and evaluation of the performance of the Board of Directors of FSDH Merchant Bank Limited ("FSDH Merchant Bank") for the year ended 31 December 2022. The scope of the review included an assessment of the structure, mandate and performance of the Board, Board Committees and Management as it relates to the overall strategic direction of the company, stakeholder engagement, disclosures, and transparency.

The review was performed in compliance with Section 2.8.3 of the Code of Corporate Governance for Banks and Discount Houses ("CBN Code") issued by the Central Bank of Nigeria ("CBN") and the Nigerian Code of Corporate Governance ("NCCG"). The scope of the review included an assessment of key areas of FSDH Merchant Bank's corporate governance framework, including the framework of the Board structure and composition, Board operations and effectiveness, assurance functions, corporate disclosures, and relationship with stakeholders. The report of our evaluation was premised on desk review of relevant governance documents, policies, and procedures, interview sessions with Directors and select members of executive management and survey responses received from the Directors.

The result of our evaluation has shown that the Board and Corporate Governance framework and practices in FSDH Merchant Bank comply with the provisions of the extant Codes of Corporate Governance. 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 Merchant Bank. The report further highlights details of our review activities, observations and some recommendations for the Board and Executive Management's action for sustained improvement to the performance of the Board, Corporate Governance and Secretarial functions of FSDH Merchant Bank.

It should be noted that the matters raised in this report are only those that came to our attention during the course of 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. The report should be read in conjunction with the Corporate Governance Section of the Annual Report.

Yours faithfully,

For: Deloitte and Touche

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****CORPORATE GOVERNANCE REPORT**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors accept responsibility 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 in the manner required by the Companies and Allied Matters Act (CAMA), 2020, Financial Reporting Council of Nigeria Act, 2011, and Banks and Other Financial Institutions Act 2020 (BOFIA) and relevant Central bank of Nigeria (CBN) guidelines and circulars.

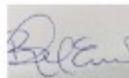
The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act (CAMA), 2020 and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Femi Agbaje
Chairman
FRC/2014/CAN/00000010052
23 March 2023



Bukola Smith
Managing Director
FRC/2015/CAN/00000011192
23 March 2023

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****CORPORATE GOVERNANCE REPORT**

REPORT OF THE AUDIT COMMITTEE

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act (CAMA), the members of the Audit Committee of FSDH Merchant Bank Limited hereby report as follows:

- We have exercised our statutory functions under Section 404 (7) of the Companies and Allied Matters Act (CAMA) 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 Bank is in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2022 were satisfactory and reinforce the Bank'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 Bank's system of accounting and internal control.



Musa Ali Baba
Chairman, Audit Committee
FRC/2015/CIBN/00000013151
14 March 2023

Members of the Audit Committee are:

1. **Musa Ali Baba - Chairman**
2. **Mr. Godwin Ize-Iyamu**
3. **Kelechi Okoro**

**CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****CORPORATE GOVERNANCE REPORT****STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/Chief Executive Officer and Chief financial Officer, hereby certify the financial statements of FSDH Merchant Bank Limited for the year ended 31 December 2022 as follows:-

- i. That we have reviewed the audited consolidated and separate financial statements of the Bank for the year ended 31 December 2022.
- ii. That the audited consolidated and separate financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- iii. That the audited consolidated and separate financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for, the year ended 31 December 2022.
- iv. That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Bank is made known to us by other officers of the companies, during the year ended 31 December 2022.
- v. That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- vi. That we have disclosed the following information to the Bank's Auditors and Audit Committee:
 - i. There are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and
 - ii. there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.



Oluwaseun Omole
Chief Financial Officer
FRC/2017/ICAN/00000017693
23 March 2023



Bukola Smith
Managing Director
FRC/2015/ICAN/00000011192
23 March 2023


KPMG Professional Services

KPMG Tower
Bishop Abayade Cole Street
Victoria Island
PMB 40014, Folorunso
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of FSDH Merchant Bank Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

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

- the consolidated and separate statements of financial position as at 31 December 2022;
- the consolidated and separate statements of profit or loss and other comprehensive income;
- the consolidated and separate statements of changes in equity;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiary as at 31 December 2022, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the

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Registered in Nigeria No 041390325

Partners

Abimbola A. Olatunji
Adedun A. Olatunji
Adedun E. Olatunji
Ajayi O. Olatunji
Alade O. Olatunji
Alade J. Olatunji
Alade L. Olatunji
Alade A. Olatunji
Alade F. Olatunji
Alade S. Olatunji

Adedun D. Olatunji
Olatunji N. Alade
Olatunji B. Alade
Olatunji O. Alade
Olatunji C. Olatunji
Olatunji M. Alade
Olatunji S. Olatunji
Olatunji A. Olatunji
Olatunji F. Olatunji
Olatunji S. Alade

Alade L. Alade
Alade M. Alade
Alade S. Alade
Alade A. Alade
Alade F. Alade
Alade S. Alade
Alade O. Alade
Alade M. Alade
Alade S. Alade

Alade L. Alade
Alade M. Alade
Alade S. Alade
Alade A. Alade
Alade F. Alade
Alade S. Alade
Alade O. Alade
Alade M. Alade
Alade S. Alade

Alade L. Alade



current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment allowance for loans and advances to customers

The Bank's determination of impairment losses on loans and advances to customers is inherently a significant area for the Bank as significant judgments and assumptions are made by the Bank over the estimation of the size of the impairment allowance.

The Bank uses an Expected Credit Loss (ECL) model to determine the size of the impairment allowance for loans and advances. The ECL methodology incorporates the expected future credit losses due to macro-economic variables.

The Bank's ECL model includes certain judgements and assumptions such as:

- the determination of the probability of a loan becoming past due and subsequently defaulting;
- the determination of the Bank's definition of default;
- the criteria for assessing significant increase in credit risk (SICR);
- the credit conversion factors applied in the ECL model;
- the rate of recovery on the loans that are past due and in default;
- the identification of impaired assets and the estimation of impairment, including the estimation of future cash flows, market values and estimated time and cost to sell collaterals;
- the incorporation of forward-looking information related to the expected outlook on the country's inflation rates, exchange rates and the Gross Domestic Product (GDP) rates used in determining the expected credit losses in the loans and advances portfolios; and

We focused on the impairment allowance for loans and advances to customers due to the significant judgements, estimates and assumptions made by the Bank in determining the impairment allowance required.

How the matter was addressed in our audit

Our procedures included the following:

- we evaluated the design and implementation and tested the operating effectiveness of the controls relating to the Bank's review of credit risk gradings for the Bank's corporate loans and advances. The Bank's review includes details of data inputted into the risk grading system as well as timing of the reviews of the credit risk grades allocated to counterparties.
- we evaluated the design and implementation and tested the operating effectiveness of the controls relating to the Bank's monitoring and identification of loans displaying indicators of impairment.
- we checked that the Bank's definition of default is consistent with the requirements of the relevant accounting standard.
- we assessed the appropriateness of the Bank's determination of significant increase in credit risk(SICR) and the resultant classification of loans into various stages of credit risk for reasonableness.
- with the assistance of our Financial Risk Management specialists, we:



- assessed the appropriateness of the Bank's ECL methodology by considering whether it reflects probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;
- tested the accuracy and appropriateness of the data used in determining the Exposure at Default, including the credit conversion factor and outstanding loan balance;
- assessed the reasonableness of the Loss Given Default (LGD) used by the Bank in the ECL model and other evidence of future cash flows by evaluating the valuation reports and assessing haircuts applied by the Bank on the recoverability of collateral considering the current economic conditions;
- challenged the appropriateness of the Bank's forward-looking assumptions comprising the inflation rates, exchange rates and GDP growth rates used in the ECL calculations using publicly available information from external sources;
- tested the accuracy of the Bank's impairment model by independently re-performing the calculations of impairment allowance for loans and advances.

The Bank's accounting policy on impairment allowance for loans and advance and disclosure on critical judgements and estimates are shown in Notes 2.2.10 and 3.6 respectively in the annual financial statements for the year ended 31 December 2022.

Valuation of Trading asset and liabilities

The Trading asset of the Group relates to obtained by the Bank under a repurchase agreement while the trading liabilities relates to securities pledged out under a repurchase agreement

The bank classified these securities based on their business model and are valued using observable inputs of similar quoted instruments on FMDQ Group Plc. The Bank's valuation model includes certain judgements and assumptions such as the determination of interest rate used in valuing the securities and estimation of the present value of the future cashflow.

We focused on the valuation and presentation of the trading asset and liabilities due to the complexity around the transactions and judgements and assumptions made by the Bank in determining the valuation of the securities.

How the matter was addressed in our audit

Our procedures included the following:

- We assessed the appropriateness of the accounting policies applied by the Group against the requirement of the standards.
- We obtained relevant agreement and other supporting document to confirm existence of the transactions.
- We recomputed the interest income and expense on each transactions based on the parameters provided in the agreement.
- We reviewed the CBN S4 securities report to corroborate the schedule of assets generated as a result of the repurchase agreement.
- We checked management valuation to the rate of a similar security from a relevant exchange. We interpolated between the rate of two similar securities to determine the appropriate rate for the valuation



- We checked the disclosures in the consolidated and separate financial statements to the requirements of the accounting standards.

The Bank's accounting policy on Repurchase Agreement and disclosure on critical judgments and estimates are shown in Notes 2.5 and 3.6 respectively in the annual financial statements for the year ended 31 December 2022.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Audit Committee, Statement of Responsibility for Financial Statement but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the consolidated and separate Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

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

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

From the matters communicated with the Board Audit Committee, 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

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

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books.



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

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

- i. The Bank paid penalties in respect of contravention of the Central Bank of Nigeria guidelines and circular during the year ended 31 December 2022. Details of penalties paid are disclosed in note 46 to the consolidated and separate financial statements.
- ii. Related party transactions and balances are disclosed in note 42 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Adegoke Oyelami FCA
FRC/2012/ICAN/00000000444
For: KPMG Professional Services
Chartered Accountants
26 April 2023
Lagos, Nigeria



FSDH MERCHANT BANK LIMITED

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2022

Notes	Group		Bank		
	31 December 2022 N '000	31 December 2021 N '000	31 December 2022 N '000	31 December 2021 N '000	
Interest income on financial assets at fair value through profit or loss	5(a)	2,197,487	511,486	2,197,487	511,486
Interest income on financial assets at fair value through other comprehensive income	5(b)	3,719,840	3,693,409	3,719,840	3,693,409
Interest income on financial assets at amortised cost	5(c)	12,791,011	6,863,859	12,791,011	6,863,859
Interest expense	6	18,708,338	11,068,754	18,708,338	11,068,754
Net interest income		(12,758,928)	(7,562,722)	(12,758,928)	(7,562,722)
Impairment charge for credit losses	8	5,949,410	3,506,032	5,949,410	3,506,032
Net interest income after impairment charge for credit losses		(1,327,878)	(146,411)	(1,327,878)	(146,411)
Net Fee and commission income	7	4,621,532	3,359,621	4,621,532	3,359,621
Net gains on financial instruments held at fair value through profit or loss	9	1,430,832	1,144,379	1,430,832	1,144,379
Net gains on financial instruments classified as fair value through OCI	10	3,036,450	619,550	3,036,450	619,550
Other income	11	891,477	468,551	891,477	468,551
Staff Cost	12(a)	380,389	485,726	380,389	485,726
Other operating expenses	12(b)	(2,991,961)	(2,226,913)	(2,991,961)	(2,226,913)
Profit before tax		(3,316,152)	(2,843,901)	(3,316,152)	(2,843,901)
Income tax expense	13	4,052,967	1,007,013	4,052,967	1,007,013
Profit after tax		(492,752)	(120,272)	(492,752)	(120,272)
Other comprehensive income net of tax: Items that may be subsequently reclassified to profit or loss		3,560,215	886,741	3,560,215	886,741
Net change in fair value on FVOCI financial assets	35(d)	(3,086,535)	(4,133,722)	(3,086,535)	(4,133,722)
Related income tax		-	-	-	-
Total comprehensive income for the year		473,680	(3,246,981)	473,680	(3,246,981)
Profit after tax attributable to: Equity holders of the Bank		3,560,215	886,741	3,560,215	886,741
Non-controlling interest		-	-	-	-
Total comprehensive income attributable to: Equity holders of the Bank		3,560,215	886,741	3,560,215	886,741
Non-controlling interest		-	-	-	-
Earnings per share per profit attributable to equity holders of the Bank		473,680	(3,246,981)	473,680	(3,246,981)
Earnings per share - basic (kobo)	44	-	-	-	-
Earnings per share - diluted (kobo)	44	166	48	166	48
		198	48	166	48

FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		31 December	31 December	31 December	31 December
		2022	2021	2022	2021
		N '000	N '000	N '000	N '000
ASSETS					
Cash and balances with central bank	14	43,193,956	44,199,479	43,193,956	44,199,479
Placements to banks and other financial institutions	15	4,304,210	7,783,220	4,304,210	7,783,220
Financial instruments held at fair value through profit or loss	16	206,866	600,142	206,866	600,142
Trading Assets	17	10,208,003	-	10,208,003	-
Derivative assets held for risk management	18	460,730	821,873	460,730	821,873
Loans and advances to customers	19	117,211,421	76,626,902	117,211,421	76,626,902
Investment securities	20	54,970,827	38,327,639	54,970,827	38,327,639
Pledged assets	21	6,212,356	12,757,565	6,212,356	12,757,565
Right of use assets	23	86,953	70,721	86,953	70,721
Current income tax asset	13	-	123,029	-	123,029
Property and equipment	26	773,177	714,901	773,177	714,901
Intangible assets	25	208,244	275,118	208,244	275,118
Deferred tax asset	24	2,237,695	2,526,515	2,237,695	2,526,515
Other assets	22	16,954,897	3,885,898	16,954,897	3,885,898
Total assets		257,029,335	188,713,003	257,029,335	188,713,003
Liabilities					
Trading liabilities	31	16,008,428	5,576,479	16,008,428	5,576,479
Derivative liabilities held for risk management	18	587,602	796,046	587,602	796,046
Due to banks and other financial institutions	27	30,187,518	26,147,903	30,187,518	26,147,903
Due to customers	28	98,261,471	71,794,882	98,261,471	71,794,882
Lease liabilities	23	62,799	66,810	62,799	66,810
Current income tax liability	13	35,285	-	35,285	-
Debt securities issued	32	32,111,270	29,148,871	32,111,270	29,148,871
Other borrowed funds	33	33,868,380	17,298,216	33,868,380	17,298,216
Other liabilities	29	20,737,252	10,999,772	20,737,252	10,999,772
Provision	30	125,667	35,922	125,667	35,922
Total liabilities		231,975,622	161,864,902	231,975,622	161,864,902
Share capital	34	2,138,623	1,833,417	2,138,623	1,833,417
Share premium	35(a)	234,381	539,587	234,381	539,587
Retained earnings	35(b)	15,123,273	15,350,818	15,123,273	15,350,818
Statutory reserve	35(c)	7,992,272	7,458,240	7,992,272	7,458,240
Fair value loss	35(d)	(4,451,528)	(1,364,993)	(4,451,528)	(1,364,993)
AGSMEIS reserve	35(e)	1,114,137	936,126	1,114,137	936,126
Credit risk reserve	36	2,902,555	2,094,906	2,902,555	2,094,906
		25,053,713	26,848,101	25,053,713	26,848,101
Total equity		25,053,713	26,848,101	25,053,713	26,848,101
Total equity and liabilities		257,029,335	188,713,003	257,029,335	188,713,003

The accompanying notes form an integral part of these consolidated financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2023 and were signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Femi Agbaje

Femi Agbaje - Chairman
 FRC/2014/CAN/0000010052



Bukola Smith - Managing Director
 FRC/2015/CAN/0000011192

Additional certification:

Oluwaseun Omole

Oluwaseun Omole - Chief Financial Officer
 FRC/2017/CAN/0000017693

FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Group & Bank

Attributable to equity holders
N'000

	Share capital N'000	Share premium N'000	Retained earnings N'000	Statutory reserve N'000	Treasury Share N'000	Fair Value reserve N'000	Credit risk reserve N'000	AGSMEIS reserve N'000	Total equity N'000
At 1 January 2022	1,833,417	539,587	15,350,818	7,458,240	-	(1,364,593)	2,094,906	936,126	26,848,101
Total comprehensive income:	-	-	3,560,215	-	-	-	-	-	3,560,215
Profit after tax for the year	-	-	3,560,215	-	-	(3,086,535)	-	-	(3,086,535)
Net change in Fair Value on FVOCI financial assets	-	-	-	-	-	(4,451,528)	2,094,906	936,126	27,321,781
Transaction with owners:	-	-	(1,961,473)	-	-	-	-	-	(1,961,473)
Dividends declared during the year (note 45)	-	-	(495,695)	-	-	-	-	-	(495,695)
Dividends Paid	-	-	(534,032)	-	-	-	-	-	-
Transfer to statutory reserves	-	-	534,032	-	-	-	-	-	-
Transfer to credit risk reserves	-	-	(807,649)	-	-	-	807,649	-	-
Transfer to AGSMEIS reserves	-	-	(178,011)	-	-	-	-	178,011	-
Issue of Bonus Share (note 34)	305,206	(305,206)	-	-	-	-	-	-	-
	305,206	(305,206)	(3,767,760)	534,032	-	-	807,649	178,011	(2,268,268)
At 31 December 2022	2,138,623	234,381	15,123,273	7,992,272	-	(4,451,528)	2,902,555	1,114,137	25,053,715

At 31 December 2022

Group & Bank

At 1 January 2021

	Share capital N'000	Share premium N'000	Retained earnings N'000	Statutory reserve N'000	Treasury Share N'000	Fair Value reserve N'000	Credit risk reserve N'000	AGSMEIS reserve N'000	Total equity N'000
At 1 January 2021	1,833,417	539,587	17,495,379	7,325,229	-	2,768,729	-	891,789	30,814,130
Total comprehensive income:	-	-	886,741	-	-	-	-	-	886,741
Profit after tax for the year	-	-	886,741	-	-	(4,133,722)	-	-	(4,133,722)
Net change in Fair Value on FVOCI financial assets	-	-	-	-	-	(1,364,593)	-	891,789	27,067,149
Transaction with owners:	-	-	(126,960)	-	-	-	-	-	(126,960)
Dividends declared during the year	-	-	(992,088)	-	-	-	-	-	(992,088)
Dividends Paid	-	-	(133,011)	-	-	-	-	-	-
Transfer to statutory reserves	-	-	133,011	-	-	-	-	-	-
Transfer to credit risk reserves	-	-	(2,094,906)	-	-	-	2,094,906	-	-
Transfer to AGSMEIS reserves	-	-	(44,337)	-	-	-	-	44,337	-
	-	-	(2,961,303)	133,011	-	-	2,094,906	936,126	(119,049)
At 31 December 2021	1,833,417	539,587	15,350,818	7,458,240	-	(1,364,593)	2,094,906	936,126	26,848,101

At 31 December 2021

FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

Notes	Group		Bank		
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
	N '000	N '000	N '000	N '000	
Cash flows from operating activities					
Cash generated from operations	38	(10,257,315)	(30,281,987)	(10,257,315)	(30,281,987)
Interest received	39.1	17,192,293	9,647,200	17,192,293	9,647,200
Interest paid	39.1	(8,884,592)	(8,514,549)	(8,884,592)	(8,514,549)
Income taxes paid	13	(2,568)	(43,942)	(2,568)	(43,942)
Net cash generated from/(used in) operating activities		(1,952,182)	(27,193,278)	(1,952,182)	(27,193,278)
Cash flows from investing activities					
Redemption/Disposal of investment securities	39	(11,031,744)	4,245,577	(11,031,744)	4,245,577
Additions to property and equipment	26	(437,783)	(517,925)	(437,783)	(517,925)
Additions to intangible assets	25	(154,502)	(66,733)	(154,502)	(66,733)
Additions to lease	23	(54,464)	-	(54,464)	-
Proceeds from sale of property, plant and equipment	39	47,050	115,593	47,050	115,593
Dividends received	38	176	7	176	7
Net cash (used in)/generated from investing activities		(11,631,267)	3,776,520	(11,631,267)	3,776,520
Cash flows from financing activities					
Dividends paid to owners	39.1	(406,595)	(592,088)	(406,595)	(592,088)
Principal elements of lease payments	23	(33,784)	(26,797)	(33,784)	(26,797)
Other borrowings (additions)	33	50,824,143	17,227,671	50,824,143	17,227,671
Repayment of other borrowing	33	(34,587,756)	-	(34,587,756)	-
Proceeds from debt instrument issued	32	42,221,766	29,521,325	42,221,766	29,521,325
Repayment of debt instrument	32	(43,149,424)	(25,886,550)	(43,149,424)	(25,886,550)
Net cash generated from financing activities		14,868,350	20,243,561	14,868,350	20,243,561
Cash and cash equivalents at start of the year		21,158,365	23,761,244	21,158,365	23,761,244
Exchange difference on cash held	39.3	(1,504,049)	523,646	(1,504,049)	523,646
Net increase/(decrease) in cash and cash equivalents		1,284,901	(3,173,197)	1,284,901	(3,173,197)
Cash and cash equivalents at end of the year		20,939,217	21,111,692	20,939,217	21,111,692
Cash and cash equivalents	40	20,939,217	21,158,365	20,939,217	21,158,365

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

FSDH Merchant Bank Limited ("the Bank") was incorporated on 23 June 1992 as a private limited liability company under the Companies and Allied Matters Act (1990). It started operations on 1 July 1992 and was granted license to carry on discount house business on 10 February 1993. The Bank commenced operations as a Merchant Bank on 15 January 2013.

These financial statements are the consolidated and separate financial statements of the Bank.

The consolidated and separate financial statements of the bank for the year ended 31 December 2022 were approved for issue by the Board of Directors on March 23, 2023.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements are the separate and consolidated financial statements of FSDH Merchant Bank Limited ("the Bank"), and its SPV (herein collectively referred to "the Group"). The Bank issued Naira denominated unsecured senior debt and Naira denominated subordinated debt in the prior year through FSDH Funding SPV Plc, while no transaction was recorded in the current year.

The financial statements for the year ended 31 December 2022 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 Bank's functional currency. Except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022****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 are 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 2021 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. determination of the fair value of financial instruments with unobservable inputs.

More details are provided in note 3.6.

2.2 New and amended standards and interpretations adopted by the Bank**2.2.1 Standards and interpretations effective during the reporting period**

Amendments to the following standard(s) became effective in the annual period starting from 1st January 2022. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

Interest rate benchmark reform (IBOR)

Phase 2 Amendment to IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 39 Financial Instruments: Recognition and Measurement (amendments) IFRS 4 Insurance contracts, IFRS 7 Financial Instruments: Disclosures, IFRS 16 Leases: requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative benchmark rate instead of derecognising or adjusting the carrying amount of financial instruments for changes required by the reform. An entity will not have to discontinue hedge accounting

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria. In addition, the amendments require companies to provide additional information to investors about new risks arising from the reform and how it manages the transition to alternative benchmark rates. The group will transition to alternative benchmarks as each interest rate benchmark is replaced. The Group is currently assessing the impact of the phase 2 IBOR reform. Group treasury will manage the group's IBOR transition plan. The greatest change is expected to be amendments to the contractual terms of the IBOR-referenced floating-rate instruments. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having accounting implications.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors,

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 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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

IFRS 16 Leases (amendment)

In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient.

The above-mentioned amendments and interpretation to the IFRS standards, adopted on 1 January 2022, did not affect the group's previously reported financial results, disclosures or accounting policies and did not impact the group's results materially upon transition.

2.2.2 Standards and interpretations issued/amended but not yet effective.

Certain accounting standards and interpretations have been published that are not mandatory for December 2022 reporting periods and have not been early adopted by the bank. These standards are not expected to have a material impact on our current or future reporting periods and on foreseeable future transactions.

A. Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exemption to exclude transactions that give rise to equal and offsetting temporary difference – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For lease, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

B Other standards

The following new and amended standards are not expected to have a significant impact on the Group consolidated and separate financial statements.

- Classification of Liabilities as Current or Noncurrent (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance contracts.
- Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice)
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease Liability in a Sale and leaseback (Amendments to IFRS 16).

2.3 Segment reporting

An operating segment is a component of the Group engaged in business activities from which it can earn revenues, whose operating results are regularly reviewed by the Group's Executive [Management/Board] in order

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

to make decisions about resources to be allocated to segments and assessing segment performance. The Group's identification of segments and the measurement of segment results are based on the Group's internal reporting to management. Based on the guidelines of IFRS 8, the Group does not have a reporting segment.

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.
- **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 trading liabilities, 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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 applies IFRS 9 and classified 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
- b) 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.
- c) 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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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.

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.

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.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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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 financial 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

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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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**

In both the current and prior period, 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;

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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- 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

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.

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Category (as defined by IFRS 9)		Classes as determined by the Group	Subclasses		
Financial assets	Financial assets held for trading	Debit Securities	Treasury Bills Federal Government of Nigeria Bonds Promissory Notes Foreign exchange forward contracts		
		Derivatives financial instruments	Convertible loans		
		Equity Securities	Quoted Equity Securities		
		Mutual funds	listed mutual funds		
		Financial assets fair valued through other comprehensive income (FVOCI)	Debit Securities	Treasury Bills Federal Government of Nigeria Bonds Corporate Bonds Promissory Notes Unquoted equities	
	Financial assets	Amortised cost	Investment Securities	Treasury Bills Cash Operating with Central bank of Nigeria Balances with banks in Nigeria Balances with banks outside Nigeria	
			Cash and bank balances	Place with banks and discount houses	
		Financial liabilities at fair value through profit or loss	Loans and advances to banks	Placements with other financial institutions Term loans, overdrafts and commercial bills Margin facilities	
			Loans and advances to customers	Promissory Notes	
		Financial liabilities	Financial liabilities at amortised cost	Derivatives financial instruments liability	Foreign exchange forward contracts
				Due to banks	Call borrowings Secured borrowings and liabilities under repurchase agreement liabilities under repurchase agreement Demand deposits Term deposit
				Due to customers	Customer accounts for foreign trade
				Other liabilities	Account payable Sundry account
				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

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- 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

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- 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 2022.

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:

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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:

qualitative – e.g. breaches of covenant;

quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group;

and

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:

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Stages	Applicable ECL	Criteria (Quantitative)	Criteria (Qualitative)
Stage 1	12 Month ECL	<ul style="list-style-type: none"> • Less than 30 days past due 	<ul style="list-style-type: none"> • All loans upon initial recognition
	Lifetime ECL - Loans that have witnessed significant increase in credit risk	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 2		<ul style="list-style-type: none"> • Obligation with past due exceeding 90 days 	<ul style="list-style-type: none"> • Obligation with past due exceeding 90 days
Stage 3	Lifetime ECL - Loans that have objective evidence of impairment or in default	<ul style="list-style-type: none"> • Internal and external rating downgrade to "C" rating 	<ul style="list-style-type: none"> • Internal and external rating downgrade to "C" rating

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

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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 nonlinearities 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).

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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

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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.

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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 rates

Data consideration included values from 2010 to 2019 and forecast for 2022 to 2026.

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 advice from the Bank'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

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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.

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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 cost

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.

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 asset

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

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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 equivalents

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.

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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 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. Softwares under development are reported at cost and are carried as work-in-progress.

2.21 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)

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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.

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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.

2.22 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) Post-employment benefits

The Company operates a defined contribution scheme in line with the subsisting Pension Act 2014 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 sponsors a post-employment defined contribution 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.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured at undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.23 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

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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.

2.24 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) 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 2020 (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.

(d) Credit Risk Reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Bank assesses qualifying financial assets using the guidance under the Prudential Guidelines. These apply objective and subjective criteria towards providing for losses in risk assets. Assets are classified as performing or non-performing. Non-performing assets

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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.

2.25 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.

2.26 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.

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2.27 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.

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3 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 Bank'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 Bank's executes its strategies to achieve its business objectives and create value.

The risks associated with the Bank'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 Bank to achieve long term success, it must manage all chosen opportunities and identified threats effectively within the Bank'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 Bank'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 Bank's risk appetite.

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

- a. The Bank 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 Bank is governed by formally documented and defined policies and procedures, which are clearly communicated to all.

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- d. The Bank 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 Bank 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 Bank creates and evaluates business units and enterprise risk profiles to consider what is best for its individual Bank's units and the Bank as a whole.
- g. The Bank'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 Bank creates a process for institutionalising the lessons learned from risk events and penalises negligent recurrence.
- j. The Bank has zero tolerance for breach of laws and regulations.
- k. The Bank 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 Bank 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 Bank.
- 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 Bank'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 Management department periodically recommends specific measures relating to these parameters to the Board for approval. The risk appetite guides in setting the parameters listed below:

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Financial

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

Credit

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

Reputational

- Favourable reports from external auditors and rating agencies.
- Zero tolerance for any utterance (by directors or employees) that may impact negatively on the Bank's operations.
- Zero appetite for association with disreputable individuals and organisations.
- Zero appetite for unethical or illegal and/or unprofessional conduct by our directors, executive management and staff.

Ratings

The Bank 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

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

Regulatory

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

Market Risk

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

- Maintaining market risk within limits in line with the Bank'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 Bank in managing market risk tracks the following limits:

- Trading limit
- Stop loss limits
- Interest rate gap limits

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Liquidity Risk

The Bank tracks the following limits 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

Senior management proposes a well articulated risk appetite framework and recommends it to the Board for approval annually. It also establishes a process for allocating the appetite among the business units and subsidiaries and reporting against these limits.

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3.1 Financial Instruments

The gross financial instruments are categorised as follows:

31 December 2022	Notes	Financial Assets			Financial Liabilities	
		At fair value through profit or loss	FVOCI	Amortised Cost	At fair value through profit or loss	Amortised cost
In the assets of Nigerian Naira						
Financial assets:						
Cash	14	-	-	-	-	-
Balances with other banks	14	-	-	-	-	-
- Operative balance with Central Bank of Nigeria	14	-	-	3,321,826	-	-
- Operative balance with Central Bank of Nigeria - E-NARRK Funding	14	-	-	1,100	-	-
- Balances with banks in Nigeria	14	-	-	643,573	-	-
- Balances with banks outside Nigeria	14	-	-	12,685,086	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	14	-	-	25,582,369	-	-
Loans to banks						
- Placements with banks	15	-	-	4,384,210	-	-
Financial instruments Held For Trading						
- Nigerian Treasury Bills	16	286,478	-	-	-	-
- Federal Government of Nigeria Bonds	16	388	-	-	-	-
- Corporate Bonds	16	-	-	-	-	-
Loans and advances						
- Loans and advances (net of impairment)	18	-	-	117,211,421	-	-
Trading Assets						
- Federal Government of Nigeria Bonds	17	10,288,033	-	-	-	-
Investment securities						
- State Bonds	28	-	1,896,414	-	-	-
- Nigerian Treasury Bills	28	-	3,204,483	-	-	-
- Promissory notes	28	-	28,213,349	-	-	-
- Federal Government of Nigeria bonds	28	-	2,235,583	-	-	-
- Corporate bonds	28	-	8,393,387	-	-	-
- Unlisted equity securities	28	-	15,086	-	-	-
Derivative financial instruments						
	18	480,730	-	-	-	-
Pledged assets						
- Nigerian Treasury Bills	21	-	-	-	-	-
- Federal Government of Nigeria bonds	21	240,050	5,903,305	-	-	-
- Corporate bonds	21	-	-	-	-	-
- Promissory notes	21	-	-	-	-	-
Other assets						
- Receivables (net of impairment)	22	-	-	16,085,004	-	-
Financial liabilities:						
Trading Liabilities						
	31	16,085,427	-	-	-	-
- Call borrowings	27	-	-	-	-	7,685,888
- Other Loan balances	27	-	-	-	-	-
- Secured borrowings	27	-	-	-	-	6,218,433
- Refinanced L/Cs	27	-	-	-	-	16,383,277
- Other Balances						
Derivatives						
- FX forward contracts	19	-	-	-	897,892	-
Due to customers						
- Deposits	26	-	-	-	-	32,580,197
- Term	26	-	-	-	-	65,682,274
- Client investments accounts	26	-	-	-	-	-
	26					
Other liabilities						
- Customers' deposit for foreign trade	28	-	-	-	-	6,587,886
- Amounts held on behalf of third parties	28	-	-	-	-	3,483,849
- Unclaimed third party deposits	28	-	-	-	-	12,326
- Bankly creditors	28	-	-	-	-	2,021,875
- Payables	28	-	-	-	-	1,180,157
- Stock obligations and other payable	28	-	-	-	-	6,880,131
- VAT payable	28	-	-	-	-	3,176
- WHT payable	28	-	-	-	-	49,888
Provision						
- Financial guarantee contracts issued	38	-	-	-	-	125,637
Debt securities						
- FSDM Commercial Papers	33	-	-	-	-	19,171,563
- Senior unsecured debt notes	33	-	-	-	-	3,089,721
- Subordinated fixed rate notes sales	33	-	-	-	-	7,276,585
Other borrowed funds						
Trading	33					21,490,224
Other local borrowings	33					12,435,136
		27,133,676	68,334,133	180,764,091	897,892	215,281,546

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31 December 2021		Financial Assets			Financial Liabilities	
In thousands of Nigerian Naira	Notes	At fair value through profit or loss	FVOCI	Amortised Cost	At fair value through profit or loss	Amortised cost
Financial assets:						
Cash and bank balances						
Cash	14	-	-	96	-	-
Balance with other banks	14	-	-	114,034	-	-
- Depository balance with Central Bank of Nigeria	14	-	-	114,034	-	-
- Depository balance with Central Bank of Nigeria - E-Naira Facility	14	-	-	1,000	-	-
Balance with banks in Nigeria	14	-	-	585,086	-	-
Balance with banks outside Nigeria	14	-	-	12,683,435	-	-
Mandatory reserve deposit with Central Bank of Nigeria	14	-	-	30,645,889	-	-
Loans to banks						
- Placements with banks	15	-	-	7,584,735	-	-
- Placements with other financial institutions		-	-	-	-	-
Financial instruments Held For Trading						
- Quoted equity securities		-	-	-	-	-
- Nigerian Treasury Bills	16	603,142	-	-	-	-
- Corporate bonds		-	-	-	-	-
Loans and advances						
- Loans and advances (net of impairment)	16	-	-	70,026,601	-	-
- Margin facilities		-	-	-	-	-
Investment securities						
- Nigerian Treasury Bills	20	-	872,615	-	-	-
- Promissory notes	20	-	22,357,321	-	-	-
- Federal Government of Nigeria bonds	20	-	1,002,387	-	-	-
- Corporate bonds	20	-	16,747,725	-	-	-
- Unquoted equity securities	20	-	15,989	-	-	-
Derivative financial instruments						
	16	621,673	-	-	-	-
Fixed assets						
- Nigerian Treasury Bills	21	347,176	-	-	-	-
- Federal Government of Nigeria bonds	21	-	1,413,760	-	-	-
- Corporate bonds	21	-	-	-	-	-
- Promissory notes	21	-	16,856,913	-	-	-
Other assets						
- Receivables (net of impairment)	32	-	-	3,080,554	-	-
- Receivables (net of impairment)		-	-	-	-	-
- Receivables (net of impairment)		-	-	-	-	-
Financial liabilities:						
Due to banks						
- Other Foreign balances	27	-	-	-	-	43,919
- Other Local balances	27	-	-	-	-	30
- Secured borrowings	27	-	-	-	-	17,286,216
Derivatives						
- FX forward contracts	18	-	-	-	796,048	-
Due to customers						
- Liabilities under purchase agreements		-	-	-	-	26,791,123
- Demand	26	-	-	-	-	34,626,822
- Term	26	-	-	-	-	10,227,898
- Client investments under purchase	26	-	-	-	-	-
Other liabilities						
- Customers' deposit for foreign trade	29	-	-	-	-	3,586,976
- Accounts held on behalf of third parties	29	-	-	-	-	6,276,654
- Uncollected third party deposits	29	-	-	-	-	52,324
- Surplus creditors	29	-	-	-	-	81,866
- Accounts	29	-	-	-	-	236,031
- State charges and other payable	29	-	-	-	-	885,548
- VAT payable	29	-	-	-	-	6,756
- IHT payable	29	-	-	-	-	20,867
Provision						
- Financial guarantee contracts issued	30	-	-	-	-	36,622
Debt securities						
- FSDH Commercial Papers	32	-	-	-	-	16,772,585
- Senior unsecured debt	32	-	-	-	-	5,099,721
- Subordinated fixed rate notes	32	-	-	-	-	7,276,598
		-	-	-	-	-
		1,769,190	56,737,857	131,726,690	796,048	155,457,338

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

3.1.2 Settlement Risk

The bank'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 bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

The FSDH Merchant Bank's Enterprise Risk Management (ERM) Framework and Credit Policy Manual define the overall principles under which FSDH Merchant Bank is prepared to assume credit risk. The standard sets out the overall framework for the consistent and unified governance, identification, measurement, management and reporting of credit risk in FSDH.

These policies provide a comprehensive framework within which all credit risk emanating from the operations of FSDH 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.

The Management Risk Committee is mandated to provide high level centralized management of credit risk for the Bank. The purpose of the Management Risk Committee is to assist the Board Risk Committee in fulfilling its oversight responsibility in exercising diligence, due care and skill to oversee, direct and review the management of credit risk within the Bank. Specifically, the roles and responsibilities of the Committee include the following:

- Credit strategy and policy formulation
- Credit approval
- Credit monitoring
- Credit risk compliance

3.1.3 Principal Credit Policies

The principal credit policies guiding the Bank shields the Bank 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.

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Over the years, the bank has expanded its operational scope and enhanced its suite of financial advisory services to its clientele. The product offerings of the bank include buying and selling of securities, term loans, invoice discounting, overall, 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 bank would incur if a counterparty (such as a bank, corporate, individual or sovereign) or an issuer of securities (or other instruments the bank 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 bank 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 & receivables and placement with banks, the Bank 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 Corporate Risk Rating models. The Bank 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 Bank generally avoids high risk obligors that will warrant frequent reviews and management.

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The bank 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.

S/N	Credit Rating
1	Aaa+
2	Aa+
3	Aa
4	Aa-
5	A+
6	A
7	A-
8	Bbb+
9	Bbb
10	Bbb-
11	Bb+
12	Bb
13	Bb-
14	B+
15	B
16	B-
17	Baa+
18	Baa
19	Baa-
20	Ba+
21	Ba
22	Ba-
23	B+
24	B
25	B-

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 memorandum(CAM). A signed CAM must evidence all types of credit lines being considered for the client. The Board of Directors of the Bank set up a Board Risk Committee (BRC) with the authority to approve credit facilities on behalf of the Board. The Board also gave the authority to grant credit approval to the Management Risk Committee (MRC).

All credits in the bank are rated using the bank'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. The limits set by the Board are as indicated below:

Approving Authorities	Approved Volume	Ratings
Management Risk Committee	Up to N10.5bn	Aa - Aaa
Management Risk Committee	Up to N300Mn	Bbb- -A
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	Any amount	C

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

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

It is pertinent to state that these limits are reviewed from time to time as the circumstances demand.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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Economic variable assumptions

The most significant period-end assumption used for the ECL estimate as at 31 December 2022 and 31 December 2021 were Exchange Rate, Inflation and Crude Oil Price using Brent as the benchmark considering its ability to be forecasted into the future.

31 December 2022		2022	2023	2024	2025	2026
Exchange Rate - Using NAPEX as reference	Base Case	461.10	572.53	602.16	657.60	711.00
	Optimistic Case	515.28	563.33	579.64	630.31	682.20
	Pessimistic Case	532.57	574.83	615.85	672.27	725.87
Inflation(%)	Base Case	21.34	20.77	18.83	17.02	15.17
	Optimistic Case	20.35	19.67	18.12	15.23	14.20
	Pessimistic Case	21.09	22.77	19.50	18.32	16.13
Brent Crude Price - Year on Year	Base Case	88.31	88.73	86.14	83.79	89.26
	Optimistic Case	80.00	81.00	83.45	79.24	83.45
	Pessimistic Case	95.12	97.30	88.76	88.00	96.15
31 December 2021		2021	2022	2023	2024	2025
Brent Crude Price - Year on Year	Base Case	64.56	65.02	67.16	69.56	75.24
	Optimistic Case	70.05	72.01	75.53	79.24	85.16
	Pessimistic Case	52	60	60.95	59.43	70.21

SENSITIVITY ANALYSIS

The most significant assumptions affecting the ECL allowance was crude oil prices

Crude oil price, given the significant impact on companies' performance and collateral valuations, and

Set out below are the changes to the ECL as at 31 December 2022 that would result from reasonable possible changes in this the EAD 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%).

December 2022	10%	No change	-10%
Brent Crude Price	1,772,084	1,895,480	1,963,148
December 2021	10%	No change	-10%
Brent Crude Price	2,506,031	2,417,816	2,594,245

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3.1.6 Collateral Policies

To minimise the risk of loss by the Bank in the event of a decline in quality or delinquency, the Bank 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 realisable 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 Bank 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 Commercial Bills and 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 Bank's internal rating model.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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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;

	Notes	Dec-22 N'000	Dec-21 N'000
Cash and bank balances	14	-	98
Balances with other banks			
- Operating balance with Central Bank of Nigeria	14	3,321,820	114,034
- Operating balance with Central Bank of Nigeria-4 NAIRA		1,000	1,000
FUNDING	14		
- Balances with banks in Nigeria	14	643,573	585,086
- Balances with banks outside Nigeria	14	12,665,088	12,653,435
- Mandatory reserve deposit with Central Bank of Nigeria	14	26,562,369	30,845,869
Loans to banks			
- Placements with banks	16	4,304,210	7,804,755
Financial instruments held for trading/in fair value through profit or loss			
- Nigerian Treasury Bills	18	205,478	600,142
- Federal Government of Nigeria Bonds	18	-	-
- Federal Government of Nigeria Bonds	17	388	-
Trading Assets			
- Federal Government of Nigeria Bonds	17	10,208,000	-
Derivative financial instruments			
- Foreign exchange forward contract	18	460,730	821,873
Loans and advances to customers			
- Loans and advances (net of impairment)	19	117,211,421	76,628,901
- Promissory notes		-	-
- Margin facilities		-	-
Investment securities through FVOCI			
- Nigerian Treasury Bills	20	3,291,463	872,615
- Federal Government of Nigeria bonds	20	2,236,568	1,682,387
- Corporate bonds	20	8,320,367	10,747,725
- Promissory notes	20	39,210,349	22,957,321
- State Bonds	20	1,690,414	2,051,853
- Unquoted equity securities	20	15,666	15,666
Pledged assets			
- Nigerian Treasury Bills	21	249,050	347,175
- Federal Government of Nigeria bonds	21	5,963,306	1,419,780
- Corporate bonds	21	-	-
- Promissory Notes	21	-	10,990,610
Other assets			
- Receivables	22	16,055,004	3,086,554
		202,823,373	184,236,836
Credit related commitments			
- Letters of Credit	41	23,725,165	15,389,465
- Performance bonds and guarantees	41	5,422,442	6,671,861
- Loan commitments	41	34,043,909	37,359,761
		63,191,516	63,021,086

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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The table below shows the financial instruments in accordance with their geographical spread as at 31 December 2022

	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
In thousands of Nigerian Naira					
Financial assets:					
Cash and bank balances	-	-	-	-	-
Balances with other banks	-	-	3,321,826	-	3,321,826
- Operating balance with Central Bank of Nigeria	-	-	-	-	-
- Operating balance with Central Bank of Nigeria - NARA FUNGID	-	-	1,800	-	1,800
Balances with banks in Nigeria	643,573	-	-	-	643,573
Balances with banks outside Nigeria	-	-	-	12,645,088	12,645,088
Mandatory reserve deposit with Central Bank of Nigeria	-	-	26,962,359	-	26,962,359
Loans to banks	-	-	-	-	-
- Placements with banks	4,304,210	-	-	-	4,304,210
Financial instruments held at fair value through profit or loss	-	-	-	-	-
- Nigerian Treasury Bills	206,478	-	-	-	206,478
- State Bonds	388	-	-	-	388
- Federal Government of Nigeria Bonds	-	-	-	-	-
Trading Assets	-	-	-	-	-
- Federal Government of Nigeria Bonds	19,208,803	-	-	-	19,208,803
Derivative financial instruments	-	-	-	-	-
- Foreign exchange forward contract	468,736	-	-	-	468,736
Loans and advances	-	-	-	-	-
- Loans and advances (net of impairment)	112,571,348	603,837	3,976,239	-	117,211,421
- Mortgage facilities (net of impairment)	-	-	-	-	-
Investment securities	-	-	-	-	-
- Nigerian Treasury Bills	3,291,463	-	-	-	3,291,463
- Federal Government of Nigeria bonds	2,238,507	-	-	-	2,238,507
- Corporate bonds	8,158,798	-	-	2,189,573	8,328,367
- Promissory Notes & Commercial Bills	36,698,726	205,222	-	2,385,408	39,218,256
- State Bonds	186,614	-	-	-	186,614
- Unquoted equity securities	15,896	-	-	-	15,896
Pledged assets	-	-	-	-	-
- Nigerian Treasury Bills	249,856	-	-	-	249,856
- Federal Government of Nigeria bonds	5,963,306	-	-	-	5,963,306
- Corporate bonds	-	-	-	-	-
- Promissory notes	-	-	-	-	-
Other assets	-	-	-	-	-
- Receivables	16,058,804	-	-	-	16,058,804
Total	269,852,713	869,659	33,961,534	17,140,068	252,823,371
	Lagos	PortHarcourt	Abuja	Outside Nigeria	Total
- Letters of Credit	33,728,935	-	-	-	33,728,935
- Performance bonds and guarantees	5,422,442	-	-	-	5,422,442
- Loan commitments	34,343,839	-	-	-	34,343,839
Total	63,191,516	-	-	-	63,191,516

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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The table below shows the financial instruments in accordance with their geographical spread as at 31 December 2022:

In thousands of Nigerian Naira	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
Financial assets:					
Cash and bank balances	36	-	-	-	36
Balances with other banks	-	-	-	-	-
- Operating balance with Central Bank of Nigeria	-	-	114,034	-	114,034
- Balances with banks in Nigeria	806,080	-	1,890	-	807,970
- Balances with banks outside Nigeria	-	-	-	12,653,438	12,653,438
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	36,845,869	-	36,845,869
Loans to banks	-	-	-	-	-
- Placements with banks	7,804,755	-	-	-	7,804,755
- Placements with other financial institutions	-	-	-	-	-
Financial instruments held at fair value through profit or loss	-	-	-	-	-
- Nigerian Treasury Bills	600,142	-	-	-	600,142
- Federal Government of Nigeria Bonds	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
- Foreign exchange forward contract	821,873	-	-	-	821,873
Loans and advances	-	-	-	-	-
- Loans and advances (net of impairment)	74,642,887	627,054	1,356,450	-	76,626,391
Investment securities	-	-	-	-	-
- Nigerian Treasury Bills	872,616	-	-	-	872,616
- Federal Government of Nigeria bonds	1,602,387	-	-	-	1,602,387
- Corporate bonds	16,747,726	-	-	-	16,747,726
- Promissory Notes & Commercial Bills	22,857,321	-	-	-	22,857,321
- State Bonds	2,851,853	-	-	-	2,851,853
- Unquoted Equity Securities	16,686	-	-	-	16,686
Regulatory assets	-	-	-	-	-
- Nigerian Treasury Bills	347,175	-	-	-	347,175
- Federal Government of Nigeria bonds	1,416,780	-	-	-	1,416,780
- Corporate bonds	-	-	-	-	-
- Promissory notes	16,890,610	-	-	-	16,890,610
Other assets	-	-	-	-	-
- Receivables	3,896,554	-	-	-	3,896,554
Total	138,638,485	627,054	32,317,353	12,663,438	164,236,330
	Lagos	Port-Harcourt	Abuja	Outside Nigeria	Total
- Letters of Credit	16,388,466	-	-	-	16,388,466
- Performance bonds and guarantees	6,671,861	-	-	-	6,671,861
- Loan commitments	37,856,761	-	-	-	37,856,761
Total	61,317,088	-	-	-	61,317,088

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3.1.9 Principal Credit Quality

The following table breaks down the bank's credit exposure and their carrying amounts (without taking into account any collateral held or other credit support) categorised by credit quality - 31 December 2022

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets						
Cash	-	-	-	-	-	-
Balance with other banks						
- Operating balance with Central Bank of Nigeria	3,321,526	-	-	3,321,526	-	3,321,526
- Operating balance with Central Bank of Nigeria NABFA FUNDING	1,063	-	-	1,063	-	1,063
- Balance with banks in Nigeria	643,573	-	-	643,573	-	643,573
- Balance with banks outside Nigeria	12,895,088	-	-	12,895,088	-	12,895,088
- Mandatory reserve deposit with Central Bank of Nigeria	26,562,389	-	-	26,562,389	-	26,562,389
Loans to banks						
- Placements with banks	4,307,630	-	-	4,307,630	3,633	4,304,210
- Placements with other financial institutions	-	-	-	-	-	-
Financial instruments held at fair value through profit or loss						
- Nigerian Treasury Bills	206,478	-	-	206,478	-	206,478
- State Bonds	388	-	-	388	-	388
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Trading Assets						
- Federal Government of Nigeria Bonds	16,208,063	-	-	16,208,063	-	16,208,063
Derivative financial instruments						
- Foreign exchange forward contract	490,730	-	-	490,730	-	490,730
Loans and advances						
- Loans and advances	118,565,969	-	1,997,983	118,565,962	1,352,531	117,211,421
Investment securities						
- Nigerian Treasury Bills	3,294,218	-	-	3,294,218	2,755	3,291,463
- Federal Government of Nigeria bonds	2,209,189	-	-	2,209,189	32,581	2,230,569
- Corporate bonds	8,383,626	-	-	8,383,626	63,258	8,320,367
- Promissory notes	38,230,633	-	-	38,230,633	80,484	38,210,349
- Unrated equity securities	15,686	-	-	15,686	-	15,686
- State Bonds	1,903,127	-	-	1,903,127	6,719	1,896,414
Pledged assets						
- Nigerian Treasury Bills	249,050	-	-	249,050	-	249,050
- Federal Government of Nigeria bonds	5,963,305	-	-	5,963,305	-	5,963,305
- Corporate bonds	-	-	-	-	-	-
- Promissory notes	-	-	-	-	-	-
Other assets						
- Receivables	16,997,987	-	-	16,997,987	42,983	16,955,004
Total	252,416,126	-	1,997,983	254,436,189	1,684,738	252,823,373
Off-balance sheet financial assets						
- Letters of Credit	23,794,287	-	-	23,794,287	30,122	23,725,165
- Performance bonds and guarantees	5,425,288	-	-	5,425,288	895	5,422,442
- Lease commitments	24,129,619	-	-	24,129,619	85,713	24,043,293
Total	63,317,174	-	-	63,317,174	126,687	63,191,617

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31 December 2021

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Cash	55	-	-	55	-	55
Balances with other banks	-	-	-	-	-	-
- Operating balance with Central Bank of Nigeria	114,034	-	-	114,034	-	114,034
- Balances with banks in Nigeria	585,090	-	-	585,090	57	585,029
- Balances with banks outside Nigeria	12,653,435	-	-	12,653,435	1,751	12,651,684
- Mandatory reserve deposit with Central Bank of Nigeria	30,845,869	-	-	30,845,869	-	30,845,869
-	-	-	-	-	-	-
Loans to banks	-	-	-	-	-	-
- Placements with banks	7,804,755	-	-	7,804,755	19,726	7,785,029
- Placements with other financial institutions	-	-	-	-	-	-
-	-	-	-	-	-	-
Financial instruments held for trading	-	-	-	-	-	-
- Quoted equity securities	-	-	-	-	-	-
- Nigerian Treasury Bills	600,142	-	-	600,142	-	600,142
- Corporate bonds	-	-	-	-	-	-
-	-	-	-	-	-	-
Derivative financial instruments	821,873	-	-	821,873	-	821,873
-	-	-	-	-	-	-
Loans and advances	-	-	-	-	-	-
- Loans and advances	75,327,388	-	3,717,349	79,044,737	2,417,816	76,626,921
-	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
- Nigerian Treasury Bills	872,615	-	-	872,615	60	872,535
- Promissory notes	22,957,321	-	-	22,957,321	949	22,956,372
- Federal Government of Nigeria bonds	1,662,387	-	-	1,662,387	126,075	1,536,312
- Corporate bonds	10,747,725	-	-	10,747,725	3,640	10,744,085
- Unquoted equity securities	15,699	-	-	15,699	-	15,699
-	-	-	-	-	-	-
Pledged assets	-	-	-	-	-	-
- Nigerian Treasury Bills	10,990,610	-	-	10,990,610	-	10,990,610
- Federal Government of Nigeria bonds	-	-	-	-	-	-
- Corporate bonds	-	-	-	-	-	-
-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
- Receivables	-	-	-	-	-	-
Total	176,016,942	-	3,717,349	179,736,291	2,579,194	154,239,625
Off balance sheet financial assets						
- Letters of Credit	18,389,465	-	-	18,389,465	17,175	18,372,290
- Performance bonds and guarantees	6,671,861	-	-	6,671,861	3,039	6,668,822
- Loan commitments	37,959,761	-	-	37,959,761	14,908	37,944,853
Total	63,021,087	-	-	63,021,089	35,923	62,985,166

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3.1.10 - Disclosure on Loss Allowance

The following table breaks down the bank's loss allowance
31 December 2022

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Impairment allowance
Financial assets:				
Cash	-	-	-	-
Balances with other banks				
- Operating balance with Central Bank of Nigeria	-	-	-	-
- Operating balance with Central Bank of Nigeria- e NAIRA FUNDING	-	-	-	-
- Balances with banks in Nigeria	-	-	-	-
- Balances with banks outside Nigeria	-	-	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	-	-
Loans to banks	-	-	-	-
- Placements with banks	3,420.00	-	-	3,420.00
- Placements with other financial institutions	-	-	-	-
Loans and advances				
- Loans and advances	690,121.87	-	662,409.47	1,352,531.34
Investment securities				
- Nigerian Treasury Bills	2,754.54	-	-	2,754.54
- Federal Government of Nigeria bonds	32,591.05	-	-	32,591.05
- Corporate bonds	63,258.76	-	-	63,258.76
- Promissory notes	80,483.96	-	-	80,483.96
- Unquoted equity securities	-	-	-	-
- State Bonds	6,713.31	-	-	6,713.31
- Receivables	42,982.99	-	-	42,982.99
-	-	-	-	-
Total	750,777.26	32,865.66	801,093.47	1,584,735.94
Off balance sheet financial assets				
- Letters of Credit	39,122.12	-	-	39,122.12
- Performance bonds and guarantees	825.64	-	-	825.64
- Loan commitments	85,709.64	-	-	85,709.64
Total	125,657.41	-	-	125,657.41

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31 December 2021

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Impairment allowance
Financial assets:				
Cash	-	-	-	-
Balances with other banks				
- Operating balance with Central Bank of Nigeria	-	-	-	-
- Operating balance with Central Bank of Nigeria- NAIRA FUNDING	-	-	-	-
- Balances with banks in Nigeria	57.00	-	-	57.00
- Balances with banks outside Nigeria	1,751.68	-	-	1,751.68
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	-	-
Loans to banks	-	-	-	-
- Placements with banks	19,666.00	-	-	19,666.00
- Placements with other financial institutions	-	-	-	-
Loans and advances				
- Loans and advances	305,610.00	-	2,112,206.00	2,417,816.00
Investment securities				
- Nigerian Treasury Bills	80.108	-	-	80.11
- Federal Government of Nigeria bonds	849.08	-	-	849.08
- Corporate bonds	126,074.53	-	-	126,074.53
- Promissory notes	3,839.96	-	-	3,839.95
- Unquoted equity securities	-	-	-	-
- State Bonds	-	-	-	-
Total	467,928.35	-	2,112,206.00	2,570,134.35
Off balance sheet financial assets				
- Letters of Credit	17,175.00	-	-	17,175.00
- Performance bonds and guarantees	3,839.00	-	-	3,839.00
- Loan commitments	14,908.00	-	-	14,908.00
Total	35,922.00	-	-	35,922.00

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FOR THE YEAR ENDED 31 DECEMBER 2022

3.1.11 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:-

31 December 2022

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Cash	-	-	-	-	-	-
Balances with other banks						
- Operating balances with Central Bank of Nigeria	3,321,896	-	-	3,321,896	-	3,321,896
- Balances with banks in Nigeria	644,573	-	-	644,573	-	644,573
- Balances with banks outside Nigeria	12,865,088	-	-	12,865,088	-	12,865,088
- Mandatory reserve deposit with Central Bank of Nigeria	26,562,368	-	-	26,562,368	-	26,562,368
Loans to banks						
- Placements with banks	4,311,050	-	-	4,311,050	3,420	4,307,630
- Placements with other financial institutions	-	-	-	-	-	-
Financial instruments held at fair value through profit or loss						
- Nigerian Treasury Bills	206,478	-	-	206,478	-	206,478
- State Bonds	388	-	-	388	-	388
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
Trading Assets						
- Federal Government of Nigeria Bonds	10,208,003	-	-	10,208,003	-	10,208,003
Derivative financial instruments						
- Foreign exchange forward contract	460,730	-	-	460,730	-	460,730
Loans and advances						
- Loans and advances	116,565,968	-	1,997,983	118,563,952	1,352,531	117,211,421
Investment securities						
- Nigerian Treasury Bills	3,294,218	-	-	3,294,218	2,785	3,291,433
- Federal Government of Nigeria bonds	2,269,159	-	-	2,269,159	32,591	2,236,568
- Corporate bonds	6,303,626	-	-	6,303,626	63,209	6,240,417
- Promissory Notes	39,250,833	-	-	39,250,833	80,494	39,170,339
- Unrated equity securities	15,688	-	-	15,688	-	15,688
- State Bonds	1,903,127	-	-	1,903,127	4,713	1,898,414
Placed assets						
- Nigerian Treasury Bills	249,050	-	-	249,050	-	249,050
- Federal Government of Nigeria bonds	5,963,306	-	-	5,963,306	-	5,963,306
- Corporate bonds	-	-	-	-	-	-
- Promissory Note	-	-	-	-	-	-
Other assets						
- Receivables	16,008,478	-	-	16,008,478	42,983	15,965,495
Total	252,324,037	-	1,997,983	254,322,020	1,584,736	252,737,284
Off balance sheet financial assets						
- Letters of Credit	23,764,287	-	-	23,764,287	39,122	23,725,165
- Performance bonds and guarantees	5,423,268	-	-	5,423,268	8,261	5,415,007
- Loan commitments	34,125,619	-	-	34,125,619	85,710	34,039,909
Total	63,313,174	-	-	63,313,174	125,093	63,188,081

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31 December 2021

In thousands of Nigerian Naira	Stage 1 Assets	Stage 2 Assets	Stage 3 Assets	Gross	Impairment allowance	Net
Financial assets:						
Cash	66	-	-	66	-	66
Balances with other banks						
- Operating balance with Central Bank of Nigeria	114,034	-	-	114,034	-	114,034
- Balances with banks in Nigeria	585,086	-	-	585,086	-	585,086
- Balances with banks outside Nigeria	12,653,435	-	-	12,653,435	-	12,653,435
- Mandatory reserve deposits with Central Bank of Nigeria	30,845,889	-	-	30,845,889	-	30,845,889
-	-	-	-	-	-	-
Loans to banks						
- Placements with banks	7,804,755	-	-	7,804,755	21,538	7,783,217
- Placements with other financial institutions	-	-	-	-	-	-
-	-	-	-	-	-	-
Loans and advances						
- Loans and advances	75,327,368	-	3,717,349	79,044,717	2,417,816	76,626,901
-	-	-	-	-	-	-
Investment securities						
- Nigerian Treasury Bills	672,615	-	-	672,615	-	672,615
- Federal Government of Nigeria bonds	1,682,387	-	-	1,682,387	-	1,682,387
- Corporate bonds	10,747,725	-	-	10,747,725	130,844	10,616,881
- Unquoted equity securities	15,666	-	-	15,666	-	15,666
Placed assets						
- Nigerian Treasury Bills	-	-	-	-	-	-
- Federal Government of Nigeria bonds	10,990,610	-	-	10,990,610	-	10,990,610
- Corporate bonds	-	-	-	-	-	-
- Promissory notes	-	-	-	-	-	-
Other assets						
- Receivables	3,098,554	-	-	3,098,554	-	3,098,554
Total	154,758,168	-	3,717,349	158,455,509	2,570,195	155,885,314
Off balance sheet financial assets						
- Letters of Credit	18,389,465	-	-	18,389,465	-	18,389,465
- Performance bonds and guarantees	6,671,861	-	-	6,671,861	2,433	6,669,428
- Loan commitments	37,959,761	-	-	37,959,761	33,489	37,926,272
Total	63,021,087	-	-	63,021,086	35,922	62,985,164

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3.1.12 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 bank are as follows:

31 December 2022						
In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	Total
Financial assets:						
Cash	-	-	-	-	-	-
Balances with other banks						
- Overnight balance with Central Bank of Nigeria	-	-	-	3,321,926	-	3,321,926
- Operating balance with Central Bank of Nigeria - Naira FUNDING	-	-	-	1,000	-	1,000
- Balances with banks in Nigeria	-	-	-	643,574	-	643,574
- Balances with banks outside Nigeria	552,694	8,632,744	(9,923)	3,439,426	-	12,965,088
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	-	26,562,369	-	26,562,369
Loans to banks						
- Placements with banks	566,189	1,000,521	-	2,305,500	-	4,304,210
Financial instruments held for trading						
- Nigerian Treasury Bills	206,478	-	-	-	-	206,478
- Federal Government of Nigeria Bonds	388	-	-	-	-	388
Trading Assets						
- Federal Government of Nigeria Bonds	10,208,003	-	-	-	-	10,208,003
Loans and advances						
- Loans and advances	50,405,755	14,024,065	51,850,502	31,098	-	117,211,420
Derivative financial instruments						
- Foreign exchange forward contract	460,730	-	-	-	-	460,730
Investment securities						
- Federal Government of Nigeria bonds	3,291,463	-	-	-	-	3,291,463
- Nigerian Treasury Bills	2,236,968	-	-	-	-	2,236,968
- Corporate bonds	864,360	896,430	2,020,000	4,449,007	-	8,320,367
- Promissory notes	39,210,349	-	-	-	-	39,210,349
- Unquoted equity securities	15,666	-	-	-	-	15,666
- State Bonds	1,806,414	-	-	-	-	1,806,414
Placed assets						
- Nigerian Treasury Bills	249,059	-	-	-	-	249,059
- Federal Government of Nigeria bonds	5,063,306	-	-	-	-	5,983,306
- Corporate bonds	-	-	-	-	-	-
- Promissory notes	-	-	-	-	-	-
Other assets						
- Receivables	-	-	-	-	15,055,004	15,055,004
	116,648,713	25,453,729	53,941,025	40,723,901	18,855,004	252,823,373
	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	Total
- Letters of Credit	9,144,373	8,489,584	6,111,207	-	-	23,725,164
- Performance bonds and guarantees	5,146,119	-	273,331	-	-	5,422,441
- Loan commitments	11,468,815	16,753,897	3,801,097	-	-	34,943,909
Total	25,762,298	27,223,681	10,185,635	-	-	63,191,514

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31 December 2021

The table below shows financial instruments in accordance with their respective ratings as at 31 December 2021

In thousands of Nigerian Naira	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	Total
Financial assets:						
Cash	-	-	-	-	50	50
Balances with other banks						
- Operating balances with Central Bank of Nigeria	114,034	-	-	-	-	114,034
- Operating balances with Central Bank of Nigeria (funding Naira Fundline)	1,000	-	-	-	-	1,000
Balances with banks in Nigeria	-	473,394	111,932	-	-	585,326
Balances with banks outside Nigeria	8,635,564	606,883	1,232,833	2,119,203	31	12,653,314
Mandatory reserve deposits with Central Bank of Nigeria	30,845,869	-	-	-	-	30,845,869
Loans to banks						
- Placements with banks	700,086	-	7,134,908	-	-	7,834,994
Financial instruments held for trading						
- Nigerian Treasury Bills	600,142	-	-	-	-	600,142
- Federal Government of Nigeria Bonds	-	-	-	-	-	-
- Corporate Bonds	-	-	-	-	-	-
Loans and advances						
- Loans and advances	10,698,106	24,791,090	33,287,230	1,289,230	-	70,065,656
Derivative financial instruments						
- Foreign exchange forward contract	821,873	-	-	-	-	821,873
Investment securities						
- Federal Government of Nigeria bonds	872,815	-	-	-	-	872,815
- Nigerian Treasury Bills	1,892,367	-	-	-	-	1,892,367
- Corporate bonds	2,481,333	402,562	7,839,150	225,330	-	10,747,124
- Promissory Notes	22,957,321	-	-	-	-	22,957,321
Pledged assets						
- Nigerian Treasury Bills	9,744,354	-	-	-	-	9,744,354
- Federal Government of Nigeria bonds	532,350	-	-	-	-	532,350
- Corporate bonds	-	-	-	-	-	-
- Promissory Notes	4,074,104	-	-	-	-	4,074,104
Unrated equity	-	-	-	-	-	-
Other assets						
- Receivables	-	-	-	-	1,155,070	1,155,070
Total	93,761,138	26,274,049	49,434,993	3,611,892	1,155,163	184,236,235
	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	Total
- Letters of Credit	3,894,828	5,688,314	9,210,314	-	-	18,793,456
- Performance bonds and guarantees	6,206,629	1,213,532	-	-	-	7,420,161
- Loan commitments	17,578,246	12,813,245	7,589,276	-	-	37,980,767
Total	26,669,664	19,714,891	16,799,590	-	-	63,184,145

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3.1.13 Financial Assets Individually Impaired

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 ICDH 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 significant loans has been 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 credit losses that have not been incurred) discounted at the loan's effective interest rate computed at initial recognition.

At 31 Dec 2022	Loans to customers at amortised cost HK\$
Gross amount	1,667,983
Stage III impairment	662,409
Net amount	1,005,574
Fair value of collateral	-

At 31 Dec 2021	Loans to customers at amortised cost HK\$
Gross amount	3,717,349
Stage III impairment	2,112,205
Net amount	1,605,143
Fair value of collateral	-

3.1.14 Collaterals

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

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

In thousands of Naira	Loans and Advances To Customers		Loans and Advances To Banks	
	December 2022	December 2021	December 2022	December 2021
	Property	629	-	-
Bank Guarantees	4,347,370	2,897,032	-	-
Cash	14,102,160	14,243,634	-	-
Pledged goods/receivables	9,526,030	103,336	-	-
FGN Securities	23,678,300	3,304,209	2,305,500	-
All Asset Debenture	37,977,870	69,443,800	-	-
Corporate guarantee	9,650,390	8,734,699	-	-
Others	17,762,531	-	2,602,130	-
Total	117,045,180	96,786,710	4,907,630	880

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3.1.15 - Disclosure on significant changes in Gross Amount

The following table explains 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 2022	In thousands of Nigerian Naira				Total
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit - Impaired	
Gross Carrying Amount As At 1 January 2022	75,358,149	-	3,717,549	30,781	79,044,717
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	1,927,142	-	1,927,142
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Financial Assets derecognised during the period other than write-offs	-	-	70,841	-	70,841
New Financial Assets originated or purchased	36,168,720	-	-	-	36,168,720
FX and other movements	-	-	-	-	-
Gross Carrying Amount As At 31 December 2022	111,526,869	-	5,715,332	30,781	117,211,420

3.1.16 - 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 therein.

31 December 2022	In thousands of Nigerian Naira				Total
	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased Credit - Impaired	
Loss Allowance As At 1 January 2022	350,779	163,689	2,147,832	42,905	2,417,816
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-
Transfer from Stage 2 to Stage 3	-	156,565	843,038	-	839,603
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-	-
Modification of contractual cashflows of financial assets	127,793	-	33,668	-	33,668
New Financial Assets originated or purchased	-	-	-	-	-
FX and other movements	-	-	2,056,350	-	2,056,350
Loss Allowance As At 31 December 2022	518,573	32,865.66	759,188	42,904.55	1,352,531

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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 Risk Management unit is mandated to assess, monitor and manage market risk for the Bank. The primary objective of the Risk Management unit is to establish a comprehensive and independent market risk control framework.

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 Bank. Limits are reviewed annually.

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Mark-to-Market

The Risk management unit, independent of the Treasury Unit., does the mark-to-market process. Daily market quotes are obtained transparently, and the unrealized profit or losses are computed. The results are presented to management daily.

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 Bank'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 bank 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. Apart from regulatory imposed limits such as the net

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open position limit (OPL) which is set at 0.5% of Shareholders' funds that helps to limit these exposures, the bank has market risk limits such as:

- Daily mark-to-market mechanism that revalue 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 Bank 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 bank 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 in the year 2014, the CBN issued a policy stating that the Net Open Position (long or short) of the overall foreign currency assets and liabilities taking into cognizance both those on and off-balance sheet should not exceed 10% of shareholders' funds unimpaired by losses using the Gross Aggregate Method.

The Group does a daily monitoring of its foreign currency balance sheet to ensure that Open positions do not exceed regulatory prescribed limit.

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

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Group and Bank	31 December	31 December	31 December	31 December	31 December	31 December	31 December
	2022	2022	2022	2022	2022	2022	2022
	NGN N'000	USD N'000	GBP N'000	EUR N'000	CNY N'000	ZAR N'000	Total N'000
ASSETS							
Cash and balances with central bank	29,909,519	12,042,547	140,832	1,102,064	(1,069)	64	43,193,957
Placements to banks and other financial institutions	2,001,010	2,303,199	-	-	-	-	4,304,209
Financial instruments held at fair value through profit or loss	206,666	-	-	-	-	-	206,666
Trading Assets	10,208,003	-	-	-	-	-	10,208,003
Derivative assets held for risk management	-	460,730	-	-	-	-	460,730
Loans and advances to customers	67,348,419	48,868,828	-	974,073	-	-	117,211,420
Investment securities	47,576,428	7,384,369	-	-	-	-	54,970,827
Pledged assets	6,212,366	-	-	-	-	-	6,212,366
Right of use assets	86,963	-	-	-	-	-	86,963
Other assets	20,174,010	-	-	-	-	-	20,174,010
Total assets	183,723,565	71,069,803	140,832	2,076,137	(1,069)	64	257,029,332
	NGN	USD	GBP	EUR	CNY	ZAR	
LIABILITIES							
Due to banks	13,884,241	15,437,161	-	895,116	-	-	30,187,518
Due to customers	66,389,145	30,782,879	172,387	907,057	-	-	98,251,468
Derivative financial instruments	-	587,602	-	-	-	-	587,602
Trading liabilities	11,011,640	4,966,788	-	-	-	-	16,008,427
Lease liabilities	62,759	-	-	-	-	-	62,759
Other liabilities	20,737,252	-	-	-	-	-	20,737,252
Debt securities issued	32,111,270	-	-	-	-	-	32,111,270
Other borrowed funds	12,418,156	21,450,224	-	-	-	-	33,868,380
Total liabilities	156,614,463	73,254,653	172,387	1,773,173	-	-	231,814,676
Net on balance sheet financial position	27,109,102	(2,164,850)	(31,555)	302,964	(1,069)	64	25,214,656
Credit Commitments							
- Letters of Credit	-	23,266,118	11,871	438,561	8,415	-	23,725,165
- Performance bonds and guarantees	5,376,332	46,110	-	-	-	-	5,422,442
- Loan commitments	32,990,504	-	-	-	-	-	32,990,504
	38,366,836	23,312,228	11,871	438,561	8,415	-	62,138,111
Shareholders' Funds as at Dec 2022		27,108,911	27,108,911	27,108,911	27,108,911	27,108,911	27,108,911
Net Balance sheet Position Limit / SHF		8%	0%	1%	0%	0%	9%

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	31 December 2021	Total						
	NGN N'000	USD N'000	GBP H'000	EUR N'000	CNY H'000	ZAR N'000		INR N'000
ASSETS								
Cash and balances with central bank	3,144,361	11,694,630	220,764	759,672	99,907	13,617		44,199,479
Placements to banks and other financial institutions	7,703,220	-	-	-	-	-		7,703,220
Financial instruments held at fair value through profit or loss	600,142	-	-	-	-	-		600,142
Derivative assets held for risk management	-	820,675	-	-	1,198	-		821,873
Loans and advances to customers	47,125,295	29,003,495	-	408,112	-	-		76,626,902
Investment securities	37,960,489	425,150	-	-	-	-		38,327,839
Pledged assets	19,560,779	2,106,786	-	-	-	-		12,757,955
Right of use assets	70,721	-	-	-	-	-		70,721
Other assets	2,787,701	310,853	-	-	-	-		3,098,554
Total assets	138,274,727	44,421,599	220,764	1,257,784	99,105	13,117		194,286,099
LIABILITIES								
Due to banks	65	25,400,229	-	654,507	-	13,617		26,147,903
Due to customers	53,075,015	17,707,290	193,968	13,620	-	-		71,794,892
Derivative financial instruments	-	794,976	-	-	1,079	-		796,046
Trading liabilities	5,576,479	-	-	-	-	-		5,576,479
Lease liabilities	66,810	-	-	-	-	-		66,810
Other liabilities	4,598,072	5,305,948	-	546,827	99,907	-		11,025,694
Debt securities issued	29,148,871	-	-	-	-	-		29,148,871
Other borrowed funds	17,258,216	-	-	-	-	-		17,258,216
Total liabilities	110,961,459	49,378,434	193,968	1,214,954	97,978,84	13,112,36		161,864,901
Net on balance sheet financial position	27,313,269	-4,956,836	21,796	42,830	126	9		32,421,198
Credit Commitments								
- Letters of Credit	-	16,825,315	36,563	510,086	53,213,22	964,287		18,389,464
- Performance bonds and guarantees	6,671,860	-	-	-	-	-		6,671,860
- Loan commitments	37,959,761	-	-	-	-	-		37,959,761
	44,631,621	16,825,315	36,563	510,086	53,213,22	964,287		83,021,086
Shareholders' Funds as at Dec 2021		26,848,101	26,848,101	26,848,101	26,848,101	26,848,101		26,848,101
Net Balance sheet Position Level / SHF		-18.46%	0.09%	0.16%	0.07%	0.00%		18.70%

Effect of 2900 basis points movement on foreign exchange assets (N'000)

	31 December 2022	31 December 2021
Assets	24,269,280	16,100,258
Liabilities	24,742,872	17,325,227
Impact on profit/loss	(473,612)	(1,223,019)

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.

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.

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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 and Bank 31 December 2022	Carrying amount	Variable interest	Fixed interest	Non interest- bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and balances with central bank	43,193,956	-	-	43,193,956
Loans and receivables to banks	4,304,210	-	4,304,210	-
Financial Instruments through Profit or Loss	206,866	-	206,866	-
Trading Assets	10,208,003	-	10,208,003	-
Derivative financial instruments	460,730	-	460,730	-
Loans and receivables to customers	117,211,421	10,000,011	107,211,410	-
Investment securities	54,970,827	-	54,970,827	-
Pledged assets	6,212,356	-	6,212,356	-
Right of use assets	86,953	-	-	86,953
Other assets	20,174,013	-	-	20,174,013
	257,029,335	10,000,011	183,574,401	63,454,923
Liabilities				
Due to banks and Other Financial Institutions	30,187,518	-	30,187,518	-
Due to customers	98,251,471	-	65,525,609	32,725,862
Derivative financial instruments	587,602	-	587,602	-
Trading Liabilities	16,008,428	-	16,008,428	-
Lease liabilities	62,759	-	-	62,759
Other liabilities	20,737,252	-	-	20,737,252
Debt securities issued	32,111,270	-	32,111,270	-
Other borrowed funds	33,868,380	-	33,868,380	-
	231,814,680	-	178,288,807	53,525,873

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31 December 2021	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and balances with central bank	44,199,479	-	-	44,199,479
Loans and receivables to banks	7,783,220	-	7,783,220	-
Financial assets held for trading	600,142	-	600,142	-
Derivative financial instruments	821,873	-	-	821,873
Loans and receivables to customers	76,626,902	5,104,547	69,736,099	1,786,255.11
Investment securities	38,327,639	-	37,584,076	743,563
Pledged assets	12,757,565	-	12,757,565	-
Right of use assets	70,721	-	-	70,721.39
Other assets	3,098,554	-	-	3,098,554
	184,286,096	5,104,547	128,461,102	50,720,446
Liabilities				
Due to banks	26,147,903	-	26,104,330	43,573.49
Due to customers	71,794,882	-	71,794,882	-
Derivative financial instruments	796,046	-	-	796,046
Lease liabilities	66,810	-	-	66,810
Other liabilities	11,035,694	-	-	11,035,694
Debt securities issued	29,148,871	-	29,148,871	-
Other borrowed funds	17,298,216	-	17,298,216.23	-
	156,288,422	-	144,346,299	11,942,123

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 bank's interest rate risk exposure on assets and liabilities are categorised by the re-pricing dates.

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Group and Bank				
At 31 December 2022 (N'000)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months
	N'000	N'000	N'000	N'000
Financial Assets				
Cash and balances with central bank	-	-	-	-
Loans and receivables to banks	4,304,210	-	-	-
Financial assets held for trading	184,129	-	20,762	1,975
Trading Assets	10,218,493	-	-	-
Derivative financial instruments	61,209	166,241	175,067	53,981
Loans and advances to customers	6,174,866	18,247,987	21,558,853	12,815,579
Investment securities	12,244,268	324,466	15,663,843	10,609,814
Pledged assets	323,537	194,162	121,856	390,419
Right of use assets	-	-	-	-
Other assets	-	-	-	-
Total financial assets (contractual maturity)	33,510,712	18,932,856	37,540,381	23,871,768
	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months
	N'000	N'000	N'000	N'000
Financial Liabilities				
Due to banks	11,851,479	2,056,822	16,303,277	-
Due to customers	8,991,211	1,889,716	7,261,229	13,675,725
Derivative financial instruments	178,144	315,281	51,609	3,885
Trading Liabilities	1,062,398	5,525,851	7,520,953	1,899,226
Lease liabilities	-	13,371	17,280	24,709
Other liabilities	-	-	-	-
Debt securities issued	5,916,387	2,127,996	13,424,731	14,494,942
Other borrowed funds	1,900,846	2,055,083	6,368,743	23,543,707
Total financial liabilities (contractual maturity)	29,900,465	13,984,119	50,947,822	53,642,194
Liabilities Commitments				
- Letters of Credit	-	-	2,605,367	13,000,025
- Performance bonds and guarantees	-	1,860,400	-	46,110
- Loan commitments	-	8,574,842	10,483,029	3,589,029
Total	-	10,435,242	13,088,395	16,635,164
Interest Rate GAP	3,610,247	4,948,737	(13,407,441)	(29,770,426)

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At 31 December 2021 (N'000)	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months
	N'000	N'000	N'000	N'000
Financial Assets				
Cash and balances with central bank	-	-	-	-
Loans and receivables to banks	700,086	-	7,083,134	-
Financial assets held for trading	238,277	-	-	361,865
Derivative financial instruments	171,879	289,862	359,767	364
Loans and receivables to customers	15,358,280	15,680,715	12,477,981	4,249,072
Investment securities	2,689,762	2,878,653	2,546,014	6,952,678
Pledged assets	798,880	1,735,135	8,803,770	-
Right of use assets	-	19,698.75	-	8,642.86
Other assets	-	-	-	-
Total financial assets (contractual maturity)	19,957,165	20,604,063	31,270,646	11,572,622
	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months
	N'000	N'000	N'000	N'000
Financial Liabilities				
Due to banks	4,868,229	1,811,480	13,549,583	5,323,044
Due to customers	18,905,415	8,618,806	11,380,252	1,957,839
Derivative financial instruments	167,820	277,168	350,609	358
Lease liabilities	-	-	-	-
Other liabilities	-	-	-	-
Debt securities issued	1,780,095	-	14,992,490	-
Other borrowed funds	-	-	-	7,932,479
Total financial liabilities (contractual maturity)	25,721,559	10,707,534	40,273,024	15,213,722
Liabilities Commitments				
- Letters of Credit	2,946,136	6,590,232	6,289,087	2,564,009
- Performance bonds and guarantees	-	1,007,796	-	5,390,732
- Loan commitments	5,251,320	13,382,116	8,008,486	11,317,840
Total	8,197,456	20,980,144	14,297,573	19,272,582
Interest Rate GAP	(5,764,395)	9,896,529	(9,002,378)	(3,641,100)

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 2022. The sensitivity analysis on the non-trading portfolio measures the change in value of the non-trading accrual portfolio 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 held at amortised cost and at fair value through other comprehensive income had increased by 100 basis points, with all other variables held constant.

	31 December 2022	31 December 2021
	N'000	N'000
Effect of 100 basis points movement on profit before tax (N'000)	(74,816)	(41,557)

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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 price risk from holdings in its FVTPL portfolio and investment in FMDQ OTC exchange and investment in the Nigeria Inter-bank Settlement Scheme (NIBSS). These investments were made based on regulatory directives rather than with a view to profit on a subsequent sale. The securities are all unquoted. Given the nature of the investments, the bank estimates that the exposure to price risk is low.

Stress testing is performed on trading portfolios on a regular basis to estimate the impact of extreme market movements. The level of price risk exposure at any given point in time depends on the market environment and expectations of future price and market movements, which will vary from period to period.

Investment securities	
Classified as as fair value through other comprehensive income	N'000
-Treasury bills	3,291,463
-Federal Government of Nigeria Bonds	2,236,568
-Corporate bonds	8,320,367
-State Bonds	1,896,414
-Promissory notes and Commercial bills	39,210,349
-Unquoted Equity	15,666
	54,970,827
Financial instruments held at fair value through profit and loss	
-Treasury bills	206,478
-Corporate bonds	388
	206,866
Pledged Securities	
Fair value through OCI	
-Federal Government of Nigeria Bonds	5,963,306
Fair value through profit or loss	
-Treasury bills	249,050
	6,212,356

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Liquidity risk is one of the key risks we contend with at the Bank. This is the risk that securities or assets held by the Bank 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.

For Merchant Banks, the regulatory liquidity requirement is 20% while the regulatory minimum for Commercial Banks is 30%. As at 31 December 2022, the bank's liquidity ratio stood at 55% (December 2021: 74%).

The CBN in its drive to boost lending to the real sector mandated all banks to maintain a minimum Loan to Deposit Ratio of 65%. As at 31 December 2022, the bank's LDR ratio stood at 87.5% (December 2021: 82.0%).

3.2.6.1 Managing Liquidity Risk

The board of directors sets the 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 ALM Desk manages the Group's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Bank and 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 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 Group 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.

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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 Bank 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 Bank has in place contingency funding lines to the tune of N6 billion with Nigerian financial institutions.

The bank engages the services of rating agencies to perform a credit rating assessment on the bank. A rating downgrade could have a negative impact on the bank's funding and liquidity due to reduced funding capacity and increased funding cost.

	31 December 2022			31 December 2021	
Rating agency	Agusto & Co.	GCR	Rating agency	Agusto & Co.	GCR
Rating assigned	A	BBB+	Rating assigned	A	A-
Outlook	Stable	Stable	Outlook	Stable	Stable
Issue date	10-Aug-22	23-Nov-22	Issue date	27-May-20	28-Oct-21
Expiry date	30-Jun-23	23-Oct-23	Expiry date	30-Jun-22	31-Oct-22

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 banking based on their contractual maturities for:

- all non-derivative financial assets and liabilities, and
- 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 disclosed in the table are the contractual undiscounted cash flows.

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Group and Bank

At 31 December 2022	Contractual Maturity								Total
	No Contractual Maturity	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Gross Nominal	
	HKD	USD	EUR	JPY	GBP	USD	USD	USD	USD
Financial Assets									
Cash and balances with central bank	43,193,956	-	-	-	-	-	-	-	43,193,956
Placements to banks and other financial institutions	-	4,304,210	-	-	-	-	-	-	4,304,210
Financial instruments held at fair value through profit or loss	-	194,129	-	20,782	1,975	-	-	-	206,886
Trading Assets	-	10,216,493	-	-	-	-	-	10,216,493	10,236,002
Derivative assets held for risk management	-	61,209	166,241	175,967	53,961	4,233	-	-	460,730
Loans and receivables to customers	-	6,174,666	18,247,587	21,556,653	12,615,579	4,009,658	54,406,496	118,563,901	117,211,420
Investment securities	-	12,244,268	324,486	15,663,843	10,609,814	12,895,051	20,856,954	72,595,267	47,576,428
Pledged assets	-	323,537	194,162	121,856	390,419	-	11,716,460	12,746,434	6,212,356
Right of use assets	86,963	-	-	-	-	-	-	-	86,963
Other assets	26,174,010	-	-	-	-	-	-	-	26,174,010
Total financial assets (contractual maturity)	63,454,926	33,510,712	18,932,650	37,546,391	23,671,768	16,909,600	86,978,921	-	249,634,932
	Contractual Maturity								Total
	No Contractual Maturity	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Above 5 years	Gross Nominal	Total
	HKD	USD	EUR	JPY	GBP	USD	USD	USD	USD
Financial Liabilities									
Due to banks and other financial institutions	-	11,851,532	2,056,622	16,303,277	-	-	-	30,211,630	30,187,516
Due to customers	32,725,862	8,991,211	1,809,716	4,808,842	13,675,725	38,160,111	-	96,251,468	96,251,468
Derivative liabilities held for risk management	-	38,678	176,144	315,231	51,609	3,085	-	587,595	587,595
Trading Liabilities	-	1,903,239	5,567,034	7,520,953	1,752,115	-	-	15,903,341	16,008,427
Lease liabilities	-	-	13,371	17,280	24,709	13,371	-	66,730	62,756
Other liabilities	18,332,566	-	-	2,452,387	-	-	-	-	20,784,953
Debt securities issued	-	5,916,387	2,127,596	13,424,731	14,494,942	-	-	35,964,056	32,111,269
Other borrowed funds	-	1,900,649	2,355,063	6,368,743	23,543,707	-	-	32,168,362	33,668,380
Total financial liabilities (contractual maturity)	51,058,447	29,761,681	13,888,166	51,211,494	53,542,867	36,177,367	-	62,147,757	231,662,388
Liabilities Commitments									
Letters of Credit	-	-	-	2,805,367	13,000,025	8,119,773	-	-	23,725,165
Performance bonds and guarantees	-	-	1,860,490	-	45,110	3,353,932	162,000	-	5,422,442
Loan Commitments	-	-	8,574,842	10,483,029	3,589,029	2,344,315	7,998,289	-	32,989,504
Total	-	-	10,435,342	13,688,396	16,635,164	13,818,020	8,161,289	-	62,138,111
GAP	12,396,473	3,748,621	5,044,484	(15,671,113)	(25,671,038)	(19,268,564)	86,978,921	-	17,772,544

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Bank								
At 31 December 2021								
	No Contractual Maturity N/00	Up to 1 month N/00	1 - 3 months N/00	3 - 6 months N/00	6 - 12 months N/00	1 - 5 Years N/00	Above 5 years N/00	Total N/00
Financial Assets								
Cash and balances with central bank	44,159,475	-	-	-	-	-	-	44,159,475
Loans and receivables to banks	-	706,036	-	7,083,134	-	-	-	7,789,230
Financial assets held for trading	-	238,277	-	-	361,965	-	-	600,242
Derivative financial instruments	-	171,879	289,802	389,767	364	-	-	851,872
Loans and receivables to customers	78,649	15,028,200	15,680,716	12,477,961	4,249,072	20,317,488	8,496,739	76,628,902
Investment securities	15,898	2,885,762	2,879,853	2,549,014	6,952,879	14,327,219	8,317,576	38,327,567
Pledged assets	-	798,800	1,735,126	8,883,778	-	-	1,416,790	12,737,505
Right of use assets	-	-	19,899	-	8,643	42,380	-	78,721
Other assets	3,098,554	-	-	-	-	-	-	3,098,554
Total financial assets (contractual maturity)	47,890,548	19,667,165	20,634,063	31,270,646	11,572,822	34,687,085	18,804,095	184,288,034
Financial Liabilities								
Due to banks	595,508	4,868,202	1,911,406	13,649,563	6,323,044	-	-	30,147,957
Due to customers	30,052,498	18,005,415	8,618,806	11,581,252	1,567,639	-	-	71,194,891
Derivative financial instruments	-	167,820	277,308	383,659	369	-	-	739,046
Loans liabilities	68,810	-	-	-	-	-	-	68,810
Other liabilities	11,025,694	-	-	-	-	-	-	11,025,694
Debt securities issued	-	1,788,995	-	14,082,468	-	12,376,288	-	28,148,871
Other borrowed funds	-	-	-	-	7,922,479	9,365,737	-	17,288,216
Total financial liabilities (contractual maturity)	42,630,560	25,731,612	10,737,534	46,273,024	15,213,722	21,742,023	-	156,288,475
Liabilities Commitments								
Letters of Credit	-	2,946,136	6,590,232	6,289,087	2,586,019	-	-	18,388,495
Performance bonds and guarantees	-	-	1,067,798	-	5,380,732	273,332	-	6,671,860
Loan Commitments	-	5,261,320	53,382,316	9,088,466	11,317,049	-	-	77,989,791
Total	-	8,197,456	20,989,144	14,297,573	18,272,982	273,332	-	83,051,896
O+P	4,759,798	(5,764,448)	9,286,529	(6,042,378)	(5,641,189)	12,845,062	18,804,095	27,987,548

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.

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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 2022:

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Bank	Level 1	Level 2	Level 3	Total
At 31 December 2022	N'000	N'000	N'000	N'000
Financial assets				
Fair Value Through Profit or Loss				
- Treasury bills	206,866	-	-	206,866
	<u>206,866</u>	<u>-</u>	<u>-</u>	<u>206,866</u>
Trading Assets				
- Federal Government of Nigeria Bonds	10,208,002	-	-	10,208,002
	<u>10,208,002</u>	<u>-</u>	<u>-</u>	<u>10,208,002</u>
Derivative financial instruments				
- Convertible loan	-	-	-	-
- FX forward contract	-	460,730	-	460,730
	<u>-</u>	<u>460,730</u>	<u>-</u>	<u>460,730</u>
Investment securities classified as as fair value through other comprehensive income				
- Treasury bills	1,210,161	2,081,302	-	3,291,463
- Federal Government of Nigeria Bonds	1,896,414	-	-	1,896,414
- Corporate bonds	1,771,358	465,210	-	2,236,567
- State Bonds	6,057,589	2,262,778	-	8,320,367
- Promissory notes and Commercial bills	30,636,679	8,573,670	-	39,210,350
- Unquoted Equity	-	15,666	-	15,666
	<u>41,572,201</u>	<u>13,398,625</u>	<u>-</u>	<u>54,970,826</u>
Pledged Securities				
Fair Value Through Profit or Loss				
- Treasury bills	249,050	-	-	249,050
Fair value through OCI				
- Treasury bills	-	-	-	-
- Federal Government of Nigeria Bonds	5,963,306	-	-	5,963,306
- Corporate bonds	-	-	-	-
- Promissory notes and Commercial bills	-	-	-	-
	<u>6,212,356</u>	<u>-</u>	<u>-</u>	<u>6,212,356</u>

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At 31 December 2021	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial assets				
Fair Value Through Profit or Loss				
- Treasury bills	600,142	-	-	600,142
- Federal Government of Nigeria Bonds	-	-	-	-
- Corporate bonds	-	-	-	-
	<u>600,142</u>	<u>-</u>	<u>-</u>	<u>600,142</u>
Derivative financial instruments				
- Convertible loan	-	-	-	-
- FX forward contract	-	821,873	-	821,873
	<u>-</u>	<u>821,873</u>	<u>-</u>	<u>821,873</u>
Investment securities classified as as fair value through other comprehensive income				
- Treasury bills	872,615	-	-	872,615
- Federal Government of Nigeria Bonds	1,682,386	-	-	1,682,386
- Corporate bonds	-	10,747,725	-	10,747,725
- State Bonds	2,051,853	-	-	2,051,853
- Promissory notes and Commercial bills	-	22,957,394	-	22,957,394
- Unquoted Equity	-	15,666	-	15,666
	<u>4,606,854</u>	<u>33,720,785</u>	<u>-</u>	<u>38,327,639</u>
Pledged Securities				
Fair value through Profit or Loss				
- Treasury bills	6,481,578	-	-	6,481,578
- Federal Government of Nigeria Bonds	-	-	-	-
Fair value through OCI				
- Treasury bills	347,175	-	-	347,175
- Federal Government of Nigeria Bonds	1,419,780	-	-	1,419,780
- Corporate bonds	-	-	-	-
- Promissory notes and Commercial bills	<u>8,248,533</u>	<u>-</u>	<u>-</u>	<u>8,248,533</u>

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 bank approximate their fair values: - cash and bank balances, loans and advances to banks and other assets.

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

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Group and Bank	At 31 December 2022		At 31 December 2021	
	Carrying value N'000	Fair value N'000	Carrying value N'000	Fair value N'000
Financial assets				
Cash and balances with central bank	43,193,956	43,193,956	49,945,000	49,945,000
Loans and advances to banks	4,301,300	4,301,300	4,003,401	4,003,401
Loans and advances to customers	117,160,869	117,160,869	38,072,402	38,072,402
Investment securities	54,791,198	54,791,198	38,327,639	38,327,639
Pledged Assets	6,212,356	6,212,356	12,757,565	12,757,565
Trading Assets	10,208,003	10,208,003	-	-
Other assets	20,174,010	20,174,010	738,375	738,375
	256,041,693	256,041,693	92,829,799	92,829,799
Financial liabilities				
Due to banks	30,187,518	30,187,518	19,621,072	19,621,072
Due to customers	98,251,471	98,251,471	80,213,989	80,213,989
Other liabilities	20,737,252	20,737,252	5,405,873	5,405,873
Debt securities issued	32,111,270	23,112,798	23,050,499	23,112,798
Other borrowed funds	33,868,380	33,868,380	-	-
	215,155,891	206,157,419	128,330,268	128,392,567
Fair Value Hierarchy for Financial Assets not measured at fair value				
Bank				
At 31 December 2022 (N'000)	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets				
Cash and balances with central bank	-	43,193,956	-	43,193,956
Loans and advances to banks	-	-	4,301,300	4,301,300
Loans and advances to customers	-	-	117,160,869	117,160,869
Other assets	-	-	20,174,010	20,174,010
	-	43,193,956	151,844,183	195,038,139
Financial liabilities				
Due to banks	-	-	30,187,518	30,187,518
Due to customers	-	-	98,251,471	98,251,471
Other liabilities	-	-	20,737,252	20,737,252
Debt securities issued	-	23,112,798	-	23,112,798
Other borrowed funds	-	-	33,868,380	33,868,380
	-	23,112,798	183,044,621	206,157,419

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At 31 December 2021 (N'000)	Level 1 N'000	Level 2 N'000	Level 3 N'000	Total N'000
Financial Assets				
Cash and balances with central bank	-	49,945,000	-	49,945,000
Loans and advances to banks	-	-	4,003,401	4,003,401
Loans and advances to customers	-	-	38,072,402	38,072,402
Investment securities	-	-	-	-
Pledged Assets	-	-	-	-
Other assets	-	-	738,375	738,375
	-	49,945,000	42,884,799	92,829,799
Financial liabilities				
Due to banks	-	-	19,621,072	19,621,072
Due to customers	-	-	80,213,989	80,213,989
Other liabilities	-	-	5,405,873	5,405,873
Debt securities issued	-	23,112,798	-	23,112,798
Other borrowed funds	-	-	-	-
	-	23,112,798	105,279,769	128,392,567

3.5 Capital Management

The Group's objectives in managing Capital are:

- To comply with the regulatory requirements of the Central Bank of Nigeria
- 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), 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.

The ratios below summarise the composition of regulatory capital and the ratios of the Bank for the period ended 31 December 2022. Over this review period, the Bank complied with all the externally imposed capital requirements to which it was and is subject.

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CONSTITUENTS OF ELIGIBLE CAPITAL

	31 December 2022	31 December 2021
	N'000	N'000
Paid-up ordinary shares	2,138,623	1,833,417
Share premium	234,381	539,587
Retained profits	15,123,273	15,350,818
IFRS 9 Transitional Adjustment 2	-	-
Statutory Reserve	7,992,273	7,458,240
Credit risk reserve	-	-
AGSMEIS Reserve	1,114,137	936,252
TIER 1 SUB-TOTAL	26,602,686	26,118,314
LESS		
Increase in equity capital resulting from a securitization	-	-
Investment in own shares (treasury stock), including cross holding of related companies' equity	-	-
Losses for the current financial year	-	-
Goodwill	-	-
Deferred Tax Assets	2,237,696	2,526,515
Other intangible assets	208,244	275,118.49
Other reserves	-	-
Under-impairment	864,641	-
50% of investments in unconsolidated banking and financial subsidiary/associate companies 3	-	-
50% of investments in unconsolidated banking and financial subsidiary/associate companies	-	-
Exposures to own financial holding company	-	-
Retirement benefit asset	-	-
Tier 1 Capital After Regulatory Deduction	23,292,106	23,316,680
Other Deductions		
Excess exposure(s) over single obligor without CBN approval	-	1,144,254
NET-TOTAL TIER 1 CAPITAL	23,292,106	22,172,427
Hybrid (debt/equity) capital instruments		
Eligible subordinated term debt (limited to 25% of total Tier 1 capital)	5,640,000	7,050,000
Other Comprehensive Income (OCI)	(4,451,528)	(1,364,993)
TIER 2 SUB-TOTAL	1,188,472	5,685,007
50% of investments in unconsolidated banking and financial subsidiary/associate companies	-	-
NET-TOTAL TIER 2 CAPITAL	1,188,472	5,685,007
TOTAL QUALIFYING CAPITAL	24,480,578	27,857,434
Total Risk-weighted Amount for Credit Risk	102,073,037	122,459,882
Risk-weighted Amount for Operational Risk	13,977,702	12,262,669
Risk-weighted Amount for Market Risk	5,240,713	4,226,899
AGGREGATE RISK-WEIGHTED ASSETS	121,291,451	139,949,450
TOTAL RISK-WEIGHTED CAPITAL RATIO	20.18%	20.05%
TIER 1 RISK-BASED CAPITAL RATIO	19.20%	15.96%

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As a Merchant Bank, the Central Bank of Nigeria's regulatory requirements are as follows

- a. Hold the minimum level of the regulatory capital of N15 billion and
- b. Maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 10%.
- c. Maintain a liquidity ratio minimum of 20%.

As at 31 December 2022, the Bank had eligible risk capital of N26.6billion, which was in excess of the regulatory minimum. In addition, liquidity ratio stood at 55%, loan to deposit ratio was 87.5% and our capital adequacy ratio stood at 20.18%. The risk weighted assets are measured using the Central Bank of Nigeria's interpretation and ranking of the risk assets.

Currently, the Bank's capital and regulatory ratios are in excess of the CBN regulatory minimum.

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 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 reviews its loan portfolio to assess impairment on a quarterly basis. Sequel to the implementation of IFRS 9 1 January 2018, the Group has updated its credit assessment methodology in line with the standard. IFRS 9 replaces the existing 'incurred loss' impairment approach with an Expected Credit Loss ('ECL') model, resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions.

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 Bank builds historical data in computation of its expected credit loss.

**NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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(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. The fair value of financial instruments 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 fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date.

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(c) Deferred tax assets.

The deferred tax assets recognized by the Group is dependent on the availability of taxable profit in the foreseeable future to utilize the deferred tax. The Group reviews the carrying amount of the deferred tax at the end of each reporting period and recognizes an amount such that it is probable that sufficient taxable profit will be available which the Group can use the benefit there from in determining the deferred tax assets recognized in the financial statements, the Group has applied judgement in estimating the deferred tax recoverable in the foreseeable future. This involves the estimation of future income and expenses, and the consideration of non-taxable income and disallowable expenses in order to arrive at the future taxable profit / loss.

4 Segment

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments. The bank operates only one line of business, which is merchant banking business. The bank does not consider it necessary to report its operations by both business and geographical segments.

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	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
5. Interest income	1,908	1,908	1,908	1,908
5(a) Financial assets measured at fair value through profit or loss				
- Debt securities	3,114,830	3,114,860	3,114,830	3,114,860
- Trading assets	63,482	63,482	63,482	63,482
	3,178,312	3,178,342	3,178,312	3,178,342
5(b) Financial assets measured at fair value through other comprehensive income				
- Debt securities	2,718,440	2,692,430	2,718,440	2,692,430
	2,718,440	2,692,430	2,718,440	2,692,430
5(c) Financial assets measured at amortised cost				
- Debt securities	-	-	-	-
- Cash and cash equivalents	-	-	-	-
- Loans to banks and other financial institutions	1,621,885	448,811	1,621,885	448,811
- Loans and advances to customers	11,345,436	8,179,834	11,345,436	8,179,834
- Government securities	728,170	764,434	728,170	764,434
- Government small loans	-	-	-	-
	13,795,471	9,493,079	13,795,471	9,493,079
Interest income on steps II impaired loans for the period ended 31 December 2022 was N159 million (December 2021: N178 million).				
6. Interest and similar expenses				
- Credit facilities	3,754,871	3,428,878	3,754,871	3,428,878
- Interbank call borrowing	819,819	278,170	819,819	278,170
- Discount on issued commercial papers	2,824,554	1,563,381	2,824,554	1,563,381
- Interest on other debt issued funds	2,073,874	1,734,887	2,073,874	1,734,887
- Government securities	1,078,226	927,420	1,078,226	927,420
- Client investment fund	1,716,221	1,489,349	1,716,221	1,489,349
- Financial guarantee contracts	117,237	-	117,237	-
- Interest on loan (Liability, Note 22)	6,383	7,398	6,383	7,398
- Interest on bond	1,863,730	1,863,730	1,863,730	1,863,730
	12,758,875	7,962,772	12,758,875	7,962,772
Interest expense reported above is on financial liabilities measured at amortised cost.				
7. Fee and commission income				
- Credit related fees	578,810	460,146	578,810	460,146
- Commissions on trade-related transactions	304,485	271,248	304,485	271,248
- Other commissions, fees and charges	391,887	307,111	391,887	307,111
	1,275,182	1,038,505	1,275,182	1,038,505
Other commissions, fees and charges includes anti-money laundering, current account maintenance charge, funds transfer charge, penalties and charges.				
The fee and commission income can be further analysed as below in the table below:				
- Fee on loan	1,429,880	711,230	1,429,880	711,230
- Other fee	1,229,880	1,594,375	1,229,880	1,594,375
	2,659,760	2,305,605	2,659,760	2,305,605
Fee and commission Expense				
- Credit Guarantee Services Fee	2,830	-	2,830	-
	2,830	-	2,830	-
Net Fee and commission income	1,452,952	1,594,375	1,452,952	1,594,375
8. Impairment charge for credit losses				
- Impairment charge for credit loss on loans and advances (Note 10)	1,158,217	178,133	1,158,217	178,133
- Impairment charge on credit loss on government and bank securities (Note 15)	(16,175)	21,820	(16,175)	21,820
- Impairment charge on credit loss on other securities (Note 20)	(4,880)	(48,499)	(4,880)	(48,499)
- Impairment charge for credit loss on other assets (Note 22)	(5,382)	-	(5,382)	-
- Impairment charge for credit loss on off-balance sheet assets (Note 24)	59,743	(19,634)	59,743	(19,634)
	1,127,013	131,820	1,127,013	131,820
9. Net gain on financial instruments classified as Fair Value Through Profit or Loss				
- Bonds	758,776	844,765	758,776	844,765
- Treasury bills	481,721	1,927,249	481,721	1,927,249
- Foreign exchange	1,828,887	443,838	1,828,887	443,838
- Derivatives	1,162,886	12,892	1,162,886	12,892
	3,832,270	3,228,744	3,832,270	3,228,744

The Group's total trading gain on financial instruments at FVTPL for the year of N6.12 billion (2021: N1.2 billion) comprising N3.2 billion (2021: N3.1 billion) million on financial assets and fair value through profit or loss (Note 9(a)) and N2.9 billion (2021: N0.9 billion) million on financial liabilities and fair value through profit or loss (Note 9(b)).

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	31 December 2022	31 December 2021	31 December 2020	31 December 2019
	MUSD	MUSD	MUSD	MUSD
10 Net gains on financial instruments classified at fair value through other comprehensive income				
Bank	485,758	538,248	483,278	338,348
Treasury bill	334,477	187,263	284,407	108,393
Money market	(78,178)	31,878	(78,178)	21,828
	842,057	757,389	689,507	468,569
11 Other income				
Profit on disposal of interests held for sale	10,823	6,232	10,823	6,232
Dividend income	178	7	178	7
Foreign currency translation	317,446	482,006	217,446	401,806
Other sundry income	44,814	74,273	43,814	74,473
Other sundry income include minority attributable charges and contribution on non-banking transaction	393,562	563,738	369,308	462,738
12 Operating expenses				
12(a) Staff related expenses (Note 9(a)(i))	2,821,261	2,326,913	2,481,261	2,328,316
Staff related costs, including executive directors, during the year period ended to:				
Executives and staff costs	2,730,088	2,094,771	2,190,208	2,094,771
Pension costs - Defined contribution plan	138,748	148,317	148,748	148,317
Post-employment costs - Defined contribution plan	52,425	83,825	42,305	85,228
	2,921,261	2,326,913	2,381,261	2,328,316
The average number of persons employed by the bank during the year ended is follows:-				
Executive	3	3	3	3
Management staff	84	18	88	16
Non-management staff	85	26	91	17
	168	47	182	36
The number of employees of the bank, who received remuneration (excluding pension contributions and other benefits) in the following ranges were:-				
Below M2,000,000	5	18	5	10
M2,000,001 - M3,000,000	24	28	24	26
M3,000,001 - M7,000,000	32	17	28	17
Above M7,000,000	84	79	84	79
	145	142	141	132
12(b) Other operating expenses				
Depreciation on leasehold land	289,278	734,578	292,278	274,278
Depreciation on leasehold premises	41,442	49,873	41,442	48,873
Amortisation (Note 9(a)(ii))	110,793	181,268	110,793	181,268
Auditor's remuneration	30,739	45,249	30,739	45,249
Director's fees and sitting allowances	302,513	356,073	302,513	356,073
Other director's expenses	3,487	5,817	3,487	5,817
Direct insurance	333,083	299,883	333,083	273,883
Provision for debt	78,238	35,117	78,238	35,117
Information technology and related expenses	84,176	656,276	84,176	656,276
Other insurance premium	73,289	87,879	73,289	87,879
Professional fees	193,685	183,685	193,685	183,685
Tax and entertainment	49,283	49,283	49,283	49,283
Legal costs	87,713	34,394	87,713	34,394
Bank charges	31,878	35,717	31,878	35,717
Corporate advice	38,117	-	38,117	-
Printing and free	17,289	2,289	17,289	2,289
License fee	300,482	180,009	300,482	180,009
Subsistence	83,732	-	83,732	-
Donation (Note 3)	375,844	344,844	375,844	344,844
Operating expenses (Note 9(a))	2,108,157	2,845,261	2,108,157	2,845,261
Provision remuneration paid during the year:				
Executives and staff allowance	249,638	288,073	249,638	288,073
Retirement benefit expense	32,873	45,249	32,873	45,249
Provision contribution	237,688	271,438	237,688	271,438
	519,199	594,760	519,199	594,760

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	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	H'000	M'000	M'000	M'000
The directors remuneration shown above (including pensions and other benefits) includes (RM'000)	41,800	47,800	41,800	47,800
Highest paid director	100,000	66,375	108,000	66,275
(9) Included in the administrative expenses is remuneration (including other duty concerning fees) with the sum of RM'000 (2021: MY\$1.57m) paid to a PwC Professional paid to for non-audit services provided during the year.				
The breakdown of the non-audit services for the year are as follows:				
	H'000	M'000	M'000	M'000
GDAP review	11,870	4,300	11,870	4,300
Board approval	4,160	2,225	4,160	2,225
Remuneration Survey	1,070	895	1,070	876
Other RM'000 (2021: Nil)	8,800	107	8,800	107
	25,900	7,527	25,900	7,527

The directors paid the auditors professional fees for non-audit services. These services, in the Bank's opinion, did not impair the independence and objectivity of the external auditor.

- (10) Included in expenses for the current period is the sum of RM000 payment for the police equipment fund.

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	H'000	M'000	M'000	M'000
12 Income tax expense				
Tax charge for the year comprises:				
a) Income Tax Charge				
Income tax:		34,815	18,830	34,815
Education tax	37,044		37,044	
MYDA Expense	42,980	16,980	43,806	16,980
Police Fund Fund	37	37	37	37
MASBIL Levy		3,817		3,817
Total current tax charge	80,061	55,639	99,677	55,639
b) Deferred tax				
Recognised in income statement (see note 14)	780,800	79,870	588,800	79,870
Total deferred tax charge	780,800	79,870	588,800	79,870
Income tax expense	860,861	135,509	688,477	135,509

- (c) Reconciliation of effective tax

	Group			
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	H'000	M'000	M'000	M'000
Profit before income tax	4,893,067	1,607,810	5,007,815	1,607,815
Effective tax rate per opportunity:		1%		9%
Intragroup tax using the consolidated effective tax rate of 28%	1,275,890	30	303,704	
Non-indicator expenses	1,330,778	43	1,330,857	43
Tax expense income	1,837,476	120	1,668,265	120
Education tax	37,044	2		
MYDA	47,980	1	48,806	1
Income tax	40,008	2	39,614	2
Development of previously recognised deductible tax equity difference	368,890	7	79,900	7
Income tax expense	482,732	12	198,279	12
Effective tax rate	12.12%		11.84%	

The reconciliation of the effective tax rate is as follows:

	Group			
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	H'000	M'000	M'000	M'000
At 1/1/2022 of the year	(150,889)	(118,115)	(102,809)	(118,115)
Tax paid	2,599	(42,940)	12,300	(42,940)
Education tax	37,044		37,044	
MASBIL Levy	(8,800)	3,817	(8,800)	3,817
Intragroup tax	35,582	(24,515)	28,808	(24,515)
At end of the year	35,582	(129,852)	35,582	(129,852)
Current	85,780	(128,870)	66,785	(128,870)
Non-current	30,802	(129,852)	30,802	(129,852)

The current tax asset represents tax credit arising from prior year payment that will be utilized in future tax periods.

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	31 December 2022 N'000	31 December 2021 N'000	31 December 2022 N'000	31 December 2021 N'000
14 Cash and balances with central bank				
Cash in hand	-	59	-	59
Balances held with other banks:				
- Operating balances with Central Bank of Nigeria	3,321,290	1,409,4	3,321,290	1,409,4
- Operating balances with Central Bank of Nigeria - E-Naira Funding	1,580	1,090	1,580	1,090
- Balances with banks outside Nigeria	243,939	590,069	632,273	589,096
- Balances with banks outside Nigeria	12,625,088	13,633,435	12,625,088	12,633,435
Cash and balances with central bank	16,931,387	15,335,611	16,931,387	13,355,611
Mandatory reserve deposits with Central Bank of Nigeria	25,922,353	26,810,893	25,922,353	26,810,893
	45,120,595	44,599,479	43,092,696	44,599,479
Current	14,621,987	13,330,670	14,621,987	13,330,670
Non-current	30,502,352	28,810,893	28,470,709	26,915,449
	45,120,595	44,599,479	43,092,696	44,599,479

Reserve in hand in foreign currencies with banks is an amount of N10,000,000 (10% of N100,000,000) held in the name of foreign currency under the control of customers to cover the value of their non-reserve. The corresponding liability is reported as guaranteed deposit for non-reserve under other liabilities (See Note 20).
Mandatory reserve deposits with the Central Bank of Nigeria represent a percentage of customer deposits (as required from time to time by the Central Bank) which is not available for daily use.
For purposes of valuation of cash and balances, mandatory reserve deposits are included free cash and cash equivalents.

	Group		Bank	
	31 December 2022 N'000	31 December 2021 N'000	31 December 2022 N'000	31 December 2021 N'000
15 Receivables to banks and other financial institutions				
Receivables from banks	4,207,631	7,804,793	4,207,631	7,804,793
	4,207,631	7,804,793	4,207,631	7,804,793
Investment on placements and bank balances held at overnight rate				
Group 1 FCI position	(5,400)	(21,200)	(5,400)	(21,200)
	(5,400)	(21,200)	(5,400)	(21,200)
Loans to banks and other financial institutions net of impairment	4,202,231	7,783,593	4,202,231	7,783,593
Current	4,202,231	7,783,593	4,202,231	7,783,593
	4,202,231	7,783,593	4,202,231	7,783,593
Balance at beginning of the year	21,200	-	21,200	-
(Increase/Decrease) in investment for the year (see note 15)	(5,400)	(21,200)	(5,400)	(21,200)
Balance at year end	15,800	21,200	15,800	21,200
16 Financial instruments held at fair value through profit and loss				
Government Treasury Bills	306,478	606,142	306,478	606,142
Federal Government of Nigeria Bonds	-	-	-	-
Corporate bonds	368	336,142	368	336,142
	306,846	606,142	306,846	606,142
Current	306,846	606,142	306,846	606,142
Non-current	-	-	-	-
	306,846	606,142	306,846	606,142
Amount under this item are all held for trading. Gains or losses are recognised in the Income Statement under net gains on financial instruments held at fair value through profit and loss.				
17 Trading assets				
Federal Government of Nigeria Bonds	16,306,681	-	16,306,681	-
	16,306,681	-	16,306,681	-
This relates to repurchase agreement where the bank had obtained securities (Bonds) from counter parties to be returned at pre-agreed price.				
18 Derivative assets held for risk management				
Assets				
- FX forward contracts	480,720	621,675	480,720	621,675
	360,790	621,675	640,790	621,675
Liabilities				
- FX forward contracts	597,682	796,046	597,682	796,046
	597,682	796,046	597,682	796,046
Net gain on assets				
- FX forward contracts (Assets)	11,336,730	(173,401)	11,336,730	(173,401)
Net gain on liabilities				
- FX forward contracts (Liabilities)	(11,336,730)	(173,401)	(11,336,730)	(173,401)

The net gain on the net gain of net gain on assets, the net gain on net gain on liabilities (Liabilities) for values of the Group's FX forward contracts. The net gain on net gain on assets and net gain on net gain on liabilities (Liabilities) for values of the Group's FX forward contracts. The net gain on net gain on assets and net gain on net gain on liabilities (Liabilities) for values of the Group's FX forward contracts.

This relates to repurchase agreement where the bank had obtained securities (Bonds) from counter parties to be returned at pre-agreed price.

18 Derivative assets held for risk management

	31 December 2022 N'000	31 December 2021 N'000	31 December 2022 N'000	31 December 2021 N'000
Assets				
- FX forward contracts	480,720	621,675	480,720	621,675
	360,790	621,675	640,790	621,675
Liabilities				
- FX forward contracts	597,682	796,046	597,682	796,046
	597,682	796,046	597,682	796,046
Net gain on assets				
- FX forward contracts (Assets)	11,336,730	(173,401)	11,336,730	(173,401)
Net gain on liabilities				
- FX forward contracts (Liabilities)	(11,336,730)	(173,401)	(11,336,730)	(173,401)

The net gain on the net gain of net gain on assets, the net gain on net gain on liabilities (Liabilities) for values of the Group's FX forward contracts. The net gain on net gain on assets and net gain on net gain on liabilities (Liabilities) for values of the Group's FX forward contracts.

FSDH MERCHANT BANK LIMITED
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19 Loans and advances to customers
 Measured at amortised cost

	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Loans and advances	165,431,155	79,044,718	165,431,155	79,044,718
Overdrafts	12,987,269	-	12,987,269	-
Staff loans	474,653	-	474,653	-
Security loans	79,641	-	79,641	-
Allowance for impairment	(118,365,893)	-	(118,365,893)	-
	(1,232,201)	(2,417,918)	(1,232,201)	(2,417,918)
Current	84,875,189	53,488,698	84,875,189	53,488,698
Non-current	29,148,329	32,148,329	29,148,329	32,148,329
	(17,211,481)	(7,629,300)	(17,211,481)	(7,629,300)

All loans and advances to customers are specific loans except employee loans. The reconciliation of the allowance accounts for loans and advances to customers:

	2023	2022	2023	2022
Balance at beginning of the year	4,417,616	2,241,681	4,417,616	2,241,681
Write-off of provision	(3,325,682)	-	(3,325,682)	-
Provision in movement for the year (note 6)	1,336,217	178,126	176,129	178,126
Balance at year end	1,336,217	2,417,918	1,336,217	2,417,918
Classification of impairment at year end:				
Class 1 impairment on loans and advances	807,489	2,112,308	807,489	2,112,308
Class 2 impairment on loans and advances	1,336,217	2,417,918	1,336,217	2,417,918

20 Investment securities

Analysis of investment securities

Debt securities (note 6)	64,935,181	36,311,973	64,935,181	36,311,973
Equity securities (IFRS 9)	13,888	13,888	13,888	13,888
	64,879,627	36,277,526	64,879,627	36,277,526
Current	23,275,712	6,797,546	23,275,712	6,797,546
Non-current	21,265,682	31,885,003	21,265,682	31,885,003
	64,879,629	36,277,529	64,879,629	36,277,529

21 Debt securities

Classified as fair value through other comprehensive income

Nigerian Treasury Bills	3,291,483	672,815	3,291,483	875,815
Federal Government of Nigeria Bonds	3,346,989	1,683,368	3,346,989	1,683,368
Corporate bonds	8,146,607	10,747,790	8,096,387	10,747,746
State bonds	1,896,414	2,059,823	1,896,414	2,059,823
Premiums, rates and Commercial bills	68,710,249	22,667,366	68,710,249	22,667,366
Debt securities at FVOCI	24,953,742	36,217,972	24,953,742	36,217,972

Total debt securities

	24,953,742	36,217,973	24,953,742	36,217,973
The movement in the impairment allowance on debt securities is as follows:				
Balance at 1 January	130,846	171,448	130,846	171,448
Increase/(decrease) in provision for the year (see note 6)	54,958	(80,226)	54,958	(80,226)
Balance at year end	225,822	128,844	225,822	128,844

22 Equity securities

Classified as fair value through other comprehensive income

Unlisted equity securities	15,885	15,885	15,885	15,885
	15,885	15,885	15,885	15,885

1. The N13,000 investment in equity securities represents N10M investment in FVOCI Group P and N300M investment in the Nigeria Inter-bank Settlement Scheme (NIBSS). Total dividend of N6,170 was paid out as dividend from NIBSS during the year (2022: N6,876). The Bank shows this dividend as provision because these investments were made based on regulatory effective rate but it is not a profit on a subsequent date, and there are no plans to dispose of these investments in the short or medium term.

2. The Bank has made an irrevocable election to classify all its unlisted equity investment as FVOCI.

FRESH MERCHANT BANK LIMITED
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	31 December 2022 N 900	31 December 2021 N 900	31 December 2022 N 900	31 December 2021 N 900
21 Pledged assets				
Financial instruments at fair value through profit or loss				
Netted to liability (N)	308,650	-	389,048	-
	308,650	-	389,048	-
Classification of fair value (through other comprehensive income)				
Liquid assets	-	387,118	-	387,118
Federal Government of Nigeria bonds	5,923,305	-	5,964,300	1,418,740
Corporate bonds	-	-	-	-
Promissory notes and Commercial bills	-	18,299,620	-	19,298,818
	6,231,930	18,776,738	6,231,930	20,716,676
Total pledged assets	6,231,930	19,163,738	6,231,930	21,133,352
Current (N/A Asset)	6,231,930	19,163,738	6,231,930	21,133,352
	6,231,930	19,163,738	6,231,930	21,133,352

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

22 Other assets

Financial assets				
Intangible assets	614,175	754,624	614,175	754,624
Other non-financial assets	-	-	-	-
Due to other financial assets	614,175	754,624	614,175	754,624
Deposits for investments (Note 3 (b)(ii))	81,813	896,784	415,258	884,709
Foreign exchange forward transactions (see Note 21)	14,326,809	1,644,987	14,326,809	1,644,987
Grants and financial assets	16,938,347	3,896,254	16,938,347	3,896,254
Impairment allowances on financial assets	(12,243)	(3,543)	(12,243)	(3,543)
Net other financial assets	18,825,035	3,837,071	18,825,035	3,837,071
Non-financial assets				
Prepayments	74,882	746,261	746,261	746,261
Warehouse receivables (WHR)	80,246	20,233	80,246	20,233
Others	780,790	37,623	130,748	12,822
Other non-financial assets	635,918	814,117	957,255	814,117
Impairment allowances on non-financial assets	(86,778)	(18,283)	(86,778)	(18,283)
	829,042	793,847	829,042	793,847
Total other assets	19,654,077	3,837,071	19,654,077	3,837,071
Current (N/A Asset)	19,654,077	3,837,071	19,654,077	3,837,071
	19,654,077	3,837,071	19,654,077	3,837,071
Movements in expected credit loss for doubtful receivables				
At initial year	37,780	10,740	37,780	10,740
Additions (Note 26)	(2,642)	7,043	(2,642)	7,043
At end of the year	35,138	17,783	35,138	17,783

1. Disclose for investment vehicle a FSCM Merchant Bank Limited a special purpose vehicle (SPV) for Agri-Business Small and Medium Enterprises in partnership (Schmuck & Partners) based in the Netherlands. The investment vehicle consists of 100% of shares owned by the company. The vehicle is registered under a Dutch entity in year 1.

2. Foreign exchange forward transactions of N14.3bn represent hedged foreign exchange forward sales in dollars by CBN and other counter parties.

CBEN MICRO-FINANCE BANK LIMITED
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39 Leases

1 Right-of-use assets

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Opening balance	19,900	19,900	19,900	19,900
Added during the year	216,670	107,687	216,670	187,497
Lease measurement	3,428	40,773	3,428	48,773
Closing balance	239,998	268,360	239,998	256,170
Depreciation				
Opening balance	143,749	97,070	143,749	97,876
Charge for the year (see note 12)	41,442	50,773	41,442	48,872
Closing balance	185,191	147,843	185,191	146,748
Net book value	54,807	120,517	54,807	109,422

2 Lease liabilities

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Closing balance	2,332	2821	2,332	2,021
Disposal of lease	9,930	9,930	9,930	9,930
Reclassification	60,810	30,039	60,810	33,836
Change of lease	34,444	40,773	34,444	48,773
Reclassification	(17,652)	-	(17,652)	-
Interest expense (see note 8)	9,993	7,993	9,993	7,993
Payments made during the year	(33,784)	(26,787)	(33,784)	(28,787)
Closing balance	66,133	64,953	66,133	64,814
Current lease liabilities	-	-	-	-
Non-current lease liabilities	66,133	64,953	66,133	64,814
Amounts recognized in the statement of profit or loss				
Depreciation charge of right-of-use assets (note 12)	41,442	50,773	41,442	48,872
Interest expense (note 8)	9,993	7,993	9,993	7,993

3) Liquidity risk (present value of lease liabilities)

	31 December 2022	3-12 months	1-3 years	Total
Lease liability	66,133	46,447	-	66,133
31 December 2021				
Lease liability	64,953	21,284	27,613	64,953

Lease represents the present value of holding in the following locations: Lagos, Abuja and Port Harcourt.

3) Derivatives

Group and Bank

Deferred income tax attributable to all temporary differences under the liability method using a 30% tax rate at 31 December 2021, 2022.

Reversals in temporary differences during the year

	1 January 2022	Recognized in P&L	31 December 2022
Attributed to discontinued	9,930	9,930	9,930
Attributed to disposal	(9,930)	-	-
Tax also carry forward	2,222,081	(222,080)	2,222,081
	2,222,081	(212,150)	2,222,081

	1 January 2021	Recognized in P&L	31 December 2021
Attributed to discontinued	9,930	9,930	9,930
Attributed to disposal	(9,930)	-	-
Tax also carry forward	2,182,771	(172,090)	2,182,771
	2,182,771	(162,160)	2,182,771

Deferred tax assets have not been recognized in respect of unutilized tax losses of N11,660 (Dec 2021: N11,660), with a net effect of N11,660 (Dec 2021: N11,660) because it is not probable that future taxable profit will be available against which the Bank can use the benefits therefrom. Unutilized tax losses are reported towards indefinitely under the Nigerian tax law.

PSDH MEDICAMENT SA (INCORPORATED)
 NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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33 Intangible assets

Group and Bank

Cost

At 1 January 2022

Additions

Reclassifications

Transfers

At 31 December 2022

Accumulated amortisation

At 1 January 2022

Charge for the year (note 12a)

Reversals

At 31 December 2022

Net book amount at 1 January 2022

Net book amount at 31 December 2022

Cost

At 1 January 2021

Additions

Reclassifications

Transfers

At 31 December 2021

Accumulated amortisation

At 1 January 2021

Charge for the year

At 31 December 2021

Net book amount at 1 January 2021

Net book amount at 31 December 2021

	Computer software	Work in progress	Total
At 1 January 2022	1,859,321	26,219	1,885,540
Additions	51,843	181,452	233,295
Reclassifications	-	(51,843)	-
Transfers	-	-	-
At 31 December 2022	1,911,164	26,828	1,937,992

At 1 January 2022	(1,286,422)	-	(1,286,422)
Charge for the year (note 12a)	(176,331)	-	(176,331)
Reversals	-	-	-
At 31 December 2022	(1,462,753)	-	(1,462,753)
Net book amount at 1 January 2022	243,218	26,219	269,437
Net book amount at 31 December 2022	248,411	26,828	275,239

	Computer software	Work in progress	Total
At 1 January 2021	1,420,696	118,162	1,538,858
Additions	(4,191)	448,398	444,207
Reclassifications	31,137	(111,417)	-
At 31 December 2021	1,447,642	254,143	1,701,785
At 1 January 2021	(1,117,214)	-	(1,117,214)
Charge for the year	(162,986)	-	(162,986)
At 31 December 2021	(1,280,200)	-	(1,280,200)
Net book amount at 1 January 2021	264,764	118,162	382,926
Net book amount at 31 December 2021	267,442	254,143	521,585

The software has not internally generated. The amortisation charge for the year is included in other operating expenses.

(5) There were no authorised or contracted capital commitments as at the reporting date (2021: nil).

(6) There were no government grants or any other intangible assets during the year (2021: nil).

(7) There were no customer deposits received in the acquisition of property and equipment during the year (2021: nil).

FSDH MERCHANT BANK LIMITED

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26 Property and equipment

Group & Bank	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 2022	160,730	115,248	459,021	41,970	949,271	70,034	1,796,274
Additions	-	-	-	-	-	437,783	437,783
Reclassifications	56,368	6,860	47,183	21,025	220,600	(389,003)	(36,967)
Transfer	-	-	-	-	-	(27,000)	(27,000)
Disposals	-	(3,010)	(613)	(1,827)	(111,800)	-	(114,960)
At 31 December 2022	217,098	121,098	505,591	61,168	1,031,371	118,813	2,055,140
Accumulated depreciation							
At 1 January 2022	(160,730)	(95,597)	(397,448)	(24,952)	(402,646)	-	(1,081,373)
Charge for the year (see note 12)	(13,535)	(12,585)	(43,642)	(6,176)	(219,280)	-	(295,218)
Reclassifications	-	-	-	-	7,875	-	7,875
Disposals	-	952	187	1,468	84,348	-	86,753
At 31 December 2022	(174,265)	(107,230)	(440,903)	(29,660)	(529,905)	-	(1,281,963)
Net book amount at 1 January 2022	-	19,651	61,573	17,018	546,625	70,034	714,901
Net book amount at 31 December 2022	42,833	13,868	64,688	31,508	501,466	118,813	773,177
Cost							
At 1 January 2021	160,730	119,343	414,247	46,443	836,796	50,537	1,629,096
Additions	-	844	46,048	510	400,490	70,034	517,925
Transfer	-	-	537	-	50,000	(50,537)	-
Disposals	-	(4,939)	(1,811)	(3,963)	(340,016)	-	(350,748)
At 31 December 2021	160,730	115,248	459,021	41,970	949,271	70,034	1,796,274
Accumulated depreciation							
At 1 January 2021	(160,730)	(85,706)	(346,722)	(21,252)	(429,153)	-	(1,043,563)
Charge for the year (see note 12)	-	(14,492)	(51,253)	(5,077)	(210,375)	-	(281,196)
Disposals	-	4,601	527	1,317	236,882	-	243,386
At 31 December 2021	(160,730)	(95,597)	(397,448)	(24,952)	(402,646)	-	(1,081,373)
Net book amount at 1 January 2021	-	33,637	67,525	24,191	409,643	50,537	685,533
Net book amount at 31 December 2021	-	19,651	61,573	17,018	546,625	70,034	714,901

(i) There were no authorised or contracted capital commitments as at the reporting date (2021: nil). All property and equipment are non-current.

(ii) There were no impairment losses on any class of property and equipment or intangible assets during the year (2021: nil).

(iii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2021: nil).

SELM MERCHANT BANK LIMITED
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	Group		Bank	
	31 December 2022 N/A00	31 December 2021 N/A00	31 December 2022 N/A00	31 December 2021 N/A00
27 Due to banks and other financial institutions				
Call borrowings	7,665,808	-	7,665,808	-
Secured borrowings	6,218,433	20,164,330	6,218,433	20,164,330
Other local balances	-	56	-	56
Refrained L/Cs	45,303,272	43,630	16,323,272	43,215
	<u>59,187,513</u>	<u>20,147,020</u>	<u>30,187,513</u>	<u>20,147,020</u>
Current	30,187,513	20,147,020	30,187,513	20,147,020
	<u>31,187,513</u>	<u>20,147,020</u>	<u>30,187,513</u>	<u>20,147,020</u>
28 Due to customers				
Demand	32,580,197	20,781,193	32,580,197	20,781,193
T/Ts	89,882,274	34,889,823	89,882,274	34,889,823
Clear investments accounts	-	12,227,866	-	12,227,866
	<u>122,462,471</u>	<u>71,198,882</u>	<u>122,462,471</u>	<u>71,198,882</u>
Current	122,462,471	71,198,882	122,462,471	71,198,882
	<u>122,462,471</u>	<u>71,198,882</u>	<u>122,462,471</u>	<u>71,198,882</u>
29 Other liabilities				
Financial liabilities:				
Customers' deposit for foreign trade (Note 5)	6,587,688	3,580,070	6,587,688	3,580,070
Amounts held on behalf of third parties	3,483,949	6,219,054	3,483,949	6,219,054
Undeclared third party deposits	12,329	12,324	12,329	12,324
Sundry creditors	2,521,315	81,365	2,521,315	81,365
Accruals	1,180,197	238,031	1,180,197	238,031
State cheques and other receivables	6,889,181	883,829	6,889,181	883,829
	<u>20,664,159</u>	<u>10,022,149</u>	<u>20,664,159</u>	<u>10,022,149</u>
Non-financial liabilities:				
VAT payable	3,078	6,736	3,078	6,736
With payable	49,888	20,887	49,888	20,887
	<u>53,966</u>	<u>27,623</u>	<u>53,966</u>	<u>27,623</u>
Current	20,737,262	10,089,772	20,737,262	10,089,772
	<u>20,737,262</u>	<u>10,089,772</u>	<u>20,737,262</u>	<u>10,089,772</u>

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

28 Provisions

Off-Balance sheet exposure impairment (i)	125,687	35,922	125,687	35,922
	<u>125,687</u>	<u>35,922</u>	<u>125,687</u>	<u>35,922</u>
The reconciliation of the impairment allowance on financial guarantee contracts is as below:				
Balance at the beginning of the year	35,922	46,576	35,922	46,576
Increase/(decrease) in impairment allowance for the year (see note 5)	89,735	(10,654)	89,735	(10,654)
Balance as at end of the year	<u>125,657</u>	<u>35,922</u>	<u>125,657</u>	<u>35,922</u>

(i) 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 corresponding numbers for prior year reported under "Impairment on off-balance sheet financial assets".

21 Investment securities trading liabilities

	Group		Bank	
	31 December 2022 N/A00	31 December 2021 N/A00	31 December 2022 N/A00	31 December 2021 N/A00
CFR special bill (short position)	11,011,048	0,076,479	11,011,048	0,076,479
Repo/short agreement	4,096,708	-	4,096,708	-
	<u>15,107,756</u>	<u>0,076,479</u>	<u>15,107,756</u>	<u>0,076,479</u>

FSD – MERCHANT BANK LIMITED

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32. Debt instruments issued

	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Debt instrument at amortised cost:				
FSD – Commodity (Pwss) (1)	19,734,961	16,772,284	19,734,961	16,772,284
Senior unsecured debt (Note 16)(a)(b)(c)	3,089,721	5,899,721	3,089,721	3,089,721
Subordinated debt (Note 16)(a)(b)(c)(d)(e)(f)(g)(h)	7,779,368	7,779,368	7,779,368	7,779,368
	20,603,050	20,451,373	20,603,050	20,603,050
Current	19,734,961	16,772,284	19,734,961	16,772,284
Non-current	928,089	3,679,089	628,089	890,766

(a) This represents the outstanding FSD (CP) Notes that were issued during the year. The face value of the CP Notes as at the 31 December 2022 was 428.47 billion and listed on the FMD/OTC Securities Exchange. The discount rate on the FSD (CP) Notes was an average of 13.21%.

(b) This represents the unsecured senior debt issued on 10 February 2021 at a fixed interest rate of 8.80% per annum payable semi-annually. It has a term of 5 years. The debt is unsecured.

(c) This represents the debt instrument issued on 10 February 2021 at a fixed interest rate of 8.80% per annum payable semi-annually. It has a term of 5 years. The debt is unsecured. The debt has not yet defaulted on principal, interest or any other covenants with respect to its distributions during the year. (See Note 16).

Interest income/expense for the year

	2022	2021	2020	2019
Current position	29,148,671	25,890,482	28,148,671	23,092,458
Not discounted (in or in respect of)	49,713,768	29,821,225	45,271,768	25,271,279
Discounts during the year	(19,418,235)	(6,930,743)	(17,123,097)	(12,178,821)
Interest expense (Note 3)	(2,899,027)	(2,402,287)	(2,899,027)	(2,402,287)
Current position	22,115,277	26,148,671	22,115,277	26,148,671

33. Other borrowed funds

	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Due to Accessbank UK (see note 1)	10,131,234	-	10,131,234	-
Due to FIC (see note 1)	9,388,611	-	9,388,611	-
Due to SC (see note 1)	1,468,845	-	1,468,845	-
Due to FSD (see note 1)	1,827,671	1,827,671	-	1,827,671
Due to FSD (see note 1)	17,478,728	16,870,625	17,478,728	16,870,625
	39,295,089	17,706,376	37,967,418	17,706,376
Current	31,468,224	1,827,671	21,468,224	1,827,671
Non-current	7,826,865	15,878,705	16,499,194	15,878,705

(a) This represents 10 FSD (see note 16)(c), 468,845 in 2022 from Accessbank UK at the average rate of 10.0%.

(b) This represents the loan on-lending facility obtained in October 2020 from International Finance Corporation at the rate of 8.7% for one year.

(c) This represents the loan on-lending facility obtained in 2022 from Standard Chartered Bank (Singapore) Ltd. at an average rate of 12.65%.

(d) This represents the 17.478 billion on-lending facility obtained in 2022 from the Development Bank of Nigeria at the average rate of 13.17%. Interest is payable monthly. The debt is unsecured. The Group has not had any default on principal, interest or any other covenants with respect to its distributions during the year. (See Note 16).

Interest income/expense for the year

	2022	2021	2020	2019
Current position	17,288,218	-	17,288,218	-
Available	9,680,113	17,231,671	9,680,113	17,231,671
Interest expense	(2,551,561)	(919,622)	(2,551,561)	(919,622)
Interest paid	(2,017,614)	(240,277)	(2,017,614)	(240,277)
Provision	(16,987,785)	-	(16,987,785)	-
Current position	17,288,218	17,288,218	17,288,218	17,288,218

34. Share capital

	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Authorised	2,133,693,806 Ordinary shares of N1 each	2,133,693,806	2,133,693,806	2,133,693,806
Issued and fully paid	2,133,693,806 (100.00%) (2,133,693,806) Ordinary shares of N1 each	1,827,671	2,133,693,806	1,827,671
Subsidiaries of share held				
31 December 2022	2022	2021	2020	2019
Share as at 31 December	1,827,671	1,827,671	1,827,671	1,827,671
Unissued shares of the Bank to be issued through a Bonus Issue to the existing shareholders (see note 23) at 31 December	2,133,693,806	1,827,671	2,133,693,806	1,827,671

The Board of Directors shall exercise its powers to issue shares, which will be held by the Bank and such shareholders as it may determine at the discretion of the Bank. All ordinary shares are held by the Bank and its subsidiaries.

The Board and Shareholders of the Bank approved that the Unissued shares of the Bank to be issued through a Bonus Issue to the existing shareholders. The approval of the Board and Corporate Affairs Committee has been obtained.

FSDM MICROBANK BANK LIMITED
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25 Share premium and reserves

The nature and source of the reserves of equity are as follows:

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

Description of share premium	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Balance as at 1 January	5,000	5,000	5,000	5,000
Dividend income of the Bank is issued through a Bonus Issue to the existing shareholders	208,887	188,067	208,887	208,887
Balance as at 31 December	213,887	193,067	213,887	213,887

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

(c) Statutory reserve: In accordance with the Banks and Other Financial Institutions Act of 1991 (Amended), 10% of profit after taxation has been transferred to statutory reserve.

(d) Fair value reserve: The fair value reserve shows the difference for fair value revaluation of financial instruments of the FVOCI category. Any gain or loss on the class of financial instrument is recorded in the profit or loss account. The fair value reserve has been set off against the fair value of FVOCI financial assets included in other comprehensive income (not classified because the financial instrument's fair value is not the change in fair value).

Description of fair value reserve	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Balance as at 1 January	5,000	5,000	5,000	5,000
Net change in Fair Value on FVOCI financial assets	(1,281,924)	2,788,739	(1,281,924)	2,788,739
FCL in 2022 (Section 4 (1)(b) (2))	165,802	139,944	165,802	139,944
Revised income tax	-	-	-	-
Balance as at 31 December	(1,010,322)	1,923,683	(1,010,322)	1,923,683

(e) AGSMEIS reserve: In 2017, the Central Bank of Nigeria (CBN) issued guidelines to guide the operations of the Agricultural, Small and Medium Enterprises Scheme (AGSMEIS). A/NH has established to support the Federal Government's efforts in attaining sustainable economic development and employment generation.

An appropriation totaling N46M was done from retained earnings into the AGSMEIS reserve in the current year.

26 Credit risk reserve

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

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

Investment in credit risk reserve

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Balance as at 1 January	3,004,406	-	3,004,406	-
Transfer from retained earnings	307,845	2,004,308	307,845	2,004,308
Balance as at 31 December	3,312,251	2,004,308	3,312,251	2,004,308

27 Prudential adjustments

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Prudential adjustments provision on loans & advances and off-balance sheet exposures:				
- Specific provisions	1,803,479	3,016,674	1,803,479	3,016,674
- General provisions	3,301,811	1,011,048	3,301,811	1,011,048
- Impairment allowances on off-balance sheet	155,407	25,423	155,407	25,423
- Impairment allowances on loans to Bank	1,426	31,258	1,426	31,258
- Impairment allowances on debt securities (see note 15)	103,802	139,944	103,802	139,944
- Impairment allowances on real estate (see note 16)	13,869	-	13,869	-
	4,419,384	4,765,357	4,419,384	4,765,357
IFRS impairment provisions:				
- Impairment allowances on financial assets with a provision	1,803,479	3,016,674	1,803,479	3,016,674
- Impairment allowances on off-balance sheet (see note 16)	155,407	25,423	155,407	25,423
- Impairment allowances on loans to Bank (see note 15)	1,426	31,258	1,426	31,258
- Impairment allowances on debt securities (see note 15)	103,802	139,944	103,802	139,944
- Impairment allowances on real estate (see note 16)	13,869	-	13,869	-
	1,776,983	3,213,309	1,776,983	3,213,309
Difference in prudential guidelines measured over IFRS accounted for in credit risk reserve	2,642,401	1,552,048	2,642,401	1,552,048

FISCH MERCHANT BANK LIMITED
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20 Reconciliation of profit before tax to cash generated from operations

	Group		Bank	
	31 December 2022 HK\$	31 December 2021 HK\$	31 December 2022 HK\$	31 December 2021 HK\$
Profit before income tax	4,932,997	1,907,313	4,682,997	1,087,013
Adjusted for:				
- Amortisation (note 25)	170,331	763,208	170,331	143,268
- Depreciation (note 26)	295,216	234,323	295,216	226,423
- Depreciation on leased assets (Note 22)	(41,442)	46,373	(41,442)	40,073
- Foreign exchange revaluation	(217,446)	(403,808)	(217,446)	(483,095)
- Profit on disposal of property and equipment (note 11)	(18,853)	(8,232)	(18,853)	(8,232)
- Net interest income	(4,871,194)	(3,508,532)	(4,871,194)	(3,508,032)
- Dividend income	(176)	(91)	(176)	(17)
- Unrealised loss(gain)	126,872	-	126,872	-
- Fair value gain on derivative instruments held for trading	40,895	15,800	40,895	15,689
- Impairment charge on loans and advances (Note 8)	1,158,217	176,135	1,158,217	176,135
- Provision for doubtful receivables (Note 8)	42,863	3,279	42,863	3,773
- Impairment charge on other financial assets (Note 8)	126,576	21,535	126,578	21,535
Changes in working capital:				
- Advances with Central Bank (note/loans to bank)	4,293,809	(3,764,210)	4,293,809	(3,784,370)
- Customers' deposits for foreign trade	(11,858)	(961,371)	(11,858)	(844,371)
- Loans and advances to customers	140,817,140	(57,132,944)	(40,917,142)	(37,132,946)
- Financial instruments held for trading	(8,991,311)	2,817,839	(8,985,311)	2,817,839
- Derivative financial assets	234,371	(562,100)	234,371	(562,100)
- Financial assets	8,812,716	3,709,825	8,812,716	3,709,825
- Other assets	(13,111,860)	(2,834,368)	(13,111,862)	(2,834,368)
- Due to banks	3,314,622	8,528,832	3,314,622	8,528,832
- Due to customers	25,803,436	(8,256,214)	25,803,436	(8,256,214)
- Derivative financial liabilities	(708,444)	8,528,832	(708,444)	8,528,832
- Other liabilities and provision	8,827,215	8,954,847	8,827,215	8,954,847
Cash generated/(used) from operations	(18,267,436)	(28,261,861)	(18,267,436)	(28,261,861)

24 Statement of cashflow notes

	Group		Bank	
	31 December 2022 HK\$	31 December 2021 HK\$	31 December 2022 HK\$	31 December 2021 HK\$
24.1 Interest received	17,792,393	8,842,206	17,780,289	8,842,206
- Interest paid	(8,888,969)	(8,514,549)	(11,770,758)	(8,514,549)
- Dividend paid to investees	(406,525)	(502,888)	(406,525)	(502,888)
- Purchase/Redemption/Disposal of investment securities	(11,821,244)	4,245,577	(11,821,244)	4,245,577

(j) This represents changes in the value of investment securities at (December 2022: HK\$ 1m, December 2021: HK\$ 3m)

(f) Interest received

Financial assets at fair value through profit or loss	15,534	1,108,401	15,534	1,188,481
Financial assets at fair value through other comprehensive income	5,811,443	1,257,344	5,611,443	1,257,344
Financial assets at amortised cost	11,925,117	8,201,454	11,925,212	8,201,454
	17,792,393	8,842,206	17,780,289	8,842,206

(g) Interest paid

Financial assets measured at amortised cost	(8,888,969)	(8,514,549)	(8,888,969)	(8,514,549)
Interest payments shown above are made on financial liabilities measured at amortised costs	(8,888,969)	(8,514,549)	(8,888,969)	(8,514,549)

(h) Purchase/Redemption/Disposal of investment securities

Opening position	38,327,830	41,848,319	35,327,838	41,848,319
Addition	22,392,877	28,498,798	22,392,877	28,498,798
Disposal	(11,361,233)	(25,831,813)	(11,361,233)	(25,831,813)
Interest received	5,811,443	1,257,344	5,611,443	1,257,344
Closing position	54,159,927	58,322,858	54,009,925	58,322,858

22.3 Proceeds from sale of property, plant and equipment

Cost (see note 25)	114,890	358,748	114,890	358,748
Accumulated depreciation (see note 26)	(86,755)	(242,398)	(86,753)	(242,398)
Profit on disposal of property and equipment (see note 11)	18,853	8,232	18,853	8,232
	47,988	124,582	47,989	124,582

25.4 Effect of foreign exchange rate changes on cash and cash equivalents

Currency	USD	EUR	GBP	Other currency
USD	1,421,800	525,854	1,421,800	525,854
EUR	66,456	(4,756)	66,456	(4,756)
GBP	14,824	3,817	14,824	3,817
Other currency	285	821	285	821
Effect of exchange rate	1,503,945	520,829	1,503,945	520,829

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48. Cash and cash equivalents

For the purpose 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, deposits held at call with banks, and other than less highly liquid investments with a negligible risk of their market or fair value falling below their cost on maturity.

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Cash and balances with central bank (Note 14)	N950	N950	N950	N950
Money market funds with the Central Bank	44,702,808	44,188,479	47,185,988	44,128,479
(Maturity) deposits with the Central Bank	(36,980,896)	(64,818,866)	(38,660,584)	(50,640,989)
Cash and bank balances included in the statement of cash flows	(6,258,984)	(20,449,253)	(29,135,180)	(56,153,499)
Financial instruments measured at fair value (Note 19)	4,307,636	7,864,756	4,307,636	7,864,756
	38,738,217	21,148,382	26,697,817	21,148,382

49. Contingent liabilities and commitments

(i) Legal proceedings

The bank has litigation claims which arose in the normal course of business and they are being conducted by the bank. The directors having sought professional legal counsel are of the opinion that no material amounts have to be provided for them in these financial statements. There was a writ of a proceedings against the Bank amounting to N502.0 million (Dec 2020: 3 amounting to N49.07 million).

(ii) Credit related commitments

In the normal course of business, the bank is party to financial instruments with off-balance sheet (o.b). 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		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Letters of Credit	N9,735,140	18,336,482	23,776,168	16,284,485
Performance bonded guarantees	2,432,442	8,871,836	3,432,442	6,271,280
Letter Commitments	34,628,282	37,800,281	34,643,208	37,682,737
	46,801,864	65,008,600	61,851,818	59,238,502

The total outstanding contractual amount of the contract assets (and which represents letter commitments) does not necessarily represent future cash outflow, as these line items relate to contracts which being drawn. Likewise, there are no carrying conditions to no real losses such commitments can be drawn upon.

50. Related party transactions

The Group is controlled by FSDH Holding Company Limited, incorporated in Nigeria, which owns 99.99% of the ordinary shares. FSDH Holding Company Limited is the immediate parent company of FSDH Merchant Bank Limited as well as the ultimate controlling entity.

(i) Key management personnel and their related entities

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net Compensation	3600	3601	3622	3621
Wages and salaries	N950	N950	N950	N950
Provision costs	742,038	626,844	742,038	626,844
	80,088	81,155	80,088	81,155
	787,817	658,950	787,817	689,714

(ii) Loans to related entities

	Group & Bank		Group & Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Loans outstanding	211,478	246,280	211,478	246,280

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Interest income	4,528	4,529	4,528	4,529

Loans to related parties are disclosed above. Financial cliff notes (short-term payable balances) in 12 years duration or less, are type of the significant line items of the management held as disclosed in quarterly call to shareholders of the Bank for every quarter. Management loans are collateralized by the underlying security. None of the loans were classified as stage 1.

No loan has granted to any key management staff or employee outside their employment contracts of service.

(iii) Deposits

	Group		Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Due to customers	N95,000	1,507,716	95,000	1,507,716

Interest expense	14,528	12	14,528	12
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(iv) Management staff has been elected as members of the five-member persons committees of the bank.

(v) Directors and their related entities.

(vi) Deposits

Interest expense	30,185	38,140	30,185	38,140
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FSDH MERCHANT BANK LIMITED
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

(b) Transactions

The aggregate value of transactions of services rendered to Directors and their related entities over which they have control or significant influence, here to follow:

Income earned				
Decreases asset ¹	61,380	61,390	61,380	61,380

¹The bank engaged the legal counsel of the law firm of Lee Joo Ee & Co. to provide a legal opinion on a membership body and paid the sum of HK\$ million (76,211,312 million). During the period, the bank also paid the sum of HK\$ 6 million (768,144.3 million) to FSDH Capital Limited for company law for the issuance of the bank's common stock paper. These fees are included in the expense year statement.

This represents balances outstanding on credit related to directors and director related entities. Specific credit exposures have been recognized in respect of one of the loans granted to the related entity:

(c) Shareholders and related entities

(a) Receivable

	Gross		Book	
	31 December	31 December	31 December	31 December
	2622	3821	3822	3821
	3,930	6,900	6,900	6,900
FSDH Holding	616,175	756,687	616,175	756,687
FSDH Capital Limited	-	79	-	79
	616,175	756,777	616,175	756,777

This includes non-cash expense due from the related entities in all periods. The bank became a subsidiary of the FSDH Holding Company.

Interest income

	35,887	5,784	35,887	5,784
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(b) Cash and bank balances

Bank balances	3,411,438	27,261	2,431,439	26,261
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(c) Subsidiaries of a common parent

(a) Deposits

	Gross		Book	
	31 December	31 December	31 December	31 December
	2622	3821	3822	3821
	3,930	6,900	6,900	6,900
Deposits from FSDH Asset Management Limited	3,603,777	44,387	3,603,777	364,377
Deposits from FSDH Investment Limited	-	762,584	-	668,846
Deposits from FSDH HOLDCO	13,648	-	13,648	-
Deposits from Capital	27,175	-	27,175	-
Deposits from FSDH/MS	35,411	-	35,411	-
Deposits from Partners Alliance Limited	679,084	836,730	679,084	23
Total deposits from related entities	3,715,095	1,176,601	3,715,095	1,298,146

(b) Deposits

Interest income	35,887	46,212	35,887	46,212
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This represents deposit balances of entities within the FSDH Group.

(b) Loans and advances to customers

Loans to customers	-	130,834	-	130,834
Interest income	7,680	12,880	12,880	13,880

FSDH MERCHANT BANK LIMITED
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

43. Issuer related credit

In the MFI the Group Bank at 31 December 2023 (2022: 2021) held the issued-to-dividend issuer related credit. As at 31 December 2023, there were no issuer related credit in the books of the Bank (December 2022: Nil).

Issuer related credit include transactions with generalist investors, employees, directors and related parties (where the term "related party" is defined in section 20(5) of BOP 1989 (as amended)) under the following:

credit to employees under the employment scheme of bank and shareholders of the bank and related interests in a form of the bank's paid up equity as detailed.

44. Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the net profit after contribution to the equity holders of the bank by the assigned average number of ordinary shares in issue during the year:

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Profit after contribution to equity holders of the parent bank (NDM)	3,580,715	880,741	3,580,715	880,741
Weighted average number of ordinary shares ('000)	2,130,623	1,823,617	2,130,623	1,823,617
Weighted average number of ordinary shares excluding treasury shares ('000)	2,130,623	1,823,617	2,130,623	1,823,617
Basic earnings per share (N 1000 per share)	168	48	168	48

(ii) Diluted
 The bank does not have convertible preferred shares, Warrants, options and financial instruments in effect of the profit attributable to the equity holders (31 December 2023: Nil).

45. Dividends

Final dividend N 15 (2022: N 22)
 Interim dividend N 8.07 (2022: N 0.27)

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Final dividend N 15 (2022: N 22)	31,320	48,328	31,320	48,328
Interim dividend N 8.07 (2022: N 0.27)	1,291,475	138,960	1,291,475	138,960
	3,622,795	187,288	3,622,795	187,288

During the year, the director proposed an interim dividend of N 0.27 per share amounting to a total of N 188. A final dividend of N 15 per share was proposed at year end. This dividend does not refer to the resolution which will be announced via an advertisement of invited meetings.

46. Compliance with banking regulations

During the year, the bank paid a Penalty of N 7,336 (Dec 2023: N 0) in July – April 2024 CBN AMR Risk Based audit with respect to misreporting of the CTR returns.

47. Events after statement of financial position date

There was no significant event after the reporting date that can materially affect the true and fair position of the financial statements as at 31 December 2023.

48. Rounding of figures

Certain comparative figures have been rounded off in line with current year's presentation.

FSDH MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES
VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

Group and Bank	Group			Bank		
	Dec 2022	Dec 2021	%	Dec 2022	Dec 2021	%
	N'000	N'000		N'000	N'000	
Gross earnings	24,447,486	13,766,960		24,447,486	13,766,960	
Interest and similar expenses	(12,758,928)	(7,562,722)		(12,758,928)	(7,562,722)	
	11,688,558	6,204,238		11,688,558	6,204,238	
Impairment allowance on risk assets	(1,327,678)	(146,411)		(1,327,678)	(146,411)	
Administrative Overheads- local	(2,501,081)	(2,078,936)		(2,501,081)	(2,078,936)	
Value added	7,859,599	3,998,820	100	7,859,599	3,998,820	100
Distribution of value added						
To employees and directors:						
Salaries and benefits	3,299,641	2,500,802	42	3,299,641	2,500,802	63
To government:						
Tax	492,752	120,272	6	492,752	120,272	3
The future to pay proposed dividend:						
For replacement of property and equipment (depreciation)	336,659	327,668	4	336,659	327,668	8
For replacement of intangible assets (amortisation)	170,332	163,208	3	170,332	163,208	4
To reserves	3,560,215	866,741	45	3,560,215	866,741	22
	7,859,599	3,998,820	100	7,859,599	3,998,820	100

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

FSDH MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY

	Group Dec 2022 N'000	Group Dec 2021 N'000	Group Dec 2020 N'000	Group Dec 2019 N'000	Group Dec 2018 N'000
Gross earnings	24,447,486	13,786,960	16,313,734	20,822,341	18,525,590
Interest and similar expenses	(12,758,928)	(7,562,722)	(6,814,365)	(11,009,078)	(10,320,248)
Operating income	11,688,558	6,224,238	9,499,369	9,813,262	8,205,342
Profit before tax	4,052,967	1,007,013	3,845,064	5,182,829	5,186,445
Tax	(492,752)	(120,272)	(367,229)	(1,572,426)	(775,053)
Profit after tax	3,560,215	886,741	3,277,835	3,610,403	4,411,392
Earnings per share (Kobo)	166	48	179	127	158
	Group Dec 2022 N'000	Group Dec 2021 N'000	Group Dec 2020 N'000	Group Dec 2018 N'000	Group Dec 2018 N'000
ASSETS					
Cash and balances with central bank	43,193,956	44,199,479	49,945,000	16,161,374	11,186,984
Placements to banks and other financial institutions	4,304,210	7,783,220	4,003,401	9,817,336	17,057,637
Financial instruments held for trading	206,866	600,142	3,217,781	2,704,105	1,473,271
Trading Assets	10,208,003	-	-	-	-
Derivative assets held for risk management	460,730	821,873	238,691	414,929	607,076
Loans and advances to customers	117,211,421	78,626,902	38,072,402	45,496,340	40,536,858
Investment securities	54,970,827	38,327,639	42,573,216	43,447,218	34,026,860
Pledged assets	6,212,366	12,757,565	16,551,088	33,105,752	8,894,229
Right of use assets	86,953	70,721	70,621	119,964	-
Investment in subsidiaries	-	-	-	-	961,377
Current income tax asset	-	123,029	116,119	-	-
Property and equipment	773,177	714,901	595,534	636,494	604,044
Intangible assets	208,244	275,118	423,953	425,629	212,588
Deferred tax assets	2,237,895	2,526,515	2,599,335	2,886,150	3,223,982
Other assets	16,954,897	3,885,898	1,051,589	776,778	852,990
Total assets	257,029,335	188,713,002	159,448,730	155,994,069	119,637,966
	257,029,335	188,713,002	159,448,730	155,994,069	119,637,966
LIABILITIES					
Trading Liabilities	16,008,428	5,576,479	-	-	-
Due to banks	30,187,518	26,147,903	19,621,072	27,684,628	4,744,992
Due to customers	98,251,471	71,794,882	80,213,989	58,340,436	46,719,361
Derivative liabilities held for risk management	587,602	796,046	228,557	395,283	590,903
Current income tax liability	35,285	-	-	461,942	241,710
Lease liabilities	62,759	66,810	38,836	54,508	-
Debt securities issued	32,111,270	29,148,871	23,050,499	14,086,009	14,524,709
Other borrowed funds	33,868,380	17,288,216	-	18,737,312	18,725,951
Other liabilities	20,737,252	10,989,772	5,435,072	11,463,788	4,754,722
Provision	125,657	35,922	46,577	-	-
	231,975,622	161,864,901	128,634,601	129,224,107	90,302,348
NET ASSETS	25,053,713	26,848,101	30,814,129	26,769,962	29,335,557
SHAREHOLDERS' FUNDS					
Share capital	2,136,623	1,833,417	1,833,417	1,833,417	2,794,794
Share premium	234,381	539,587	539,587	539,587	1,539,587
Retained earnings	15,123,273	15,360,818	17,455,379	17,561,796	18,950,259
Statutory reserve	7,992,272	7,456,240	7,325,229	6,833,552	6,291,991
Fair value reserve	(4,451,528)	(1,364,993)	2,768,729	1,610	(398,113)
AGSMEIS reserve	1,114,137	936,128	891,789	-	157,039
Credit reserve	2,902,555	2,094,906	-	-	-
	25,053,713	26,848,101	30,814,129	26,769,962	29,335,557

FSDH MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY

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Profit before tax	4,052,967	1,007,013	3,645,064	5,182,829	5,186,445
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Derivative assets held for risk management	460,730	621,673	238,691	414,929	607,076
Loans and advances to customers	117,211,421	76,626,902	38,072,402	45,496,340	40,536,858
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Pledged assets	6,212,356	12,757,565	16,561,088	33,105,752	8,894,229
Right of use assets	86,953	70,721	70,621	119,964	-
Investment in subsidiaries	-	-	-	-	961,377
Current income tax asset	-	123,029	116,119	-	-
Property and equipment	773,577	714,901	585,534	636,494	604,044
Intangible assets	208,244	275,118	423,953	425,629	212,588
Deferred tax assets	2,237,695	2,526,515	2,999,335	2,888,150	3,223,982
Other assets	16,954,897	3,665,690	1,051,509	776,776	652,969
Total assets	257,029,335	188,713,003	159,448,730	155,994,069	119,637,906
	257,029,335	188,713,003	159,448,730	155,994,069	119,637,906
LIABILITIES					
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Due to banks	30,187,518	26,147,903	19,621,072	27,684,828	4,744,992
Due to customers	98,251,471	71,794,882	80,213,689	56,340,436	46,719,361
Derivative liabilities held for risk management	587,602	796,046	228,557	395,283	590,903
Current income tax liability	35,285	-	-	461,942	241,710
Lease liabilities	62,759	60,810	38,636	54,509	-
Debt securities issued	32,111,270	29,148,871	23,050,499	14,086,009	14,524,709
Other borrowed funds	33,868,380	17,298,216	-	18,737,312	18,725,961
Other liabilities	20,737,252	10,999,772	5,435,072	11,463,788	4,754,722
Provision	125,857	35,922	46,577	-	-
	231,975,822	161,864,801	128,634,602	129,224,107	90,302,348
NET ASSETS	26,053,713	26,848,101	30,814,128	26,769,962	29,335,557
SHAREHOLDERS' FUNDS					
Share capital	2,138,623	1,833,417	1,833,417	1,833,417	2,794,794
Share premium	234,381	539,587	539,587	539,587	1,538,587
Retained earnings	15,123,273	15,350,818	17,455,379	17,561,796	18,950,259
Statutory reserve	7,992,272	7,458,240	7,325,229	6,833,562	6,291,991
Fair value reserve	(4,451,528)	(1,364,993)	2,768,729	1,810	(398,113)
AGSMEIS reserve	1,114,137	938,128	891,789	-	157,039
Credit reserve	2,902,555	2,094,906	-	-	-
	26,053,713	26,848,101	30,814,128	26,769,962	29,335,557

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