FSDH Merchant Bank Limited

Annual Report

31 December 2023

CORPORATE INFORMATION

The list of Directors who served in the entity during the year and up to the date of report is:

Chairman	-	Mr. Olufemi Agbaje
Managing Director	-	Mrs. Bukola Smith
Executive Director	-	Mr. Taiwo Otiti
Executive Director	-	Ms. Stella-Marie Omogbai
Non-Executive Director	-	Mr Patrice Backer
Non-Executive Director	-	Mr. Kelechi Okoro
Non-Executive Director	-	Prof. Isabella Okagbue
Independent Director	-	Mr. Musa Ali Baba
Independent Director	-	Mr. Godwin Ize-Iyamu

Registered Office	-	UAC House, 5th floor, 1-5 Odunlami Street, Lagos, Nigeria Email: info@fsdhgroup.com Website: www.fsdhgroup.com
Auditors	-	KPMG Professional Services KPMG Tower Bishop Aboyade Cole Street, Victoria Island, Lagos Tel: +234 9068459329 https://home.kpmg/ng
Company Secretary	-	Bolanle Meshida
RC No.	-	199528
FRC Registraion No	-	FRC/2012/00000000509
TIN	-	00100022-0001

FSDH MERCHANT BANK LIMITED

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for the year ended 31 December 2023

DIRECTORS REPORT

The Directors present the consolidated and separate financial statements of FSDH Merchant Bank Limited ("the Bank") and its subsidiary (together, "the Group") for the year ended 31 December 2023.

(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 a 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 year 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 February 2021 through FSDH Funding SPV Plc, while no transaction was recorded in the previous and current year. The Bank did not give any financial support to the entity during the year (2022 : Nil).

The Bank also has 100% controlling interest in FSDH Nominees Ltd, a special purpose vehicle (SPV) incorporated in Nigeria to provide premium Custodial Services such as asset safekeeping to Asset and Fund Managers, Banks, Insurance Companies, Foreign Portfolio Investors, High Net worth Individuals, and Private Equity firms.

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's operating results:

	Group		Bank	
	31 December 2023 (N'000)	31 December 2022 (N'000)	**31 December 2023 (N'000)**	31 December 2022 (N'000)
Profit before tax	**5,303,206**	4,052,967	**5,276,491**	4,052,967
Income tax expense	**(619,255)**	(492,752)	**(619,255)**	(492,752)
Profit after tax	**4,683,951**	3,560,215	**4,657,236**	3,560,215
Other comprehensive income/(loss) for the year, net of tax	**2,928,012**	(3,086,535)	**2,928,012**	(3,086,535)
Total Comprehensive Income for the year	**7,611,963**	473,680	**7,585,248**	473,680
Profit after tax attributable to equity holders of the holding company	**4,683,951**	3,560,215	**4,657,236**	3,560,215
Total comprehensive Income attributable to equity holders of the holding company	**7,611,963**	473,680	**7,585,248**	473,680

DIRECTORS REPORT

(d) Proposed dividend

The Board of Directors recommend, for the approval of the shareholders, the payment of a final dividend of ₦1.44billion representing ₦0.67k per share (December 2022: ₦0.16k) for the year ended December 31, 2023. 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 year ended December 31, 2023:

1.	Mr. Olufemi Agbaje	Chairman - Nigerian
2.	Mrs. Bukola Smith	Managing Director - Nigerian
3.	Mr. Taiwo Otiti	Executive Director - Nigerian
4.	Ms. Stella-Marie Omogbai	Executive Director - Nigerian
5.	Mr Patrice Backer	Non-Executive Director - American
6.	Mr. Kelechi Okoro	Non-Executive Director - Nigerian
7.	Prof. Isabella Okagbue	Non-Executive Director - Nigerian
8.	Mr. Musa Ali Baba	Independent Director - Nigerian
9.	Mr. Godwin Ize-Iyamu	Independent Director - Nigerian

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, 2023 was 33.33% (December 2022: 22.22%) broken down as below:

December 31, 2023	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	2	3	66.67%
Non-executive directorship	1	6	16.67%
Total	**3**	**9**	**33.33%**

December 31, 2022	Female Directors	Total Directors	Percentage of female (%)
Executive directorship	1	2	50%
Non-executive directorship	1	7	14.29%
Total	**2**	**9**	**22.22%**

(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 2023, the Bank had 15 staff members in this category (Dec 2022: 14).

The proportion of women in the Bank's top management positions as at 31 December 2023 was 33.33% (December 2022: 21.43%) as broken down below:

December 31, 2023	Female	Total	Percentage of Female
Assistant General Manager - General Manager	3	12	25.00%
Executive Director - Managing Director	2	3	66.67%
Total	**5**	**15**	**33.33%**

December 31, 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%**

(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.

DIRECTORS REPORT

(k) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2023 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 2023, 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 27 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. 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 year is summarized below.

	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
FINANCIAL YEAR	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**	**Dec-23**	**Dec-22**
Pending Complaints at the start of the year	2	1	-	-	-	-
Customer Complaints received	1,206	46	1,121,774,322	26,943,492	918,388,990	4,683,400
Customer Complaints resolved	1,200	45	918,388,990	4,683,400	918,388,990	4,683,400
Unresolved Complaints escalated to CBN for intervention	8	2	203,385,332	22,260,092	-	-
Unresolved Complaints pending with the Bank as at the end of the year	8	2	203,385,332	22,260,092	-	-

(o) Report/Statement on Frauds and Forgeries-

In the 2023 financial year, one case of attempted fraud was reported which resulted in no financial loss to the Bank. Accordingly, this was included in our November 2023 returns on Fraud and Forgeries to the Central Bank of Nigeria. (December 2022:1 attempted case).

(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 31 December 2023.

(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. As at December 31, 2023, the number of women in the employment of the Bank was 69 out of a total staff strength of 175, which represents 39.43% (December 2022: 50 out of a total staff strength of 146, which was 34.25%) 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 ₦33,489,878 (December 2022: N22,854,347) was incurred in respect of donations during the year. Details of the donations and charitable contributions include:

DIRECTORS REPORT

Breakdown of Donations	Dec-23	Dec-22
Child lifeline	2,000,000	2,500,000
Childern's development centre	2,000,000	2,500,000
Nigeria society for the blind	-	2,500,000
Financial literacy awareness campaign	18,554,878	9,954,347
Cerebral palsy center	1,500,000	1,500,000
Oba Olashore 10th Year Memorial Lecture	2,000,000	-
First Baptist College - World Savings Day	435,000	-
Olashore International School	-	200,000
Olashore Foundation	-	200,000
Scientific Conference Association of Post Graduate Medical College	-	500,000
Rehoboth Dreams foundation	-	500,000
National Risk Policy Conference - CBN	-	1,000,000
Gala Corporate Sponsorship (Bronze Package)	-	500,000
Salt & Light Christmas Experience	-	500,000
Mum 4 Real	500,000	-
Support to Management students association	500,000	-
Support to Junior Achievers	2,000,000	-
Support to Lisa Academy	2,000,000	-
She Evolution Africa	1,000,000	500,000
Techpowers Innovation Challenge	500,000	-
Crimsonbow sickle cell initiative	500,000	-
	33,489,878	**22,854,347**

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.

BY ORDER OF THE BOARD,

Bmeshida

Bolanle Meshida
Company Secretary
FRC/2019/002/00000020171
21 March 2024

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 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. The process is outsourced to an independent party - Deloitte Professional Services - a reputable 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 has 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 a subsidiary of FSDH Holding Company Limited.

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.
- 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 Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Services Banks in Nigeria (2023) 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.

The Board Risk Committee

The Committee shall comprise 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 shall comprise a minimum 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 Memart, 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.
- 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.
- 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.

CORPORATE GOVERNANCE REPORT

Board and Board Committee Meetings

During the year, there were changes to Chairmanship position of the Board Risk Committee and Board Governance and Nominations Committee.

Mr Godwin Ize-Iyamu held office as Chairman of Board Risk Committee from January 1st 2023 to July 31st 2023 and was appointed as Chairman, Governance and Nominations Committee effective August 1st 2023. Similarly, Prof. Isabella Okagbue held office as Chairman, Governance and Nominations Committee from January 1st 2023 to July 31st 2023 and was appointed as Chairman, Board Risk Committee effective August 1st 2023.

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

S/N	Name	Directorship	23-Mar-23	27-Apr-23	26-July-23	26-Oct-23	12-Dec-23	Total Attendance
1	Mr. Femi Agbaje	Chairman	ü	ü	ü	ü	ü	5
2	Mr. Godwin Ize-Iyamu	Independent Director	ü	ü	ü	ü	ü	5
3	Ms. Stella-Marie Omogbai	Executive Director	ü	ü	ü	ü	ü	5
4	Mr. Patrice Backer	Non-Executive Director	ü	ü	ü	ü	ü	5
5	Mr. Kelechi Okoro	Non-Executive Director	ü	ü	ü	ü	ü	5
6	Mr. Taiwo Otiti	Executive Director	ü	ü	ü	ü	ü	5
7	Mrs. Bukola Smith	MD/CEO	ü	ü	ü	ü	ü	5
8	Prof. Isabella Okagbue	Non-Executive Director	ü	ü	ü	ü	ü	5
9	Mr. Musa Ali Baba	Independent Director	ü	ü	ü	ü	ü	5

CORPORATE GOVERNANCE REPORT

GOVERNANCE AND NOMINATIONS COMMITTEE									
S/N	**Name**	**Directorship**	**09-Mar-23**	**12-Apr-23**	**17-Apr-23**	**21-Apr-23**	**14-Jul-23**	**15-Nov-23**	**Total Attendance**
1	Prof. Isabella Okagbue	Chairperson	ü	ü	ü	ü	ü	ü	**6**
2	Mr. Godwin Ize-Iyamu	Independent Director	ü	ü	ü	ü	ü	ü	**6**
3	Mr. Patrice Backer	Non-Executive Director	ü	ü	ü	ü	ü	ü	**6**

BOARD RISK COMMITTEE							
S/N	**Name**	**Directorship**	**19-Jan-23**	**19-Apr-23**	**18-July-23**	**18-Oct-23**	**Total Attendance**
1	Mr. Godwin Ize-Iyamu	Chairman	ü	ü	ü	ü	**4**
2	Mr. Kelechi Okoro	Non-Executive Director	ü	ü	ü	ü	**4**
3	Prof. Isabella Okagbue	Non-Executive Director	ü	ü	ü	ü	**4**
4	Mrs. Bukola Smith	MD/CEO	ü	ü	ü	ü	**4**
5	Mr.Taiwo Otiti	Executive Director	ü	ü	ü	ü	**4**
6	Ms. Stella-Marie Omogbai	Executive Director	ü	ü	ü	ü	**4**

BOARD AUDIT COMMITTEE							
S/N	**Name**	**Directorship**	**14-Mar-23**	**13-Apr-23**	**13-Jul-23**	**21-Nov-23**	**Total Attendance**
1	Mr. Musa Ali Baba	Chairman	ü	ü	ü	ü	**4**
2	Mr. Kelechi Okoro	Non-Executive Director	ü	ü	**x**	ü	**3**
3	Mr. Godwin Ize - Iyamu	Independent Director	ü	ü	ü	ü	**4**

CORPORATE GOVERNANCE REPORT

BOARD FINANCE AND STRATEGY COMMITTEE								
S/N	**Name**	**Directorship**	**26-Jan-23**	**18-Apr-23**	**11-July-23**	**17-Oct-23**	**17-Nov-23**	**Total Attendance**
1	Mr. Patrice Backer	Chairman	ü	ü	ü	ü	ü	**5**
2	Prof. Isabella Okague	Executive Director	ü	ü	ü	ü	ü	**5**
3	Mrs. Bukola Smith	MD/CEO	ü	ü	ü	ü	ü	**5**
4	Mr.Taiwo Otiti	Executive Director	ü	ü	ü	ü	ü	**5**
5	Ms. Stella-Marie Omogbai	Executive Director	ü	ü	ü	ü	ü	**5**
6	Mr. Musa Ali Baba	Non-executive Director	ü	ü	ü	ü	ü	**5**

Keys

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

APPOINTMENT AND TENURE OF DIRECTORS

The appointment date and tenure of the Bank's directors is stated below:

S/N	Name	Directorship	Details of Appointment	Details of Changes	Term Expiration
1	Mr. Femi Agbaje	Chairman	**Appointed on 2nd July 2013 (entitled to 4 years in the first instance, and two terms of 4 years each)**	**Re-elected in 2017 and 2021**	**Term to expire in 2025**
2	Mr. Patrice Backer	Non-executive Director	**Appointed on 20th June 2017 (entitled to 4 years in the first instance, and two terms of 4 years each)**	**Re-elected in 2021**	**To be further re-elected in 2025**
3	Mr. Godwin Ize-Iyamu	Independent Director	**Appointed on 8th February 2018 (as an independent director, entitled to 4 years in the first instance, and one additional term of 4 years)**	**Re-elected in 2022**	**Term to expire in 2026**
4	Mr. Kelechi Okoro	Non-Executive Director	**Appointed on 18th March 2020 (entitled to 4 years in the first instance, and two terms of 4 years each)**	**To be re-elected in 2024**	**To be further re-elected in 2028**
5	Prof. Isabella Okagbue	Non-Executive Director	**Appointed on April 15, 2021 (entitled to 4 years in the first instance, and two terms of 4 years each)**	**To be re-elected in 2025**	**To be further re-elected in 2029**
6	Mr. Musa Ali Baba	Independent Director	**Appointed on October 25, 2021 (as an independent director, entitled to 4 years in the first instance, and one additional term of 4 years)**	**To be re-elected in 2025**	**Term to expire in 2029**
7	Mrs. Bukola Smith	MD/CEO	**Appointed on 12th April 2021**	**4 years contract (Tenure is subject to contract)**	**Contract to expire in 2025**
8	Mr.Taiwo Otiti	Executive Director	**Appointed on 1st August 2018**	**Contract was renewed in 2023 for 1 year**	**Contract to expire in 2024**
9	Ms. Stella-Marie Omogbai	Executive Director	**Appointed on 1st January 2023**	**Subject to regulatory tenure of 10 years**	**Term to expire in 2033 or upon reaching retirement age of 60 years, whichever is earlier**

SUMMARY OF DIRECTORS' TRAINING AND INDUCTION

S/N	Date Held	Topics	Talking/Discussion Points	Facilitator
1	February 16 2023	Duties of Director	**Fiduciary Duties, Board Effectiveness, Regulations and Outside Scrutiny, Oversight of Risk, Strategy and Growth, Case Studies.**	**Deloitte**
2	March 19 2023	Corporate Governance and the Regulatory Regime	**Corporate Governance and the Regulatory Regime.**	**Deloitte**
3	June 8 2023	AML/CFT Board Training	**Governance, Risk and Compliance issues**	**Compliance Institute for Banks and Other Financial Institutions in Nigeria**
4	June 8 2023	Cybersecurity Board Training	**Enhancing Board Oversight on Cybersecurity Governance.**	**Digital Jewels**
5	July 3 - 8 2023	Advanced Strategy for Directors	**Deepen understanding of the strategic challenges brought about by today's global environment (from both internal and external perspectives).**	**INSEAD, Fontainebleau, Paris, France**
6	September 11 - 12 2023	Culture Workshop	**Culture Workshop**	**Slap Company**
7	December 1 2023	Executive Strategy for Results	**Executive Strategy for Results**	**London Business School**

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.

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 two Executive Directors 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 Directors 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, Financial Control 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 approving new credits and reviewing existing credits for performance and classification.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

The directors accept responsibility for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, Financial Reporting Council of Nigeria (Amendment) Act, 2023, the Bank and other Financial Institution Act (BOFIA) 2020, and relevant Central Bank of Nigeria guidelines and circulars.

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

The directors have made an assessment of the Bank 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

Femi Agbaje
Chairman
FRC/2014/ICAN/00000010052
21 March 2024

Bukola Smith
Managing Director
FRC/2015/ICAN/00000011192
21 March 2024

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 2023 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
12 March 2024

Members of the Audit Committee are:

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

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 as follows:-

i. That we have reviewed the audited consolidated and separate financial statements of the Bank for the year ended 31 December 2023.
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 2023.
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 2023.
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:

  a. 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
  b. there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.

Oluwaseun Omole	**Bukola Smith**
Chief Financial Officer	**Managing Director**
FRC/2017/ICAN/00000017693	**FRC/2015/ICAN/00000011192**
21 March 2024	**21 March 2024**

Deloitte.

Deloitte & Touche
Civic Towers, Plot GA 1
Ozumba Mbadiwe Avenue
Victoria Island
Lagos, Nigeria.
Tel: +234 1 2717800
Fax: +234 1 2717801
www.deloitte.com/ng

25 March 2024

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 2023. 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 the Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks issued by the Central Bank of Nigeria ("CBN CG Guidelines") 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

Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner

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

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

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 subsidiaries (together, "the Group"), which comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of 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 material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Bank and its subsidiaries as at 31 December 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

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

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

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 macroeconomic 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 a 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.
- 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 a 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.

- we evaluated the adequacy of the consolidated and separate financial statements disclosures, including the the disclosures of key assumptions and judgements, and also assessed whether disclosures in the consolidated and separate financial statements appropriately reflect the Group's exposure to credit risk in line with the requirements of the relevant accounting standards.

The Bank's disclosure on critical judgements and estimates impairment allowance for loans and advances are shown in Notes 3.6 and 8 respectively in the consolidated and separate financial statements for the year ended 31 December 2023.

Valuation of Trading assets and liabilities
The Trading asset of the Group relates to securities obtained by the Bank under a repurchase agreement, while the trading liabilities relate to securities pledged 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 assets 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 applicable standards.
- We obtained relevant agreements and other supporting documents to confirm the existence of the transactions.
- We recomputed the interest income and expense on each transaction 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 rates 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 disclosure on critical judgments and estimates and trading assets are shown in Notes 3.6 and 17 respectively in the consolidated and separate financial statements for the year ended 31 December 2023.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we

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

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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

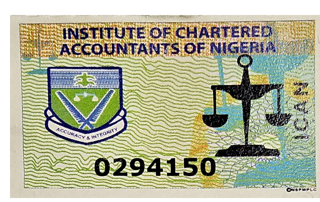
Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020.

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 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 and Group paid penalties in respect of contravention of CBN Circulars during the year ended 31 December 2023. Details of penalties paid are disclosed in note 47 to the consolidated and separate financial statements.
ii. Related party transactions and balances are disclosed in note 43 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Elijah Oladunmoye, FCA
FRC/2013/ICAN/00000019769
For: KPMG Professional Services
Chartered Accountants
13 May 2024
Lagos, Nigeria



FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

		Group		Bank	
	Notes	31 December 2023 N '000	31 December 2022 N '000	31 December 2023 N '000	31 December 2022 N '000
Interest income on financial assets at fair value through profit or loss	5(a)	2,601,406	2,197,487	2,601,406	2,197,487
Interest income on financial assets at fair value through other comprehensive income	5(b)	4,388,180	3,719,840	4,388,180	3,719,840
Interest income on financial assets at amortised cost	5(c)	20,089,804	12,791,011	20,089,804	12,791,011
		27,079,390	18,708,338	27,079,390	18,708,338
Interest expense	6	(19,616,013)	(12,758,928)	(19,616,013)	(12,758,928)
Net interest income		7,463,377	5,949,410	7,463,377	5,949,410
Impairment charge for credit losses	8	(525,028)	(1,327,878)	(525,028)	(1,327,878)
Net interest income after impairment charge for credit losses		6,938,349	4,621,532	6,938,349	4,621,532
Net fee and commission income	7	2,240,978	1,430,832	2,208,803	1,430,832
Net gains on financial instruments held at fair value through profit or loss	9	3,565,408	3,036,450	3,565,408	3,036,450
Net gains on disposal of financial instruments held as fair value through OCI	10	1,175,336	891,477	1,175,336	891,477
Other (losses)/income	11	(469,142)	380,389	(469,142)	380,389
Staff Cost	12(a)	(4,216,193)	(2,991,561)	(4,216,193)	(2,991,561)
Other operating expenses	12(b)	(3,931,530)	(3,316,152)	(3,926,070)	(3,316,152)
Profit before tax		**5,303,206**	**4,052,967**	**5,276,491**	**4,052,967**
Income tax expense	13	(619,255)	(492,752)	(619,255)	(492,752)
Profit after tax		**4,683,951**	**3,560,215**	**4,657,236**	**3,560,215**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value on FVOCI financial assets	36(d)	2,928,012	(3,086,535)	2,928,012	(3,086,535)
Total comprehensive income/(loss) for the year		**7,611,963**	**473,680**	**7,585,248**	**473,680**
Profit after tax attributable to:					
Equity holders of the Bank		4,683,951	3,560,215	4,657,236	3,560,215
Non-controlling interest		-	-	-	-
		4,683,951	**3,560,215**	**4,657,236**	**3,560,215**
Total comprehensive income attributable to:					
Equity holders of the Bank		7,611,963	473,680	7,585,248	473,680
Non-controlling interest		-	-	-	-
		7,611,963	**473,680**	**7,585,248**	**473,680**
Earnings per share per profit attributable to equity holders of the Bank					
Earnings per share - basic (kobo)	45	218	166	218	166
Earnings per share - diluted (kobo)	45	218	166	218	166

FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	Group		Bank	
		31 December 2023 N '000	December 2022 N '000	31 December 2023 N '000	December 2022 N '000
ASSETS					
Cash and Bank Balances	14	51,562,679	43,193,956	51,562,679	43,193,956
Placements to banks and other financial institutions	15	11,582,878	4,304,210	11,582,878	4,304,210
Financial instruments held at fair value through profit or loss	16	28,211,782	206,866	28,211,782	206,866
Trading Assets	17	19,700,513	10,208,003	19,700,513	10,208,003
Derivative assets held for risk management	18	48,775,795	460,730	48,775,795	460,730
Loans and advances to customers	19	122,902,123	117,211,421	122,902,123	117,211,421
Investment securities	20	53,275,866	54,970,827	53,275,866	54,970,827
Pledged assets	21	32,041,042	6,212,356	32,041,042	6,212,356
Right of use assets	24	47,775	86,953	47,775	86,953
Property and equipment	27	992,563	773,177	992,563	773,177
Intangible assets	26	419,074	208,244	419,074	208,244
Deferred tax asset	25	1,924,806	2,237,695	1,924,806	2,237,695
Other assets	22	26,309,114	16,954,897	26,309,114	16,954,897
Investment in subsidiaries	23	-	-	1,000	-
Total assets		**397,746,010**	**257,029,335**	**397,747,010**	**257,029,335**
Liabilities					
Trading liabilities	32	19,969,025	16,008,428	19,969,025	16,008,428
Derivative liabilities held for risk management	18	1,497,920	587,602	1,497,920	587,602
Company income tax liability	13	133,177	35,285	133,177	35,285
Due to banks and other financial institutions	28	91,159,619	40,338,852	91,159,619	40,338,852
Due to customers	29	128,142,582	98,251,471	128,143,582	98,251,471
Lease liabilities	24	-	62,759	-	62,759
Debt securities issued	33	34,344,034	32,111,270	34,344,034	32,111,270
Other borrowed funds	34	28,883,803	23,717,046	28,883,803	23,717,046
Other liabilities	30	62,546,869	20,737,252	62,573,584	20,737,252
Provision	31	115,605	125,657	115,605	125,657
Total liabilities		**366,792,634**	**231,975,622**	**366,820,349**	**231,975,622**
Share capital	35	2,138,623	2,138,623	2,138,623	2,138,623
Share premium	36	234,381	234,381	234,381	234,381
Retained earnings	36	16,705,846	15,123,273	16,679,131	15,123,273
Statutory reserve	36	8,694,865	7,992,272	8,694,865	7,992,272
Fair value reserve	36	(1,523,516)	(4,451,528)	(1,523,516)	(4,451,528)
AGSMEIS reserve	36	1,348,335	1,114,137	1,348,335	1,114,137
Credit risk reserve	37	3,354,842	2,902,555	3,354,842	2,902,555
		30,953,376	25,053,713	30,926,661	25,053,713
Total equity		**30,953,376**	**25,053,713**	**30,926,661**	**25,053,713**
Total equity and liabilities		**397,746,010**	**257,029,335**	**397,747,010**	**257,029,335**

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 21 March 2024 and were signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Femi Agbaje
.... **Femi Agbaje - Chairman**
FRC/2014/ICAN/00000010052

.... **Bukola Smith - Managing Director**
FRC/2015/ICAN/00000011192

Additional certification:

.... **Oluwaseun Omole - Chief Financial Officer**
FRC/2017/ICAN/00000017693

FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

Group	Share capital N'000	Share premium N'000	Retained earnings N'000	Statutory reserve N'000	Fair Value reserve N'000	Credit risk reserve N'000	AGSMEIS reserve N'000	Total equity N'000
As at 1 January 2023	2,138,623	234,381	15,123,273	7,992,272	(4,451,528)	2,902,555	1,114,137	25,053,713
Total comprehensive income:								-
Profit after tax for the period	-	-	4,683,951	-	-	-	-	4,683,951
Net change in Fair Value on FVOCI financial assets	-	-	-	-	2,928,012	-	-	2,928,012
	2,138,623	234,381	19,807,224	7,992,272	(1,523,516)	2,902,555	1,114,137	32,665,676
Transaction with owners:								
Dividends provided for during the year	-	-	(1,370,000)	-	-	-	-	(1,370,000)
Dividends Paid	-	-	(342,300)	-	-	-	-	(342,300)
Transfer to statutory reserves	-	-	(702,593)	702,593	-	-	-	-
Transfer to credit risk reserves	-	-	(452,287)	-	-	452,287	-	-
Transfer to AGSMEIS reserves	-	-	(234,198)	-	-	-	234,198	-
	-	-	(3,101,378)	702,593	-	452,287	234,198	(1,712,300)
As at 31 December 2023	**2,138,623**	**234,381**	**16,705,846**	**8,694,865**	**(1,523,516)**	**3,354,842**	**1,348,335**	**30,953,376**

Group & Bank	Share capital N'000	Share premium N'000	Retained earnings N'000	Statutory reserve N'000	Fair Value reserve N'000	Credit risk reserve N'000	AGSMEIS reserve N'000	Total equity N'000
As at 1 January 2022	1,833,417	539,587	15,350,818	7,458,240	(1,364,993)	2,094,906	936,126	26,848,101
								-
Total comprehensive income:								-
Profit after tax for the period	-	-	3,560,215	-	-	-	-	3,560,215
Net change in Fair Value on FVOCI financial assets	-	-	-	-	(3,086,535)	-	-	(3,086,535)
	1,833,417	539,587	18,911,033	7,458,240	(4,451,528)	2,094,906	936,126	27,321,781
Transaction with owners:								
Dividends provided for during the year	-	-	(1,861,473)	-	-	-	-	(1,861,473)
Dividends Paid	-	-	(406,595)	-	-	-	-	(406,595)
Transfer to statutory reserves	-	-	(534,032)	534,032	-	-	-	-
Transfer to credit risk reserves	-	-	(807,649)	-	-	807,649	-	-
Transfer to AGSMEIS reserves	-	-	(178,011)	-	-	-	178,011	-
Issue of bonus shares (notes 34)	305,206	(305,206)		-	-	-	-	-
	305,206	(305,206)	(3,787,760)	534,032	-	807,649	178,011	(2,268,068)
As at 31 December 2022	**2,138,623**	**234,381**	**15,123,273**	**7,992,272**	**(4,451,528)**	**2,902,555**	**1,114,137**	**25,053,713**

FSDH MERCHANT BANK LIMITED
CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

Bank	**Share capital N'000**	**Share premium N'000**	**Retained earnings N'000**	**Statutory reserve N'000**	**Fair Value reserve N'000**	**Credit risk reserve N'000**	**AGSMEIS reserve N'000**	**Total equity N'000**
As at 1 January 2023	2,138,623	234,381	15,123,273	7,992,272	(4,451,528)	2,902,555	1,114,137	25,053,713
Total comprehensive income:								-
Profit after tax for the period	-	-	4,657,236	-	-	-	-	4,657,236
Net change in Fair Value on FVOCI financial assets	-	-	-	-	2,928,012	-	-	2,928,012
	2,138,623	234,381	19,780,509	7,992,272	(1,523,516)	2,902,555	1,114,137	32,638,961
Transaction with owners:								
Dividends provided for during the year	-	-	(1,370,000)	-	-	-	-	(1,370,000)
Dividends Paid	-	-	(342,300)	-	-	-	-	(342,300)
Transfer to statutory reserves			(702,593)	702,593				-
Transfer to credit risk reserves	-	-	(452,287)	-	-	452,287	-	-
Transfer to AGSMEIS reserves	-	-	(234,198)	-	-	-	234,198	-
	-	-	(3,101,378)	702,593	-	452,287	234,198	(1,712,300)
As at 31 December 2023	**2,138,623**	**234,381**	**16,679,131**	**8,694,865**	**(1,523,516)**	**3,354,842**	**1,348,335**	**30,926,661**

Group & Bank	**Share capital N'000**	**Share premium N'000**	**Retained earnings N'000**	**Statutory reserve N'000**	**Fair Value reserve N'000**	**Credit risk reserve N'000**	**AGSMEIS reserve N'000**	**Total equity N'000**
As at 1 January 2022	1,833,417	539,587	15,350,818	7,458,240	(1,364,993)	2,094,906	936,126	26,848,101
								-
Total comprehensive income:								-
Profit after tax for the period	-	-	3,560,215	-	-	-	-	3,560,215
Net change in Fair Value on FVOCI financial assets	-	-	-	-	(3,086,535)	-	-	(3,086,535)
	1,833,417	539,587	18,911,033	7,458,240	(4,451,528)	2,094,906	936,126	27,321,781
Transaction with owners:								
Dividends provided for during the year	-	-	(1,861,473)	-	-	-	-	(1,861,473)
Dividends Paid	-	-	(406,595)	-	-	-	-	(406,595)
Transfer to statutory reserves	-	-	(534,032)	534,032	-	-	-	-
Transfer to credit risk reserves	-	-	(807,649)	-	-	807,649	-	-
Transfer to AGSMEIS reserves	-	-	(178,011)	-	-	-	178,011	-
Issue of bonus shares (notes 34)	305,206	(305,206)		-	-	-	-	-
	305,206	(305,206)	(3,787,760)	534,032	-	807,649	178,011	(2,268,068)
As at 31 December 2022	**2,138,623**	**234,381**	**15,123,273**	**7,992,272**	**(4,451,528)**	**2,902,555**	**1,114,137**	**25,053,713**

FSDH MERCHANT BANK LIMITED

CONSOLIDATED AND SEPARATE STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Group 31 December 2023 N '000	Group 31 December 2022 N '000	Bank 31 December 2023 N '000	Bank 31 December 2022 N '000
Cash flows from operating activities					
Cash generated/(used) from operations	39	4,370,131	(10,257,315)	4,371,131	(10,257,315)
Interest received	40.1	25,094,742	17,192,293	25,094,742	17,192,293
Interest paid	40.1	(10,772,338)	(8,884,592)	(10,772,338)	(8,884,592)
Income taxes paid	13	(189,746)	(2,568)	(189,746)	(2,568)
Net cash generated from operating activities		18,502,789	(1,952,182)	18,503,789	(1,952,182)
Cash flows from investing activities					
Additions to investment securities	40.1	(25,911,953)	(22,392,977)	(25,911,953)	(22,392,977)
Disposal of investment securities	40.1	12,929,286	11,361,233	12,929,286	11,361,233
Additions to property, plant and equipment	27	(612,881)	(437,783)	(612,881)	(437,783)
Additions to intangible assets	26	(336,755)	(154,502)	(336,755)	(154,502)
Additions to Lease	24	(30,493)	(54,464)	(30,493)	(54,464)
Investment in Subsidiary	23	-	-	1,000	-
Proceeds from sale of property, plant and equipment	40.2	30,501	47,050	30,501	47,050
Dividends received	11	119	176	119	176
Net cash used in investing activities		(13,932,177)	(11,631,267)	(13,931,177)	(11,631,267)
Cash flows from financing activities					
Dividends paid to shareholders	40.1	(342,300)	(406,595)	(342,300)	(406,595)
Principal elements of lease payments	24	(72,537)	(33,784)	(72,537)	(33,784)
Proceeds from Other borrowings	34	10,813,800	50,824,143	10,813,800	50,824,143
Principal repayment of other borrowing	34	(4,066,667)	(34,587,756)	(4,066,667)	(34,587,756)
Interest paid on other borrowings	34	(2,606,265)	(2,017,614)	(2,606,265)	(2,017,614)
Proceeds from debt instrument issued	33	42,982,616	42,221,766	42,982,616	42,221,766
Repayment of debt instrument	33	(43,945,340)	(43,149,424)	(43,945,340)	(43,149,424)
Interest paid on long term debt securities	33	(1,306,421)	-	(1,306,421)	-
Net cash (used in)/ generated from financing activities		1,456,886	12,850,736	1,456,886	12,850,736
Cash and cash equivalents at start of the year		20,939,217	21,158,365	20,939,217	21,158,365
Exchange difference on cash held	40.3	13,319,071	513,565	13,317,071	513,565
Net increase in cash and cash equivalents		6,027,498	(732,713)	6,029,498	(732,713)
Cash and cash equivalents at end of the year		**40,285,786**	**20,939,217**	**40,285,786**	**20,939,217**
Cash and cash equivalents	41	**40,285,786**	**20,939,217**	**40,285,786**	**20,939,217**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 were approved for issue by the Board of Directors on March 21, 2024.

2.1 Summary of material 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 periods presented unless otherwise stated.

2.2 Basis of preparation

The consolidated and separate financial statements of the FSDH Merchant Bank Limited (“the Bank”), FSDH Nominees Limited (“the Nominee”), and FSDH Funding SPV Plc. (herein collectively referred to “the Group”) for the year ended 31st December 2023 have been prepared in accordance with IFRS Accounting Standards, the requirements of the Companies and Allied Matters Act (CAMA) 2020, Banks and Other Financial Institutions Act (BOFIA) 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023. Additional information required by national regulations is included where appropriate. The financial statements have been prepared in accordance with the going concern principle. The Group presents its statement of financial position in order of liquidity and analysis regarding recovery or settlement within 12 months after reporting date (current) and more than 12 months (non-current) is presented in the respective related notes in the financial statements.

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.

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).
- 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 through profit or loss.

c. Use of judgement and estimates

The preparation of the financial statements in conformity with IFRS Accounting Standards 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 2023 financial statements:

- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.
- determination of the fair value of financial instruments with unobservable inputs.

More details are provided in note 3.6.

2.3 Changes in material accounting policies

2.31 Standards and interpretations effective during the reporting period

Amendments to the following standard(s) became effective in the annual period starting from 1st January 2023. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

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. The amendment clarifies how an entity classifies debt and other financial liabilities as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the “settlement” of liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments also introduced the definition of accounting estimates in IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and included other amendments to help entities to distinguish between accounting estimates and changes in accounting policies. The amendment is effective for annual periods beginning on or after 1 January 2023.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Material Accounting Policy Information

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2.4 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

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

Certain accounting standards and interpretations have been published that are not mandatory for the December 2023 reporting period and have not been earlier 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.

Non-Current Liabilities with Covenants and Classification of Liabilities as Current and Non-Current Liabilities (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.
The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. In addition, a company will classify a liability as non-current if it has right to defer settlement for at least 12 months after the reporting date. Such right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

Lease Liability in a sale and leaseback (Amendments to IFRS 16).

Amendments to IFRS 16 Leases requires a seller-lessee impacts how a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment also requires the seller-lessee to include variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

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

- Lack of Exchangeability (Amendments to IAS 21)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

2.4 Material accounting policies

a) 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 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.

b) 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.

c) 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.
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.

d) Financial assets and financial liabilities

Measurement methods

Amortised cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.
When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest Income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date basis.
At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 2.10, which results in an accounting loss being recognised in the income statement when an asset is newly originated.
When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Group recognises the difference as follows:
(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs or realised through settlement.

Financial assets

Classification and subsequent measurement

The Group 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.

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

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

b) financial assets measured at FVOCI – these represent financial assets that are held for collection of contractual cash flows and for selling the assets. Where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through Other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in income. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

c) assets that do not meet the criteria for Amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is presented in the income statement within 'Net gains on financial instruments classified as fair value through profit or loss' 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.

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.

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 and swap transactions as at the balance sheet date.

Modifications of financial assets

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

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

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently, considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either;
(i) the Group transfers substantially all the risks and rewards of ownership, or
(ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.
The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:
(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.
Collateral furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest.

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.

- 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.

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Category (as defined by IFRS 9)	Classes as determined by the Group	Subclasses
Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)	Debt Securities	Treasury Bills
		Federal Government of Nigeria Bonds
		Euro Bonds
	Derivative Financial Instruments	Foreign Exchange Forward Contracts
		Currency Swaps
		Convertibe Loans
	Trading Assets	Assets under Reverse Repurchase Agreements
	Equity Securities	Quoted Equity Securities
	Mutual Funds	Listed Mutual Funds
Financial Assets Measured at Fair Value Through Other Comprehensive Income (FVOCI)	Debt Securities	Treasury Bills
		Federal Government of Nigeria Bonds
		Corporate Bonds
		Euro Bonds
		Promissory Notes
		Unquoted Equities
Financial Assets Measured at Amortised Cost	Debt Securities	Federal Government of Nigeria Bonds
	Cash and Bank Balances	Cash
		Operating Balances with Central Bank of Nigeria
		Balances with Banks in Nigeria
		Balances with Banks outside Nigeria
	Loans and Advances to Banks	Placements with Discount Houses
		Placements with Other Financial Institutions
	Loans and Advances to Customers	Term Loans, Overdrafts
		Sundry and Employee Loans
Financial Liabilities at Fair Value Through Profit or Loss	Derivative Financial Liabilities	Foreign Exchange Forward Contracts
		Currency Swaps
	Trading Liabilities	Liabilities under Repurchase Agreements
Financial Liabilities Measured at Amortised Cost	Due to Banks and Other Financial Institutions	Call Borrowings
		Secured Borrowings
		Refinanced LCs
		Trade Related Obligations to Foreign Banks
	Due to Customers	Demand Deposits
		Term Deposits
		Customer accounts for Foreign Trade
	Other Liabilities	Accounts Payable, Provisions
		Sundry Accounts
	Debt Secutities Issued	FSDH Commercial Paper
	Other Borrowed Funds	On-Lending Facilities

e) Impairment

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

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

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

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

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by:

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

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The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative and qualitative factors. Using its expert credit judgement and where possible relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.
As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the Group has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition. The number of days past due is determined by counting the number of days since the date the full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

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

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

Qualitative criteria

For large portfolios, if the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans.

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

Backstop

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

Quantitative criteria

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

Qualitative criteria

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

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

✓ 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:

<table>
<tr><th>Stages</th><th>Applicable ECL</th><th>Criteria (Quantitative)</th><th>Criteria (Qualitative)</th></tr>
<tr><td>Stage 1</td><td>12-Month ECL</td><td>Less than 30 days past due</td><td>All loans upon initial recognition</td></tr>
<tr><td rowspan="6">Stage 2</td><td rowspan="6">Lifetime ECL - Loans that have witnessed significant increase in credit risk</td><td>Internal or external rating downgrade from investment grade to non-investment grade</td><td>Forbearance by CBN</td></tr>
<tr><td>Four notches downward movement in a 25-notch scale rating</td><td>Negative modification/restructure to the original loan agreement e.g. for easing the cash flow burden on the obligor</td></tr>
<tr><td>One notch internal and external rating downgrade of loans for non-investment grade loans</td><td>Verified poor credit risk status from credit bureau</td></tr>
<tr><td>Obligation with past due exceeding 30 days</td><td>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)</td></tr>
<tr><td>Increase of more than 300bps in yield spread over corresponding Federal Government instrument for corporate debt issue</td><td>Overdue status of non-payment on another obligation of the same issuer to the Group</td></tr>
<tr><td>For corporate debt issue, three notches downgrade of the issuer rating</td><td></td></tr>
<tr><td rowspan="2">Stage 3</td><td rowspan="2">Lifetime ECL - Loans that have objective evidence of impairment or in default</td><td>Obligation with past due exceeding 90 days</td><td>Obligation with past due exceeding 90 days</td></tr>
<tr><td>Internal and external rating downgrade to "c" rating</td><td>Internal and external rating downgrade to "c" rating</td></tr>
</table>

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

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

Forward-looking information incorporated in the ECL models.

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.
These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's economic and research team on a quarterly basis and provide the best estimate view of the economy over the next five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

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

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the 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).

Estimation of multi-year loss given default

Definition of LGD Parameters

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

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

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

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

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

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

• For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "Credit Conversion Factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

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

• For unsecured products, LGD's are typically set at 45% as proposed by BASEL III. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD.

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Qualitative Criteria

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

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

The Top-Down Approach

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

- Crude oil price
- S&P corporate default 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 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.

f) 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.

g) Write-offs

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.

h) 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.

i) 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.

j) Dividend income

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

k) 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 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.

l) 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.

m) Property and equipment

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

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

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

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

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

-Leasehold improvements - 25% or over the lease period
-Office equipment - 20%
-Computer equipment - 33%
-Office Furniture and fittings - 12.5% - 25%
-Motor vehicles - 25%
-Work in progress - 0%
Depreciation methods, useful lives and residual values are reassessed at each reporting date.

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

n) 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 is 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. Software under development is reported at cost and are carried as work-in-progress.

o) Income tax

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

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

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

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

(b) Deferred income tax

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

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

The tax effects of carry forwards of unused losses, unused tax credits and other deferred tax assets are recognised when it is probable that future taxable profit will be available against which these losses and other temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

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

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

p) 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 number 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.

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(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 number 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.

q) Provisions, contingent liabilities and assets

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

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

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

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

r) 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 (CAMA) 2020.

(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 (BOFIA) 2020, 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 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%

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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.

s) 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.

t) 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.

u) 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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.

(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.

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(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:

Financial

a. Financial and prudential ratios are set to meet the minimum statutory requirements

b. Capital-at-risk driven by the Bank's shareholder value creation objectives.

c. Capital adequacy is set to exceed the minimum regulatory limits.

Credit

a. Asset quality, measured by the ratio of non-performing loans to total loans.

b. Maximum credit exposure per industry, product, obligor.

c. Zero tolerance for undisciplined lending.

Reputational

a. Favourable reports from external auditors and rating agencies.

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

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

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

Ratings

The 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

a. Acceptable customer attrition level as defined by the Board.

b. Minimum acceptable percentage of satisfied customers from feedback surveys.

c. Acceptable complaints volume.

Regulatory

a. Zero amount or number of sanctions by the CBN and other regulatory agencies.

b. Zero tolerance for infractions and non-compliance with laws.

Market Risk

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

a. Trading limit

b. Stop loss limits

c. Interest rate gap limits

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 group's financial instruments are categorised as follows:

31 December 2023		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	14	-	-	-	-	-
Balances with other banks	14	-	-	-		
- Operating balance with Central Bank of Nigeria	14	-	-	420,149	-	-
- Operating balance with Central Bank of Nigeria - E-NAIRA Funding	14	-	-	1,000		
- Balances with banks in Nigeria	14	-	-	5,422,421	-	-
- Balances with banks outside Nigeria	14	-	-	22,855,944	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	14	-	-	22,868,238	-	-
Loans to banks						
- Placements with banks	15	-	-	11,582,878	-	-
Financial instruments Held For Trading						
- Nigerian Treasury Bills	16	27,766,495	-	-	-	-
- Federal Government of Nigeria Bonds	16	445,287	-	-		
- Corporate Bonds	16		-	-	-	-
Loans and advances						
- Loans and advances (net of impairment)	19	-	-	122,902,123	-	-
Trading Assets			-	-	-	-
- Federal Government of Nigeria Bonds	17	13,102,035				
- Other Trading Assets	17	6,598,478				
Investment securities						
- State Bonds	20	-	1,840,918	-	-	-
- Nigerian Treasury Bills	20	-	6,678,346		-	-
- Promissory notes	20	-	9,162,951	-	-	-
- Federal Government of Nigeria bonds	20	-	2,165,016	6,972,605	-	-
- Corporate bonds	20	-	4,232,450	-	-	-
- Unquoted equity securities	20	-	15,666	-	-	-
- Eurobonds	20	-	1,892,074			
- CBN Special bills	20	-	19,668,372			
- Commercial papers	20	-	669,775			
Derivative financial instruments	18	48,775,795	-	-		
Pledged assets						
- Nigerian Treasury Bills	21	25,331,745	1,111,997	-	-	-
- Federal Government of Nigeria bonds	21	-	4,066,500	1,530,800	-	-
- Corporate bonds	21	-	-	-	-	-
- Promissory notes	21	-	-	-		
Other assets						
- Receivables (net impairment)	22	-	-	23,862,621	-	-
Financial liabilities:						
Trading Liabilities	32					19,969,025
Due to Banks and other financial institutions	28					
- Call Borrowings	28	-	-	-	-	15,486,096
- Other Local balances		-	-	-	-	-
- Secured borrowings	28	-	-	-	-	9,556,236
- Refinanced LCs	28	-	-	-	-	6,203,500
- Trade related obligations to foreign banks	28	-	-	-	-	59,913,787
- Other Balances						
Derivatives						
- FX forward contracts	18	-	-	-	1,497,920	-
Due to customers						
- Demand	29	-	-	-	-	59,998,293
- Term	29	-	-	-	-	68,144,289
	29					
Other liabilities						
- Customers' deposit for foreign trade	30	-	-	-	-	6,994,037
- Amounts held on behalf of third parties	30	-	-	-	-	1,629,037
- Unclaimed third party deposits	30	-	-	-	-	13,561
- Client Repurchase Investments	30	-	-	-	-	50,044,050
- Bonus Provision						779,026
- Accruals	30	-	-	-		422,435
- Stale cheques and other payable	30	-	-	-	-	2,485,204
- VAT payable	30	-	-	-	-	17,200
- WHT payable	30	-	-	-	-	121,186
Provision						
- Financial guarantee contracts issued	31	-	-	-	-	115,605
Debt securities						
- FSDH Commercial Papers	33	-	-	-	-	21,967,747
- Senior unsecured debt naira	33	-	-	-	-	5,099,721
- Subordinated fixed rate notes naira	33	-	-	-	-	7,276,566
Other borrowed funds						
Tradeline	34					-
Other local borrowings	34					28,883,803
		122,019,835	**51,504,065**	**218,418,778**	**1,497,920**	**365,120,404**

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31 December 2022		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	14	-	-	-	-	-
Balances with other banks	14	-	-	-		
- Operating balance with Central Bank of Nigeria	14	-	-	3,321,926	-	-
- Operating balance with Central Bank of Nigeria - E-NAIRA Funding	14	-	-	1,000		
- Balances with banks in Nigeria	14	-	-	643,573	-	-
- Balances with banks outside Nigeria	14	-	-	12,665,088	-	-
- Mandatory reserve deposit with Central Bank of Nigeria	14	-	-	26,562,369	-	-
Loans to banks						
- Placements with banks	15	-	-	4,304,210	-	-
- Placements with other financial institutions		-	-	-	-	-
Financial instruments Held For Trading						
- Quoted equity securities		-	-	-	-	-
- Nigerian Treasury Bills	16	206,478	-	-	-	-
- Federal Government of Nigeria Bonds	16	388	-	-		
Loans and advances						
- Loans and advances (net of impairment)	19	-	-	117,211,421	-	-
Trading Assets	17	10,208,003	-	-	-	-
- Federal Government of Nigeria Bonds						
Investment securities						
- Nigerian Treasury Bills	20	-	3,291,463		-	-
- Promissory notes	20	-	39,210,349	-	-	-
- Federal Government of Nigeria bonds	20	-	2,236,568		-	-
- Corporate bonds	20	-	8,320,367	-	-	-
- Unquoted equity securities	20	-	15,666	-	-	-
Derivative financial instruments	18	460,730	-	-		
Pledged assets						
- Nigerian Treasury Bills	21	-		-	-	-
- Federal Government of Nigeria bonds	21	249,050	5,963,306	-	-	-
- Corporate bonds	21	-	-	-	-	-
- Promissory notes	21	-	-	-		
Other assets						
- Receivables (net impairment)	22	-	-	16,055,004	-	-
- Receivables (net impairment)		-	-		-	-
		-	-	-	-	-
Financial liabilities:						
Trading Liabilities	32	16,008,427				
- Call Borrowings	28	-	-	-	-	7,665,808
- Other Local balances	28	-	-	-	-	-
- Secured borrowings	28	-	-	-	-	6,218,433
Derivatives						
- FX forward contracts	18	-	-	-	587,602	-
Due to customers						
- Liabilities under repurchase agreements		-	-	-	-	0
- Demand	29	-	-	-	-	32,589,197
- Term	29	-	-	-	-	65,662,274
- Client investments accounts	29	-	-	-	-	-
	29					
Other liabilities						
- Customers' deposit for foreign trade	30	-	-	-	-	6,597,666
- Amounts held on behalf of third parties	30	-	-	-	-	3,463,949
- Unclaimed third party deposits	30	-	-	-	-	12,326
- Sundry creditors	30	-	-	-	-	2,521,915
- Accruals	30	-	-	-		1,189,157
- Stale cheques and other payable	30	-	-	-	-	6,899,181
- VAT payable	30	-	-	-	-	3,170
- WHT payable	30	-	-	-	-	49,888
Provision						
- Financial guarantee contracts issued	31	-	-	-	-	125,657
Debt securities						
- FSDH Commercial Papers	33	-	-	-	-	19,734,983
- Senior unsecured debt naira	33	-	-	-	-	5,099,721
- Subordinated fixed rate notes naira	33	-	-	-	-	7,276,566
Other borrowed funds						
Tradeline	34					21,450,224
Other local borrowings	34					12,418,156
		-	-	-	-	-
		27,133,076	**60,934,133**	**180,764,591**	**587,602**	**215,281,548**

3.1.1 Credit Risk

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.

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- The primary source of repayment for all credits must be from identifiable cash flows from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall-back option.
- A pricing model that reflects variations in the risk profile of various credit facilities to ensure that higher risks are compensated with higher returns.
- All conflict-of-interest situations must be avoided.

3.1.4 Credit Risk Measurement

Over the years, the 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, overdraft, commercial facilities, asset backed notes, LPO/Contract financing, trade finance, foreign exchange, bonds and guarantees, loan syndications, project finance, structured finance, corporate finance and financial advisory services (debt & equity).

Credit risk represents the loss that the 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 Corporates 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.

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- 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.

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.

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	Ccc+
18	Ccc
19	Ccc-
20	Cc+
21	Cc
22	Cc-
23	C+
24	C
25	C-

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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.

Economic variable assumptions

The most significant period-end assumption used for the ECL estimate as at 31 December 2023 and 31 December 2022 were Exchange Rate, Inflation and Crude Oil Price using Brent as the benchmark considering its ability to be forecasted into the future.

31 December 2023		2023	2024	2025	2026	2027
Exchange Rate - Using NAFEX as reference	Base Case	951.79	1044.42	1105.63	1211.54	1316.10
	Optimistic Case	897.06	924.69	1004.51	1088.83	1178.15

	Pessimistic Case	968.34	1123.95	1191.29	1317.55	1442.50
Inflation(%)	Base Case	28.92	29.21	26.23	22.78	19.11
	Optimistic Case	20.12	23.25	20.71	18.92	17.55
	Pessimistic Case	29.5	31.17	28.76	24.15	22.82
Brent Crude Price - Year on Year	Base Case	87.54	88.24	87.12	84.12	89.26
	Optimistic Case	92.36	97.24	88.76	88.00	93.45
	Pessimistic Case	82.40	82.57	83.45	79.24	85.15
31 December 2023		**2023**	**2024**	**2025**	**2026**	**2027**
Brent Crude Price - Year on Year	Base Case	88.31	88.73	86.14	83.79	89.26
	Optimistic Case	80	81	83.45	79.24	83.45
	Pessimistic Case	95.12	97.3	88.76	88	98.15

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 2023	10%	No change	-10%
Brent Crude Price	1,690,403	1,878,226	1,992,596
December 2022	10%	No change	-10%
Brent Crude Price	1,772,084	1,895,480	1,963,148

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 realisability and value. Where diminution in value has occurred, appropriate steps are taken to shore up such positions. This is done throughout the life of the credit exposure.

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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.

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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.

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-23 ₦'000	Dec-22 ₦'000
Cash and bank balances	14		
Balances with other banks			
- Operating balance with Central Bank of Nigeria	14	420,149	3,321,926
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING		1,000	1,000
- Balances with banks in Nigeria	14	5,422,421	643,573
- Balances with banks outside Nigeria	14	22,855,944	12,665,088
- Mandatory reserve deposit with Central Bank of Nigeria	14	22,868,238	26,562,369
Loans to banks			
- Placements with banks	15	11,582,878	4,304,210
Financial instruments held for trading/fair value through profit or loss			
- Nigerian Treasury Bills	16	27,766,495	206,478
- Federal Government of Nigeria Bonds	16	445,287	388
Trading Assets			
- Other Trading Assets	17	19,700,513	10,208,003
Derivative financial instruments			
- Foreign exchange forward contract	18	48,775,795	460,730
Loans and advances to customers			
- Loans and advances (net of impairment)	19	122,902,123	117,211,421
Investment securities through FVOCI			
- Nigerian Treasury Bills	20	6,678,346	3,291,463
- Federal Government of Nigeria bonds	20	2,165,016	2,236,568
- Corporate bonds	20	4,232,450	8,320,367
- Promissory notes	20	9,162,951	39,210,349
- State Bonds	20	1,840,918	1,896,414
- EuroBonds	20	1,892,074	
- CBN Special Bills	20	19,668,372	
- Commercial papers	20	669,775	
- Unquoted equity securities	20	15,666	15,666
Pledged assets			
- Nigerian Treasury Bills	21	26,443,742	249,050
- Federal Government of Nigeria bonds	21	5,597,300	5,963,306
Other assets			
- Receivables	22	23,862,621	16,055,004
			-
		384,970,074	252,823,373
Credit related commitments			
- Letters of Credit	41	18,389,465	23,725,165
- Performance bonds and guarantees	41	6,671,860	5,422,442
- Loan commitments	41	37,959,761	34,043,909
		63,021,086	63,191,516

The table below shows the financial instruments in accordance with their various sectors as at 31 December 2023.

In thousands of Nigerian Naira	Agro Services	Government	Banks	Conglomerate	Oil & Gas - Upstream	Mortgage Institutions	Asset Management	Logistics	Information Service Activities	Other Financial Institutions	Manufacturing	Others	Power Generation/ Plants	Telecommunication	Total
											-				
Financial assets:											-				
											-				
Cash in hand											-				
Balances with other banks											-				
- Operating balance with Central Bank of Nigeria	-	420,149	-	-	-	-	-	-		-	-	-	-	-	**420,149**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	-	1,000	-	-	-	-	-	-		-	-	-	-	-	**1,000**
- Balances with banks in Nigeria	-	-	5,422,421	-	-	-	-	-		-	-	-	-	-	**5,422,421**
- Balances with banks outside Nigeria	-	-	22,855,944	-	-	-	-	-		-	-	-	-	-	**22,855,944**
- Mandatory reserve deposit with Central Bank of Nigeria	-	22,868,238	-	-	-	-	-	-		-	-	-	-	-	**22,868,238**
											-				**-**
Loans to banks											-				**-**
- Placements with banks	-		11,582,878			-	-	-			-	-	-	-	**11,582,878**
											-				**-**
Financial instruments held as fair value through profit or loss											-				**-**
- Nigerian Treasury Bills	-	27,766,495				-	-	-		-	-	-	-	-	**27,766,495**
- State Bonds		445,287									-				**445,287**
											-				**-**
Trading Assets											-				**-**
- Federal Government of Nigeria bonds		13,102,035									-	6,598,478			**19,700,513**
											-				**-**
Derivative financial instruments	-										-				**-**
- Foreign exchange forward contract	1,095,805	-	47,679,990					-			-	-	-		**48,775,795**
											-				**-**
Loans and advances											-				**-**
- Loans and advances (net of impairment)	16,376,909	-	-	13,019,616	14,270,811	1,042,410	8,942,715	3,631,825	1,525,330	19,427,519	21,904,667	19,720,624	1,501,431	1,538,266	**122,902,123**
											-				**-**
Investment securities											-				**-**
- Nigerian Treasury Bills	-	6,678,346									-	-	-	-	**6,678,346**
- Federal Government of Nigeria bonds	-	2,165,016									-	-	-	-	**2,165,016**
- Corporate bonds	-	-	-	871,800				1,969,617		935,500	-	455,534	-	-	**4,232,450**
- Promissory notes	-	9,162,951									-	669,775			**9,832,727**
- Unquoted equities	-										-	15,666	-	-	**15,666**
- State Bonds	-	1,840,918									-				**1,840,918**
- EuroBonds	1,436,540	455,534									-				
- CBN Special bills		19,668,372									-				
											-				
Pledged assets											-				**-**
- Nigerian Treasury Bills	-	26,443,742					-				-				**26,443,742**
- Federal Government of Nigeria bonds	-	5,597,300	-	-	-	-	-	-		-	-	-	-	-	**5,597,300**
Other assets											-				**-**
- Receivables	-	-	-	-	-	-	-	-		-	23,862,621	-	-	-	**23,862,621**
Total	**18,909,255**	**136,615,383**	**87,541,233**	**13,891,416**	**14,270,811**	**1,042,410**	**8,942,715**	**5,601,442**	**1,525,330**	**20,363,019**	**45,767,288**	**27,460,077**	**1,501,431**	**1,538,266**	**363,409,629**

	Chemical and Allied Product	Agro Services	Cement	Oil & Gas Downstream	Manufacturing	Information Services	Power Generation/ Plants	Logistics	Domestic Trade	Travel Agencies	Others	**Total**
- Letters of Credit	135,832	793,795	4,690,262	-	3,940,651	-	826,798	9,721,094	-	-	1,324,387	**21,432,819**
- Performance bonds and guarantees	8,356	-	-	1,750,000	-	-	3,934,587	-	290,000	162,000	6,476,808	**12,621,751**
- Loan commitments	2,234,698	8,206,681	-	-	13,617,321	42,620	500,000	769,925	47,570	-	4,463,052	**29,881,867**
Total	**2,378,886**	**9,000,476**	**4,690,262**	**1,750,000**	**17,557,972**	**42,620**	**5,261,385**	**10,491,019**	**337,570**	**162,000**	**12,264,247**	**63,936,437**

The table below shows the financial instruments in accordance with their various sectors as at 31 December 2022.

In thousands of Nigerian Naira	Agro Services	Government	Banks	Conglomerate	Oil & Gas - Upstream	Mortgage Institutions	Asset Management	Logistics	Information Service Activities	Other Financial Institutions	Manufacturing	Others	Power Generation/	Crop Production	Telecommunication	Total
Financial assets:																
Cash in hand																
Balances with other banks																
- Operating balance with Central Bank of Nigeria	-	3,321,926	-	-	-	-	-	-		-	-	-	-	-	-	**3,321,926**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	-	1,000	-	-	-	-	-	-		-	-	-	-	-	-	**1,000**
- Balances with banks in Nigeria	-	-	643,573	-	-	-	-	-		-	-	-	-	-	-	**643,573**
- Balances with banks outside Nigeria	-	-	12,665,088	-	-	-	-	-		-	-	-	-	-	-	**12,665,088**
- Mandatory reserve deposit with Central Bank of Nigeria	-	26,562,369	-	-	-	-	-	-		-	-	-	-	-	-	**26,562,369**
											-					**-**
Loans to banks											-					**-**
- Placements with banks	-	1,003,940				-	-	-		3,303,690	-	-	-	-	-	**4,307,630**
- Placements with other financial institutions	-					-	-	-		-	-	-	-	-	-	**-**
											-					**-**
Financial instruments held as fair value through profit or loss											-					**-**
- Nigerian Treasury Bills	-	206,478				-	-	-		-	-	-	-	-	-	**206,478**
- State Bonds		388									-					**388**
											-					**-**
Trading Assets											-					**-**
- Federal Government of Nigeria bonds										10,208,003	-					**10,208,003**
											-					**-**
Derivative financial instruments	-										-					**-**
- Foreign exchange forward contract	25,017	335,370						10,644			82,158	431	7,109			**460,730**
Loans and advances											-					**-**
- Loans and advances (net of impairment)	13,924,566	-	1,077,817	11,215,140	107,670	2,039,308	7,343,479	4,845,108	1,492,081	18,195,017	31,667,905	15,666,488	3,803,156	3,538,717	2,294,969	**117,211,421**
- Margin facilities (net of impairment)	-										-		-			**-**
											-					**-**
Investment securities											-					**-**
- Nigerian Treasury Bills	-	3,291,463									-	-	-	-	-	**3,291,463**
- Federal Government of Nigeria bonds	-	2,236,568									-	-	-	-	-	**2,236,568**
- Corporate bonds	-	4,231,227	2,068,540					2,020,600			-	-	-	-	-	**8,320,367**
- Promissory notes	-	39,210,349									-					**39,210,349**
- Unquoted equities	-	15,666									-	-	-	-	-	**15,666**
- State Bonds	-	1,896,414									-					**1,896,414**
											-					
Pledged assets											-					**-**
- Nigerian Treasury Bills	-	249,050					-				-					**249,050**
- Federal Government of Nigeria bonds	-	5,963,306	-	-	-	-	-	-		-	-	-	-	-	-	**5,963,306**
											-					**-**
Other assets											-					**-**
- Receivables	-	-	-	-	-	-	-	-		-	16,055,004	-	-	-	-	**16,055,004**
Total	**13,949,583**	**88,525,514**	**16,455,018**	**11,215,140**	**107,670**	**2,039,308**	**7,343,479**	**6,876,352**	**1,492,081**	**31,706,710**	**47,805,067**	**15,666,919**	**3,810,266**	**3,538,717**	**2,294,969**	**252,826,793**

	Agro Services	Home Developers	Oil & Gas Downstream	Oil & Gas Services	Manufacturing	Flourmills	Commercial Bank	Power Generation/ Plants	Logistics	Pharmaceuticals	Domestic Trade	Personal Care	Finance& Insurance	Conglomerates	Others	Total
- Letters of Credit	919,632	2,617,959	-	136,037	9,619,154	1,012,881		1,823,368	6,842,465	-	377,217	123,203		-	253,249	**23,725,165**
- Performance bonds and guarantees			3.030.600	-	46.110		1.860.400	273.332		50.000				162.000	-	**5,422,442**
- Loan commitments	3,887,348		6,999,289		7,892,311	4,695,182			2,425,314		4,844,272		2,330,928		969,265	**34,043,909**
Total	**4,806,980**	**2,617,959**	**10,029,889**	**136,037**	**17,557,575**	**5,708,063**		**2,096,700**	**9,267,779**	**50,000**	**5,221,489**	**123,203**	**2,330,928**	**162,000**	**1,222,514**	**63,191,516**

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The table below shows the financial instruments in accordance with their geographical spread as at 31 December 2023.

In thousands of Nigerian Naira	Lagos	Port-Harcourt	Abuja	Outside Nigeria	**Total**
Financial assets:					
Cash and bank balances	-				**-**
Balances with other banks					
- Operating balance with Central Bank of Nigeria	-	-	420,149	-	**420,149**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	-	-	1,000	-	**1,000**
- Balances with banks in Nigeria	5,422,421	-	-	-	**5,422,421**
- Balances with banks outside Nigeria	-	-	-	22,855,944	**22,855,944**
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	22,868,238	-	**22,868,238**
					-
Loans to banks					**-**
- Placements with banks	11,582,878	-	-	-	**11,582,878**
					-
Financial instruments held as fair value through profit or loss					**-**
- Nigerian Treasury Bills	27,766,495	-	-	-	**27,766,495**
- Federal Government of Nigeria Bonds	445,287	-	-	-	**445,287**
					-
Trading Assets					
- Other Trading Assets	19,700,513				**19,700,513**
Derivative financial instruments					**-**
- Foreign exchange forward contract	48,775,795	-	-	-	**48,775,795**
					-
Loans and advances					**-**
- Loans and advances (net of impairment)	120,318,504	948,706	1,634,912	-	**122,902,123**
					-
					-
Investment securities					**-**
- Nigerian Treasury Bills	6,678,346	-	-	-	**6,678,346**
- Federal Government of Nigeria bonds	9,137,620	-	-	-	**9,137,620**
- Corporate bonds	4,232,450	-	-	-	**4,232,450**
- Promissory Notes & Commercial Papers	9,162,951	-	-	-	**9,162,951**
- State Bonds	1,840,918				**1,840,918**
- Unquoted equity securities	15,666				**15,666**
- Eurobonds	-			1,892,074	**1,892,074**
- CBN Special bills	19,668,372				**19,668,372**
- Commercial papers	669,775				**669,775**
					-
Pledged assets					**-**
- Nigerian Treasury Bills	26,443,742	-	-	-	**26,443,742**
- Federal Government of Nigeria bonds	5,597,300	-	-	-	**5,597,300**
- Corporate bonds	-	-	-	-	**-**
- Promissory notes	-	-	-	-	**-**
					-
Other assets					**-**
- Receivables	23,862,621	-	-	-	**23,862,621**
		-	-	-	**-**
Total	**341,321,655**	**948,706**	**24,924,299**	**24,748,018**	**391,942,679**

	Lagos	Port-Harcourt	Abuja	Outside Nigeria	**Total**
- Letters of Credit	21,432,819	-	-	-	**21,432,819**
- Performance bonds and guarantees	12,621,751	-	-	-	**12,621,751**
- Loan commitments	29,881,867	-	-	-	**29,881,867**
Total	**63,936,437**	-	-	-	**63,936,437**

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FOR THE YEAR ENDED 31 DECEMBER 2023

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	-				-
Balances with other banks					
- Operating balance with Central Bank of Nigeria	-	-	3,321,926	-	**3,321,926**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	-	-	1,000	-	**1,000**
- Balances with banks in Nigeria	643,573	-	-	-	**643,573**
- Balances with banks outside Nigeria	-	-	-	12,665,088	**12,665,088**
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	26,562,369	-	**26,562,369**
					-
Loans to banks					**-**
- Placements with banks	4,304,210	-	-	-	**4,304,210**
- Placements with other financial institutions	-	-	-	-	**-**
					-
Financial instruments held as 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	10,208,003				**10,208,003**
Derivative financial instruments					**-**
- Foreign exchange forward contract	460,730	-	-	-	**460,730**
					-
Loans and advances					**-**
- Loans and advances (net of impairment)	112,571,345	663,837	3,976,239	-	**117,211,421**
- Margin facilities (net of impairment)					**-**
					-
Investment securities					**-**
- Nigerian Treasury Bills	3,291,463	-	-	-	**3,291,463**
Loans and advances	2,236,567	-	-	-	**2,236,567**
- Corporate bonds	6,150,796	-	-	2,169,570	**8,320,367**
- Promissory Notes & Commercial Bills	36,699,720	205,222	-	2,305,408	**39,210,350**
- State Bonds	1,896,414				**1,896,414**
- Unquoted equity securities	15,666				**15,666**
					-
Pledged assets					**-**
- Nigerian Treasury Bills	249,050	-	-	-	**249,050**
- Federal Government of Nigeria bonds	5,963,306	-	-	-	**5,963,306**
- Corporate bonds	-	-	-	-	**-**
- Promissory notes	-	-	-	-	**-**
					-
Other assets					**-**
- Receivables	16,055,004	-	-	-	**16,055,004**
		-	-	-	**-**
Total	**200,952,713**	**869,059**	**33,861,534**	**17,140,066**	**252,823,373**

	Lagos	Port-Harcourt	Abuja	Outside Nigeria	**Total**
- Letters of Credit	23,725,165	-	-	-	**23,725,165**
- Performance bonds and guarantees	5,422,442	-	-	-	**5,422,442**
- Loan commitments	34,043,909	-	-	-	**34,043,909**
Total	**63,191,516**	-	-	-	**63,191,516**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3.1.7 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 2023

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 balance with Central Bank of Nigeria	420,149	-	-	420,149	360	419,789
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	1,000	-	-	1,000	-	1,000
- Balances with banks in Nigeria	5,422,421	-	-	5,422,421	1,587	5,420,834
- Balances with banks outside Nigeria	22,855,944	-	-	22,855,944	3,125	22,852,819
- Mandatory reserve deposit with Central Bank of Nigeria	22,868,238	-	-	22,868,238	-	22,868,238
				-		-
Loans to banks	-			-		-
- Placements with banks	11,586,298	-	-	11,586,298	3,394	11,582,904
- Placements with other financial institutions	-	-	-	-	-	-
				-		-
Financial instruments held as fair value through profit or loss				-		-
- Nigerian Treasury Bills	27,766,495	-	-	27,766,495	-	27,766,495
- Federal Government of Nigeria Bonds	445,287	-	-	445,287	-	445,287
	-			-		-
Trading Assets				-		-
- Other Trading Assets	19,700,513			19,700,513		19,700,513
				-		-
Derivative financial instruments				-		-
- Foreign exchange forward contract	48,775,795			48,775,795		48,775,795
				-		
				-		
Loans and advances				-		
- Loans and advances	122,003,345	-	2,708,465	124,711,810	1,809,687	122,902,123
				-		
Investment securities				-		
- Nigerian Treasury Bills	6,678,346	-	-	6,678,346	11,541	6,666,805
- Federal Government of Nigeria bonds	9,137,620	-	-	9,137,620	15,619	9,122,002
- Corporate bonds	4,232,450	-	-	4,232,450	46,630	4,185,821
- Promissory notes	9,162,951	-	-	9,162,951	12,177	9,150,774
- Unquoted equity securities	15,666			15,666	-	15,666
- State Bonds	1,840,918			1,840,918	7,605	1,833,313
- Euro Bonds	1,892,074			1,892,074	25,471	1,866,603
- CBN Special bills	19,668,372			19,668,372	7,730	19,660,643
- Commercial papers	669,775			669,775	3,380	666,395
	-			-		
Pledged assets	-			-		
- Nigerian Treasury Bills	26,443,742	-	-	26,443,742	-	26,443,742
- Federal Government of Nigeria bonds	5,597,300	-	-	5,597,300	11,169	5,586,131
- Corporate bonds	-	-	-	-	-	-
- Promissory notes	-			-		-
Other assets				-		-
- Receivables	24,011,509	-	-	24,011,509	148,888	23,862,621
Total	**391,196,210**	**-**	**2,708,465**	**393,904,674**	**2,108,363**	**391,796,311**
Off balance sheet financial assets						
- Letters of Credit	21,432,819	-	-	21,432,819	39,708	21,393,111
- Performance bonds and guarantees	12,621,751	-	-	12,621,751	12,190	12,609,561
- Loan commitments	29,881,867	-	-	29,881,867	63,707	29,818,160
Total	**63,936,437**	**-**	**-**	**63,936,437**	**115,604**	**63,820,832**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 balance with Central Bank of Nigeria	3,321,926	-	-	3,321,926	-	3,321,926
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	1,000	-	-	1,000	-	1,000
- Balances with banks in Nigeria	643,573	-	-	643,573	-	643,573
- Balances with banks outside Nigeria	12,665,088	-	-	12,665,088	-	12,665,088
- Mandatory reserve deposit with Central Bank of Nigeria	26,562,369	-	-	26,562,369	-	26,562,369
				-		-
Loans to banks	-			-		-
- Placements with banks	4,307,630	-	-	4,307,630	3,420	4,304,210
- Placements with other financial institutions	-	-	-	-	-	-
				-		-
Financial instruments held as 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		-	-	-	-	-
	-			-		-
- 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	116,565,969	-	1,997,983	118,563,952	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	2,269,159	-	-	2,269,159	32,591	2,236,568
- Corporate bonds	8,383,626	-	-	8,383,626	63,259	8,320,367
- Promissory notes	39,290,833	-	-	39,290,833	80,484	39,210,349
- Unquoted equity securities	15,666			15,666	-	15,666
- State Bonds	1,903,127			1,903,127	6,713	1,896,414
	-			-		
Pledged 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 notes	-			-		-
				-		-
Other assets				-		-
- Receivables	16,097,987	-	-	16,097,987	42,983	16,055,004
Total	**252,410,126**	**-**	**1,997,983**	**254,408,109**	**1,584,736**	**252,823,373**
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	826	5,422,442
- Loan commitments	34,129,619	-	-	34,129,619	85,710	34,043,910
Total	**63,317,174**	**-**	**-**	**63,317,174**	**125,658**	**63,191,517**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

3.1.9 Disclosure on Loss Allowance

The following table breaks down the bank's loss allowance:

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	360	-	-	360
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING	-	-	-	-
- Balances with banks in Nigeria	1,587	-	-	1,587
- Balances with banks outside Nigeria	3,125	-	-	3,125
- Mandatory reserve deposit with Central Bank of Nigeria	-	-	-	-
Loans to banks	-			
- Placements with banks	3,394	-	-	3,394
- Placements with other financial institutions	-	-	-	-
Loans and advances				
- Loans and advances	528,956		1,280,730	1,809,687
Investment securities				
- Nigerian Treasury Bills	11,541	-	-	11,541
- Federal Government of Nigeria bonds	15,619	-	-	15,619
- Corporate bonds	46,630	-	-	46,630
- Promissory notes	12,177	-	-	12,177
- Unquoted equity securities	-	-	-	-
- State Bonds	7,605	-	-	7,605
- Euro Bonds	25,471	-	-	25,471
- CBN Special bills	7,730	-	-	7,730
- Commercial papers	3,380	-	-	3,380
	-			
Pledged assets	-			
- Nigerian Treasury Bills	-	-	-	-
- Federal Government of Nigeria bonds	11,169	-	-	11,169
Other assets				
- Receivables	148,888	-	-	148,888
	-		-	-
Total	827,633	-	1,280,730	2,108,363
Off balance sheet financial assets				
- Letters of Credit	39,708	-	-	39,708
- Performance bonds and guarantees	12,190	-	-	12,190
- Loan commitments	63,707	-	-	63,707
Total	115,604	-	-	115,604

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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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	-	-	3,420
- Placements with other financial institutions	-	-	-	-
Loans and advances				
- Loans and advances	690,122		662,409	1,352,531
Investment securities				
- Nigerian Treasury Bills	2,755	-	-	2,755
- Federal Government of Nigeria bonds	32,591	-	-	32,591
- Corporate bonds	63,259	-	-	63,259
- Promissory notes	80,484	-	-	80,484
- Unquoted equity securities	-			-
- State Bonds	6,713			6,713
	-			
Other assets				
- Receivables	42,983	-	-	42,983
	-		-	-
Total	922,326	-	662,409	1,584,736
Off balance sheet financial assets				
- Letters of Credit	39,122	-	-	39,122
- Performance bonds and guarantees	826	-	-	826
- Loan commitments	85,710	-	-	85,710
Total	125,657	-	-	125,657

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3.1.10 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 2023

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 balance with Central Bank of Nigeria	420,149	-	-	420,149	360	419,789
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDI	1,000			1,000		1,000
- Balances with banks in Nigeria	5,422,421	-	-	5,422,421	1,587	5,420,834
- Balances with banks outside Nigeria	22,855,944	-	-	22,855,944	3,125	22,852,819
- Mandatory reserve deposit with Central Bank of Nigeria	22,868,238	-	-	22,868,238	-	22,868,238
	-			-	-	
Loans to banks	-			-	-	
- Placements with banks	11,586,298	-	-	11,586,298	3,394	11,582,904
	-			-		-
Financial instruments held as fair value through profit or loss	-			-		-
- Nigerian Treasury Bills	27,766,495			27,766,495		27,766,495
- Federal Government of Nigeria Bonds	445,287			445,287		445,287
	-			-		-
Trading Assets	-			-		-
- Other Trading Assets	19,700,513			19,700,513		19,700,513
				-		
Derivative financial instruments						
- Foreign exchange forward contract	48,775,795			48,775,795		48,775,795
Loans and advances						
- Loans and advances	122,003,345		2,708,465	124,711,810	1,809,687	122,902,123
Investment securities						
- Nigerian Treasury Bills	6,678,346	-	-	6,678,346	11,541	6,666,805
- Federal Government of Nigeria bonds	9,137,620	-	-	9,137,620	15,619	9,122,002
- Corporate bonds	4,232,450	-	-	4,232,450	46,630	4,185,821
- Promissory Notes	9,162,951	-	-	9,162,951	12,177	9,150,774
- Unquoted equity securities	15,666	-	-	15,666	-	15,666
- State Bonds	1,840,918	-	-	1,840,918	7,605	1,833,313
- EuroBonds	1,892,074	-	-	1,892,074	25,471	1,866,603
- CBN Special bills	19,668,372	-	-	19,668,372	7,730	19,660,643
- Commercial papers	669,775	-	-	669,775	3,380	666,395
					-	
Pledged assets					-	
- Nigerian Treasury Bills	26,443,742	-	-	26,443,742	-	26,443,742
- Federal Government of Nigeria bonds	5,597,300	-	-	5,597,300	11,169	5,586,131
- Corporate bonds	-	-	-	-	-	-
- Promissory Note	-	-	-	-	-	-
Other assets					-	
- Receivables	24,011,509	-	-	24,011,509	148,888	23,862,621
					-	
Total	**391,196,210**	**-**	**2,708,465**	**393,904,674**	**2,108,363**	**391,796,311**
Off balance sheet financial assets						
- Letters of Credit	21,432,819	-	-	21,432,819	39,708	21,393,111
- Performance bonds and guarantees	12,621,751	-	-	12,621,751	12,190	12,609,561
- Loan commitments	29,881,867	-	-	29,881,867	63,707	29,818,160
Total	**63,936,437**	**-**	**-**	**63,936,437**	**115,604**	**63,820,832**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 balance with Central Bank of Nigeria	3,321,926	-	-	3,321,926	-	3,321,926
- Balances with banks in Nigeria	1,000	-	-	1,000	-	1,000
- Balances with banks outside Nigeria	643,573	-	-	643,573	-	643,573
- Mandatory reserve deposit with Central Bank of Nigeria	12,665,088	-	-	12,665,088	-	12,665,088
	26,562,369			26,562,369		26,562,369
Loans to banks	-			-		-
- Placements with banks	-	-	-	-	21,535	- 21,535
- Placements with other financial institutions	4,307,630	-	-	4,307,630	-	4,307,630
	-			-		-
	10,208,003			10,208,003		10,208,003
Loans and advances	-			-		-
- Loans and advances	-		-	-	-	-
	460,730			460,730		460,730
Investment securities	-			-		-
- Nigerian Treasury Bills	-	-	-	-	-	-
- Federal Government of Nigeria bonds	116,565,969	-	-	116,565,969	-	116,565,969
- Corporate bonds	-	-	-	-	130,844	- 130,844
- Unquoted equity securities	-			-		-
Pledged assets	3,294,218			3,294,218		3,294,218
- Nigerian Treasury Bills	2,269,159	-	-	2,269,159	-	2,269,159
- Federal Government of Nigeria bonds	8,383,626	-	-	8,383,626	-	8,383,626
- Corporate bonds	39,290,833	-	-	39,290,833	-	39,290,833
- Promissory notes	15,666			15,666	-	15,666
						-
Other assets						-
- Receivables	16,055,004	-	-	16,055,004	-	16,055,004
Total	**244,044,794**	**-**	**-**	**244,044,794**	**152,379**	**243,892,415**
Off balance sheet financial assets						
- Letters of Credit	23,764,287	-	-	23,764,287	-	23,764,287
- Performance bonds and guarantees	5,423,268	-	-	5,423,268	2,433	5,420,835
- Loan commitments	34,129,619	-	-	34,129,619	33,489	34,096,130
Total	**63,317,174**	**-**	**-**	**63,317,174**	**35,922**	**63,281,252**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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3.1.11 Ratings

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

31 December 2023

31 December 2023						
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						
- Operating balance with Central Bank of Nigeria	420,149	-	-	-	-	**420,149**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING		-	-	1,000	-	**1,000**
- Balances with banks in Nigeria			5,422,421	-	-	**5,422,421**
- Balances with banks outside Nigeria	11,357,087	11,427,010	71,847	-		**22,855,944**
- Mandatory reserve deposit with Central Bank of Nigeria	22,868,238			-		**22,868,238**
Loans to banks						
- Placements with banks	-	11,582,904		-	-	**11,582,904**
Financial instruments held for trading						
- Nigerian Treasury Bills	27,766,495	-	-	-	-	**27,766,495**
- Federal Government of Nigeria Bonds	445,287					**445,287**
						-
Trading Assets						**-**
- Other Trading Assets	19,700,513					**19,700,513**
						-
Loans and advances						**-**
- Loans and advances	53,740,253	35,841,232	31,902,311	1,418,327	-	**122,902,123**
						-
Derivative financial instruments						**-**
- Foreign exchange forward contract	48,775,795					**48,775,795**
						-
Investment securities						**-**
- Federal Government of Nigeria bonds	9,137,620	-	-	-	-	**9,137,620**
- Nigerian Treasury Bills	6,678,346	-	-	-	-	**6,678,346**
- Corporate bonds	-	2,262,834	1,969,617	-		**4,232,450**
- Promissory notes	9,162,951	669,775	-	-	-	**9,832,726**
- Unquoted equity securities	-	-	15,666	-	-	**15,666**
- State Bonds	-	1,840,918	-	-	-	**1,840,918**
- Euro Bonds	-	-	1,892,074	-	-	**1,892,074**
						-
Pledged assets						**-**
- Nigerian Treasury Bills	26,443,742	-	-	-	-	**26,443,742**
- Federal Government of Nigeria bonds	5,597,300	-	-	-	-	**5,597,300**
- Corporate bonds	-	-	-		-	**-**
- Promissory notes	-	-	-		-	**-**
Other assets						
- Receivables	**-**	-	-	-	26,309,114	**26,309,114**
	242,093,776	**63,624,674**	**41,273,935**	**1,419,327**	**26,309,114**	**374,720,825**
	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
- Letters of Credit	8,874,658	11,144,735	1,413,425	-	-	**21,432,819**
- Performance bonds and guarantees	9,034,968	361,783	3,225,000	-	-	**12,621,751**
- Loan commitments	6,334,901	-	23,546,966	-	-	**29,881,867**
Total	24,244,527	11,506,519	28,185,391	-	-	**63,936,437**

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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						
- Operating balance with Central Bank of Nigeria		-	-	3,321,926	-	**3,321,926**
- Operating balance with Central Bank of Nigeria-e NAIRA FUNDING		-	-	1,000	-	**1,000**
- Balances with banks in Nigeria				643,574	-	**643,574**
- Balances with banks outside Nigeria	552,994	8,632,744	69,923	3,409,428		**12,665,089**
- Mandatory reserve deposit with Central Bank of Nigeria				26,562,369		**26,562,369**
Loans to banks						
- Placements with banks	998,189	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	-	-	-	-	-	**-**
- Corporate Bonds	-	-	-	-	-	**-**
- Federal Government of Nigeria Bonds	388					**388**
Trading Assets						
- Federal Government of Nigeria Bonds	10,208,003					**10,208,003**
- Loans and advances	50,405,755	14,924,065	51,850,502	31,098	-	**117,211,420**
Derivative financial instruments						
- Convertible Loan	-	-	-	-	-	**-**
- Foreign exchange forward contract	460,730					**460,730**
Investment securities						
- Federal Government of Nigeria bonds	3,291,463	-	-	-	-	**3,291,463**
- Nigerian Treasury Bills	2,236,568	-	-	-	-	**2,236,568**
- Corporate bonds	954,360	896,400	2,020,600	4,449,007		**8,320,367**
- Promissory notes	39,210,349	-	-	-	-	**39,210,349**
- Unquoted equity securities	15,666	-	-	-	-	**15,666**
- State Bonds	1,896,414	-	-	-	-	**1,896,414**
Pledged assets						
- Nigerian Treasury Bills	249,050	-	-	-	-	**249,050**
- Corporate bonds	-	-	-		-	**-**
- Promissory notes	-	-	-		-	**-**
Other assets						
- Receivables	-	-	-	-	16,055,004	**16,055,004**
Total	**116,649,713**	**25,453,729**	**53,941,025**	**40,723,901**	**16,055,004**	**252,823,373**

	Aaa to Aa-	A+ to A-	Bbb+ to Bb-	Below Bb-	Unrated	**Total**
- Letters of Credit	9,144,373	8,469,584	6,111,207	-	-	**23,725,164**
- Performance bonds and guarantees	5,149,110	-	273,331	-	-	**5,422,441**
- Loan commitments	11,488,815	18,753,997	3,801,097	-	-	**34,043,909**
Total	**25,782,298**	**27,223,581**	**10,185,635**	-	-	**63,191,514**

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FOR THE YEAR ENDED 31 DECEMBER 2023

3.1.12 Financial Assets Individually Impaired

Significant loans are examined for any sign of impairment triggers. The triggers for impairments include:

- significant financial difficulty of the issuer or obligor;
- breach of contract (such as a default or delinquency in interest or principal payments);
- granting to the borrower a concession that FSDH would not otherwise consider, due to the borrower's financial difficulties;
- becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- 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.

As at 31 December 2023	Loans to Customers at Amortised Costs
	N'000
Gross Amount	2,708,465
Stage III Impairment	(1,290,591)
Net Amount	**1,417,874**
Fair Value of Collateral	2,672,121

As at 31 December 2022	Loans to Customers at Amortised Costs
	N'000
Gross Amount	1,997,983
Stage III Impairment	(662,409)
Net Amount	**1,335,574**
Fair Value of Collateral	-

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FOR THE YEAR ENDED 31 DECEMBER 2023

3.1.13 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:

	Loans and Advances To Customers		**Loans and Advances To Banks**	
In thousands of Naira	**December 2023**	**December 2022**	**December 2023**	**December 2022**
Property	453,098	529	-	-
Bank Guarantees	4,954,721	4,347,370	-	-
Cash	19,653,729	14,102,160	-	-
Pledged goods/receivables	7,288,082	9,526,030	-	-
FGN Securities	26,762,196	23,678,300	10,517,900	2,305,500
All Asset Debenture	56,164,624	37,977,870	-	-
Corporate guarantee	1,264,151	9,650,390	-	-
Others	8,171,209	17,762,531	-	2,002,130
Total	**124,711,810**	**117,045,180**	**10,517,900**	**4,307,630**

3.1.14 Disclosure on significant changes in Gross Amount

The following table explain the changes in the gross carrying amount between the beginning and the end of the annual period due to the factors mentioned in the table.

31 December 2023

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Purchased Credit - Impaired	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL		
Gross Carrying Amount As At 1 January 2023	79,044,717	-	1,927,142	- 525,527	80,446,333
Transfers					
Transfer from Stage 1 to Stage 2	-	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	672	672	1,344
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	-			-	-
Financial Assets derecognised during the period other than write-offs	-	-	709,809	-	709,809
New Financial Assets originated or purchased	30,488,026	-	-	-	30,488,026
FX and other movements	13,066,297		-		13,066,297
Gross Carrying Amount As At 31 December 2023	**122,599,041**	**-**	**2,637,624**	**- 524,855**	**124,711,810**

31 December 2022

In thousands of Nigerian Naira	Stage 1	Stage 2	Stage 3	Purchased Credit - Impaired	Total
	12-Month ECL	Lifetime ECL	Lifetime ECL		
Loss Allowance As At 1 January 2022	75,358,149	-	3,717,349	- 30,781	79,044,718
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	-			-	-
Modification of contractual cashflows of financial assets	-	-	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 2023	**111,526,869**	**-**	**5,715,332**	**(30,781)**	**117,211,421**

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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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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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 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.

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• 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.

Group and Bank	31 December 2023						
	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	51,562,679	-	-	-	-	-	51,562,679
Placements to banks and other financial institutions	2,003,068	9,579,810	-	-	-	-	11,582,878
Financial instruments held at fair value through profit or loss	28,211,782	-	-	-	-	-	28,211,782
Trading Assets	13,102,035	6,598,478					19,700,513
Derivative assets held for risk management	-	48,775,795	-	-	-	-	48,775,795
Loans and advances to customers	75,123,157	46,906,652	-	872,314	-	-	122,902,123
Investment securities	50,928,257	2,347,608	-	-	-	-	53,275,866
Pledged assets	32,041,042	-	-	-	-	-	32,041,042
Right of use assets	47,775	-	-	-	-	-	47,775
Property and equipment	992,563						992,563
Intangible assets	419,074						419,074
Deferred tax asset	1,924,806						1,924,806
Other assets	26,309,114	-	-	-	-	-	26,309,114
Total assets	282,665,353	114,208,344	-	872,314	-	-	397,746,010
	NGN N'000	USD N'000	GBP N'000	EUR N'000	CNY N'000	ZAR N'000	Total N'000
LIABILITIES							
Due to banks	11,672,062	79,044,081		443,475	-	-	91,159,618
Due to customers	51,259,378	74,044,550	370,764	2,467,889	-	-	128,142,582
Derivative financial instruments	-	1,497,920	-	-	-	-	1,497,920
Trading liabilities	7,086,516	12,882,509	-	-	-	-	19,969,025
Lease liabilities	-	-	-	-	-	-	-
Other liabilities	60,267,111	2,279,758	-	-	-	-	62,546,870
Debt securities issued	34,344,034	-	-	-	-	-	34,344,034
Other borrowed funds	9,278,414	19,605,389	-	-	-	-	28,883,803
Total liabilities	173,907,515	189,354,209	370,764	2,911,364	-	-	366,543,852
Net on balance sheet financial position	**108,757,839**	**(75,145,865)**	**(370,764)**	**(2,039,051)**	**-**	**-**	**31,202,157**
Credit Commitments							
- Letters of Credit	-	21,388,841	-	43,978	-	-	21,432,819
- Performance bonds and guarantees	8,817,251	3,804,500	-	-	-	-	12,621,751
- Loan commitments	29,881,867	-	-	-	-	-	29,881,867
	38,699,118	**25,193,341**	**-**	**43,978**	**-**	**-**	**63,936,437**
Shareholders' Funds as at Dec 2023		31,027,302	31,027,302	31,027,302	31,027,302	31,027,302	-
Net Balance sheet Position Limit / SHF		4.66%	0.15%	2.34%	0.00%	0.00%	7.15%

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	31 December 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	206,866	-	-	-	-	-	206,866
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	48,888,928	-	974,073	-	-	117,211,420
Investment securities	47,576,428	7,394,399	-	-	-	-	54,970,827
Pledged assets	6,212,356	-	-	-	-	-	6,212,356
Right of use assets	86,953	-	-	-	-	-	86,953
Other assets	20,174,010	-	-	-	-	-	20,174,010
Total assets	183,723,565	71,089,803	140,832	2,076,137	(1,069)	64	257,029,332
	NGN N'000	**USD N'000**	**GBP N'000**	**EUR N'000**	**CNY N'000**	**ZAR N'000**	**Total N'000**
LIABILITIES							
Due to banks	13,884,241	15,437,161		866,116	-	-	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	4,996,788	-	-	-	-	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)**	**(31,556)**	**302,964**	**(1,069)**	**64**	**25,214,656**
Credit Commitments							
- Letters of Credit	-	23,266,118	11,071	438,561	9,415	-	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**	**11,071**	**438,561**	**9,415**	**-**	**62,138,111**
Shareholders' Funds as at Dec 2022		27,108,911	27,108,911	27,108,911	27,108,911	27,108,911	26,848,101
Net Balance sheet Position Limit / SHF		-7.99%	-0.12%	1.12%	0.00%	0.00%	9.31%

Effect of 2000 basis points movement on foreign exchange assets (N'000)		**31 December 2023**	**31 December 2022**
	Assets	35,079,494	24,269,260
	Liabilities	54,468,414	24,742,872
	Impact on profit/loss	**(19,388,920)**	**(473,612)**

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.

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

The Group's primary strategy for managing interest rate risk is to match interest rate sensitivities of both sides of its Balance sheet. In this respect, the Group separately identifies and classifies its assets and liabilities based on their sensitivities i.e. floating vs. fixed rates. All floating rate components of the Balance sheet are managed against a defined benchmark rate.

All fixed rate components are managed against a re-pricing profile benchmark to be determined by the ALM desk and approved by the ALCO.

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

Group and Bank 31 December 2023	Carrying amount	Variable interest	Fixed interest	Non interest-bearing
	N'000	N'000	N'000	N'000
Assets				
Cash and balances with central bank	51,562,679	-	-	51,562,679
Loans and receivables to banks	11,582,878	-	11,582,878	-
Financial Instruments through Profit or Loss	28,211,782	-	28,211,782	-
Trading Assets	19,700,513		19,700,513	
Derivative financial instruments	48,775,795	-	48,775,795	-
Loans and receivables to customers	122,902,123	-	122,902,123	-
Investment securities	53,275,866	-	53,275,866	-
Pledged assets	32,041,042	-	32,041,042	-
Right of use assets	47,775	-	-	47,775
Property and equipment	992,563	-	-	992,563
Intangible assets	419,074	-	-	419,074
Deferred tax asset	1,924,806	-	-	1,924,806
Other assets	26,309,114	-	-	26,309,114
	397,746,010	-	316,490,000	81,256,010
Liabilities				
Due to banks and Other Financial Institutions	91,159,619	-	91,159,619	-
Due to customers	128,142,582	-	68,144,289	59,998,293
Derivative financial instruments	1,497,920	-	1,497,920	-
Company income tax liability	133,177	-	-	133,177
Trading Liabilities	19,969,025	-	19,969,025	-
Lease liabilities	-	-	-	-
Other liabilities	62,546,870	-	-	62,546,870
Debt securities issued	34,344,034	-	34,344,034	-
Other borrowed funds	28,883,803	28,883,803	-	-
	366,677,030	28,883,803	215,114,887	122,678,340

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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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 assets held for trading	206,866	-	206,866	-
Derivative financial instruments	460,730	-	460,730	-
Trading Assets	10,208,003		10,208,003	
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
Property and equipment	773,177	-	-	773,177
Intangible assets	208,244	-	-	208,244
Deferred tax asset	2,237,695	-	-	2,237,695
Other assets	16,954,897	-	-	16,954,897
	257,029,335	10,000,011	183,574,401	63,454,923
Liabilities				
Due to banks	40,338,852	-	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	23,717,046	-	33,868,380	-
	231,814,680	-	178,288,807	53,525,873

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 2023 (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	11,582,878	-	-	-
Financial assets held for trading	-	27,743,590	22,905	-
Trading Assets	15,080,113			
Derivative financial instruments	858,857	47,916,939	-	-
Loans and advances to customers	20,369,199	38,769,746	9,191,422	16,815,726
Investment securities	8,676,859	7,975,600	7,614,745	11,369,120
Pledged assets	-	25,436,501	396	1,117,564
Right of use assets	-	-	-	-
Other assets	-	-	-	-
Total financial assets (contractual maturity)	56,567,906	147,842,376	16,829,468	29,302,410

	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	22,505,707	34,812,323	21,374,995	12,015,995
Due to customers	21,543,583	16,856,775	12,420,837	9,865,433
Derivative financial instruments	1,497,920	-	-	-
Trading Liabilities	1,062,398	5,525,851	7,520,953	1,899,226
Lease liabilities	-	-	-	-
Other liabilities	32,939,071	12,668,247	3,568,979	989,429
Debt securities issued	12,136,839	1,651,801	8,179,107	-
Other borrowed funds	-	19,605,389	-	-
Total financial liabilities (contractual maturity)	91,685,518	91,120,386	53,064,871	24,770,083
Liabilities Commitments				
- Letters of Credit	320,381	10,822,934	9,578,510	710,995
- Performance bonds and guarantees	1,798,065	150,783	320,179	303,356
- Loan commitments	29,881,867	-	-	-
Total	**32,000,313**	**10,973,717**	**9,898,689**	**1,014,350**
Interest Rate GAP	**(35,117,611)**	**56,721,990**	**(36,235,403)**	**4,532,327**

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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	-	20,762.23	1,975
Trading assets	10,218,493			
Derivative financial instruments	61,209	166,241	175,067	53,981
Loans and receivables 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	390,418.90
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	0
Due to customers	8,991,211	1,889,716	4,808,842	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	-	13,370.50	17,280.00	24,709.06
Other liabilities	-	-	2,452,387.00	-
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)**

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 2023. 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 2023	31 December 2022
	N'000	N'000
Effect of 100 basis points movement on profit before tax (N'000)	(347,317)	(74,816)
sensitivity Analysis + Banking and Trading		

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.

3.2.6 Liquidity Risk

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 2023, the bank's liquidity ratio stood at 98.6% (December 2022: 55%).

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 2023, the bank's LDR ratio stood at 68.5% (December 2022: 87.5%).

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.

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 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 2023		31 December 2022	
Rating agency	Agusto & Co.	Datapro	Agusto & Co.	GCR
Rating assigned	A	A	A	BBB+
Outlook	Stable	Stable	Stable	Stable
Issue date	10-Aug-23	23-Dec-23	10-Aug-22	23-Nov-22
Expiry date	30-Jun-24	23-Dec-24	30-Jun-23	23-Oct-23

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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:

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

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

The amounts disclosed in the table are the contractual undiscounted cash flows.

Group and Bank

At 31 December 2023	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
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Assets									
Cash and balances with central bank	51,562,679	-	-	-	-	-	-		51,562,679
Placements to banks and other financial institutions	-	11,582,878	-	-	-	-	-	-	11,582,878
Financial instruments held at fair value through profit or loss	-	-	27,743,590	22,905	-	445,287	-	-	28,211,782
Trading Assets	-	15,080,113	4,620,398	-	-	-	-	-	19,700,512
Derivative assets held for risk management	-	858,857	47,916,939	-	-	-	-	-	48,775,795
Loans and receivables to customers	-	20,369,199	38,769,746	9,191,422	16,815,726	29,468,752	8,287,279	124,810,925	122,902,123
Investment securities	-	8,676,859	7,975,600	7,614,745	11,369,120	6,182,556	11,456,985	-	53,275,866
Pledged assets	-	-	25,436,501	396	1,117,564	2,480,956	3,005,626	-	32,041,042
Right of use assets	47,776	-	-	-	-	-	-	-	47,776
Property and equipment	992,563	-	-	-	-	-	-	-	992,563
Intangible assets	419,074	-	-	-	-	-	-	-	419,074
Deferred tax asset	1,924,806	-	-	-	-	-	-	-	1,924,806
Other assets	26,309,114	-	-	-	-	-	-		26,309,114
Total financial assets (contractual maturity)	81,256,012	56,567,906	152,462,774	16,829,468	29,302,410	38,577,550	22,749,890	124,810,925	397,746,010
	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
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities									
Due to banks and other financial institutions	-	22,505,760	34,812,323	21,374,995	12,015,995	450,546	-	-	91,159,618
Due to customers	59,998,293	21,543,583	16,856,775	12,420,837	9,865,433	7,457,660	-		128,142,582
Derivative liabilities held for risk management	-	-	1,497,920	-	-	-	-		1,497,920
Trading Liabilities	-	6,420,520	10,821,547	-	-	1,490,743	1,236,215	-	19,969,025
Lease liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	12,381,144	32,939,071	12,668,247	3,568,979	989,429	-	-	-	62,546,870
Debt securities issued	-	12,136,839	1,651,801	8,179,107	-	12,376,287	-	-	34,344,034
Other borrowed funds	-	-	19,605,389	-	-	9,278,414	-	-	28,883,803
Total financial liabilities (contractual maturity)	72,379,437	95,545,773	97,914,002	45,543,918	22,870,857	31,053,650	1,236,215	-	366,543,852
Liabilities Commitments									
Letters of Credit	-	320,381	10,822,934	9,578,510	710,995	-	-		21,432,819
Performance bonds and guarantees	-	1,798,065	150,783	320,179	303,356	3,900,942	6,148,426		12,621,751
Loan Commitments	-	29,881,867	-	-	-	-	-		29,881,867
Total	**-**	**32,000,313**	**10,973,717**	**9,898,689**	**1,014,350**	**3,900,942**	**6,148,426**	**-**	**63,936,437**
GAP	**8,876,575**	**(38,977,867)**	**54,548,772**	**(28,714,450)**	**6,431,553**	**7,523,900**	**21,513,675**		**31,202,158**

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Bank

At 31 December 2022	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
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial 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 assets held for trading	-	184,129	-	20,762	1,975	-	-	10,218,493	206,866
Trading Assets	-	10,218,493	-	-	-	-	-	-	10,208,002
Derivative financial instruments	-	61,209	166,241	175,067	53,981	4,233	-	118,563,901	460,730
Loans and receivables to customers	-	6,174,866	18,247,987	21,558,853	12,815,579	4,008,638	54,405,496	72,595,287	117,211,420
Investment securities	-	12,244,268	324,466	15,663,843	10,609,814	12,895,931	20,856,964	12,746,434	54,970,827
Pledged assets	-	323,537	194,162	121,856	390,419	-	11,716,460	-	6,212,356
Right of use assets	86,953	-	-	-	-	-	-	-	86,953
Property and equipment	773,177	-	-	-	-	-	-	-	773,177
Intangible assets	208,244	-	-	-	-	-	-	-	208,244
Deferred tax asset	2,237,695	-	-	-	-	-	-	-	2,237,695
Other assets	16,954,897	-	-	-	-	-	-	-	16,954,897
Total financial assets (contractual maturity)	63,454,923	33,510,712	18,932,856	37,540,381	23,871,768	16,908,803	86,978,921	214,124,116	257,029,335
	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**
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Financial Liabilities									
Due to banks	-	11,851,532	2,056,822	16,303,277	10,127,222	-	-	40,338,852	40,338,852
Due to customers	32,725,862	8,991,211	1,889,716	4,808,842	13,675,728	36,160,111	-	98,251,471	98,251,471
Derivative financial instruments	-	38,676	178,144	315,281	51,616	3,885	-	587,602	587,602
Trading Liabilities	-	1,063,239	5,567,034	7,520,953	1,752,115	-	-	15,903,341	16,008,428
Lease liabilities		-	13,371	17,280	24,709	13,371	-	68,730	62,759
Other liabilities	18,284,865	-	-	2,452,387	-	-	-	20,737,252	20,737,252
Debt securities issued	-	5,916,387	2,127,996	13,424,731	14,494,942		-	35,964,056	32,111,270
Other borrowed funds	-	1,900,846	2,055,083	6,368,743	13,392,373		-	23,717,046	23,717,046
Total financial liabilities (contractual maturity)	51,010,727	29,761,891	13,888,166	51,211,494	53,518,705	36,177,367	-	235,568,350	231,814,681
Liabilities Commitments									
Letters of Credit	-	-	-	2,605,367	13,000,025	8,119,773	-	-	23,725,165
Performance bonds and guarantees	-	-	1,860,400	-	46,110	3,353,932	162,000	-	5,422,442
Loan Commitments	-	-	8,574,842	10,483,029	3,589,029	2,344,315	7,999,289	-	32,990,504
Total	**-**	**-**	**10,435,242**	**13,088,395**	**16,635,164**	**13,818,020**	**8,161,289**		**62,138,111**
GAP	**12,444,196**	**3,748,821**	**5,044,690**	**(13,671,113)**	**(29,646,937)**	**(19,268,564)**	**86,978,921**		**25,214,654**

3.3 Fair Value

Financial instruments measured at fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflects market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

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

Trading / Investment securities
Where available, the Group uses the quoted market prices to determine the fair value of trading assets and such items are classified as Level 1 of the fair value hierarchy. Quoted market prices are gotten from the website of the

Financial Market Dealers Quotations (FMDQ).

Investment securities classified as Other Comprehensive Income are measured at fair value by reference to quoted market prices when available and therefore are classified as Level 1Where 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 year.
The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2023:

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Bank

At 31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial assets				
Fair Value Through Profit or Loss				
-Treasury bills	27,766,495	-	-	27,766,495
-Federal Government of Nigeria Bonds	445,287	-	-	445,287
	28,211,782	-	-	28,211,782
Trading Assets				
-Federal Government of Nigeria Bonds	10,387,474	2,714,561	-	13,102,035
-Other Trading assets	6,598,478	-	-	6,598,478
	16,985,952	2,714,561	-	19,700,513
Derivative financial instruments				
- Convertible loan	-	-	-	-
- FX forward contract	-	48,775,795	-	48,775,795
	-	48,775,795	-	48,775,795
Investment securities classified as as fair value through other comprehensive income				
-Treasury bills	6,678,346	-	-	6,678,346
-Federal Government of Nigeria Bonds	2,165,016	-	-	2,165,016
-Corporate bonds	-	4,232,450	-	4,232,450
-Euro bonds	-	1,892,074	-	1,892,074
-State Bonds	-	1,840,918	-	1,840,918
-CBN Special bills	-	19,668,372	-	19,668,372
-Commercial Papers	-	669,775	-	669,775
-Promissory notes and Commercial bills	-	9,162,951	-	9,162,951
-Unquoted Equity	-	-	15,666	15,666
	8,843,362	37,466,540	15,666	46,325,568
Investment securities classified at amortised cost				
-Federal Government of Nigeria Bonds	6,972,605	-	-	6,972,605
	6,972,605	-	-	6,972,605
Pledged Securities				
Fair Value Through Profit or Loss				
-Treasury bills	-	-	-	-
-Federal Government of Nigeria Bonds	25,331,745	-	-	25,331,745
Fair value through OCI				
-Treasury bills	1,111,997	-	-	1,111,997
-Federal Government of Nigeria Bonds	4,066,500	-	-	4,066,500
At amortised cost	-	-	-	-
-Treasury bills				-
-Federal Government of Nigeria Bonds	1,530,800			1,530,800
	-	-	-	-
	32,041,042	-	-	32,041,042

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Bank **At 31 December 2022**	**Level 1**	**Level 2**	**Level 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Financial assets				
Fair Value Through Profit or Loss				
-Treasury bills	206,866	-	-	206,866
	206,866	-	-	206,866
Trading Assets				
-Federal Government of Nigeria Bonds	10,208,002	-	-	10,208,002
	10,208,002	-	-	10,208,002
Derivative financial instruments				
- Convertible loan	-	-	-	-
- FX forward contract	-	460,730	-	460,730
	-	460,730	-	460,730
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
	41,572,201	13,398,625	-	54,970,826
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	-	-	-	-
	6,212,356	-	-	6,212,356

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Group and Bank	At 31 December 2023		At 31 December 2022	
	Carrying value N'000	Fair value N'000	Carrying value N'000	Fair value N'000
Financial assets				
Cash and balances with central bank	51,562,679	51,562,679	43,193,956	43,193,956
Loans and advances to banks	11,582,878	11,582,878	4,301,300	4,301,300
Loans and advances to customers	122,902,123	122,902,123	117,160,869	117,160,869
Investment securities	53,275,866	53,275,866	54,791,198	54,791,198
Pledged Assets	32,041,042	32,041,042	6,212,356	6,212,356
Trading Assets	19,700,513	19,700,513	10,208,003	10,208,003
Other assets	26,309,114	26,309,114	20,174,010	20,174,010
	317,374,215	317,374,215	256,041,693	256,041,693
Financial liabilities				
Due to banks	91,159,619	91,159,619	30,187,518	30,187,518
Due to customers	128,142,582	128,142,582	98,251,471	98,251,471
Lease liabilities		-		-
Other liabilities	62,546,870	62,546,870	20,737,252	20,737,252
Debt securities issued	34,344,034	23,112,798	32,111,270	23,112,798
Other borrowed funds	28,883,803	28,883,803	33,868,380	33,868,380
	345,076,907	333,845,671	215,155,891	206,157,419

Fair Value Hierarchy for Financial Assets not measured at fair value
Bank

At 31 December 2023 (N'000)	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	N'000
Financial Assets				
Cash and balances with central bank	-	51,562,679	-	51,562,679
Loans and advances to banks	-	-	11,582,878	11,582,878
Loans and advances to customers	-	-	122,902,123	122,902,123
Investment securities	-	-		-
Pledged Assets	-	-	-	-
Other assets	-	-	26,309,114	26,309,114
	-	51,562,679	160,794,115	212,356,794
Financial liabilities				
Due to banks	-	-	91,159,619	91,159,619
Due to customers	-	-	128,142,582	128,142,582
Other liabilities	-	-	62,546,870	62,546,870
Debt securities issued	-	34,344,034	-	34,344,034
Other borrowed funds	-	-	28,883,803	28,883,803
	-	34,344,034	310,732,873	345,076,907

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FOR THE YEAR ENDED 31 DECEMBER 2023

At 31 December 2022 (N'000)	Level 1	Level 2	Level 3	Total
	N'000	N'000	N'000	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
Investment securities	-	-	-	-
Pledged Assets	-	-	-	-
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

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 year ended 31 December 2023. Over this review period, the Bank complied with all the externally imposed capital requirements to which it was and is subject.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

CONSTITUENTS OF ELIGIBLE CAPITAL		
	31 December 2023	**31 December 2022**
	N'000	**N'000**
Paid-up ordinary shares	2,138,623	2,138,623
Share premium	234,381	234,381
Retained profits	16,705,846	15,123,273
IFRS 9 Transitional Adjustment 2	-	-
Statutory Reserve	8,694,865	7,992,273
AGSMEIS Reserve	1,348,335	1,114,137
TIER 1 SUB-TOTAL	**29,122,051**	**26,602,686**
LESS		
Increase in equity capital resulting from a securitization	1,000	-
Deferred Tax Assets	1,924,806	2,237,695
Other intangible assets	419,074	208,244
Under-impairment	384,641	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	**26,392,530**	**23,292,106**
Other Deductions		
Excess exposure(s) over single obligor without CBN approval	-	-
NET-TOTAL TIER 1 CAPITAL	**26,392,530**	**23,292,106**
Hybrid (debt/equity) capital instruments		
Eligible subordinated term debt (limited to 25% of total Tier 1 capital)	2,820,000	5,640,000
Other Comprehensive Income (OCI)	(1,523,516)	(4,451,528)
TIER 2 SUB-TOTAL	**1,296,484**	**1,188,472**
50% of investments in unconsolidated banking and financial subsidiary/associate companies	-	-
NET-TOTAL TIER 2 CAPITAL	**1,296,484**	**1,188,472**
TOTAL QUALIFYING CAPITAL	**27,689,014**	**24,480,578**
Total Risk-weighted Amount for Credit Risk	142,622,736	102,073,037
Risk-weighted Amount for Operational Risk	13,966,199	13,977,702
Risk-weighted Amount for Market Risk	95,337,706	5,240,713
AGGREGATE RISK-WEIGHTED ASSETS	251,926,640	121,291,451
TOTAL RISK-WEIGHTED CAPITAL RATIO	11.00%	20.18%
TIER 1 RISK-BASED CAPITAL RATIO	10.48%	19.20%

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 30%.

As at 31 December 2023, the Bank had eligible risk capital of N29billion, which was in excess of the regulatory minimum. In addition, liquidity ratio stood at 98.6%, loan to deposit ratio was 68.5% and our capital adequacy ratio stood at 11%. 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 Accounting Standards 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. 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

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 is determined by reference to quoted prices (unadjusted) from the Nigerian Stock Exchange.
However, fair value of unquoted equity investments has been derived from the last OTC (over the counter) transaction.

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.

(c) Deferred tax assets and liabilities.

The deferred tax assets and liabilities 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.

(d) Leases

Lease term - In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Interest rate - In determining the interest rate used in discounting the lease payments, the interest rate implicit in the lease is used. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

FSDH MERCHANT BANK LIMITED
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

		Group		Bank	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
		N'000	N'000	N'000	N'000
5.	**Interest income calculated under the effective interest method**				
5(a)	Financial assets measured at fair value through profit or loss				
	- Debt securities	2,503,671	2,114,025	2,503,671	2,114,025
	- Trading assets	97,735	83,462	97,735	83,462
		2,601,406	2,197,487	2,601,406	2,197,487
5(b)	Financial assets measured at fair value through other comprehensive income				
	- Debt securities	4,388,180	3,719,840	4,388,180	3,719,840
		4,388,180	3,719,840	4,388,180	3,719,840
5(c)	Financial assets measured at amortised cost				
	- Loans to banks and other financial institutions	1,106,219	1,021,005	1,106,219	1,021,005
	- Loans and advances to customers	18,479,453	11,549,436	18,479,453	11,549,436
	- Debt securities	370,566	-	370,566	-
	- Correspondent credit lines	133,566	220,570	133,566	220,570
		20,089,804	12,791,011	20,089,804	12,791,011

Interest income on stage III impaired loans for the year ended 31 December 2023 was N88.52million (December 2022: N139 million).

6	**Interest and similar expense**				
	Customer deposits	5,265,835	3,184,971	5,265,835	3,184,971
	Interbank call borrowings	1,861,749	918,913	1,861,749	918,913
	Discount on issued securities	4,542,917	3,890,057	4,542,917	3,890,057
	Interest on other borrowed funds	3,744,670	2,072,674	3,744,670	2,072,674
	Correspondent credit lines	1,369,627	1,078,226	1,369,627	1,078,226
	Clients' investment fund	2,541,812	1,716,221	2,541,812	1,716,221
	Interest on leases (note 24)	9,778	- 112,127	9,778	- 112,127
	Financial guarantee contracts	279,625	9,993	279,625	9,993
		19,616,013	12,758,928	19,616,013	12,758,928

Interest expense reported above is on financial liabilities measured at amortized cost.

7	**Net Fee and commission income**				
	Credit related fees	650,724	576,815	650,724	576,815
	Commission on trade related transactions	409,848	304,466	409,848	304,466
	Commision on Bonds	776,090	138,760	776,090	138,760
	Other commissions, fees and charges	301,834	133,367	301,834	133,367
	Financial advisory and custody fees	155,628	51,748	123,453	51,748
	Account Maintenance fees	141,653	127,508	141,653	127,508
	Funds Transfer fees and charges	123,975	100,204	123,975	100,204
		2,559,752	1,432,868	2,527,577	1,432,868
	Fee and Commission expense (see note i below)	**318,774**	**2,036**	**318,774**	**2,036**
		2,240,978	1,430,832	2,208,803	1,430,832

(i) Fee and Commission expense consist of Bond commission expense, Credit Guarantee Insurance Fee and other fee expense.

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

	Point in time	711,682	1,432,868	711,682	1,432,868
	Over time fees	650,724	-	650,724	-
		1,362,406	1,432,868	1,362,406	1,432,868
8	**Impairment charge for credit losses**				
	Impairment charge for credit loss on loans and advances (note 19)	457,156	1,158,317	457,156	1,158,317
	Impairment charge/(writeback) on credit loss on placements and bank balances (note 14 & 15)	5,047	(18,115)	5,047	(18,115)
	Impairments charge on debt securities at amortized cost (note 20)	22,307	-	22,307	-
	Impairments (writeback)/charge on debt securities at FVOCI (note 20)	(28,497)	54,958	(28,497)	54,958
	Impairments charge on other assets (note 22)	79,067	42,983	79,067	42,983
	Impairments (writeback)/charge for credit loss on off balance sheets (note 31)	(10,052)	89,735	(10,052)	89,735
		525,028	1,327,878	525,028	1,327,878
9	**Net gains on financial instruments classified as Fair Value Through Profit or Loss**				
	Bonds	965,488	798,776	965,488	798,776
	Treasury bills	253,107	451,721	253,107	451,721
	Foreign exchange	763,658	1,938,652	763,658	1,938,652
	Derivatives	1,583,155	(152,699)	1,583,155	(152,699)
		3,565,408	3,036,450	3,565,408	3,036,450

The Group's total trading gains on financial instruments at FVTPL for the period is N6.14billion (Dec 2022: N5.13billion) comprising of N2.61billion (Dec 2022: N2.2billion) on Interest income on financial assets at fair value through profit or loss (see Note 5a) and N3.53billion (Dec 2022: N3.04billion) on Net gains on financial instruments held at fair value through profit or loss.

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		Group		Bank	
10	**Net gains on financial instruments classified as fair value through other comprehensive income**	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
	Bonds	142,524	585,226	142,524	585,226
	Treasury bills	126,610	384,427	126,610	384,427
	Promissory notes	906,202	(78,176)	906,202	(78,176)
		1,175,336	891,477	1,175,336	891,477
	Net gains arise from sale of instruments classified as fair value through other comprehensive income during the year.				
11	**Other (losses)/income**				
	Profit on disposal of property and equipment	10,748	18,853	10,748	18,853
	Dividend income	119	176	119	176
	Foreign currency translation (losses)/income	(484,608)	317,446	(484,608)	317,446
	Other sundry income	4,599	43,914	4,599	43,914
		(469,142)	380,389	(469,142)	380,389
	Other sundry income includes mainly administrative charges and commissions on non-banking transactions.				
12	**Operating expenses**				
12(a)	Staff related expenses (Note (i) below)	4,216,193	2,991,561	4,216,193	2,991,561
(i)	Staff related costs during the period amounted to:				
	Wages, salaries and staff costs	3,956,144	2,790,066	3,956,144	2,790,066
	Pension costs - Defined contribution plan	189,902	156,746	189,902	156,746
	Post employment costs - Defined contribution plan	70,147	44,749	70,147	44,749
		4,216,193	2,991,561	4,216,193	2,991,561
	The average number of persons employed by the bank during the period was as follows -				
	Executive	3	2	3	2
	Management staff	12	89	12	89
	Non management staff	160	55	160	55
		175	146	175	146
	The number of employees of the bank, who received emoluments (excluding pension contributions and other benefits) in the following ranges were -				
	Below N3,000,000	5	9	5	9
	N3,000,001 - N5,000,000	39	24	39	24
	N5,000,001 - N7,000,000	20	29	20	29
	Above N7,000,000	111	84	111	84
		175	146	175	146
12(b)	**Other operating expenses**				
	Depreciation of property and equipment	373,741	295,218	373,741	295,218
	Depreciation on right of use assets	69,671	41,442	69,671	41,442
	Amortisation	108,387	170,332	108,387	170,332
	Auditors' remuneration	54,700	50,720	54,700	50,720
	Directors' fees and sitting allowance (see note i)	344,125	302,613	344,125	302,613
	Other directors' expenses	65,688	5,467	65,688	5,467
	Deposit Insurance	497,227	333,053	497,227	333,053
	Occupancy costs	92,411	78,536	92,411	78,536
	Information technology and related expenses	1,048,508	851,175	1,048,508	851,175
	Other insurance premium	80,199	73,299	80,199	73,299
	Professional fees	364,548	193,685	364,548	193,685
	Transport Expenses	114,133	48,738	114,133	48,738
	Entertainment	5,715	625	5,715	625
	Legal costs	60,653	67,313	55,253	67,313
	Corporate adverts	212,351	58,117	212,351	58,117
	Penalty and fines	6,000	17,250	6,000	17,250
	FMDQ and Other Platform Charges	180,895	-	180,895	-
	Bank Charges	57,338	51,875	57,338	51,875
	Subscription	60,084	62,723	60,024	62,723
	License fee	100,500	100,402	100,500	100,402
	Donations (see note iii)	(216,510)	272,854	(216,510)	272,854
	Other business development expense	63,851	39,781	63,851	39,781
	Other operating expenses (Note (ii))	187,316	200,934	187,316	200,934
		3,931,530	3,316,152	3,926,070	3,316,152
(i)	Directors' remuneration paid during the period:				
	Fees and sitting allowances	281,815	249,938	281,815	249,938
	Retirement benefit expense	62,310	52,675	62,310	52,675
		344,125	302,613	344,125	302,613
	Executive compensation	561,949	313,858	561,949	313,858
		906,074	616,471	906,074	616,471
	The directors' remuneration shown above (excluding pension and other benefits) includes:				
	Chairman	64,945	41,500	64,945	31,125
	Highest paid director	293,927	120,000	293,927	120,000
	Total remuneration of Non Executive Directors (Fees and allowances)	344,125	302,613	344,125	302,613

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(ii) Included in the other operating expenses is the sum of N8.1m (2022: N13.8m) paid to KPMG Professionals for non-audit services provided during the period.

	31 December 2023	31 December 2022	31 December 2023	31 December 2022
The breakdown of the non-audit services for the period are as follows:				
	N'000	N'000	N'000	N'000
NDIC Deposit Liability certification	1,613	-	1,613	-
Corporate governance and risk management review	5,375	-	5,375	-
Board appraisal	-	4,100	-	4,100
Renumeration Survey	1,075	1,075	1,075	1,075
Stamp duty review	-	8,650	-	8,650
	8,063	**13,825**	**8,063**	**13,825**

The Bank 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.

(iii) Included in donations for the current period is the write back of the sum of N250m accrued for the police equipment fund accrued to cushion the effect of property destroyed during END SARS

13 Income tax expense

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Tax charge for the period comprises:				
a) Income Tax Charge				
Income tax	167,991	68,838	167,991	68,838
Education tax	71,820	92,044	71,820	92,044
NITDA Expense	53,032	42,998	53,032	42,998
Police Trust Fund	265	52	265	52
NASENI Levy	13,258	-	13,258	-
Total current tax charge	306,366	203,932	306,366	203,932
b) Deferred tax				
Recognised in income statement:				
Reversal of deferred tax credit	312,889	288,820	312,889	288,820
Total deferred tax charge	312,889	288,820	312,889	288,820
Income tax expense	619,255	492,752	619,255	492,752

	Group		Bank	
(i) Reconciliation of effective tax	31 December 2023 N'000	31 December 2022 N'000	31 December 2023 N'000	31 December 2022 N'000
Profit before income tax	5,303,206	4,052,967	5,276,491	4,052,967
Effective tax as per accounts:				
Income tax using the companies income tax rate at 30%	1,590,962	1,215,890	1,582,947	1,215,890
Income Tax - Minimum Tax	167,991	68,838	167,991	68,838
Education tax - 3% of Assessable Profit	71,820	92,044	71,820	92,044
NITDA - 1% of Profit before tax	53,032	42,998	53,032	42,998
Police Trust Fund - 0.005% of Profit before tax	265	52	265	52
NASENI Levy - 0.25% of Profit before tax	13,258	-	13,258	
Derecognition of previously recognised deductible temporary differences	312,889	288,820	312,889	288,820
Income tax expense	619,255	492,752	619,255	492,752
Effective tax rate	11.68%	12.16%	11.74%	12.16%

	31 December 2023 N'000	31 December 2022 N'000	31 December 2023 N'000	31 December 2022 N'000
(ii) The movement in the current income tax liability is as follows:				
At start of the year	35,285	(123,029)	35,285	(123,029)
Tax paid	(189,746)	(2,568)	(189,746)	(2,568)
Education tax	71,820	-	71,820	-
NITDA	34,304	-	34,304	-
Police Trust Fund	265	-	265	-
NASENI Levy	13,258	92,044	13,258	92,044
Income tax charge	167,991	68,838	167,991	68,838
At end of the period	133,177	35,285	133,177	35,285
Current	133,177	35,285	133,177	35,285
Non-Current	-	-	-	-
	133,177	35,285	133,177	35,285

FSDH MERCHANT BANK LIMITED
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	Group		Bank	
14 Cash and Bank Balances	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Balances held with other banks:				
- Operating balance with Central Bank of Nigeria	420,149	3,321,926	420,149	3,321,926
- Operating balance with Central Bank of Nigeria - E-NAIRA Funding	1,000	1,000	1,000	1,000
- Balances with banks in Nigeria	5,422,421	643,573	5,422,421	643,573
- Balances with banks outside Nigeria	22,855,944	12,665,088	22,855,944	12,665,088
	28,699,514	16,631,587	28,699,514	16,631,587
Mandatory reserve deposit with Central Bank of Nigeria	22,868,238	26,562,369	22,868,238	26,562,369
	51,567,752	43,193,956	51,567,752	43,193,956
Impairment on Cash and Bank Balances	(5,073)	-	(5,073)	-
Cash and Bank Balances net of impairment	51,562,679	-	51,562,679	-
Current	28,694,441	16,631,587	28,694,441	16,631,587
Non-Current	22,868,238	26,562,369	22,868,238	26,562,369
	51,562,679	43,193,956	51,562,679	43,193,956

Included in Balances held with other banks is an amount of N6.9billion (31 Dec 2022: N6.60billion) representing the Naira value of foreign currencies held on behalf of customers to cover letters of credit transactions. The corresponding liability is reported as customers' deposit for foreign trade under other liabilities (see Note 30).
Mandatory reserve deposits with the Central Bank of Nigeria represents a percentage of customers' deposits (prescribed from time to time by the Central Bank) which is not available for daily use.
For purpose of statement of cashflows, these mandatory reserve deposits are excluded from cash and cash equivalents.

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
15 Placements to banks and other financial institutions				
Placements with banks	11,586,272	4,307,630	11,586,272	4,307,630
	11,586,272	4,307,630	11,586,272	4,307,630
Impairment on placements and bank balances held at amortised cost				
Balance as at beginning of the period	(3,420)	-	(3,420)	-
Increase in impairment allowance for the period (see note 8)	(26)	(3,420)	(26)	(3,420)
Balance as at period end	(3,394)	(3,420)	(3,394)	(3,420)
Loans to banks and other financial institutions net of impairment	11,582,878	4,304,210	11,582,878	4,304,210
Current	11,582,878	4,304,210	11,582,878	4,304,210
	11,582,878	4,304,210	11,582,878	4,304,210

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
16 Financial instruments held at fair value through profit and loss				
Nigerian Treasury Bills	27,766,495	206,478	27,766,495	206,478
Federal Government of Nigeria Bonds	445,287	-	445,287	-
Corporate bonds	-	388	-	388
	28,211,782	206,866	28,211,782	206,866
Current	27,766,495	206,478	27,766,495	206,478
Non-current	445,287	388	445,287	388
	28,211,782	206,866	28,211,782	206,866

Assets under this class 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 or loss.

17 Trading Assets				
Federal Government of Nigeria Bonds (see note i)	13,102,035	10,208,003	13,102,035	10,208,003
Other Trading Assets (see note ii)	6,598,478	-	6,598,478	-
	19,700,513	10,208,003	19,700,513	10,208,003

(i) FGN Bonds classified as trading assets are solely for trading. Gains or losses are recognised in the income statement under net gains on financial instruments held at fair value through profit or loss.

(ii) Other Trading Assets represent Clients Euro Bond Reverse Repurchase Investments of $6.82m

18 Derivative Instruments held for risk management				
Assets				
- FX forward contracts	48,775,795	460,730	48,775,795	460,730
	48,775,795	460,730	48,775,795	460,730
Current	48,775,795	460,730	48,775,795	460,730
	48,775,795	460,730	48,775,795	460,730
Liabilities				
- FX forward contracts	1,497,920	587,602	1,497,920	587,602
	1,497,920	587,602	1,497,920	587,602
Current	1,497,920	587,602	1,497,920	587,602
Notional amounts				
- FX forward contracts (Assets)	13,769,065	11,335,739	13,769,065	11,335,739
Notional amounts				
- FX forward contracts (Liabilities)	13,769,065	11,335,739	13,769,065	11,335,739

(i) This represents the notional principal amounts, the positive (assets) and negative (liabilities) fair values of the Group's FX forward contracts. Fair value changes are recognised in the statement of comprehensive income (see note 9). All derivative financial instruments are current.

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		Group		Bank	
19	**Loans and advances to customers at amortized cost**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
	Loans and advances	113,260,588	105,431,118	113,260,588	105,431,118
	Overdrafts	10,860,378	12,587,368	10,860,378	12,587,368
	Staff loans	519,331	474,625	519,331	474,625
	Sundry loans	71,513	70,841	71,513	70,841
		124,711,810	118,563,952	124,711,810	118,563,952
	Allowance for impairment	(1,809,687)	(1,352,531)	(1,809,687)	(1,352,531)
		122,902,123	117,211,421	122,902,123	117,211,421
	Current	85,464,766	94,073,199	85,464,766	94,073,199
	Non-current	37,437,357	23,138,222	37,437,357	23,138,222
		122,902,123	117,211,421	122,902,123	117,211,421

All loans and advances to customers are corporate loans except employee loans. The reconciliation of the allowance account for losses on loans and advances to customers:

	N'000	N'000	N'000	N'000
Balance at beginning of the year	1,352,531	2,417,816	1,352,531	2,417,816
Write-off of provisions	-	(2,223,602)	-	(2,223,602)
Increase in loan allowance for the period (see note 8)	457,156	1,158,317	457,156	1,158,317
Balance as at period end	1,809,687	1,352,531	1,809,687	1,352,531
Analysis of gross loans as at period end:				
Stage 1 loans and advances	122,210,334	116,565,968	122,210,334	116,565,968
Stage 2 loans and advances	-	-	-	-
Stage 3 loans and advances	2,501,476	1,997,983	2,501,476	1,997,983
	124,711,810	118,563,952	124,711,810	118,563,952
Analysis of impairment as at period end:				
Stage 1 impairment on loans and advances	528,956	690,122	528,956	690,122
Stage 2 impairment on loans and advances	-	-	-	-
Stage 3 impairment on loans and advances	1,280,730	662,409	1,280,730	662,409
	1,809,687	1,352,531	1,809,687	1,352,531

		Group		Bank	
		31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
20	**Investment securities**				
	Analysis of investment securities				
	Debt securities (Note (i))	53,260,200	54,955,161	53,260,200	54,955,161
	Equity securities (Note (ii))	15,666	15,666	15,666	15,666
		53,275,866	54,970,827	53,275,866	54,970,827
	Current	44,658,621	23,375,734	44,658,621	23,375,734
	Non-current	8,617,245	31,595,093	8,617,245	31,595,093
		53,275,866	54,970,827	53,275,866	54,970,827
(i)	**Debt securities**				
(a)	**Classified as fair value through other comprehensive income**				
	Nigerian Treasury Bills	6,678,346	3,291,463	6,678,346	3,291,463
	Federal Government of Nigeria bonds	2,165,016	2,236,568	2,165,016	2,236,568
	Corporate bonds	4,232,450	5,224,913	4,232,450	5,224,913
	Eurobonds	1,892,074	3,095,454	1,892,074	3,095,454
	State Bond	1,840,918	1,896,414	1,840,918	1,896,414
	CBN Special Bills	19,668,372	39,210,349	19,668,372	39,210,349
	Commercial papers	669,775	-	669,775	-
	Promissory Notes	9,162,951	-	9,162,951	-
	Debt securities at FVOCI	46,309,902	54,955,161	46,309,902	54,955,161
(b)	**Classified as amortized cost**				
	Nigerian Treasury Bills	-	-	-	-
	Federal Government of Nigeria bonds	6,972,605	-	6,972,605	-
	Commercial papers	-	-	-	-
	Eurobonds	-	-	-	-
	Debt securities at amortized cost	6,972,605	-	6,972,605	-
	Allowance for impairment	(22,307)	-	(22,307)	-
		6,950,298	54,955,161	6,950,298	54,955,161
	Total debt securities	53,260,200	54,955,161	53,260,200	54,955,161
	The reconciliation of the impairment allowance on debt securities is as below:				
	Balance as at beginning of the period	185,802	130,844	185,802	130,844
	Reclassification	(40,135)	-	(40,135)	-
	(Writeback)/charge on debt securities at FVOCI for the period (see note 8)	(26,653)	54,958	(26,653)	54,958
	(Writeback)/charge on debt securities at amortised cost for the period (see note 8)	22,307	-	22,307	-
	Balance as at period end	141,321	185,802	141,321	185,802
(ii)	**Equity securities**				
	Classified as fair value through other comprehensive income				
	Unquoted equity securities	15,666	15,666	15,666	15,666
		15,666	15,666	15,666	15,666

i. The N15.66M investment in equity securities represents N15M investment in FMDQ Group Plc exchange and N0.67M investment in the Nigeria Inter-bank Settlement Scheme (NIBSS). Total dividend of N0.12M was received as dividend from NIBSS during the period (2022: N0.17M). The Bank chose this alternative presentation because these investments were made based on regulatory directives rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

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

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		Group		Bank	
		31 December 2023 N'000	31 December 2022 N'000	31 December 2023 N'000	31 December 2022 N'000
21	**Pledged assets**				
	Financial instruments at fair value through profit or loss	25,331,745	249,050	25,331,745	249,050
	Nigerian treasury bills	25,331,745	249,050	25,331,745	249,050
	Classified as fair value through other comprehensive income				
	Nigerian treasury bills	1,111,997	-	1,111,997	-
	Federal Government of Nigeria bonds	4,066,500	5,963,306	4,066,500	5,963,306
		5,178,497	5,963,306	5,178,497	5,963,306
	Classified as Amortised cost				
	Federal Government of Nigeria bonds	1,530,800	-	1,530,800	-
		1,530,800	-	1,530,800	-
	Total pledged assets	32,041,042	6,212,356	32,041,042	6,212,356
	Current	26,548,968	6,212,356	26,548,968	6,212,356
	Non-current	5,492,074	-	5,492,074	-
		32,041,042	6,212,356	32,041,042	6,212,356

Debt securities are pledged for purpose of providing collateral to secure liabilities with counterparties. The disclosure above includes any transferred assets associated with secured borrowing as disclosed in Notes 26.

		Group		Bank	
22	**Other assets**	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Financial assets	N'000	N'000	N'000	N'000
	Intercompany receivables ((see note 43(iii)(a))	1,350,629	614,175	1,350,629	614,175
	Due from Counterparty	16,955	-	16,955	-
	Trade Receivables	144,590	-	144,590	-
	Gross other financial assets	1,512,174	614,175	1,512,174	614,175
	Deposits for Investments(see (i) below)	1,093,534	915,523	1,093,534	915,523
	Foreign exchange forward receivables (see (ii) below)	21,405,801	14,528,849	21,405,801	14,528,849
	Gross other financial assets	24,011,509	16,058,547	24,011,509	16,058,547
	Impairment allowance on financial assets	(148,888)	(3,543)	(148,888)	(3,543)
	Net other financial assets	23,862,621	16,055,004	23,862,621	16,055,004
	Non financial assets				
	Prepayments	1,237,792	738,882	1,237,792	738,882
	Withholding tax receivable (WHT)	193,762	88,549	193,762	88,549
	Margin Receivables (see (iii) below)	1,014,939	138,740	1,014,939	138,740
	Gross non-financial assets	2,446,493	966,171	2,446,493	966,171
	Impairment allowance on non-financial assets	-	(66,278)	-	(66,278)
		2,446,493	899,893	2,446,493	899,893
		26,309,114	16,954,897	26,309,114	16,954,897
	Current	26,309,114	16,521,772	26,309,114	16,521,772
	Non-current	-	433,125	-	433,125
		26,309,114	16,954,897	26,309,114	16,954,897
	Movements in expected credit loss for doubtful receivables				
	At start of year	69,821	26,838	69,821	26,838
	Additions	79,067	42,983	79,067	42,983
	At end of the period	148,888	69,821	148,888	69,821

(i) Deposit for investment relates to FSDH Merchant Bank Limited annual commitment towards Agri-Business Small and Medium Enterprises Investment Scheme(AGSMEIS) based on CBN guidelines. The investment scheme represents 5% of annual profit after tax appropriated from reserve.

(ii) Foreign exchange forward receivables represents foreign exchange forwards (N20bn) and unsettled FX transactions (N1.4bn) yet to be delivered by other counterparties

(iii) This relates to $1.06m cash pledged as collateral with interbank counterparties on repurchase agreement transactions

		Group		Bank	
23	**Investment in subsidiaries**	31 December 2023 N'000	31 December 2022 N'000	31 December 2023 N'000	31 December 2022 N'000
	FSDH Nominees Limited	-	-	1,000	-
		-	-	1,000	-

(i) Consideration transferred

FSDH Nominees Limited is a company incorporated on 21 December 2021 as a wholly-owned subsidiary of FSDH Merchant Bank Limited. On 06 April 2023, the Bank transferred the sum of N1million as consideration for 1,000,000 shares in FSDH Nominees Ltd @ N1 per share which represents minimum capital requirement by Securities and Exchange Commission (SEC).

The incorporation of FSDH Nominees Limited as a wholly-owned subsidiary of FSDH Merchant Bank Limited will enable the Group to provide custodial services on money market and fixed income instruments to corporate entities and individuals. For the year ended 31 December 2023, FSDH Nominees Limited Contributed revenue of N32.18million and profit of N26.7million.

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24 Leases

(i) Right-of-use assets

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Opening balance	272,144	214,470	272,144	214,470
Additions during the period	30,493	54,464	30,493	54,464
Lease Remeasurement	-	3,210	-	3,210
Closing balance	**302,637**	**272,144**	**302,637**	**272,144**
Accumulated Depreciation				
Opening balance	185,191	143,749	185,191	143,749
Charge for the period	69,671	41,442	69,671	41,442
Closing balance	**254,862**	**185,191**	**254,862**	**185,191**
Net book value	**47,775**	**86,953**	**47,775**	**86,953**

(ii) Lease liabilities

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Opening balance	62,759	66,810	62,759	66,810
Additions	-	54,464	-	54,464
Disposal of lease		(37,933)		(37,933)
Remeasurement		3,210		3,210
Interest expense	9,778	9,993	9,778	9,993
Payments made during the period	(72,537)	(33,784)	(72,537)	(33,784)
Closing balance	**-**	**62,759**	**-**	**62,759**
Current lease liabilities	-	-	-	-
Non-current lease liabilities	-	62,759	-	62,759
	-	**62,759**	**-**	**62,759**

(iii) Amounts recognised in the statement of profit or loss

Depreciation charge of right-of-use assets (note 12)	69,671	41,442	69,671	41,442
Interest expense (note 6)	9,778	9,993	9,778	9,993

(iv) Liquidity risk (maturity analysis of lease liabilities)

31 December 2023	**0-3 months**	**3-12 months**	**1-2 years**	**Total**
Lease liability	-	-	-	**-**

31 December 2022	**0-3 months**	**3-12 months**	**1-2 years**	**Total**
Lease liability	16,312	46,447	-	**62,759**

Lease represents the company's lease of building in the following locations: Lagos, Abuja and Port-Harcourt.

25 Deferred tax asset

Group and Bank

Deferred income tax is calculated on all temporary differences under the liability method using a statutory tax rate of 30% (2020: 30%).

Movements in temporary differences during the period:

	1 January 2023 N'000	**Recognised in P&L N'000**	**31 December 2023 N'000**
Accelerated tax depreciation	(94,386)	-	(94,386)
Tax loss carry forward	2,332,081	(312,889)	2,019,192
	2,237,695	(312,889)	1,924,806

	1 January 2022 N'000	**Recognised in P&L N'000**	**31 December 2022 N'000**
Accelerated tax depreciation	(94,386)	-	(94,386)
Tax loss carry forward	2,620,901	(288,820)	2,332,081
	2,526,515	(288,820)	2,237,695

Deferred tax assets have not been recognised in respect of unutilized tax losses of N35.84bn (Dec 2022: N41.99bn), with tax effect of N11.47bn (Dec 2022: N13.4bn) 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 carried forward indefinitely under the Nigerian tax laws.

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26 Intangible asset
Group and Bank

Cost	**Computer Software N'000**	**Work in progress N'000**	**Total N'000**
At 1 January 2023	1,580,366	78,631	1,658,997
Additions	-	336,755	336,755
Reclassifications (see note (iv))	152,460	(152,460)	-
Write-offs	-	(17,538)	(17,538)
At 31 December 2023	1,732,826	245,388	1,978,214
Accumulated amortisation			
At 1 January 2023	(1,450,753)	-	(1,450,753)
Charge for the period (see note 12b)	(108,387)	-	(108,387)
At 31 December 2023	(1,559,140)	-	(1,559,140)
Carrying amount as at 1 January 2023	129,613	78,631	208,244
Carrying amount as at 31 December 2023	173,686	245,388	419,074

Cost	**Computer Software N'000**	**Work in progress N'000**	**Total N'000**
At 1 January 2022	1,529,321	26,219	1,555,540
Additions	51,045	103,457	154,502
Reclassifications	-	(51,045)	(51,045)
Transfers	-	-	-
At 31 December 2022	1,580,366	78,631	1,658,997
Accumulated amortisation			
At 1 January 2022	(1,280,422)	-	(1,280,422)
Charge for the year	(170,331)	-	(170,331)
At 31 December 2022	(1,450,753)	-	(1,450,753)
Carrying amount at 1 January 2022	248,900	26,219	275,118
Carrying amount at 31 December 2022	129,613	78,631	208,244

The software was not internally generated. The amortisation charge for the period is included within operating expenses.

(i) There were no authorised or contracted capital commitments as at the reporting date (2022: nil).
(ii) There were no impairment losses on any class of intangible assets during the year (2022: nil).
(iii) There were no capitalised borrowing costs related to the acquisition of intangible assets during the year (2022: nil).
(iv) These are reclassifications during the year for completed computer software from work in progress during the year (2022: N51 million)

FSDH MERCHANT BANK LIMITED

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27 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 2023	217,098	121,098	505,591	61,168	1,031,371	118,813	2,055,139
Additions	-	-	-	-	-	612,881	612,881
Reclassifications	53,573	14,426	209,123	33,275	290,319	(600,716)	-
Disposals	-	(21,664)	(408)	(7,951)	(118,300)	-	(148,323)
At 31 December 2023	270,671	113,860	714,306	86,492	1,203,390	130,978	2,519,697
Accumulated depreciation							
At 1 January 2023	(174,265)	(107,230)	(440,903)	(29,660)	(529,905)	-	(1,281,963)
Charge for the period (see note 12)	(27,314)	(9,706)	(77,457)	(10,458)	(248,806)	-	(373,741)
Disposals	-	21,485	272	7,681	99,132	-	128,570
At 31 December 2023	(201,579)	(95,451)	(518,088)	(32,437)	(679,579)	-	(1,527,134)
Carrying amount at 1 January 2023	42,833	13,868	64,688	31,508	501,466	118,813	773,177
Carrying amount at 31 December 2023	69,092	18,409	196,218	54,055	523,811	130,978	992,563
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	-	(1,010)	(613)	(1,827)	(111,500)	-	(114,950)
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 period (see note 12)	(13,535)	(12,585)	(43,642)	(6,176)	(219,280)	-	(295,218)
Reclassifications	-		-	-	7,875.00	-	7,875
Disposals	-	952	187	1,468	84,146	-	86,753
At 31 December 2022	(174,265)	(107,230)	(440,903)	(29,660)	(529,905)	-	(1,281,963)
Carrying amount at 1 January 2022	-	19,651	61,573	17,018	546,625	70,034	714,900
Carrying amount at 31 December 2022	42,833	13,868	64,688	31,508	501,466	118,813	773,177

(i) There were no authorised or contracted capital commitments as at the reporting date (2022: 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 period (2022: nil).
(iii) There were no capitalised borrowing costs related to the acquisition of property and equipment during the period (2022: nil).
(iv) There were reclassifications during the year for completed property and equipments from work in progress during the period (2022: N389 million)

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	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
28 Due to banks and other financial institutions				
Call borrowings (i)	15,486,096	7,665,808	15,486,096	7,665,808
Secured borrowings (ii)	9,556,236	6,218,433	9,556,236	6,218,433
Refinanced LCs	6,203,500	16,303,277	6,203,500	16,303,277
Trade related obligations to foreign banks (see note iii & iv)	59,913,787	10,151,334	59,913,787	10,151,334
	91,159,619	40,338,852	91,159,619	40,338,852
Current	91,159,619	40,338,852	91,159,619	40,338,852
	91,159,619	40,338,852	91,159,619	40,338,852

(i) Call borrowings consist of unsecured takings obtained from Bank of Industry (N3bn), NEXIM (N3.5bn & $4m) and DBN (N5bn). The maturity date of the takings range between January 2024 to April 2024.

(ii) Included in secured borrowings consist of short term collaterised interbank takings of $5m each at an average rate of 10% obtained from Wema Bank and Keystone Bank. The maturity date of both takings is 04 January 2024

(iii) During the year, the Bank obtained N46.2bn ($48.5m) on-lending facility from Access Bank UK at the average rate of 10.20% for one year. This borrowing was reclassified from Other Borrowed Funds (Note 34) to "Due to banks and other financial institutions" in 2023.

(iv) Also during the year, the Bank obtained N11.7bn ($12.3m) on-lending facility from Standard Chartered Bank Nigeria Ltd at the rate of 10.42% for nine months.

	Group 31 December 2023 N'000	Group 31 December 2022 N'000	Bank 31 December 2023 N'000	Bank 31 December 2022 N'000
29 Due to customers				
Demand	59,998,293	32,589,197	59,999,293	32,589,197
Term	68,144,289	65,662,274	68,144,289	65,662,274
	128,142,582	98,251,471	128,143,582	98,251,471
Current	128,142,582	98,251,471	128,143,582	98,251,471
	128,142,582	98,251,471	128,143,582	98,251,471
30 Other liabilities				
Financial liabilities:				
Customers' deposit for foreign trade (Note (i))	6,994,037	6,597,666	6,994,037	6,597,666
Amounts held on behalf of third parties	1,629,037	3,463,949	1,629,037	3,463,949
Unclaimed third party deposits	13,561	12,326	13,561	12,326
Client Repurchase Investments (ii)	50,044,050	2,521,915	50,044,050	2,521,915
Bonus Provision	779,026	578,995	779,026	578,995
Accruals	463,569	610,162	463,569	610,162
Stale cheques and other payables	2,485,203	6,899,181	2,511,918	6,899,181
	62,408,484	20,684,194	62,435,198	20,684,194
Non Financial liabilities:				
VAT payable	17,200	3,170	17,200	3,170
WHT payable	121,186	49,888	121,186	49,888
	138,386	53,058	138,386	53,058
Current	62,546,870	20,737,252	62,573,584	20,737,252
	62,546,870	20,737,252	62,573,584	20,737,252

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

(ii) Client Repurchase Investments (N50bn) represents asset backed deposits of N47.7bn and $2.3m with interest rates varying from 2% to 15%. The maturity date ranges from January 2024 to July 2024

	Group 31 December 2023 N'000	Group 31 December 2022 N'000	Bank 31 December 2023 N'000	Bank 31 December 2022 N'000
31 Provisions				
Off Balance sheet exposures impairment (i)	115,605	125,657	115,605	125,657
	115,605	125,657	115,605	125,657
The reconciliation of the impairment allowance on financial guanrantee contracts is as below:				
Balance at the beginning of the year	125,657	35,922	125,657	35,922
(Decrease)/Increase in impairment allowance for the period (see note 8)	(10,052)	89,735	(10,052)	89,735
Balance as at end of the period	115,605	125,657	115,605	125,657

(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.

	Group		Bank	
32 Investment securities trading liabilities	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
CBN special bill (short position)	3,838,317	11,011,640	3,838,317	11,011,640
Repurchase agreement	16,130,708	4,996,788	16,130,708	4,996,788
	19,969,025	16,008,428	19,969,025	16,008,428

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33	**Debt securities issued**	**2023**	**2022**	**2023**	**2022**
		N'000	**N'000**	**N'000**	**N'000**
	Debt instrument at amortised cost:				
	FSDH Commercial Papers (i)	21,967,747	19,734,983	21,967,747	19,734,983
	Senior unsecured debt Naira (see (ii) below)	5,099,721	5,099,721	5,099,721	5,099,721
	Subordinated fixed rate notes- Naira (see (iii) below)	7,276,566	7,276,566	7,276,566	7,276,566
		34,344,034	32,111,270	34,344,034	32,111,270
	Current	21,967,747	19,734,983	21,967,747	19,734,983
	Non-current	12,376,287	12,376,287	12,376,287	12,376,287
		34,344,034	32,111,270	34,344,034	32,111,270

(i) This represent the outstanding FSDH CP Notes that were issued during the period. The face value of the CP Notes as at the 31 December 2023 was N22.6billion and listed on the FMDQ OTC Securities Exchange. The discount rate on the N22.6billion holding was an average of 12.63% with maturity dates between January 2024 and June 2024.

(ii) This represents Naira denominated unsecured senior debt issued on 16 February 2021 at a fixed interest rate of 8.00% per annum payable semi-annually. It has a tenor of 5 years. The debt is unsecured.

(iii) This represents Naira denominated surbodinated debt issued on 16 February 2021 at a fixed interest rate of 8.50% per annum payable semi-annually. It has a tenor of 5 years. The debt is unsecured.

The Bank has not had any default of principal, interest or any other convenants with respect to its debt securities during the year. (Dec. 2022: Nil).

Movement in debt securities for the period:				
Opening position	32,111,270	29,148,871	32,111,270	29,148,871
Net discounted value of notes issued	42,982,616	42,221,766	42,982,616	42,221,766
Redemptions during the period	(43,945,340)	(43,149,424)	(43,945,340)	(43,149,424)
Interest paid	(1,306,421)	-	(1,306,421)	-
Interest expense	4,501,909	3,890,057	4,501,909	3,890,057
Closing position	34,344,034	32,111,270	34,344,034	32,111,270

34	**Other borrowed funds**				
	Due to IFC (see note i)	19,605,389	9,398,043	19,605,389	9,398,043
	Due to SCB (see note ii)	-	1,900,846	-	1,900,846
	Due to BOI (see note iii)	1,000,493	-	1,000,493	-
	Due to DBN (see note iv)	8,277,921	12,418,156	8,277,921	12,418,156
		28,883,803	23,717,046	28,883,803	23,717,046
	Current	-	21,450,224	-	21,450,224
	Non-current	28,883,803	2,266,822	28,883,803	2,266,822
		28,883,803	23,717,046	28,883,803	23,717,046

(i) This represents N19bn ($20m) on-lending facility obtained in October 2022 from International Finance Corporation, at a current rate of 9.97%. The facility will mature in March 2024

(ii) This represents prior year balance of $4m due to Standard Chartered Bank. This borrowing matured on 04 January 2023.

(iii) This represents a N1bn on-lending facility obtained in August 2023 from the Bank of Industry for SME Gender Entrepreneurs under its SME retail product. The facility is for 4 years. Interest is payable quarterly and Principal repayment will commence in March 2024 with subsequent repayments on a quartelry basis until the end of the tenure in June 2027

(iv) This represents the balance of a N12.42bn on-lending facility obtained in 2022 from the Development Bank of Nigeria at an average rate of 13.17%. Interest is payable monthly and the debt is unsecured.

The Group has not had any default of principal, interest or any other convenants with respect to its debt securities during the period. (Dec. 2022: Nil).

Movement in other borrowed funds for the period:				
Opening position	33,868,380	17,298,216	33,868,380	17,298,216
Transfer to Foreign trade lines	(12,052,180)	-	(12,052,180)	-
Proceeds from Other borrowings	10,813,800	50,824,143	10,813,800	50,824,143
Interest expense	2,926,735	2,351,391	2,926,735	2,351,391
Interest paid	(2,606,265)	(2,017,614)	(2,606,265)	(2,017,614)
Repayments	(4,066,667)	(34,587,756)	(4,066,667)	(34,587,756)
Closing position	28,883,803	33,868,380	28,883,803	33,868,380

35	**Share capital**				
	Issued and fully paid				
	2,138,623,000 (Dec 2022 : 2,138,623,000) Ordinary shares of N1 each	2,138,623	2,138,623	2,138,623	2,138,623

Reconciliation of share issued	Value of ordinary shares	Ordinary share premium
	N'000	**N'000**
Balance as at 1st January 2023	2,138,623	234,381
Unissued shares of the Bank be issued through a Bonus Issue to the existing shareholders	-	-
Balance as at 31st December 2023	2,138,623	234,381

The holders of ordinary shares are entitled to receive dividends, which are declared from time to time, also each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally with regards to the Group's residual assets.

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36 Share premium and fair value reserves

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

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

Reconciliation of share premium	Ordinary share premium
	N'000
Balance as at 1st January 2023	234,381
Unissued shares of the Bank be issued through a Bonus Issue to the existing shareholders	-
Balance as at 31st December 2023	234,381

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

(c) Statutory reserve: In accordance with the Banks and Other Financial Institutions Act of 2020 (Amended), 15% of profit after taxation has been transferred to statutory reserve.

(d) Fair value reserve: The fair reserve shows the effects from the fair value measurement of financial instruments of the FVOCI category. Any gains or losses on this class of financial instruments are not recognised in the consolidated income statement until the financial asset has been sold or impaired. The net change in fair value on FVOCI financial assets recorded in other comprehensive income has no tax effect because the financial instruments that gave rise to the changes are tax exempt.

Changes in fair value reserve	Fair Value Reserve
	N'000
Balance as at 1st January 2023	(4,451,528)
Fair Value on FVOCI financial assets	3,084,140
Impairment on FVOCI financial assets (see note 8)	(156,128)
Net Changes in Fair Value on FVOCI financial assets	2,928,012
Balance as at 31st December 2023	(1,523,516)

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

An appropriation totalling N234.19m (2022:N178.01m) was done from retained earnings into the AGSMEIS reserve in the current period.

Changes in AGSMEIS reserve	AGSMEIS Reserve
	N'000
Balance as at 1st January 2023	1,114,137
Appropriation from retained earnings - 5% of Profit after tax	234,198
Balance as at 31st December 2023	1,348,335

37 Credit risk reserve

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

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

Movement in credit risk reserve

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	N '000	N '000	N '000	N '000
Balance as at 1st January	2,902,555	2,094,906	2,902,555	2,094,906
Transfer from retained earnings	452,287	807,649	452,287	807,649
Balance as at end of the period	3,354,842	2,902,555	3,354,842	2,902,555

38 Prudential adjustment

	Group		Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	N '000	N '000	N '000	N '000
Prudential guideline provision on loans & advances and off balance sheet exposure:				
- Specific provisions	2,708,984	1,953,475	2,708,984	1,953,475
- General provisions	2,455,544	2,301,611	2,455,544	2,301,611
- Impairment allowance on off balance sheet	115,605	125,657	115,605	125,657
- Impairment allowance on Cash and Bank Balances	5,073	-	5,073	-
- Impairment allowance on loans to Banks	3,394	3,420	3,394	3,420
- Impairment allowance on debt securities	141,321	185,802	141,321	185,802
'- Impairment allowance on receivables	148,888	42,983	148,888	42,983
	5,578,810	4,612,948	5,578,810	4,612,948
IFRS impairment provisions:				
- Impairment allowance on financial assets: loans and advances (see note 19)	1,809,687	1,352,531	1,809,687	1,352,531
- Impairment allowance on off balance sheet (see note 31)	115,605	125,657	115,605	125,657
- Impairment allowance on Cash and Bank Balances (see note 14)	5,073	-	5,073	-
- Impairment allowance on loans to Banks (see note 15)	3,394	3,420	3,394	3,420
- Impairment allowance on debt securities (see note 20)	141,321	185,802	141,321	185,802
'- Impairment allowance on receivables (see note 22)	148,888	42,983	148,888	42,983
	2,223,968	1,710,393	2,223,968	1,710,393
Difference in IFRS impairment over prudential guidelines accounted for in credit risk reserve	3,354,842	2,902,555	3,354,842	2,902,555

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39 Reconciliation of profit before tax to cash generated from operations

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Profit before income tax	5,303,206	4,052,968	5,276,491	4,052,967
Adjustments for:				
– Amortisation (note 24)	125,925	170,331	125,925	170,331
– Depreciation (note 25)	373,741	295,218	373,741	295,218
– Depreciation on leased assets (note 22)	69,671	41,442	69,671	41,442
– Foreign exchange revaluation	484,608	(317,446)	484,608	(317,446)
– Profit on disposal of property and equipment (note 11)	(10,748)	(18,853)	(10,748)	(18,853)
– Net interest income	(7,463,377)	(4,871,184)	(7,463,377)	(4,871,184)
– Dividend income (note 11)	(119)	(176)	(119)	(176)
– unrealised loss on financial instruments held for trading	1,270,149	126,872	1,270,149	126,872
– Fair value gain on derivative instruments held for trading	(47,277,875)	40,995	(47,277,875)	40,995
– Impairment /charge on loans and advances (note 8)	457,156	1,158,317	457,156	1,158,317
– Impairment charge on other financial assets (note 8)	67,872	169,561	67,872	169,561
Changes in working capital:				
– Balances with Central Bank (restricted cash) (note 14)	3,694,131	4,283,500	3,694,131	4,283,500
– Customers deposits for foreign trade	(10,190,856)	(11,653)	(10,190,856)	(11,653)
– Loans and advances to customers	(5,690,702)	(40,517,142)	(5,690,702)	(40,517,142)
– Financial instruments held for trading	(28,004,916)	(6,991,311)	(28,004,916)	(6,991,311)
– Derivatives financial assets	(1,037,190)	234,271	(1,037,190)	234,271
– Pledged assets	(25,828,686)	5,612,716	(25,828,686)	5,612,716
– Other assets	(9,354,217)	(13,111,982)	(9,354,217)	(13,111,982)
– Due to banks and other financial institutions	50,820,767	3,974,022	50,820,767	3,974,022
– Due to customers	29,891,111	25,803,448	29,892,111	25,803,448
– Derivatives financial liabilities	910,318	(208,444)	910,318	(208,444)
– Other liabilities and provision	41,799,565	3,710,985	41,826,279	3,710,985
– Trading Liabilities	3,960,597	6,116,230	3,960,597	6,116,230
Cash generated/(used) from operations	4,370,131	(10,257,315)	4,371,131	(10,257,315)

40 Statement of cashflow notes

		Group		Bank	
		31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
40.1	– Interest received (see i below)	25,094,742	17,192,293	25,094,742	17,192,293
	– Interest paid (ii below)	(10,772,338)	(8,884,592)	(10,772,338)	(8,884,592)
	– Dividend paid to shareholders	(342,300)	(406,595)	(342,300)	(406,595)
	– Purchase/Redemption/Disposal of investment securities (iii below)	12,982,667	(11,031,744)	12,982,667	(11,031,744)

(i) Interest received

Financial assets at fair value through profit or loss	2,461,927	15,534	2,461,927	15,534
Financial assets at fair value through other comprehensive income	4,795,125	5,611,443	4,795,125	5,611,443
Financial assets at amortised cost	17,837,689	11,565,317	17,837,689	11,565,317
	25,094,742	17,192,293	25,094,742	17,192,293

Interest received represent earnings from financial assets measured at fair value through profit or loss, other comprehensive income and amortised cost

(ii) Interest paid

Financial assets measured at amortised cost	(10,772,338)	(8,884,592)	(10,772,338)	(8,884,592)
	(10,772,338)	(8,884,592)	(10,772,338)	(8,884,592)

Interest payments shown above are made on financial liabilities measured at amortised costs

(iii) Purchase/Redemption/Disposal of investment securities

Opening position	54,970,826	38,327,639	54,970,826	38,327,639
Additions	25,911,953	22,392,977	25,911,953	22,392,977
Disposal	(12,929,286)	(11,361,233)	(12,929,286)	(11,361,233)
Interest received	7,757,565	5,611,443	7,757,565	5,611,443

40.2 Proceeds from sale of property, plant and equipment

Cost (see note 27)	148,323	114,950	148,323	114,950
Accumulated depreciation (see note 27)	(128,570)	(86,753)	(128,570)	(86,753)
Profit on disposal of property and equipment (see note 11)	10,748	18,853	10,748	18,853
	30,501	47,050	30,501	47,050

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

Currency				
USD	12,303,171	(595,754)	12,303,170	(595,754)
EUR	882,471	66,456	882,471	66,456
GBP	123,392	14,824	123,392	14,824
Other currency	10,037	909	8,038	909
Effect of exhange rate	13,319,071	(513,565)	13,317,071	(513,565)

41 Cash and cash equivalents

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

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Cash and cash equivalents (Note 14)	51,567,752	43,193,956	51,567,752	43,193,956
Mandatory reserve with the Central bank	(22,868,238)	(26,562,369)	(22,868,238)	(26,562,369)
Cash and bank balances included in the statement of cash flows	28,699,514	16,631,587	28,699,514	16,631,587
Placements with banks and discount houses in Nigeria (Note 15)	11,586,272	4,307,630	11,586,272	4,307,630
	40,285,786	20,939,217	40,285,786	20,939,217

42 Contingent liabilities and commitments

(a) Legal proceedings

The Group has litigation claims which arose in the normal course of business and they are being contested. The directors having sought professional legal counsel are of the opinion that no loss will eventuate, hence no provision has been made for them in these financial statements. There were a total of 3 proceedings against the Bank amounting to N347.63 million (Dec 2022: two amounting to N362.12 million).

(b) Credit related commitments

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

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Letters of Credit	21,432,819	23,725,165	21,432,819	23,725,165
Performance bonds and guarantees	12,621,751	5,422,442	12,621,751	5,422,442
Loan Commitments	29,881,867	34,043,909	29,881,867	34,043,909
	63,936,437	63,191,516	63,936,437	63,191,516

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

43 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 party .

(i) Key management personnel and their related entities

	Group		Bank	
(a) Compensation	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Wages and salaries	701,982	556,544	701,982	556,544
Pension costs	63,309	41,916	63,309	41,916
	765,291	598,460	765,291	598,460

(b) Loans and advances	**Group & Bank 31 December 2023 N'000**	**Group & Bank 31 December 2022 N'000**	**Group & Bank 31 December 2023 N'000**	**Group & Bank 31 December 2022 N'000**
Loans outstanding	310,605	211,478	310,605	211,478

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Interest income	13,016	4,529	13,016	4,529

Loans to key management personnel as disclosed above represent staff loans which are payable between 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employ of the Bank for over 5 years. Mortgage loans are collateralised by the underlying property. None of the loans were classified as stage 3.

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

FSDH MERCHANT BANK LIMITED
NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

	Group		Bank	
(ii) Directors and their related entities	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
(a) Deposits	1,653,035	995,022	1,653,035	995,022
Interest expense	7,838	18,558	7,838	18,558
(b) Transactions				

The aggregate value of transactions of services rendered to directors and their related entities over which they have control or significant influence were as follows:

Expense paid*	179,295	81,380	179,295	81,380

*The bank engaged the legal services of the law firm of Udo Udoma & Belo-Osagie on a retainership basis and paid the sum of N43million (2022: N43million). During the year, the bank also paid the sum of N136.3million (Dec 2022: N69.9million) to FSDH Capital Limited as arranger's fee for the issuance of the Bank's commercial paper. These fees are included in the expense paid disclosed.

Directors' remuneration paid during the period:				
Fees and sitting allowances	281,815	249,938	281,815	249,938
Retirement benefit expense	62,310	52,675	62,310	52,675
	344,125	302,613	344,125	302,613
Executive compensation	561,949	313,858	561,949	313,858
	906,074	616,471	906,074	616,471

The directors' remuneration shown above (excluding pension and other benefits) includes:				
Chairman	64,945	41,500	64,945	41,500
Highest paid director	293,927	120,000	293,927	120,000
Total remuneration of Non Executive Directors (Fees and allowances)	344,125	302,613	344,125	302,613

(iii) Shareholders and related entities

	Group		Bank	
(a) Receivables	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
FSDH Holding Company	1,299,423	614,175	1,299,423	614,175
FSDH Asset Management Limited	30,715	-	30,715	-
FSDH Securities Limited(Now FSDH Capital Limited)	20,491	-	20,491	-
	1,350,629	614,175	1,350,629	614,175

These are related entities under the FSDH Holding Company. The balance of N1.34 billion represents reimburseable expenses due from the related entities as at period end. The bank became a subsidiary of the FSDH Holding Company in 2019.

(b) Cash and bank balances				
FSDH Asset Management Limited	1,079,700	2,586,057	1,079,700	2,586,057
Pension Alliance Limited	3,239,617	679,984	3,239,617	679,984
FSDH HOLDCO	649,339	33,646	649,339	33,646
FSDH Capital	189,639	67,179	189,639	67,179
PEROPHS	8,048	39,411	8,048	39,411
Shareholders of FSDH Holdco	28,735	45,153	28,735	45,153
	5,195,077	3,451,430	5,195,077	3,451,430

(iv) Deposits from related entities

	Group		Bank	
(a) Deposits	**31 December 2023 N'000**	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Deposit from FSDH Asset Management Limited	1,079,667	2,625,777	1,079,667	2,625,777
Deposit from FSDH Capital Limited	189,639	67,179	189,639	67,179
Deposit from FSDH HOLDCO	646,490	33,646	646,490	33,646
Deposit from PEROPHS	8,048	39,411	8,048	39,411
Deposit from Pensions Alliance Limited	3,194,414	679,984	3,194,414	679,984
Total deposits from related entities	5,118,257	3,445,997	5,118,257	3,445,997
(a) Deposits				
Interest expense	48,085	98,607	48,085	98,607

This represents deposit balances of entities within the FSDH Group.

Interest income	-	7,090	-	13,969

FSDH MERCHANT BANK LIMITED

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

44 Insider related credits

In line with the Central Bank of Nigeria circular BSD/1/2004, banks in Nigeria are required to disclose insider related credits. As at 31 December 2023, there were no insider-related credits in the books of the bank (December 2022: Nil).

Insider-related credits include transactions involving shareholders, employees, directors and their related interests; the term director being as defined in section 19(6) of BOFIA 2020 (as amended). Under the circular, credits to employees under their employment scheme of service and shareholders' whose shareholding and related interest are less than 5% of the bank's paid up capital, are excluded.

45 Earnings per share

(i) Basic

Basic earnings per share is calculated by dividing the net profit after tax attributable to the equity holders of the Bank by the weighted 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 tax attributable to equity holders of the parent bank (N'000)	4,683,951	3,560,216	4,657,236	3,560,215
Weighted average number of ordinary shares ('000)	2,138,623	2,138,623	2,138,623	2,138,623
Weighted average number of ordinary shares excluding treasury shares ('000)	2,138,623	2,138,623	2,138,623	2,138,623
Basic earnings per share (in kobo per share)	219	166	218	166

(ii) Diluted

The Bank does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders (31 December 2022: Nil).

46 Dividends

	Group		Bank	
	31 December 2023 N'000	**31 December 2022 N'000**	**31 December 2023 N'000**	**31 December 2022 N'000**
Proposed dividend N0.67 (2022: N0.16)	1,435,377	342,300	1,435,377	342,300
Interim dividend N0.64 (2022: N0.87)	1,370,000	1,861,473	1,370,000	1,861,473
	2,805,377	2,203,773	2,805,377	2,203,773

During the year, the directors proposed an interim dividend of N2.69billion but N1.37billion (N0.64k per share) was approved for payment by CBN. A final dividend of N1.44billion representing N0.67k per share was proposed at year end and will be presented for ratification by the shareholders at the next Annual General Meeting.

These financial statements do not reflect this resolution which will be accounted as an appropriation of retained earnings.

47 Compliance with banking regulations

During the period, the bank paid the sum of N6m Penalty. Of this amount N2m relates to infraction on post-periodic employment background check on the Bank's I.T department, while N4m arose from spot check of AML/CFT/CPF compliance on PEPs (Dec 2022: AML Penalty of N17.3m arising from infraction noted in July-April 2021 CBN AML Risk Based audit with respect to misreporting of the CTR returns)

48 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 31st December 2023.

FSDH MERCHANT BANK LIMITED

OTHER NATIONAL DISCLOSURES

VALUE ADDED STATEMENT

Group and Bank		Group			Bank		
		Dec 2023	**Dec 2022**		**Dec 2023**	**Dec 2022**	
	%	**₦'000**	₦'000	%	**₦'000**	₦'000	**%**
Gross earnings		**33,910,744**	24,447,486		**33,878,570**	24,447,486	
Interest and similar expenses		**(19,934,787)**	(12,758,928)		**(19,934,787)**	(12,758,928)	
		13,975,957	11,688,558		**13,943,783**	11,688,558	
Impairment allowance on risk assets		**(525,028)**	(1,327,878)		**(525,028)**	(1,327,878)	
Administrative Overheads- local		**(2,969,919)**	(2,501,080)		**(2,964,459)**	(2,501,080)	
Value added	100	**10,481,010**	7,859,600	100	**10,454,296**	7,859,600	100
Distribution of value added							
To employees and directors:							
Salaries and benefits	44	**4,626,006**	3,299,641	44	**4,626,006**	3,299,641	42
To government:							
Tax	6	**619,255**	492,752	6	**619,255**	492,752	6
The future to pay proposed dividend:							
For replacement of property and equipment (depreciation)	4	**443,412**	336,660	4	**443,412**	336,660	4
For replacement of intangible assets (amortisation)	1	**108,387**	170,332	1	**108,387**	170,332	2
To reserves	45	**4,683,950**	3,560,215	45	**4,657,236**	3,560,215	45
	100	**10,481,010**	7,859,600	100	**10,454,296**	7,859,600	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	Group	Group	Group	Group
	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
	₦'000	₦'000	₦'000	₦'000	₦'000
Gross earnings	**33,910,743**	24,447,486	13,786,960	16,313,734	20,822,341
Interest and similar expenses	**(19,934,787)**	(12,758,928)	(7,562,722)	(6,814,365)	(11,009,079)
Operating income	**13,975,956**	11,688,558	6,224,238	9,499,369	9,813,262
Profit before tax	**5,303,206**	4,052,967	1,007,013	3,645,064	5,182,829
Tax	**(619,255)**	(492,752)	(120,272)	(367,229)	(1,572,426)
Profit after tax	**4,683,951**	3,560,215	886,741	3,277,835	3,610,403
Earnings per share (Kobo)	**218**	166	48	179	197

	Group	Group	Group	Group	Group
	Dec 2023	**Dec 2022**	Dec 2021	Dec 2020	Dec 2019
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Cash and cash equivalents	**51,562,679**	43,193,956	44,199,479	49,945,000	16,161,374
Placements to banks and other financial institutions	**11,582,878**	4,304,210	7,783,220	4,003,401	9,817,336
Financial instruments held for trading	**28,211,782**	206,866	600,142	3,217,781	2,704,105
Trading Assets	**19,700,513**	10,208,003	-	-	-
Derivative assets held for risk management	**48,775,795**	460,730	821,873	238,691	414,929
Loans and advances to customers	**122,902,123**	117,211,421	76,626,902	38,072,402	45,496,340
Investment securities	**53,275,866**	54,970,827	38,327,639	42,573,216	43,447,218
Pledged assets	**32,041,042**	6,212,356	12,757,565	16,551,088	33,105,752
Right of use assets	**47,775**	86,953	70,721	70,621	119,964
Current income tax asset	**-**	-	123,029	116,119	-
Property and equipment	**992,563**	773,177	714,901	585,534	636,494
Intangible assets	**419,074**	208,244	275,118	423,953	425,629
Deferred tax asset	**1,924,806**	2,237,695	2,526,515	2,599,335	2,888,150
Other assets	**26,309,114**	16,954,897	3,885,898	1,051,589	776,778
Investment in subsidiaries	**-**	-	-	-	-
TOTAL ASSETS	**397,746,010**	257,029,335	188,713,002	159,448,730	155,994,069
Trading Liabilities	**19,969,025**	16,008,428	5,576,479	-	-
Due to banks	**91,159,619**	30,187,518	26,147,903	19,621,072	27,684,828
Due to customers	**128,143,582**	98,251,471	71,794,882	80,213,989	56,340,436
Derivative liabilities held for risk management	**1,497,920**	587,602	796,046	228,557	395,283
Current income tax liability	**133,177**	35,285	-	-	461,942
Lease liabilities	**-**	62,759	66,810	38,836	54,509
Debt securities issued	**34,344,034**	32,111,270	29,148,871	23,050,499	14,086,009
Other borrowed funds	**28,883,803**	33,868,380	17,298,216	-	18,737,312
Other liabilities	**62,573,584**	20,737,252	10,999,772	5,435,072	11,463,788
Provision	**115,605**	125,657	35,922	46,577	-
TOTAL LIABILITIES	**366,820,348**	231,975,622	161,864,901	128,634,602	129,224,107
NET ASSETS	**30,953,376**	25,053,713	26,848,101	30,814,128	26,769,962
SHAREHOLDERS' FUNDS:					
Share capital	**2,138,623**	2,138,623	1,833,417	1,833,417	1,833,417
Share premium	**234,381**	234,381	539,587	539,587	539,587
Retained earnings	**16,705,846**	15,123,273	15,350,819	17,455,379	17,561,796
Statutory reserve	**8,694,865**	7,992,272	7,458,240	7,325,229	6,833,552
Fair value reserve	**(1,523,516)**	(4,451,528)	(1,364,993)	2,768,729	1,610
AGSMEIS reserve	**1,348,335**	1,114,137	936,126	891,789	-
Credit reserve	**3,354,842**	2,902,555	2,094,906	-	-
	30,953,376	25,053,713	26,848,101	30,814,128	26,769,962

FSDH MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES
FIVE YEAR FINANCIAL SUMMARY

	Bank	Bank	Bank	Bank	Bank
	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
	₦'000	₦'000	₦'000	₦'000	₦'000
Gross earnings	33,878,568	24,447,486	13,786,960	16,313,734	20,822,341
Interest and similar expenses	(19,934,787)	(12,758,928)	(7,562,722)	(6,814,365)	(11,009,079)
Operating income	13,943,781	11,688,558	6,224,238	9,499,369	9,813,262
Profit before tax	5,276,491	4,052,967	1,007,013	3,645,064	5,182,829
Tax	(619,255)	(492,752)	(120,272)	(367,229)	(1,572,426)
Profit after tax	4,657,236	3,560,215	886,741	3,277,835	3,610,403
Earnings per share (Kobo)	218	166	48	179	197

	Bank	Bank	Bank	Bank	Bank
	Dec 2023	Dec 2022	Dec 2021	Dec 2020	Dec 2019
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Cash and cash equivalents	51,562,679	43,193,956	44,199,479	49,945,000	16,161,374
Placements to banks and other financial institutions	11,582,878	4,304,210	7,783,220	4,003,401	9,817,336
Financial instruments held for trading	28,211,782	206,866	600,142	3,217,781	2,704,105
Trading Assets	19,700,513	10,208,003	-	-	-
Derivative assets held for risk management	48,775,795	460,730	821,873	238,691	414,929
Loans and advances to customers	122,902,123	117,211,421	76,626,902	38,072,402	45,496,340
Investment securities	53,275,866	54,970,827	38,327,639	42,573,216	43,447,218
Pledged assets	32,041,042	6,212,356	12,757,565	16,551,088	33,105,752
Right of use assets	47,775	86,953	70,721	70,621	119,964
Current income tax asset	-	-	123,029	116,119	-
Property and equipment	992,563	773,177	714,901	585,534	636,494
Intangible assets	419,074	208,244	275,118	423,953	425,629
Deferred tax asset	1,924,806	2,237,695	2,526,515	2,599,335	2,888,150
Other assets	26,309,114	16,954,897	3,885,898	1,051,589	776,778
Investment in subsidiaries	1,000	-	-	-	-
TOTAL ASSETS	397,747,010	257,029,335	188,713,002	159,448,730	155,994,069
LIABILITIES					
Trading Liabilities	19,969,025	16,008,428	5,576,479	-	-
Due to banks	91,159,619	30,187,518	26,147,903	19,621,072	27,684,828
Due to customers	128,143,582	98,251,471	71,794,882	80,213,989	56,340,436
Derivative liabilities held for risk management	1,497,920	587,602	796,046	228,557	395,283
Current income tax liability	133,177	35,285	-	-	461,942
Lease liabilities	-	62,759	66,810	38,836	54,509
Debt securities issued	34,344,034	32,111,270	29,148,871	23,050,499	14,086,009
Other borrowed funds	28,883,803	33,868,380	17,298,216	-	18,737,312
Other liabilities	62,573,584	20,737,252	10,999,772	5,435,072	11,463,788
Provision	115,605	125,657	35,922	46,577	-
TOTAL LIABILITIES	366,820,348	231,975,622	161,864,901	128,634,602	129,224,107
NET ASSETS	30,926,661	25,053,713	26,848,101	30,814,128	26,769,962
SHAREHOLDERS' FUNDS:					
Share capital	2,138,623	2,138,623	1,833,417	1,833,417	1,833,417
Share premium	234,381	234,381	539,587	539,587	539,587
Retained earnings	16,679,131	15,123,273	15,350,819	17,455,379	17,561,796
Statutory reserve	8,694,865	7,992,272	7,458,240	7,325,229	6,833,552
Fair value reserve	(1,523,516)	(4,451,528)	(1,364,993)	2,768,729	1,610
AGSMEIS reserve	1,348,335	1,114,137	936,126	891,789	-
Credit reserve	3,354,842	2,902,555	2,094,906	-	-
	30,926,661	25,053,713	26,848,101	30,814,128	26,769,962