NOVA MERCHANT BANK LIMITED

Annual report and financial statements
for the year ended 31 December 2022

NOVA

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENT	PAGE

NOVA

CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors

These are the list of Directors who served in the entity during the year and up to the date of this report

Name	Position
Mr. Phillips Oduoza	Chairman
Chief Malachy Nwaiwu	Independent Non-Executive Director
Mr. Shams Butt	Non-Executive Director
Mrs. Funmi Oyetunji	Independent Non-Executive Director
Mr. Chinedu Uzoho	Non-Executive Director
Mrs. Gbemisola Laditan	Independent Non-Executive Director
Mr. Nath Ude	Managing Director/CEO
Mrs. Funke Okoya	Executive Director
Mr. Emmanuel Onokpasa	Executive Director

Registered Office:

23 Kofo Abayomi Street,
Victoria Island,
Lagos,
Nigeria
Email: info@novambl.com
Telephone: +234 1 280 400
Website :
https://www.novambl.com

Auditor:

PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos

Nova Merchant Bank Limited (Nova) holds good corporate governance as one of its core values and confirms its commitment to the implementation of effective governance principles in its business operations. The Directors endorse the principles of best practice Corporate Governance as stated in the "Code of Corporate Governance for Banks in Nigeria Post Consolidation" issued by the Central Bank of Nigeria (CBN) ,Securities and Exchange Commission's (SEC) "Code of Corporate Governance" and the Financial Reporting Council (FRC) Nigerian Code of Corporate Governance.

The Board is of the opinion that Nova has in all material respects, complied with the requirements of the CBN code, and its own governance charters, during the 2022 financial year.

The Board of Directors of Nova has the overall responsibility for ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of Nova, the following structures have been put in place for the execution of Nova's Corporate Governance strategy:

1. Board of Directors
2. Board Committees
3. Executive Management Committees

As at December 31, 2022, the Board comprised a Non-Executive Chairman, five (5) Non-Executive Directors and three (3) Executive Directors, all of whom bring a wide range of skills and experience to the Board.
The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit Committee, the Board Finance and General Purpose Committee, the Board Nomination and Governance Committee and the Board Credit and Risk Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank.
In addition to the Board Committees, there are a number of Management Committees which ensure effective and good corporate governance at the managerial level.

A. THE BOARD

The Board presently consists of 9 members, 3 of whom, inclusive of the MD/CEO are Executive Directors and 6 Non-Executive Directors. All the Directors have the requisite integrity, skills and experience to bring to bear on Board deliberations and discussions.

Responsibility

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and which comprises all Executive Directors. The Board's primary responsibility is to increase shareholder's wealth. The Board is accountable to shareholders and is responsible for the management of the relationships with its various stakeholders.

Executive Management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews the Bank's performance, matters of strategic concern and any other matters it regards as material.
The Board meets quarterly and additional meetings are convened as the need arises. In 2022, the Board met 5 times.

The Board is responsible for the Bank's structure, areas of operation, financial reporting, ensuring there is an effective system of internal control and risk management and appointments to the Board. The Board has the authority to delegate matters to Directors, Board Committees and the Executive Management Committee.

Appointments & Retirements

There were no fresh appointments and retirements in the year.

Professional Independent Advice

All Directors are aware that they may take independent professional advice at the expense of the Company, in the furtherance of their duties. They all have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that all governance matters are dealt with in accordance with policy and assists with professional development as required.

B. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board has presented a balanced assessment of the Company's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its Financial Report it has met its obligation under the Code of Corporate Governance.

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors make themselves accountable to the shareholders through regular publication of the Bank's financial performance and Annual Reports. The Board has ensured that the Bank's reporting procedure is conveyed on the most recent infrastructure to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year in addition to monthly reporting of key performance indicators.

PricewaterhouseCoopers acted as external auditors to the Bank during the 2022 financial year. Their report is contained on page 16 of this Annual Report.

Internal Controls

The Bank has consistently improved its internal control system to ensure effective management of risks. The Directors review the effectiveness of the system of internal control through regular reports and reviews at Board, Audit Committee and Credit & Risk Committee meetings.

C. CONTROL ENVIRONMENT

The Board has continued to place emphasis on risk management as an essential tool for achieving the Bank's objectives. Towards this end, it has ensured that the Bank has in place robust risk management policies and mechanisms to ensure identification of risk and effective control.

The Board approves the annual budget for the Bank and ensures that a robust budgetary process is operated with adequate authorization levels put in place to regulate capital expenditure.

D. SHAREHOLDER RIGHTS

The Board of Nova has always placed considerable importance on effective communication with its shareholders. It ensures that the rights of shareholders are protected at all times. Notice of meetings and all other statutory notices and information are communicated to the shareholders regularly.

Shareholders are encouraged to communicate their opinions and recommendations whenever they see the need to do so, to the Company Secretary.

E. BOARD COMMITTEES

The Board of Nova has the following committees, namely, the Board Audit Committee, the Board Finance and General Purpose Committee, the Board Nomination and Governance Committee, and the Board Credit & Risk Committee.

Board Audit Committee

The Board Audit Committee is comprised as follows:

1. Mrs. Funmi Oyetunji - Chairman
2. Mr Chinedu Uzoho - Member
3. Mr. Malachy Nwaiwu - Member
4. Mrs. Gbemisola Laditan - Member

The Board Audit Committee was set up to further strengthen internal controls in the Bank. It assists the Board of Directors in fulfilling its audit responsibilities by ensuring that effective systems of financial and internal controls are in place within the Bank.

Meetings are held at least once a quarter, with the Chief Audit Executive of the Bank in attendance.

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED BY MEMBERS
1	Mrs. Funmi Oyetunji	4	4
2	Mr. Chinedu Uzoho	4	4
3	Mr. Malachy Nwaiwu	4	4
4	Mrs. Gbemisola Laditan	4	4

Board Credit and Risk Committee

The Board Credit and Risk Committee is made up of 3 Non-Executive Directors and is responsible for approval of credit facilities in the Bank. It reviews all credits granted by the Bank and meetings are held at least once a quarter. Members of the Board Credit and Risk Committee are:

1. Mr. Shams Butt - Chairman
2. Chief Malachy Nwaiwu - Member
3. Mrs. Funmi Oyetunji - Member

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mr. Shams Butt	4	4
2	Chief Malachy Nwaiwu	4	4
3	Mrs. Funmi Oyetunji	4	4

The Board Credit and Risk Committee was set up to assist the Board of Directors to discharge its responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Bank. Its terms of reference include determining and setting the parameters for credit risk and asset concentration and reviewing compliance within such limits; determining and setting the lending limits, reviewing and approving the Bank's credit strategy and the credit risk tolerance. The Committee reviews the loan portfolio of the Bank.

Nomination and Governance Committee

The Nomination and Governance Committee is comprised of 3 Non-Executive Directors namely:

1. Mr. Chinedu Uzoho - Chairperson
2. Mr. Shams Butt - Member
3. Mrs. Gbemisola Laditan - Member

Meetings are held at least once a quarter and the responsibilities of the Committee include reviewing, considering and determining the appropriate remuneration payable to the Bank's Executive Directors.

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mr. Chinedu Uzoho	5	5
2	Mr. Shams Butt	5	5
3	Mrs. Gbemisola Laditan	5	5

Finance and General Purpose Committee

The purpose of the Finance and General Purpose Committee is to, amongst other things; discharge the Board's responsibilities with regard to strategic direction and budgeting and to provide oversight on financial matters and the performance of the Bank.

The Members of the Finance & General Committee are as follows:

1. Chief Malachy Nwaiwu - Chairman
2. Mr. Chinedu Uzoho - Member
3. Mrs. Gbemisola Laditan - Member

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Chief Malachy Nwaiwu	5	5
2	Mr. Chinedu uzoho	5	5
3	Mrs. Gbemisola Laditan	5	5

FOR THE YEAR ENDED 31 DECEMBER 2022

Attendance at Board Meetings

Membership and attendance at Board Meetings are set out below:

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mr. Phillips Oduoza	5	5
2	Mr. Nath Ude	5	5
3	Mr. Shams Butt	5	5
4	Chief Malachy Nwaiwu	5	5
5	Mrs. Funke Okoya	5	5
6	Mr. Emmanuel Onokpasa	5	5
7	Mr. Chinedu Uzoho	5	5
8	Mrs. Gbemisola Laditan	5	5
9	Mrs. Funmi Oyetunji	5	5

Executive Management Committees

These are Committees comprising senior management of the Bank. The committees are risk-driven as they are basically set up to identify, analyse, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as risk issues occur to immediately take actions and decisions within the confines of their powers. Some of these Executive Management Committees include the Bank's Assets and Liabilities Committee (ALCO), the Management Credit Committee (MCC), the IT Steering Committee (ITSC), the Enteprise Risk Management Committee (ERMC) and the Executive Committee (EXCO).

The Directors present their report on the affairs of Nova Merchant Bank Limited ("the Bank") together with its subsidiaries ("the Group"), the Group and the Bank Audited Financial Statements with Auditor's Report for the year ended 31 December 2022.

Its subsidiaries are NovaMBL Asset Management Limited and NovaMBL Securities Limited. The Bank has a controlling interest in the subsidiaries.

Legal form

Nova Merchant Bank Limited ("the Bank") was incorporated on 17 May 2017 in Nigeria and carries on, in Nigeria, the business of Merchant Banking as may be prescribed by the CBN.

The bank and its subsidiaries are situated at no. 23 Kofo Abayomi Street, Victoria Island, Lagos. The operations of the group are domiciled in Nigeria.

Major activities and business review

The principal activities of the Bank during the year was the provision of Merchant Banking services to its customers. The services principally involve corporate banking, money market activities including trading and holding of marketable securities such as treasury bills and government securities.

Results at a glance

	Group 31 December 2022 N'000	Group 31 December 2021 N'000	Bank 31 December 2022 N'000	Bank 31 December 2021 N'000
Profit before tax	3,337,671	1,683,575	3,459,328	1,664,258
Taxation	(241,120)	(78,001)	(245,493)	(80,062)
Profit after tax	**3,096,551**	**1,605,574**	**3,213,835**	**1,584,196**
Other Comprehensive (loss)/income for the year net of tax	13,393	(36,897)	13,393	(36,897)
Total Comprehensive income for the year	**3,109,944**	**1,568,677**	**3,227,229**	**1,547,299**

Proposed dividend

The Directors, pursuant to the power vested in it by the provisions of Section 379 of the Companies and Allied Matters Act (CAMA) 2020 of Nigeria, proposed a full year dividend of N1.0billion representing 62.5 kobo per N1.00 share held in Nova Merchant Bank from the retained earnings account as at 31 December 2022. The proposed dividend will be presented to shareholders for approval at the next Annual General Meeting. The dividend will be paid subject to withholding tax of 10%

Post balance sheet events

There are no significant post balance sheet events with material effect on the financial affairs of the Bank and the financial performance for the year ended 31 December 2022.

Directors' interest in shares

The interest of Directors in the issued share capital of the Bank as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purpose of sections 301 and 302 of CAMA 2020

Name	Direct holding ('000)	Indirect holding ('000)
Phillips Oduoza	6,962,160	1,116,840

The details of indirect holding of Directors in the issued share capital of the Bank is as below:

Name	Company	Indirect holding
Phillips Oduoza	BOP Integrated Investments Limited	158,420
	Benix Nigeria Limited	158,420
	PUE Financial Services Limited	800,000

Analysis of shareholdings

The details of the shareholding of the Bank as at 31 December 2022 is as detailed below:

Range ('000)	Holdings	Holders %	Cumm	Unit ('000)	Units %	Units ('000)
1 - 1,000,000	3	43%	3	1,116,840	7%	1,116,840
1,000,001 - 3,000,000	2	29%	5	3,960,500	25%	5,077,340
3,000,001 - 5,000,000	1	14%	6	3,960,500	25%	9,037,840
5,000,001 - 7,000,000	1	14%	7	6,962,160	44%	16,000,000
	7	100%		16,000,000	100%	

Substantial interest in shares: shareholding of 5% and above

According to the register of shareholders as at 31 December 2022, the following shareholders held more than 5% of the issued share capital of the Bank.

	December 2022		December 2021	
Shareholders	Shareholdin	% Holding	Shareholdin	% Holding
Afriglobal Investment Holding	1,980,250	12.377%	1,980,250	12.377%
Five Star Associate Limited	1,980,250	12.377%	1,980,250	12.377%
Carbon Commodities DMCC	3,960,500	24.753%	3,960,500	24.753%
Phillips Oduoza (Direct and Indirect Holding)	8,079,000	50.494%	8,079,000	50.494%

Directors' interest in contracts

None of the directors has declared any direct or indirect interest in contracts or proposed contracts with the bank during the year ended 31 December 2022.

Human resources

The Bank is dedicated to providing equal opportunities to all employees. Our employment standard is such that there shall not be discrimination on the basis of race, colour, gender, nationality, age, social class, religion, smoking habits, politics, tribe or disability during hiring, promotion and retirement. We strive to diversify the mix of our workforce and ensure that the make-up of our employees represent various population groups and geographical regions within the country.

Composition of employees by gender

	Group	Bank
Male	59	57
Female	37	34
Total	**96**	**91**

Senior Management's composition by gender

	Group	Bank
Male	17	16
Female	8	7
Total	**25**	**23**

Board Member's composition by gender

	Group	Bank
Male	6	6
Female	3	3
Total	**9**	**9**

Health and safety

The Bank accords the highest priority to health and safety in all its operations, the aim being to make the company a safe and totally accident-free place to work. The Bank has a comprehensive health insurance scheme for staff, through which medical needs of staff and their immediate family members are met. In addition, the Bank provides first aid in the business office.

The Bank operates a contributory pension plan in accordance with the Pension Reform Act, 2014, wherein the Bank contributes 10% of employees' basic salary, housing and transport allowance to the designated pension fund administration chosen by each employee. As a part of the scheme, Bank also remit employees' contribution of 8% of the relevant compensation to the same account, as provided by the Pension Reform Act, 2014, as amended.

Employee involvement

The Bank encourages participation of its employees in arriving at decisions in respect of matters affecting their well-being. To this end, the Bank provides formal and informal opportunities where employees deliberate on issues affecting the Bank and employees' interest, with a view to making inputs to decisions thereon.

Training and development

The Bank attaches great importance to training and development and believes that only by having staff whose skills are up-to-date can it face the challenges of the future. The main principle behind our training and development is that all our programmes must meet the specific needs of the individual and the present and future requirements of the company.

The appraisal process is focussed on identifying these needs and courses are conducted in-house and externally, both in Nigeria and abroad.

Donations

The Bank made a donation of N33.7m (2021: N325.5m) during the year. The details of the donation are as listed below:

Description	Organisation	Amount (N'000)
Donation to Support Financial Literacy and Public Enlightenment	CBN	9,954
Donation to CBN for Industrial IT Standard	CBN	8,821
2022 Donation to CIBN	CIBN	5,000
2022 Financial Inclusion Donation	Bankers Committee	3,600
2022 Annual Bankers Committee Dinner	Bankers Committee	3,000
2022 Donation to Bankers Committee	Bankers Committee	2,500
Donation to Support Pacelli School of the Blind	Pacelli School of the Blind	805
		33,680

Claw Back

There was no claw back during the year

Auditor

PricewaterhouseCoopers have expressed their willingness to continue in office as auditors of the Bank and will do so pursuant to section 401(2) of Companies and Allied Matters Act 2020.

By order of the Board

Nnadozie Ohaji
Company Secretary/General Counsel
FRC/2020/004/00000020376
16 March 2023

NOVA

REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with the provisions of Section 404 of the Companies & Allied Matters Act 2020, we the members of the Audit Committee hereby report as follows:

We confirm that we have seen the audit plan and scope, and the Management Letter on the audit of the accounts of the Bank and the responses to the said letter.

In our opinion, the plan and scope of the audit for the year ended December 31, 2022 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.

We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.

As required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as analysed in the financial statements as at December 31, 2022.

Mrs. Funmi Oyetunji
FRC/2018/ICAN/00000017879

MEMBERS OF THE AUDIT COMMITTEE

1. Mrs. Funmi Oyetunji	Chair person
2. Mr. Chinedu Uzoho	Member
3. Mrs. Gbemisola Laditan	Member
4. Chief Malachy Nwaiwu	Member

RISK MANAGEMENT

Introduction

The Bank's activities in the normal course of business lead to exposure to a variety of risks, financial and otherwise, making Risk management central to the organisation in a particularly turbulent year as witnessed in 2022. Insecurity remained the key issue which impacted the operating environment coupled with adverse macro economic variables. This led to increased uncertainty in some of the sectors of the economy in the year 2022. In the year 2022 economic uncertainties both on the global and domestic fronts. All through the year, there was tension and much concern over the heightened risk of spillovers associated with the broadly weakening global recovery that have been further worsen by the uncertainties arising from the lingering supply chain bottlenecks . The fact we were able to successfully navigate such a challenging period with minor impact on the Bank's operations demonstrates the resilience, persistence and it was a year to test the resilience of contingency plans and ensure continuity of business under radically different circumstances.

Risk management has had to ensure that the Bank reacted appropriately to the challanges raging from naira redesigning, FX volatility and changing operating environment whilst remaining profitable and competitive. Regulators around the world scrambled to prevent their economies from collapse, with stimulus packages being financed by infusion of a staggering volume of money which has changed the investment landscape for years to come. Businesses and individuals will have to embrace the CBN cashless policy in the long run, but we also believe the CBN, and banks have a lot to do to improve the existing cashless economy infrastructure and provide solutions to the negative experiences customers face when using electronic payments options. Asides other unfavourable condition in the Country - The CBN commenced the implementation of Basel III for improved reporting and disclusures. The CBN kept the rates on investment securities low for most parts of the year amidst increased government borrowings, the depressed yield on fixed income securities, increased regulatory cost and relatively lower FX revaluations gains. Key areas of concern for risk management are:

- The new world of work with virtualisation and digitisation means that risk management techniques must change and adapt accordingly, with system embedded controls replacing traditional containment measures.
- The Nigerian Regulators have been dynamic and agile so far, and will continue to adapt reporting and forbearance requirements which may place a compliance burden on industry operators.
- The apex bank also introduced the cashless policy is aimed at scaling up financial inclusion and reducing cases of armed robbery, kidnapping, terrorism financing, advance fee fraud, graft, ransom payment, extortion and other crimes
- Client sophistication and access to information means that the scope for arbitrage is much reduced with margins generally thinning out as the economy advances.

All of these trends and many others will continue to change the industry, eliminating some risks and introducing new ones for which it may be necessary to modify existing operational procedures and products.

In view of the forbearances granted by the CBN to banks on certain exposures, the apex bank has continued to assist banks in dealing with the issues of bad loans. In 2022, the CBN introduced a sinking fund for loans enjoying forbearance. The sinking fund will require banks to set aside 15% of Retained Earnings every half year for 3-5 years. In effect, the regulators have given the banks the option of taking provisions for delinquent loans through Retained Earnings instead of hitting the P&L. We note that this is a positive for the industry as sterilised funds will help to douse the impact of delinquent loans on capital in the event they crystalize.

A period in which compliance risk took the front seat as regulators stepped up enforcement actions and political exposure received closer attention.

In the second half of the year 2022,the CBN shows that the total utilisation of foreign exchange (FX) by various sectors of the economy increased by 21% q/q and 64% y/y to USD8.3bn. The increase is mostly attributable to a substantial rise in FX usage for invisibles which climbed to USD3.7bn from USD2.5bn the previous quarter

Enterprise Risk Management Framework

Nova Merchant Bank has adopted an Enterprise Risk Management approach to identify, assess, monitor, control and report the inherent and residual risks associated with the business of banking in line with International Best Practices. As we deepen our presence in the market, proactive Risk Management Framework becomes even more critical to ensure stability of earnings and confidence in our brand.

The Bank's risk management architecture, as designed, continued to balance corporate oversight with well-defined risk management functions which fall into one of three categories where risk must be managed: lines of business, governance & control, and audit. The Board of Directors and Management of the Bank are committed to constantly establishing, implementing and sustaining tested practices in risk management to match those of leading international banks.

Risk strategies and policies are set by the Board of Directors of Nova Merchant Bank. These policies, which define acceptable levels of risk for day-to-day operations as well as the willingness of Nova Merchant Bank to assume risk, weighed against the expected rewards are detailed in the Enterprise Risk Management (ERM) Framework, which is a structured approach to identifying opportunities, assessing the risk inherent in these opportunities and actively managing these risks in a cost-effective manner.

Specific policies are also in place for managing risks in the different core risk areas of credit, market and operational risks as well as for other key risks such as liquidity, strategic and reputational risks.

Risk Management Framework

All activities and processes of Nova Merchant Bank involve the identification, measurement, evaluation, acceptance and management of risk or combinations of risk. The Board, advised by the various Board and Management Risk Committees, requires and encourages a strong risk governance culture which shapes the Bank's attitude to risk. We believe that risk management encompasses the insights delivered by information which facilitate appropriate actions.

Nova Merchant Bank benefits from having enhanced its Bank risk management framework, which gives full Bank-wide coverage of a variety of risks. Our annual risk cycle is designed to give management relevant, up-to-date information from which trends can be observed and assessed. The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, to the right people.

Here in Nova Merchant Bank, we have a holistic view of all major risks facing the Bank. We remain vigilant with regard to both known and emerging risks and ensure that we are strong enough to withstand any exogenous shock. Our Board-level risk committees play a critical role in providing oversight of risk management and ensuring that our risk appetite, risk culture and risk profile are consistent with and support our strategy to deliver long-term, sustainable success in achieving our strategic vision of being Africa's preferred financial solution provider.

Risk, by definition, is dynamic in nature. The management of risk, consequently, must be evolving, necessitating regular review of the effectiveness of each enterprise risk management component.

We believe that understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic objectives. The Board's risk`committees play an active role in ensuring that we undertake well-measured, profitable risk-taking activities that support long-term sustainable growth and the composition and oversight is dynamic and adapting to change as the organisation evolves.

Balancing Risk and Return

Balancing risk and return and taking cognizance of the capital required demands rigorous analysis. The ultimate aim is to optimize the upside and minimize the downside with a view to adding value to our shareholders and providing security to capital providers and clients, as well as ensuring overall sustainability in our business activities.

Every business activity in our Bank requires us to put capital at risk in exchange for the prospect of earning a return. In some activities, the level of return is quite predictable, whereas in other activities the level of return can vary over a very wide spectrum, ranging from a loss to a profit. Accordingly, over the past year we have expended substantial energy in improving our risk and capital management framework, to focus on taking risks where we:

- Understand the nature of the risks we are taking, and what the range of outcomes could be under various scenarios, for taking these risks;
- Understand the capital required in order to assume these risks;
- Understand the range of returns that we can earn on the capital required to back these risks.

Our objective of balancing risk, return, and capital has led us to enhance substantially our risk management methodologies, in order to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve an optimal outcome.

Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.

Nova Merchant Bank's Risk management philosophy and culture remain fundamental to the delivery of our strategic objectives. Risk management is at the core of the operating structure of the Bank. We seek to limit adverse variations in earnings and capital by managing risk exposures within our moderate risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and the prudent management of liquidity.

Risk management is fundamental to the Bank's decision-making and management process. It is embedded in the role of all employees via the organizational culture, thus enhancing the quality of strategic, capital allocation and day-to-day business decisions. The Bank believes that enterprise risk management provides the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks. This will ensure that:

- Risk acceptance is done in a responsible manner;
- The Executive Committee and the Board of Directors have adequate risk management support;
- Uncertain outcomes are better anticipated;
- Accountability is strengthened; and
- Stewardship is enhanced.

Risk Appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk Nova Merchant Bank is willing to accept in pursuit of its strategy, duly set and approved by the executive committee and the Board, and integrated into our strategy, business, risk and capital plans.

The risk appetite metrics were tracked against approved triggers and exceptions were reported to Management for prompt corrective actions. Key issues were also escalated to the Risk Management committee and the Board Risk Management Committee.

Risk management objectives

The broad risk management objectives of the Bank are:

- To identify and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost;
- To protect against unforeseen losses and ensure stability of earnings;
- To maximize earnings potential and opportunities;
- To enhance credit ratings, depositors, analyst, investor and regulator perception; and
- To develop a risk culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective

Scope of risks

The scope of risks that are directly managed by the Bank is as follows:

- Credit risk
- Operational risk
- Market and liquidity risk
- Legal and compliance risk
- Strategic risk
- Reputational risk
- Capital risk

These risks and the framework for their management are detailed in the enterprise risk management framework.

Responsibilities

The responsibilities of the Risk Management Division are highlighted below:

Risk Management Governance Framework

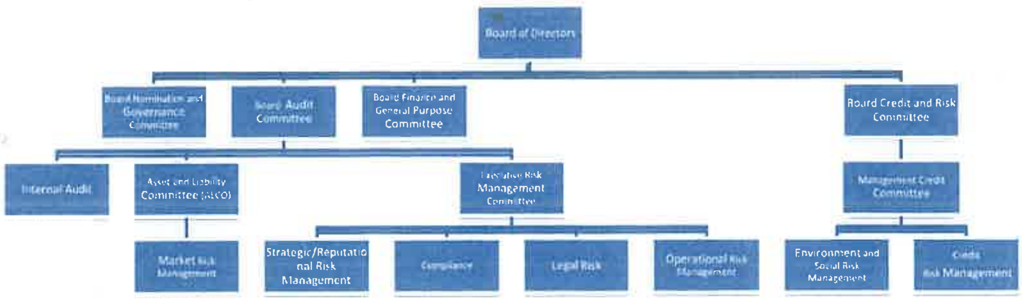
The framework details Nova Merchant Bank's risk universe and governance structure comprising three distinct layers:

1. The enterprise-wide risk management and corporate governance committee forums;
2. The executive management committees; and
3. Risk management responsibilities per risk area.

Risk Management Governance Structure

Risk Management Organisational Framework

- Nova Merchant Bank's Risk Management Governance Structure is depicted in the diagram below



The Board and management committees

The Board of Directors is the highest approval authority for credit risk policies and credit facilities in Nova Merchant Bank. It carries out its oversight function through its standing committees each of which has a charter that clearly defines its purpose, composition, structure, frequency of meetings, duties, tenure, and reporting lines to the Board.

In line with best practice, the Chairman of the Board does not sit on any of the Committees. The Board has four standing committees namely: the Board Risk Management and Audit Committee, the Board Credit and Risk Committee, the Board Nomination and Governance Committee and the Board Finance & General Purpose Committee.

The management committees which exists in the Bank includes: The Executive Committee (EXCO), Risk Management Committee (RMC), Management Credit Committee (MCC) and Asset & Liability Committee (Bank ALCO) . Without prejudice to the roles of these committees, the full Board retains ultimate responsibility for risk management.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. Our definition of operational risk excludes regulatory risks, strategic risks and potential losses related solely to judgments with regard to taking credit, market, interest rate, liquidity, or insurance risks.

It also includes the reputation and franchise risk associated with business practices or market conduct in which the Bank is involved. Operational risk is inherent in Nova Merchant Bank's global business activities and, as with other risk types, is managed through an overall framework designed to balance strong corporate oversight with well-defined independent risk management.

This framework includes:

- recognized ownership of the risk by the businesses;
- oversight by independent risk management; and
- independent review by Corporate Audit.

We seek to minimise exposure to operational risk, subject to cost trade-offs. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The goal is to keep operational risk at appropriate levels relative to the characteristics of our businesses and the markets in which we operate, our capital and liquidity, and the competitive, economic and regulatory environment. Notwithstanding these controls, Nova Merchant Bank incurs operational losses.

Our operational risk strategy seeks to minimise the impact that operational risk can have on shareholders' value. The Bank's strategy is to:

- Reduce the likelihood of occurrence of expected events and related cost by managing the risk factors and implementing loss prevention or reduction techniques to reduce variation to earnings;
- Minimise the impact of unexpected and catastrophic events and related costs through risk financing strategies that will support the Bank's long term growth, cash flow management and balance sheet protection;
- Eliminate bureaucracy, improve productivity, reduce capital requirements and improve overall performance through the institution of well designed and implemented internal controls.

In order to create and promote a culture that emphasizes effective operational management and adherence to operating controls, there are three distinct levels of operational risk governance structure in Nova Merchant Bank.

Level 1 refers to the oversight function carried out by the Board of Directors, Board risk committee and the executive management. Responsibilities at this level include ensuring effective management of operational risk and adherence to the approved operational risk policies.

Level 2 refers to the management function carried out by operational risk management. It has direct responsibility for formulating and implementing the Bank's operational risk management framework including methodologies, policies and procedures approved by the Board.

Level 3 refers to the operational function carried out by all business units and support functions in the Bank. These units/functions are fully responsible and accountable for the management of operational risk in their units. They work in liaison with operational risk management to define and review controls to mitigate identified risks. Internal audit provides independent assessment and evaluation of the Bank's operational risk management framework.

This periodic confirmation of the existence and utilization of controls in compliance with approved policies and procedures, provide assurance as to the effectiveness of the Bank's operational risk management framework. Some of the tools being used to assess, measure and monitor operational risks in the Bank include;

A loss database of operational risk events; an effective risk and control self-assessment process that helps to analyse business activities and identify operational risks that could affect the achievement of business objectives; and key risk indicators which are used to monitor operational risks on an ongoing basis.

The Bank's operational risk framework

The Bank's current operational risk framework was implemented in 2018 to meet internal and regulatory requirements. There has been significant investment in the implementation of improved measurement and management approaches for operational risk to strengthen control, improve customer service, improve process efficiencies and minimize operating losses.

The Bank recognizes the fact that it is neither cost-effective nor possible to attempt to eliminate all operational risks. Events of small significance are thus expected to occur and are accepted as inevitable with relevant budgeting for these losses where appropriate. Events of material significance are limited, and the Bank seeks to reduce the risk from these extreme events in a framework consistent with its agreed risk appetite. Processes are in place to monitor the management and future mitigation of such events.

Management and control responsibilities

The first line of governance for managing operational risk rests with business and operational risk management forms part of the day-to-day responsibilities of all business unit management. Business unit staff report any identified breakdowns in control and any risk events that may result in financial loss and/or reputation damage. Amongst others, business management are responsible to ensure that processes for identifying and addressing ineffective controls and the mitigating of risk events are implemented and executed.

Operational Risk teams form the secondary line of governance by ensuring that processes to identify weaknesses are effective and identified weaknesses are acted upon. The Bank's operational risk profile is presented to the Board quarterly. Control effectiveness is monitored at the Risk Management Committee (RMC) and at the Board; and the multi-layered system of defenses ensures pro-active operational risk management.

Measuring and managing operational risk

The Bank recognizes the significance of operational risk and is committed to enhancing the measurement and management thereof. Within the Bank's operational risk framework, qualitative and quantitative methodologies and tools are applied (Bank-wide) to identify and assess operational risks and to provide management information for determining appropriate mitigating measures.

Risk event data collection and reporting

A standard process is used for the recognition, capture, assessment, analysis and reporting of risk events. This process is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are loaded onto a central database and reported monthly to the RMC.

Risk and control self-assessments (RCSA)

In order to pro-actively identify and actively mitigate risks, the operational risk framework utilises RCSAs. RCSA is used at a granular level to identify relevant material risks and key controls mitigating these risks. The risks and controls are assessed on a quarterly basis and relevant action plans are put in place to treat, tolerate, terminate or transfer the risks, taking into account the relevant business risk appetites.

The RCSA programme is extensive and covers the entire Bank. The Internal Audit further tests the effectiveness of the RCSAs within the normal course of auditing and relevant metrics are monitored and actioned where relevant.

Key risk indicators (KRIs)

A comprehensive set of KRIs are in place across the Bank, with relevant and agreed thresholds set by the business. KRIs are monitored on a Bank as well as business unit level, based on significance. Threshold breaches are managed in accordance with an agreed process across the Bank.

Reporting

Business units are required to report on both a regular and an event-driven basis. The reports include a profile of the key risks to their business objectives, RCSA and KRI results, and operational risk events. Risk reports are presented to executive management and risk committees.

Information Security and Continuity of Business

Information security and the protection of confidential and sensitive customer data are a priority of Nova Merchant Bank. The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information.
The Bank mitigates business continuity risks by reviewing and testing recovery procedures. Regular awareness campaigns are also used to drive information security and business continuity culture in the Bank.

Strategic Risk Management

In Nova Merchant Bank, we define Strategic Risk as the process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios that could inhibit the Bank's ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value. It is a primary component and necessary foundation of our Enterprise Risk Management.

Strategic risk management, therefore, is defined as current or prospective risk to earnings and capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. It can also be defined as the risk associated with future business plans and strategies, including plans for entering new business lines, expanding existing services through mergers and acquisitions, and enhancing infrastructure.

A well-defined structure for managing strategic risk exists in Nova Merchant Bank. It provides a process for the Bank to identify and assess potential risks posed by its strategic plan and consider whether they have adequate capacity to withstand the risks. Strategic risk management involves various organizational functions within the Bank. The following principles govern the Bank's strategic risk management:

The Board and Senior management are responsible for strategic risk management and oversee the effective functioning of the strategic risk management framework; The functional units (i.e. the units which carry out business or operational functions) assists the Board and Senior management in formulating and implementing strategies, and in providing input to the strategic planning and management processes; and as well as implementing the strategic risk management framework.

The strategic risk management functions support the Board and senior management in managing strategic risk and other related processes in the Bank.
Strategic plans are approved and monitored by the Board. Regular environmental scan, business strategy sessions and workshops are set up to discuss business decisions, close monitoring to ensure that strategic plans are properly aligned with the business model, regular performance review by EXCO and business plans are approved by the Board.

The Bank also maintains a well-defined succession plan, proper monitoring and well-defined structures to align its activities to international best practices.

Reputational Risk Management

Reputational risk arises when the Bank's reputation is damaged by one or more reputational events from negative publicity about the organization's business practices, conduct or financial condition. The Bank's Strategic and Reputational Risk Management is mandated to protect the Bank from potential threats to its reputation.

Nova Merchant Bank takes the management of reputational risks seriously because of their far-reaching implications which are buttressed by the fact that the Bank operates under:

- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely impact its reputation. (e.g. corporate governance crises);
- Keen competition and largely homogeneous products and services have led customers not to perceive significant differences between financial service providers; and
- Given the financing nature of products and services they provide, Banks are not only exposed to their own reputation, but also to the reputation of their clients.

With banks operating and competing in a global environment, risks emerging from a host of different sources and locations is difficult to keep up with and to know how best to respond if they occur. The effects of the occurrence of a reputational risk event include but are not limited to the following:

- Loss of current or future customers;
- Loss of public confidence;
- Loss of employees leading to an increase in hiring costs, or staff downtime;
- Reduction in current or future business partners;
- Regulatory sanctions;
- Increased costs due to government regulations, fines, or other penalties; and
- Loss of banking license.

It is the Bank's policy that, at all times, the protection of the Bank's reputation should take priority over all other activities, including revenue generation. Reputational risk will arise from the failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory and operational risk.

It may also arise from the failure to comply with social, environmental and ethical standards. All employees are responsible for day-to-day identification and management of reputational risk.

The desired risk appetite for reputation is low risk. The Bank will ensure that highest ethical standards are followed at all times and the code of conduct policy will be strictly implemented.

NOVA

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, require the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs of the Bank at the end of the year and of its profit or loss. The responsibilities include ensuring that the Bank:

i Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;

ii Establishes adequate internal controls to safeguard its assets and to detect and prevent fraud and other irregularities; and

iii Prepares financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

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

- International Financial Reporting Standards;
- Prudential Guidelines for Licensed Banks in Nigeria;
- Financial Reporting Council of Nigeria Act
- Relevant circulars issued by the Central Bank of Nigeria;
- The requirements of the Banks and Other Financial Institutions Act and
- The requirements of the Companies and Allied Matters Act.

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Nath Ude
Managing Director/CEO
FRC/2014/CIBN/00000009331
16 March 2022

Mr. Phillips Oduoza
Chairman
FRC/2013/CIBN/00000001955
16 March 2022

STATEMENT OF CORPORATE RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2022

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

a That we have reviewed the audited consolidated and separate financial statements of the Bank for the year ended 31 December 2022.

b 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.

c That the audited consolidated and separate financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for, the year ended 31 December 2022.

d 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 and its subsidiaries is made known to us by other officers of the companies, during the period end 31 December 2022.

e That we have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date of audited consolidated and separate financial statements, and certify that the Bank's internal controls are effective as of that date.

f 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.

g That we have disclosed the following information to the Bank's Auditors and Audit Committee:

i there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Mr. Nath Ude
Managing Director/CEO
FRC/2014/CIBN/00000009331
16 March 2022

Mr. Daniel Ajoma
Chief Financial Officer
FRC/2022/PRO/ICAN/001/603169
16 March 2022

Independent auditor's report

To the Members of Nova Merchant Bank Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Nova Merchant Bank Limited ("the bank") and its subsidiaries (together "the group") as at 31 December 2022, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Nova Merchant Bank Limited's consolidated and separate financial statements comprise:

- the consolidated and separate statements of comprehensive income for the year ended 31 December 2022;
- the consolidated and separate statements of financial position as at 31 December 2022;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers – N35.3 million (refer to notes 2.5.5, 3.0(i), 8 and 18) We focused on this area because management exercises significant judgement, using subjective assumptions when determining both the timing and amounts to recognise as impairment on loans and advances to customers. The allowance for expected credit losses (ECL) uses a model that requires the use of assumptions and significant judgement. The key areas of judgement are as follows: • the definition of credit impaired financial assets focusing on both the qualitative and quantitative criteria used by the bank; • the identification of exposures with a significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the bank; • the determination of the 12-month probability of default (PD) as well as the lifetime PD; • the determination of the appropriateness of the collateral values and Loss Given Default (LGD) used in the expected credit losses; • the estimation of the credit conversion factor used for Off-balance sheet exposures; and • the determination of the economic scenarios used in the ECL model and the estimation of the probability weights for each scenario.	• We reviewed the bank's default definition of credit impaired financial assets, qualitative and quantitative criteria applied by management for determining SICR, and confirmed their alignment with the requirements of the standard; • we applied a risk-based testing approach by checking related customer files and account statements in order to evaluate management's conclusions on SICR; With the assistance of our modelling experts, we: • examined the appropriateness of the probability of default (PD) by agreeing assigned PDs for each rating scale to external source data based on the obligor risk and checking that lifetime PDs were correctly computed considering counterparty's individual maturities; • evaluated the reasonableness of the Loss Given Default (LGD) by re-performing the LGD calculations to test for accuracy; • where collateral exists, we evaluated the reasonableness of assumptions on collateral parameters including haircut, time to recovery and discounting; • checked the appropriateness of the credit conversion factor used in determining the exposure at default for off-balance sheet exposures by performing an independent computation for a selected sample of the exposures; • checked the appropriateness of the multiple economic scenarios adopted by comparing to available industry information and checking that they have been appropriately incorporated into the ECL model; and • checked the disclosures in the consolidated and separate financial statements to the requirements of IFRS 9.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report are Corporate Information, Corporate Governance Report, Directors' Report, Report of the Audit Committee, Risk Management Report, Statement of Directors' Responsibilities, Statement of Corporate Responsibility, Value Added Statement, Three year financial summary – Group and Five Year Financial Summary – Bank, 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

ii) the bank has kept proper books of account, 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 and returns;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 36 to the consolidated and separate financial statements; and

v) as disclosed in Note 39 to the consolidated and separate financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2022.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0998306

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

30 March 2023

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

NOVA

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of Naira	Note	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Interest income calculated using effective interest rate	6	16,637,890	12,065,011	16,267,808	12,054,334
Interest expense	7	(15,978,066)	(11,875,953)	(15,565,650)	(11,885,626)
Net interest income		**659,824**	**189,058**	**702,159**	**168,708**
Impairment writeback/(charge) for credit losses	8	(139,345)	7,104	(139,345)	7,104
Net fee and commission income	9	1,876,331	827,087	1,871,274	798,732
Net gains on financial instruments at fair value through profit or loss	10	1,007,124	1,486,585	1,015,864	1,496,753
Net foreign exchange gain	11	3,766,558	2,485,260	3,766,558	2,483,112
Other income	12	53,892	170,075	43,397	42,589
Operating expenses	13	(3,886,711)	(3,481,592)	(3,800,577)	(3,332,741)
Profit before tax		**3,337,671**	**1,683,575**	**3,459,328**	**1,664,258**
Income tax	14	(241,120)	(78,001)	(245,493)	(80,062)
Profit for the year		**3,096,551**	**1,605,574**	**3,213,835**	**1,584,196**
Items that may be subsequently reclassified to the income statement:					
Net changes in fair value of financial assets FVOCI		13,393	(36,897)	13,393	(36,897)
Other comprehensive (loss)/income, net of related tax effects:		**13,393**	**(36,897)**	**13,393**	**(36,897)**
Total comprehensive income for the year		**3,109,944**	**1,568,677**	**3,227,229**	**1,547,299**
Profit for the year attributable to:					
Owners of Parent		3,098,325	1,605,508	3,213,835	1,584,196
Non-controlling interest		(1,774)	66	-	-
Profit for the period		**3,096,551**	**1,605,574**	**3,213,835**	**1,584,196**
Total comprehensive income attributable to:					
Owners of Parent		3,111,719	1,568,611	3,227,229	1,547,299
Non-controlling interest		(1,774)	66	-	-
Total comprehensive income for the year		**3,109,944**	**1,568,677**	**3,227,229**	**1,547,299**

NOVA

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

In thousands of Naira	*Note*	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Assets					
Balances with banks	16	81,239,070	57,186,698	79,877,938	56,107,545
Derivative financial assets	17	9,214,855	3,149,319	9,214,855	3,149,319
Loans and advances to customers	18	96,624,795	88,382,235	97,363,297	90,382,235
Pledged assets	19a	44,055,112	50,016,537	44,055,112	50,016,537
Investment securities	19b	14,740,264	22,774,177	14,577,567	19,424,091
Investment in subsidiaries	20	-	-	431,167	431,167
Other assets	21	30,931,971	20,066,913	31,317,735	20,468,893
Intangible assets	22	933,251	579,258	907,539	544,976
Property and equipment	23	1,453,684	1,365,086	1,450,686	1,363,500
Right-of-use asset	24	233,167	249,054	233,167	249,054
Deferred tax assets	14	454,490	448,407	443,497	443,497
Total assets		279,880,658	244,217,684	279,872,559	242,580,814
Liabilities					
Deposits	25a	152,013,035	116,912,496	151,972,464	116,889,467
Due to Banks	25b	26,993,262	26,813,409	26,993,262	26,813,409
Derivative financial liabilities	17	9,160,449	3,072,162	9,160,449	3,072,162
Lease liabilities	24	129,607	111,651	129,607	111,651
Current tax liabilities	14	262,270	80,010	262,804	80,646
Debt securities issued	26	10,268,478	10,253,567	10,378,471	10,361,697
Other liabilities	27	54,283,733	63,314,509	54,235,631	61,739,140
Total liabilities		253,110,833	220,557,804	253,132,688	219,068,172
Equity					
Share capital	28	16,000,000	16,000,000	16,000,000	16,000,000
Statutory reserve	29	3,450,355	2,486,205	3,450,355	2,486,205
Retained earnings	29	5,144,471	3,010,297	5,149,310	2,899,625
Fair value reserve	29	38,684	25,291	38,684	25,291
Regulatory risk reserve	30	2,101,521	2,101,521	2,101,521	2,101,521
Total equity attributable to owners of the Parent		26,735,033	23,623,314	26,739,871	23,512,642
Non-controlling interest		34,792	36,566	-	-
Total Equity		**26,769,824**	**23,659,880**	**26,739,871**	**23,512,642**
Total liabilities and equity		279,880,658	244,217,684	279,872,559	242,580,814

The accompanying notes form an integral part of the financial statements. The financial statements were approved and authorized for issue by the Board of Directors on 16th March 2022 and signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

.... **Daniel Ajoma - Chief Financial Officer**
FRC/2022/PRO/ICAN/001/603169

.... **Nath Ude - Managing Director**
FRC/2014/CIBN/00000009331

.... **Phillips Oduoza - Chairman**
FRC/2013/CIBN/00000001955

NOVA

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

GROUP	Share capital	Retained earnings	Statutory reserves	Fair value reserve	Regulatory risk reserve	Total	NCI	Total equity
2022	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2022	16,000,000	3,010,297	2,486,205	25,291	2,101,521	23,623,314	36,566	23,659,880
Total comprehensive income:								
Profit for the year	-	3,098,325	-	-	-	3,098,325	(1,774)	3,096,551
Other comprehensive income	-	-	-	13,393	-	13,393	-	13,393
Transfer to statutory reserves	-	(964,151)	964,151	-	-	-	-	-
Transfer to regulatory risk reserve	-	-	-	-	-	-	-	-
At 31 December 2022	16,000,000	5,144,471	3,450,355	38,684	2,101,521	26,735,032	34,792	26,769,824
2021	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2021	16,000,000	3,494,146	2,010,946	62,188	1,287,423	22,854,703	-	22,854,703
Total comprehensive income:								
Profit for the year	-	1,605,508	-	-	-	1,605,508	66	1,605,574
Other comprehensive income	-	-	-	(36,897)	-	(36,897)	-	(36,897)
Transfer to statutory reserves	-	(475,259)	475,259	-	-	-	-	-
Transfer to regulatory risk reserve	-	(814,098)	-	-	814,098	-	-	-
Dividend paid	-	(800,000)	-	-	-	(800,000)	-	(800,000)
Non controlling interest	-	-	-	-	-	-	36,500	36,500
At 31 December 2021	16,000,000	3,010,297	2,486,205	25,291	2,101,521	23,623,314	36,566	23,659,880

BANK	Share capital	Retained earnings	Statutory reserves	Fair value reserve	Regulatory risk reserve	Total
2022	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 01 January 2022	16,000,000	2,899,625	2,486,205	25,291	2,101,521	23,512,642
Total comprehensive income:						
Profit for the year	-	3,213,835	-	-	-	3,213,835
Other comprehensive income	-	-	-	13,393	-	13,393
Transfer to statutory reserves	-	(964,151)	964,151	-	-	-
Transfer to regulatory risk reserve	-	-	-	-	-	-
Dividend Paid	-	-	-	-	-	-
At 31 December 2022	16,000,000	5,149,310	3,450,355	38,684	2,101,521	26,739,871
2021	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 01 January 2021	16,000,000	3,404,787	2,010,946	62,188	1,287,423	22,765,344
Total comprehensive income:						-
Profit for the year	-	1,584,196	-	-	-	1,584,196
Other comprehensive income	-	-	-	(36,897)	-	(36,897)
Transfer to statutory reserves	-	(475,259)	475,259	-	-	-
Transfer to regulatory risk reserve	-	(814,098)	-	-	814,098	-
Dividend Paid	-	(800,000)	-	-	-	(800,000)
At 31 December 2021	16,000,000	2,899,625	2,486,205	25,291	2,101,521	23,512,642

NOVA

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of Naira	Note	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Cash flows from operating activities					
Profit before income tax		3,337,671	1,683,575	3,459,328	1,664,258
Adjustments for non-cash items:					
Depreciation charge on property and equipment	23	260,658	267,704	260,135	267,496
Depreciation charge on right of use asset	13	15,887	15,887	15,887	15,887
Amortisation of intangible assets	22	186,964	172,321	178,393	164,953
Gain on disposal of Property plant and equipment	12	(3,771)	(12,794)	(3,771)	(12,794)
Interest income	6	(16,637,890)	(12,065,011)	(16,267,808)	(12,054,334)
Interest expense	7	15,978,066	11,875,953	15,565,650	11,885,626
Impairment (writeback)/charge on loans and advances	8	(6,100)	(56,914)	(6,100)	(56,914)
Impairment (writeback)/charge on contingent assets	8	175,050	(35,937)	175,050	(35,937)
Impairment (writeback)/charge on Investment Securities & Pledged Assets	8	(29,604)	85,826	(29,604)	85,826
Impairment charge on loans to banks	8	-	(80)	-	(80)
Net gains on financial instruments	10	(952,718)	1,408,305	(961,458)	(1,418,474)
Exchange gain	11	(702,185)	-	(702,185)	-
		1,622,026	**3,338,836**	**1,683,515**	**505,515**
Changes in working capital					
Mandatory reserve deposits with the Central Bank of Nigeria	39(ii)	(11,300,603)	3,552,276	(11,300,603)	3,552,276
Loans and advances to customers	39(iii)	(7,822,150)	(36,406,728)	(6,560,651)	(38,406,728)
Loans and advances to banks	18a	-	4,978	-	-
Financial instruments - FVTPL	39(iv)	1,123,893	(1,346,417)	961,458	1,418,473.50
Derivative assets		(6,065,536)	551,091	(6,065,536)	551,091
Derivative liabilities		6,088,287	(608,386)	6,088,287	(608,386)
Other assets	39(v)	(10,809,920)	(16,204,821)	(10,793,704)	(16,325,478)
Due to banks	39(vi)	95,797	5,045,823	95,797	5,045,823
Due to customers	39(vii)	34,881,915	26,872,822	34,864,373	26,865,406
Other liabilities	39(viii)	(9,110,408)	29,286,306	(7,583,074)	27,751,442
Cash from operations		**(2,918,724)**	**10,746,944**	**(293,654)**	**9,843,920**
Interest received	39(ix)	16,543,817	10,118,040	16,178,022	10,107,363
Interest paid	39(x)	(15,327,440)	(11,400,906)	(14,913,160)	(11,376,305)
Income tax paid	14	(64,943)	(36,748)	(63,335)	(34,085)
Net cash from operating activities		**(1,767,292)**	**9,427,330**	**907,874**	**8,540,893**
Cash flows from investing activities					
Pledged assets	39(xi)	5,919,182	(27,944,962)	5,919,182	(27,944,962)
Investment securities	39(xii)	7,799,223	30,471,933	4,778,654	33,276,027
Investment in subsidiary	20(a)	-	-	-	(16,167)
Purchase of property, plant and equipment	23	(371,917)	(748,828)	(369,983)	(748,377)
Proceeds from sale of property and equipment	39(i)	26,434	61,447	26,434	61,447
Purchase of intangible assets	22	(540,956)	(50,479)	(540,956)	(37,554)
Net cash used in investing activities		**12,831,966**	**1,789,111**	**9,813,331**	**4,590,414**
Cash flows from financing activities					
Debt securities issued	26	-	-	-	-
Additional Capital from Parent		-	-	-	-
Dividend Paid		-	(800,000)	-	(800,000)
Net cash generated from/(used in) financing activities		**-**	**(800,000)**	**-**	**(800,000)**
Increase in cash and cash equivalents		**12,686,700**	**13,755,277**	**12,404,719**	**12,836,822**
Effect of exchange rate changes on cash and cash equivalents		**65,070**	**-**	**65,070**	**-**
Analysis of changes in cash and cash equivalents					
At start of year		12,836,822	1,042,543	12,836,822	1,042,543
At end of year		25,588,592	14,797,821	25,306,611	13,879,365
Increase in cash and cash equivalents		**12,751,770**	**13,755,277**	**12,469,789**	**12,836,822**
Increase in cash and cash equivalents					
Net increase in cash and cash equivalents		12,751,770	13,755,277	12,469,789	12,836,822
Cash and cash equivalents at beginning of year		25,567,912	11,812,635	24,489,810	11,652,988
Cash and cash equivalents at end of year		**38,319,682**	**25,567,912**	**36,959,599**	**24,489,810**
Cash and cash equivalents comprise:					
Balances with banks	16	35,086,646	18,802,772	34,957,518	18,651,824
Placement with banks	16	3,233,035	6,765,141	2,002,082	5,837,986
		38,319,682	**25,567,912**	**36,959,600**	**24,489,810**

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

1.0 General Information

Nova Merchant Bank Limited ("the Bank") was incorporated on 17 May 2017 in Nigeria and is intended to carry on in Nigeria the business of Merchant Banking as may be prescribed by the Central Bank of Nigeria (CBN). The address of the registered office is 23 Kofo-Abayomi Street, Victoria Island, Lagos.

The Bank obtained its merchant banking licence on 13 December 2017 with a focus on wholesale and investment banking.

These separate and consolidated financial statements, for the year ended 31 December 2020, are prepared for the Parent and the Group (Bank and its subsidiaries, separately referred to as "Group entity") respectively. The Parent and the Group are primarily involved in wholesale and investment banking."

2.0 Summary of significant accounting policy

The accounting policies adopted in the preparation of the financial statement of Nova Merchant Bank Limited and its subsidiaries ("the Group"), are set out below:

2.1 Basis of preparation

Statement of compliance with International Financial Reporting Standards

The Consolidated and separate financial statements of the parent and the group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act, the Financial Reporting Council Act No 6, 2011 and relevant CBN circulars and guidelines

The financial statements are presented in naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated. The financial statements have been prepared on a historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Hold to collect and sell financial assets are measured at fair value through other comprehensive income.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying IFRS accounting policies.

Changes in accounting policy and disclosures

Adoption of amended standards effective for the current financial year

IFRS 4 Insurance Contracts (IFRS 4), IFRS 7 Financial Instruments: Disclosures (IFRS 7), IFRS 9 Financial Instruments (IFRS 9), IFRS 16 Leases (IFRS 16), IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) (amendments):

The second phase of Interest Rate Benchmark Reform (IBOR) resulted in amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 requirements to enable companies to deal with its effect on financial instruments and to continue providing useful information to investors. The amendments require entities to update the effective interest rate to reflect the change to the alternative risk-free rates (ARRs), instead of derecognising or adjusting the carrying amount of financial instruments, for changes required by the reform if the transition from the IBOR rate to the ARR is as a direct consequence of the reform and on an economically equivalent basis. The amendment also provides specific hedge accounting relief, including that an entity will not have to discontinue hedge accounting solely because it makes changes required by the reform to hedge designations and hedge documentation, if the hedge meets the other hedge accounting criteria. The amendments also require companies to provide additional information about new risks arising from the reform and how it manages the transition to ARRs. The group will transition to ARRs as each interest rate benchmark is replaced.

IFRS 16 Leases (amendment): In light of the recent Covid-19 pandemic and resultant rent concessions to be granted by lessors, the amendment permits lessees, as a practical expedient, not to assess whether particular Covid-19 related rent concessions are lease modifications and instead account for those rent concessions as if they were not lease modifications. The amendment permits lessees to apply the practical expedient as an accounting policy choice to rent concessions for which any reduction in lease payments affects payments originally due on or before 30 June 2021. The group elected not to apply this practical expedient

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercise control.
Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Control exists when the Parent has:

[i] power over the investee;
[ii] exposure, or rights, to variable returns from its involvement with the investee; and
[iii] the ability to use its power over the investee to affect the amount of the investor's returns

The Group reassess periodically whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed. The existence and effect of potential voting rights are considered when assessing whether the group controls another entity.

The Group assesses existence of control where it does not have more than 50% of the voting power i.e. when it holds less than a majority of the voting rights of an investee. A group considers all relevant facts and circumstances in assessing whether or not it's voting rights are sufficient to give it power, including:

'[i]a contractual arrangement between the group and other vote holders
[ii] rights arising from other contractual arrangements
'[iii] the group's voting rights (including voting patterns at previous shareholders' meetings)
[iv] potential voting rights

The subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Subsidiaries are measured at cost less impairment in the separate financial statement

(b) Business combinations

The Group applies IFRS 3 Business Combinations (revised) in accounting for business combinations.
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights.

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

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

When this total is negative, a gain from a bargain purchase is recognised immediately in statement of comprehensive income.
The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

(c) Loss of control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

The gain/loss arising from disposal of subsidiaries is included in the profit/loss of discontinued operations in the statement of comprehensive income, if the disposal subsidiary meets the criteria specified in IFRS 5. Foreign currency translation differences become realised when the related subsidiary is disposed.

(e) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(f) Transactions eliminated on consolidation
Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

2.3 Foreign currency translation
2.3.1 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements of the Bank are presented in Nigerian naira, which is the functional currency of the Bank.

2.3.2 Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year end translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments.

All foreign exchange gains and losses recognised in the Income statement are presented net in the Income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item.

2.4a Interest income and expense
Interest income and expense for all interest-earning and interest-bearing financial instruments are recognised in the income statement within "interest income" and "interest expense" using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the Income statement include:
- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through OCI calculated on an effective interest rate basis.

2.4b Fees and commission
Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed (over time). When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment year (over-time).

2.5. Financial assets and liabilities

2.5.1 Recognition

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. The Group uses settlement date accounting for regular way contracts when recording financial asset & liability transactions, i.e. the date the Bank receives value for purchase or sales of assets.

Embedded derivative
An embedded derivative is defined as a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are not separated for accounting purposes if the non-derivative host is a financial asset within the scope of IFRS 9 i.e. the classification criteria of IFRS 9 are applied to the financial asset as a whole.
An embedded derivative is separated from the host contract if, and only if, all of the criteria below are met:
>the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
>a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
>the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

2.5.2 Classification and Measurement
Financial Assets
The Bank classifies its financial assets in the following measurement categories:
• those to be measured subsequently at fair value (either through OCI or through profit or loss), and
• those to be measured at amortised cost.
The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).
The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
• How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
• The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
• How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
• The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Cash flow characteristics assessment
The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:
• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
• Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in Interest income in the Consolidated Statement of Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for expected credit loss in the statement of financial position.

b) Financial assets measured at FVOCI

Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Other Income in the Consolidated Statement of Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Consolidated Statement of Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Consolidated Statement of Income using the effective interest rate method. Impairment on financial assets measured at FVOCI is calculated using the expected credit loss approach.

c) Financial assets measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in the Consolidated Statement of Income as part of Other Income. Realized and unrealized gains and losses are recognized as part of trading Income in the Consolidated Statement of Income.

d) Equity Instruments

The group initially measured all equity investments at fair value through profit or loss. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in net gains/(loss) on investment securities in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial Liabilities

Financial liabilities are classified into one of the following measurement categories:

• Amortised cost
• Fair Value through Profit or Loss (FVTPL)

e) Financial Liabilities at fair value through profit or loss

Financial liabilities accounted for at fair value through profit or loss fall into two categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss on inception.

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of shortterm profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

f) Financial Liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest rate method. Financial liabilities measured at amortised cost are deposits from banks or customers, other borrowed funds, debt securities in issue for which the fair value option is not applied.

2.5.3. Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. A change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations such as:

• Significant internal restructuring or business combinations; for example an acquisition of a private asset management company that might necessitate transfer and sale of loans to willing buyers, this action will constitute changes in business model and subsequent reclassification of the Loan held from Business Model 1 to Business Model 2 Category
• Disposal of a business line i.e. disposal of a business segment
• Any other reason that might warrant a change in the Group's business model asdetermined by management based on facts and circumstances.

The following are not considered to be changes in the business model:

• A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
• A temporary disappearance of a particular market for financial assets.
• A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model.

2.5.4. Modification of financial assets and liabilities
a. Financial assets

When the contractual terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortized cost'.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Group shall assess whether there has been a significant ncrease in the credit risk of the financial instrument by comparing:

- the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms)

In determining when a modification to terms of a financial asset is substantial or not to the existing terms, the Bank will consider the following non-exhaustive criteria:

Quantitative criteria
A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the bank shall also consider qualitative factors as detailed below.

Qualitative criteria
Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

• The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a ; conversion of a loan to an equity instrument of the borrower
• Roll up of interest into a single bullet payment of interest and principal at the end of the loan term
• Conversion of a loan from one currency to another currency

Other factor to be considered:
• Extension of maturity dates: If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see above) and ECL are measured as follows:
• If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset
• If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

De-recognition of financial instruments
The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Financial Liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.5.5. Impairment of Financial Assets

In line with IFRS 9, the Group assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:
• Amortized cost financial assets;
• Debt securities classified as at FVOCI;
• Off-balance sheet loan commitments; and
• Financial guarantee contracts.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

Expected Credit Loss Impairment Model
The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Group adopts a three-stage approach for impairment assesment based on changes in credit quality since initial recognition.

• Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
• Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
• Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measuring the Expected Credit Loss

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 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.

When estimating the ECLs, the Group considers three scenarios (optimistic, best-estimate and downturn) and each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The 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, LGDs are typically set at product level due to the limitation in recoveries achieved across different borrower. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

• The Group uses internal subject matter experts from Risk, Treasury and Business Divisions to consider a range of relevant forward looking data, including macro-economic forecasts and assumptions, for the determination of unbiased general economic adjustments in order to support the calculation of ECLs.

• Macro-economic variables taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product, inflation, crude-oil prices and exchange rate, and requires an evaluation of both the current and forecast direction of the macro-economic cycle.

• Macro-economic variables considered have strong statistical relationships with the risk parameters (LGD, EAD, CCF and PD) used in the estimation of the ECLs, and are capable of predicting future conditions that are not captured within the base ECL calculations.

• Forward looking adjustments for both general macro-economic adjustments and more targeted at portfolio / industry levels. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

Macroeconomic factors

The Group relies on a broad range of forward looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, crude oil prices, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

The macroeconomic variables and economic forecasts as well as other key inputs are reviewed and approved by management before incorporated in the ECL model. Any subsequent changes to the forward looking information are also approved before such are inputted in the ECL model.

The macro economic variables are obtained for 3 years in the future and are reassessed every 6 months to ensure that they reflect prevalent circumstances and are up to date.

Where there is a non-linear relationships, one forward-looking scenario is never sufficient as it may result in the estimation of a worst-case scenario or a best-case scenario. The Bank's ECL methodology considers weighted average of multiple economic scenarios for the risk parameters (basically the forecast macroeconomic variables) in arriving at impairment figure for a particular reporting period. The model is structured in a manner that the final outcome, which is a probability cannot be negative.

SICR is assessed once there is an objective indicator of a deterioration in credit risk of customer. In addition, the Bank as part of its routine credit processes perform an assessment on a quarterly basis to identify instances of SICR.

Multiple forward-looking scenarios

The Group determines allowance for credit losses using three probability-weighted forwardlooking scenarios. The Group considers both internal and external sources of information in order to achieve an unbiased measure of the scenarios used. The Group prepares the scenarios using forecasts generated by credible sources such as Business Monitor International (BMI), International Monetary Fund (IMF), Nigeria Bureau of Statistics (NBS), World Bank, Central Bank of Nigeria (CBN), Financial Markets Dealers Quotation (FMDQ), and Trading Economics.

The Group estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Normal, Upturn and Downturn, which in turn is used in the estimation of the multiple scenario ECLs. The 'normal case' represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank 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, credit risk and credit losses.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Group adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages.

The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau, etc.

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of Default and Credit Impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

• Significant financial difficulty of the borrower or issuer;
• A breach of contract such as a default or past due event;
• The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
• It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
• The disappearance of an active market for a security because of financial difficulties.
• The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
• Others include death, insolvency, breach of covenants, etc.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired.
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

• The market's assessment of creditworthiness as reflected in the yields.
• The rating agencies' assessments of creditworthiness.
• The country's ability to access the capital markets for new debt issuance.

• The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
• The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

• Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
• Loan commitments and financial guarantee contracts: generally, as a provision;
• Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
• Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value.However, the loss allowance is disclosed and is recognised in the fair value reserve.

2.5.6. Write-off

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, where there is no reasonable expectation of recovery as set out in IFRS 9, paragraph 5.4.4. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

• continued contact with the customer is impossible;
• recovery cost is expected to be higher than the outstanding debt;
• the bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialed by the approving authority.

A write-off constitute a derecognition event. 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 amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognised as income on a cash basis only.

2.5.7. Offsetting financial instruments

Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

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

2.5.8 Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

2.5.9. Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial assets held for trading or investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.

Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated as held for trading, Fair value through other comprehensive income or Amortized cost. Where the assets pledged as collateral are designated as held for trading, subsequent measurement is at fair value through profit and loss, whilst assets pledged as collateral designated as Fair value through other comprehensive income are measured at fair-value through equity. Assets pledged as collateral designated as Amortized cost are measured at amortized cost.

2.5.10. Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis.

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

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

2.5.11. Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others onbehalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value ad subsequently measured at the higher of:

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

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calclulated as described in Note 4.1.3). The Bank 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 ot 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 Bank cannot seperately identify the expected credit losses on the undrawn commitment from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.5.12. Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise, deposit held at call with banks, other short term highly liquid investment, cash portion of investments in foreign securities, bank balances with foreign banks, sundry currencies balances and time deposits which are readily convertible into cash with an initial maturity of three months or less.

2.6. Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

All other repair and maintenance costs are recognised in income statement as incurred.

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 the replaced part is derecognised.
Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The group commences depreciation when the asset is available for use.

The estimated useful lives are, as follows:

• Office equipment – 5 years
• IT equipment – 5 years
• Furniture and fittings – 5 years
• Motor vehicles – 5 years
• Leasehold improvement – 10 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
Asset not available for use (including capital work in progress) are not depreciated. Upon completion capital work in progress assets are transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

2.7. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite. The estimated useful life of Computer software is five years. Amortisation methods, useful lives and residual values are reviewed at each financial year and adjusted if appropriate.

Intangible assets with finite lives are amortised on a straight-line basis over the expected useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in income statement in amortisation of intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in income statement when the asset is derecognised.

The annual amortisation rate generally in use for the current and comparative year is as follows:

• Computer software – 5 years

2.8. Impairment of non–financial assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or band of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

2.8. Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

2.9. Taxes

2.9.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.
The Bank has no uncertain taxes as at 31 December 2022.

Current income tax relating to items recognised directly is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in the notes.

2.9.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

• Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

• In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of available-for-sale assets, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The group also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset and it is the Bank's intention to settle on a net basis.

2.9.3. Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, In which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the Amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.10. Employee benefits

The Bank operates defined contribution pension scheme.

Pensions and other post- employment benefits
Defined contribution pension plan

Defined contribution plan

The Bank operates a defined contribution pension plan in accordance with the Pension Reform Act. Under the plan, the employee contributes 8% of basic salary, housing and transport allowances and the Bank contributes 10% on the same basis. Pension remittances are made to various PFAs on behalf of the Bank's staff on a monthly basis. The Bank has no further payment obligations once the contributions have been paid. Contribution payable is recorded as an expense under 'personnel expenses'. Unpaid contributions are recorded as a liability.

Short-term employee benefits

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

2.11. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
– the group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
– the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
- the group has the right to operate the asset; or
- the group designed the asset in a way that predetermines how and for what purpose it will be used.

The group has only one lease asset which is the building in which its operations are carried out. The contractual lease term is 10 years. However, it is reasonably certain that the group will extend its lease by another 10 years based on the lease contract agreement. The contract contains both lease and non-lease components. The group has elected to separate lease and non-lease components and treat them accordingly. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2.11.1 Lease liabilities

At commencement date of a lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:
-fixed payments (including in-substance fixed payments), less any lease incentives receivable
-variable lease payment that are based on an index or a rate
-amounts expected to be payable by the Bank under residual value guarantees
-the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers

The lease payments are discounted using the Bank's incremental borrowing rate, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and

2.11.2 'Right of use assets

Right-of-use assets are initially measured at cost, comprising the following:
-the amount of the initial measurement of lease liability
-any lease payments made at or before the commencement date less any lease incentives received
-any initial direct costs, and- restoration costs.
Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases and leases of low value

The group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than N1 million when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense in profit or loss on a straight-line basis over the lease term. The group has no leases of low value as at 2022 (2021: Nil).

Extension and termination options

Extension and termination options are included in all of the group's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. Most of the extension options are subject to mutual agreement by the Bank and the lessors and some of the termination options held are exercisable only by the group.

Critical judgements

Extension and termination options - Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:
- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).

- Otherwise, the group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

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

2.12 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3.0 Critical accounting estimates and judgments

These disclosures supplement the commentary on financial risk management (see note 5). Estimates where management has applied judgements are:
(i) Allowances for credit losses
(ii) Valuation of financial instruments
(iii) Assessment of recoverability of deferred tax assets
(iv) Depreciation of property and equipment
(v) Depreciation of right of use asset
(vi) Amortisation of intangible asset

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.
This note provides an overview of the areas that involve a higher degree of judgement or complexitiy, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements. Management has assessed the first through estimates as having the key sources of estimation certainty, and are explained in further detail below. The other estimates have been assessed in their individual accounting policies.

(i) ***Allowances for credit losses***

Loans and advances to banks and customers are accounted for at amortised cost and are evaluated for impairment on a basis described in accounting policy (see note 2.5.5)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
• The Bank's internal credit grading model, which assigns PDs to the individual grades
• The Bank's criteria for assessing if there has been a significant increase In credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
• The segmentation of financial assets when their ECL is assessed on a collective basis
• Development of ECL models, including the various formulas and the choice of inputs
• Determination of associations between macroeconomic scenarios and, economic inputs, such as exchange rates, crude oil prices, GDP and collateral values, and the effect on PDs, EADs and LGDs
• Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(ii) ***Valuation of financial instruments***

At 31 December 2022, the carrying value of the Group's financial instrument assets held at fair value was N973.10million (2021: N4.79 billion). its derivatives assets was valued at N9.21billion (2021: N3.15billion) and the fair valueof the derivative liabilities was N9.16billion (2021: N3.07billion).

In accordance with IFRS 13 Fair Value Measurement, the Group categorises financial instruments carried on the balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models.

The valuation techniques for level 2 and, particularly, level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. Details about sensitivities to market risk arising from treasury positions can be found in Note 5.2.1.

The Bank issued a N10Bn unsecured subordinated bond on July, 23, 2020 with a coupon rate of 12% payable semi-annually. The bond has a tenor of 7 years and is due on July, 2027. This is Series 1 of the bank's N50bn Bond programme issued via Novambl Investments SPV Plc. The subscription offer for this series contains a provision for early redemption in Year 5 at a redemption amount of N10bn. This call option is an embedded derivative which has not been seperated from the host contract as the exercise price is approximately equivalent to the amortised cost at year 5.

(iii) ***Recoverability of deferred tax assets***

The deferred tax assets include an amount of N443 million (2021: N443 million) which relates to mainly carried forward tax losses of the Bank. These losses arise due to tax-exempt nature of the Bank's income from government securities. The Bank has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Bank. The Bank is expected to generate taxable income in the future. The losses can be carried forward indefinitely and have no expiry date.

4.0 Financial instruments

The table below analyses financial and non-financial instruments measured at fair value at the end of the financial year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

4.1.1 Recurring fair value measurements

GROUP
In thousands of Naira
December 2022

	Level 1	Level 2	Total
Assets			
Financial instrument held for trading			
Derivative financial assets	-	9,214,855	9,214,855
Investment securities			
Mutual funds FVTPL	158,196		158,196
Quoted Equity FVTPL	-	-	-
Nigerian Treasury Bills FVOCI	151,293	659,112	810,405
Federal Government of Nigeria (FGN) bonds FVOCI	4,500	-	4,500
	313,990	9,873,967	10,187,957
Liabilities			
Derivative financial liabilities	-	9,160,449	9,160,449
	-	9,160,449	9,160,449

December 2021

	Level 1	Level 2	Total
Assets			
Financial Instrument held for trading			
Derivative financial assets	-	3,149,319	3,149,319
Investment securities			-
Mutual funds FVTPL	-	152,033	152,033
Quoted Equity FVTPL	177,339	-	177,339
Nigerian Treasury Bills FVOCI	1,436,802	-	1,436,802
Federal Government of Nigeria (FGN) bonds FVOCI	3,020,715	-	3,020,715
	4,634,856	3,301,352	7,936,208
Liabilities			
Derivative financial liabilities	-	3,072,162	3,072,162
	-	3,072,162	3,072,162

BANK
December 2022

	Level 1	Level 2	Total
Assets			
Derivative financial assets	-	9,214,855	9,214,855
Investment securities			
Nigerian Treasury Bills FVOCI	151,293	659,112	810,405
Federal Government of Nigeria (FGN) bonds FVOCI	-	-	-
	151,293	9,214,855	10,025,260
Liabilities			
Derivative financial liabilities	-	9,160,449	9,160,449
	-	9,160,449	9,160,449

December 2021

	Level 1	Level 2	Total
Assets			
Derivative financial assets	-	3,149,319	3,149,319
Investment securities			
Nigerian Treasury Bills FVOCI	1,436,802	-	1,436,802
Federal Government of Nigeria (FGN) bonds FVOCI	-	-	-
	1,436,802	3,149,319	4,586,121
Liabilities			
Derivative financial liabilities	-	3,072,162	3,072,162
	-	3,072,162	3,072,162

There were no transfers between levels 1 and 2 during the year.

4.1.2 Recognised fair value measurements

(a) Financial instruments in level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily classified as trading securities or FVOCI investments.

(b) Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:
(i) Quoted market prices or dealer quotes for similar instruments;
(ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial Instruments In level 3
There were no level 3 financial instruments with recurring fair value measurements as at year end.

(d) Valuation of financial instruments
Valuation techniques used to derive Level 2 fair values

Level 2 fair values of investments have been generally derived using the market approach. Below is a table showing an analysis of material items categorised as Level 2 fair values.

Description	Fair value as at 31 December 2022 (N'000)	Valuation technique	Observable Inputs
Derivative financial assets	9,214,855	Futures and forward contracts: Fair value through market rate from a quoted market	Market rates from quoted market
Derivative financial liabilities	9,160,449		

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

GROUP

In thousands of Naira	Fair value through profit or loss	Amortized cost	FVOCI	Financial Liabilities at fair value	Carrying amount	Fair value	FV Hierarchy
31 December 2022							
Balances with banks	-	81,239,070	-	-	81,239,070	81,239,070	Level 3
Derivative financial assets	9,214,855	-	-	-	9,214,855	9,214,855	Level 2
Loans and advances to customers	-	96,624,795	-	-	96,624,795	96,624,795	Level 3
Pledged assets	-	-	-	-	-	-	
- Treasury bills	-	27,138,626	-	-	27,138,626	27,269,519	Level 1
- Bonds	-	16,916,486	-	-	16,916,486	12,347,836	Level 1
Investment securities	158,196	13,767,162	814,905	-	14,740,264	14,740,264	Level 1/2
Other assets	-	30,726,919	-	-	30,726,919	30,726,919	Level 3
	9,373,051	**266,413,057**	**814,905**	**-**	**276,601,015**	**272,163,258**	
Due to Banks	-	26,993,262	-	-	26,993,262	26,993,262	Level 3
Derivative financial liabilities	-	-	-	9,160,449	9,160,449	9,160,449	Level 2
Deposits	-	152,013,035	-	-	152,013,035	152,013,035	Level 3
Other liabilities	-	51,644,800	-	-	51,644,800	51,644,800	Level 3
Other borrowed fund	-	10,268,478	-	-	10,268,478	-	Level 3
	-	**240,919,575**	**-**	**9,160,449**	**250,080,024**	**212,818,284**	

In thousands of Naira	Fair value through profit or loss	Amortized cost	FVOCI	Financial Liabilities at fair value	Carrying amount	Fair value	FV Hierarchy
31 December 2021							
Balances with banks	-	57,186,698	-	-	57,186,698	57,186,698	Level 3
Derivative financial assets	3,149,319	-	-	-	3,149,319	3,149,319	Level 2
Loans and advances to customers	-	88,382,235	-	-	88,382,235	88,382,235	Level 3
Pledged assets							
- Treasury bills	-	33,697,517	-	-	33,697,517	33,099,295	Level 1
- Bonds	-	16,319,020	-	-	16,319,020	10,832,838	Level 1
Investment securities	329,371	18,073,115	4,457,517	-	22,860,003	22,782,873	Level 1
Other assets	-	20,006,391	-	-	20,006,391	20,006,391	Level 3
	3,478,690	**233,664,974**	**4,457,517**	**-**	**241,601,182**	**235,439,648**	
Due to Banks	-	26,813,409	-	-	26,813,409		Level 3
Derivative financial liabilities	-	-	-	3,072,162	3,072,162	3,072,162	Level 2
Due to customers	-	116,912,496	-	-	116,912,496	116,912,496	Level 3
Other liabilities	-	62,872,863	-	-	62,872,863	62,872,863	Level 3
Other borrowed fund	-	10,253,567	-	-	10,253,567	-	Level 3
	-	**216,852,334**	**-**	**3,072,162**	**219,924,496**	**182,857,521**	

BANK

In thousands of Naira **31 December 2022**	Fair value through profit or loss	Amortized cost	FVOCI	Financial Liabilities at fair value	Total carrying amount	Fair value	FV Hierarchy
Balances with banks	-	79,877,938	-	-	79,877,938	79,877,938	Level 3
Derivative financial assets	9,214,855	-	-	-	9,214,855	9,214,855	Level 2
Loans to banks and other financial institutions	-	-	-	-	-	-	Level 3
Loans and advances to customers	-	97,363,297	-	-	97,363,297	97,363,297	Level 3
Pledged assets							
- Treasury bills	-	27,138,626	-	-	27,138,626	27,269,519	Level 1
- Bonds	-	16,916,486	-	-	16,916,486	12,347,836	Level 1
Investment securities							
-Treasury bills	-	11,481,086	810,405	-	12,291,491	12,291,491	
-Bonds	-	227,477	-	-	227,477	227,477	
-Commercial Paper		2,072,578	-	-	2,072,578	2,072,578	
Other assets	-	31,112,691	-	-	31,112,691	31,112,691	Level 3
	9,214,855	**266,190,177**	**810,405**	**-**	**276,215,438**	**271,777,681**	
Due to Banks	-	26,993,262	-	-	26,993,262	26,993,262	Level 3
Derivative financial liabilities	-	-	-	9,160,449	9,160,449	9,160,449	Level 2
Deposits	-	151,972,464	-		151,972,464	151,972,464	Level 3
Other liabilities	-	51,596,735	-		51,596,735	51,596,735	Level 3
Other borrowed fund	-	10,378,471	-	-	10,378,471	-	Level 3
	-	**240,940,931**	**-**	**9,160,449**	**250,101,380**	**212,729,647**	

In thousands of Naira **31 December 2021**	Fair value through profit or loss	Amortized cost	FVOCI	Financial Liabilities at fair value	Total carrying amount	Fair value	FV Hierarchy
Balances with banks	-	56,107,545	-	-	56,107,545	56,107,545	Level 3
Derivative financial assets	3,149,319	-	-	-	3,149,319	3,149,319	Level 2
Loans to banks and other financial institutions	-	-	-	-	-	-	Level 3
Loans and advances to customers	-	90,382,235	-	-	90,382,235	90,382,235	Level 3
Pledged assets							
- Treasury bills	-	33,697,517	-	-	33,697,517	33,099,295	Level 1
- Bonds	-	16,319,020	-	-	16,319,020	10,832,838	Level 1
Investment securities	-	18,073,115	1,436,802	-	19,509,917	19,432,787	Level 1
Other assets	-	20,408,370	-	-	20,408,370	20,408,370	Level 3
	3,149,319	**234,987,801**	**1,436,802**	**-**	**239,573,923**	**233,412,389**	
Due to Banks	-	26,813,409	-	-	26,813,409	26,813,409	Level 3
Derivative financial liabilities	-	-	-	3,072,162	3,072,162	3,072,162	Level 2
Deposits	-	116,889,466	-		116,889,466	116,889,466	Level 3
Other liabilities	-	61,322,682	-		61,322,682	61,322,682	Level 3
Other borrowed fund	-	10,361,697	-	-	10,361,697	-	Level 3
	-	**215,387,254**	**-**	**3,072,162**	**218,459,415**	**181,284,310**	

5.0 Financial risk

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

i) Credit risk
ii) Liquidity risk
iii) Market risk

5.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

Nova Merchant Bank Limited is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties.

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

5.1.1 Credit quality analysis

Nova Merchant Bank Limited uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as turnover and industry type) is fed into this rating model. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The following are additional considerations for each type of portfolio held by the Bank:

Corporate

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating.

Treasury

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

5.1.2 Expected credit loss measurement

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 Bank.
- 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. Please refer to note 2.5.5 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 2.5.5 for a description of how the Bank defines credit-impaired and default.
- 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. Note 2.5.5 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on

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

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since intial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

5.1.2.1 *Significant increase in credit risk*

The Bank considers a financial instrument to have experienced a significant increase in credit risk when the qualitative and backstop criteria detailed below have been met:

Quantitative criteria
The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, the Bank is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

Qualitative criteria:
Forward transitions: Credit Ratings
The Bank specifies the number of notch increases that will be viewed as a significant increase in credit risk since origination. Assuming the account is currently classified as Stage 1, if the current credit rating increases by more notches than the specified number since origination, the account is classified as Stage 2.
In addition, if the accounts current credit rating is worse than the default credit rating indicator, also specified by the Bank, the account is classified as Stage 3.

These credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. For example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.The monitoring typically involves use of the following data.

Corporate exposure	All exposures
• Information obtained during periodic review of customer files — e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.	• Payment record —this includes overdue status as well as a range of variables about payment ratios.
• Data from credit reference agencies, press articles, changes in external credit ratings	• Utilisation of the granted limit.
• Quoted prices for the borrower where available.	• Requests for and granting of forbearance.
• Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	• Existing and forecast changes in business, financial and economic conditions.

Using qualitative criteria, the Bank has defined significant increase in credit risk as a minimum rating downgrade of two notches.

Forward transitions: Backstop Criteria
Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption. Transition from Stage 2 to Stage 3 is based on the 90 days past due presumption. The table below summarises the Stage classification based on the days past due.

1	0 to 29
2	30 to 89
3	90+

Forward transitions: Watchlist & Restructure
The Bank classifies accounts that are included on their Watchlist or have been restructured as Stage 2. For restructures, however, the Bank can specify if the restructure is due to a significant increase in credit risk.

5.1.2.2 *Definition of default*
Banks considers a financial asset to be in default which is fully aligned with the credit-impaired, 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 borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance.
- The borrower is deceased.
- The borrower is insolvent.
- The borrower is in breach of financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

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 Lifetime PD is developed by applying a maturity profile to the current 12months 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 Bank'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, 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 product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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

Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Bank maps the internal ratings assigned to individual obligor to an external rating. The obligor then take on the PD term structure corresponding the assigned external ratings.
To make these PDs sensitive to macroeconomic variables, the sensitivities of a peer company default rates to some macroeconomic factors were used to extrapolate adjustment scalars that conditioned the PD for the impact of forecast macroeconomic variables. These economic variables and their associated impact on the impairment parameters vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are provided by the risk management department and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the impairment parameters has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.
In addition to the base economic scenario, the risk management department also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. 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 qualitative and backstop indicators. This determines whether the 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 Bank measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

5.1.3 *Credit risk exposure*

5.1.3.1 Maximum exposure to credit risk – Financial instruments subject to impairment

For ECL purposes, the Bank's financial asset is segmented into sub-portfolios as listed below

- Corporate loan portfolio
- Placement with other banks
- Off balance sheet exposures

Credit quality per class

In thousands of Naira

Loans to customers portfolio	GROUP 2022					GROUP 2021				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
	Gross amount	Gross amount	Gross amount	ECL	Carrying amount	Gross amount	Gross amount	Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	92,322,293	4,188,874	148,989	(35,361)	**96,624,795**	88,081,678	3,149	338,868	(41,461)	**88,382,235**

Loans to customers portfolio	Bank 2022					Bank 2021				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
	Gross amount	Gross amount	Gross amount	ECL	Carrying amount	Gross amount	Gross amount	Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	93,060,794	4,188,874	148,989	(35,361)	**97,363,296**	90,081,678	3,149	338,868	(41,461)	**90,382,235**

Off balancesheet engagement	GROUP 2022					GROUP 2021				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
	Gross amount	Gross amount	Gross amount	ECL	Carrying amount	Gross amount	Gross amount	Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	32,401,190	5,188,985	1,484,357	(193,268)	**38,881,264**	34,227,136	-	-	(18,218)	**34,208,918**

Off balancesheet engagement	Bank 2022					Bank 2021				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
	Gross amount	Gross amount	Gross amount	ECL	Carrying amount	Gross amount	Gross amount	Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	32,401,190	5,188,985	1,484,357	(193,268)	**38,881,264**	34,227,136	-	-	(18,218)	**34,208,918**

Investment Securities	GROUP 2022					GROUP 2021				
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
	Gross amount	Gross amount	Gross amount	ECL	Carrying amount	Gross amount			ECL	Carrying amount
Credit grade										
Investment grade	14,754,242	-	-	(13,978)	**14,740,264**	72,790,714	-	-	(85,826)	**72,704,888**

	Bank 2022					Bank 2021				
Investment Securities	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	14,591,546	-	-	(13,978)	**14,577,568**	69,440,628	-	-	(85,826)	**69,354,802**

	GROUP 2022					GROUP 2021				
Pledged Assets	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2**	**Stage 3**	ECL	Carrying amount
Credit grade										
Investment grade	~~44,097,355~~	-	-	~~(42,243)~~	~~**44,055,111**~~	~~50,016,537~~	-	-	-	~~**50,016,537**~~

	Bank 2022					Bank 2021				
Pledged Assets	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	~~44,097,355~~	-	-	~~(42,243)~~	~~**44,055,111**~~	~~50,016,537~~	-	-	-	~~**50,016,537**~~

	GROUP 2022					GROUP 2021				
Balances with banks	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	81,239,070	-	-	-	**81,239,070**	57,186,698	-	-	-	**57,186,698**

	Bank 2022					Bank 2021				
Balances with banks	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	79,877,938	-	-	-	**79,877,938**	56,107,545	-	-	-	**56,107,545**

	GROUP 2022					GROUP 2021				
Other assets	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	30,726,919	-	-	-	**30,726,919**	20,006,391	-	-	-	**20,006,391**

	Bank 2022					Bank 2021				
Other assets	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount	**Stage 1** Gross amount	**Stage 2** Gross amount	**Stage 3** Gross amount	ECL	Carrying amount
Credit grade										
Investment grade	31,112,691	-	-	-	**31,112,691**	20,408,370	-	-	-	**20,408,370**

All credit risk exposures on financial instruments for which ECL allowance is recognised have been classified as stage 1, 2 and 3 investment grade.

The bank has not impaired balances with banks and other assets as it considers them to have low credit risk. This is because there has not been any increase in credit risk related to the balances in the year ended 31 December 2022.

Maximum exposure to credit risk – Financial instruments not subject to impairment

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

	Maximum exposure to credit risk *(In thousands of Naira)*
Financial assets at fair value through profit or loss	
• Debt Securities	-
• Derivatives	9,214,855

5.1.3.2 Collateral and other credit enhancements

Nova Merchant Bank Limited employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. Nova Merchant Bank Limited has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as external valuers.

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

5.1.3.3 Loss allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

GROUP
In thousands of Naira
2022

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Corporate loan portfolio					
Loss allowance as at 1 January 2022	**4,572**	**-**	**36,889**	**-**	**41,461**
Decrease in allowance	19,885	5,560	(31,545)	-	(6,100)
Loss allowance as at 31 December 2022	**24,458**	**5,560**	**5,343**	**-**	**35,361**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Off balance sheet engagment					
Loss allowance as at 1 January 2022	**18,218**	**-**	**-**	**-**	**18,218**
Decrease in allowance	(7,021)	5,483	176,587	-	175,050
Loss allowance as at 31 December 2022	**11,197**	**5,483**	**176,587**	**-**	**193,268**

2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Corporate loan portfolio					
Loss allowance as at 1 January 2021	**98,375**	**-**	**-**	**-**	**98,375**
Decrease in allowance	(93,803)	-	36,889	-	(56,914)
Loss allowance as at 31 December 2021	**4,572**	**-**	**36,889**	**-**	**41,461**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Loans to banks					
Loss allowance as at 1 January 2021	**80**	**-**	**-**	**-**	**80**
Additional allowance (Writeback)	(80)	-	-	-	(80)
Loss allowance as at 31 December 2021	**-**	**-**	**-**	**-**	**-**

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Off balance sheet engagment					
Loss allowance as at 1 January 2021	54,155	-	-	-	54,155
Decrease in allowance	(35,937)	-	-	-	(35,937)
Loss allowance as at 31 December 2021	18,218	-	-	-	18,218

BANK
2022

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Corporate loan portfolio					
Loss allowance as at 1 January 2022	4,572	-	36,889	-	41,461
Decrease in allowance	19,885	5,560	(31,545)	-	(6,100)
Loss allowance as at 31 December 2022	24,458	5,560	5,343	-	35,361

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Off balance sheet engagment					
Loss allowance as at 1 January 2022	18,218	-	-	-	18,218
Additional allowance (writeback)	(7,021)	5,483	176,587	-	175,050
Loss allowance as at 31 December 2022	11,197	5,483	176,587	-	193,268

2021

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Corporate loan portfolio					
Loss allowance as at 1 January 2021	98,375	-	-	-	98,375
Decrease in allowance	(93,803)	-	36,889	-	(56,914)
Loss allowance as at 31 December 2021	4,572	-	36,889	-	41,461

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Loans to banks					
Loss allowance as at 1 January 2021	80	-	-	-	80
Decrease in allowance	(80)	-	-	-	(80)
Loss allowance as at 31 December 2021	-	-	-	-	-

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Off balance sheet engagment					
Loss allowance as at 1 January 2021	**54,155**	-	-	-	**54,155**
Additional allowance (writeback)	(35,937)	-	-	-	(35,937)
Loss allowance as at 31 December 2021	**18,218**	-	-	-	**18,218**

5.1.3.4 Days past due

As discussed above in the significant increase in credit risk section, under Nova Merchant Bank Limited's monitoring procedures a significant increase in credit risk is identified before the exposure has defaulted, and at the latest when the exposure becomes 30 days past due. This is the case mainly for loans and advances to customers.

5.1.4 Sensitivity Analysis

Nova Merchant Bank has performed a sensitivity analysis on how ECL on the main portfolios will change if the key assumptions used to calculate ECL change.

Corporate Portfolios

In establishing sensitivity to ECL estimates for Corporate portfolios, four variables (GDP growth rate, Oil Price, Inflation and US exchange rate were considered). Of this variables, the bank's wholesale portfolio reflects greater responsiveness to GDP growth rate and inflation.

On balance sheet exposure

GDP growth rate : Given the signficant impact on companies performance and collateral valuations.

Inflation : Given it impacts on purchasing power, demand as well as overall health of the economy

The table below outlines the total ECL for wholesale portfolios as at 31 December 2022, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 10%. The responsiveness of the ECL estimates to variation in macroeconomic variables have been presented below while putting in perspective, interdependencies between the various economic inputs.

		GDP Growth rate		
		-10%	No change	+10%
Inflation	-10%	31,825	35,361	31,825
	No change	-	-	-
	+10%	(38,897)	(35,361)	(38,897)

Off balance Sheet Exposure

GDP growth rate : Given the signficant impact on companies performance and collateral valuations

Inflation : Given it impacts on purchasing power, demand as well as overall health of the economy

The table below outlines the total ECL for wholesale off balance sheet exposures as at 31 December 2022, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 10%. The responsiveness of the ECL estimates to variation in macroeconomic variables have been presented below while putting in perspective, interdependencies between the various economic inputs.

		Gross Domestic Product		
		-10%	No change	+10%
Oil Price	-10%	173,941	193,268	173,941
	No change	-		-
	+10%	(212,595)	(193,268)	(212,595)

5.1.5 Gross loans and advances to customers per sector is as analysed follows:

In thousands of Naira	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Agriculture	5,927,846	12,748,243	5,927,846	12,748,243
Finance and Insurance	97,710	3,288	836,211	2,003,288
General	5,593,542	229,265	5,593,542	229,265
General Commerce	13,064,390	11,083,333	13,064,390	11,083,333
Manufacturing	46,489,434	40,044,864	46,489,434	40,044,864
Oil and Gas	9,397,639	8,930,050	9,397,639	8,930,050
Power	5,054,082	8,828,121	5,054,082	8,828,121
Transportation and Storage	9,237,294	6,556,532	9,237,294	6,556,532
Health	1,798,220	-	1,798,220	-
	96,660,156	**88,423,696**	**97,398,657**	**90,423,696**

5.1.6 Credit quality by risk rating class

Loans and advances to Corporates

In thousands of Naira

Internal rating	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
AAA	-	-	-	-
AA	-	-	-	-
A	60,806,028	61,818,829	61,544,530	63,818,829
BBB	20,133,141	17,253,847	20,133,141	17,253,847
BB+	8,605,905	-	8,605,905	-
BB	7,083,941	-	7,083,941	-
B+	-	4,866,431	-	4,866,431
B-	-	4,163,057	-	4,163,057
BB-	31,140	321,533	31,140	321,533
B	-	-	-	0
	-	-	-	0.00
	96,660,156	88,423,697	97,398,657	90,423,697
Impairment	(35,361)	(41,461)	(35,361)	(41,461)
Carrying amount	**96,624,795**	**88,382,236**	**97,363,296**	**90,382,236**

Off balance sheet engagements

In thousands of Naira

Internal rating	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
AAA	-	-	-	-
AA	-	-	-	-
A	774,105	28,736,310	774,105	28,736,310
BBB	191,892	371,958	191,892	371,958
B+	-	-	-	-
B-	109,281	-	109,281	-
BB-	1,033,494	1,540,434	1,033,494	1,540,434
BB+	21,878,891	-	21,878,891	-
BB	10,772,914	-	10,772,914	-
B	4,313,955	2,000,000	4,313,955	2,000,000
	-	-	-	-
	39,074,532	32,648,702	39,074,532	32,648,702
Impairment	(193,268)	(18,218)	(193,268)	(18,218)
Carrying amount	**38,881,264**	**32,630,484**	**38,881,264**	**32,630,484**

5.1.7 Disclosure of fair value of collateral held against loans and advances to customers

(d) GROUP

2022

In thousands of Naira	Level 1	Level 2	Level 3
		December 2022	
Against neither past due and not impaired			
Cash	14,451,583	-	-
All Assets Debenture	-	-	32,126,259
Negative pledge	-	-	22,854,849
Corporate/Cross Company Guarantee	-	-	14,322,884
Others			12,904,581
Total	**14,451,583**	-	**82,208,573**
Total	**14,451,583**	-	**82,208,573**

2021

In thousands of Naira	Level 1	Level 2	Level 3
		December 2021	
Against neither past due and not impaired			
Cash	32,431,916	-	-
All Assets Debenture	-	-	14,838,685
Negative pledge	-	-	17,614,103
Corporate/Cross Company Guarantee	-	-	23,538,993
Total	**32,431,916**	-	**55,991,780**
Total	**32,431,916**	-	**55,991,780**

BANK

2022

In thousands of Naira	Level 1	Leve1 2	Level 3
		December 2021	
Against neither past due and not impaired			
Cash	14,451,583	-	-
All Assets Debenture	-	-	32,126,259
Negative pledge	-	-	22,854,849
Corporate/Cross Company Guarantee	-	-	14,322,884
Others			13,643,083
Total	**14,451,583**	-	**82,947,074**
Total	**14,451,583**	-	**82,947,074**

2021

In thousands of Naira	Level 1	Leve1 2	Level 3
		December 2021	
Against neither past due and not impaired			
Cash	32,431,916	-	-
All Assets Debenture	-	-	12,838,685
Negative pledge	-	-	17,614,103
Corporate/Cross Company Guarantee	-	-	23,538,993
Total	**32,431,916**	-	**53,991,780**
Total	**32,431,916**	-	**53,991,780**

Collateral held and other credit enhancements. and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. The bank will not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on credit worthiness, the Bank aligns with its credit policy manual to yearically update the validation of collaterals held against all loans to customers. For impaired loans, the Bank obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

The fair values of non-property collaterals (such as equities, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instruments.

5.1.8 Credit concentration

The Bank's risk profile is assessed through a 'bottom-up' analytical approach covering all of the Bank's major businesses and products. The risk appetite is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

The Bank monitors concentrations of credit risk by sector . An analysis of concentrations of net credit risk at the reporting date is shown below:

GROUP

December 2022

In thousands of Naira	Corporate	Financial institutions	Government	Others	Total
Balances with banks	-	81,239,070	-	-	81,239,070
Derivative financial assets	180,812	-	9,034,043	-	9,214,855
Loans and advances to customers	90,968,904	97,710	-	5,593,542	96,660,156
Pledged assets	-	16,937,607	27,159,748	-	44,097,355
Investment securities	-	385,673	12,295,991	2,072,578	14,754,242
Other assets	-	-	-	30,726,919	30,726,919
Total	**91,149,717**	**98,660,060**	**48,489,781**	**38,393,039**	**276,692,597**
Credit risk exposures relating to other credit commitments at gross amount are as follows:					
Transaction related to Bonds and guarantees	1,378,847	-	-	-	1,378,847
Clean line facilities for letters of credit and other commitments	37,695,684	-	-	-	37,695,684
Total	**39,074,531**	-	-	-	**39,074,531**

December 2021

In thousands of Naira	Corporate	Financial institutions	Government	Others	Total
Balances with banks	-	-	-	-	-
Financial assets held for trading	-	-	-	-	-
Derivative financial assets	-	3,149,319	-	-	3,149,319
Loans and advances to banks and other financial institutions	-	-	-	-	-
Loans and advances to customers	88,149,682	3,288	-	229,265	88,382,235
Pledged assets	-	16,319,020	33,697,517	-	50,016,537
Investment securities	-	10,530,664	11,908,899	-	22,439,563
Other assets	-	-	-	20,006,391	20,006,391
Total	**88,149,682**	**30,002,291**	**45,606,416**	**20,235,656**	**183,994,045**
Credit risk exposures relating to other credit commitments at gross amount are as follows:					
Transaction related to Bonds and guarantees	3,431,217	-	-	-	3,431,217
Clean line facilities for letters of credit and other commitments	30,795,919	-	-	-	30,795,919
Total	**34,227,136**	-	-	-	**34,227,136**

BANK

December 2022

In thousands of Naira	Corporate	Financial institutions	Government	Others	Total
Balances with banks	-	79,877,938	-	-	79,877,938
Financial assets held for trading	-	-	-	-	-
Derivative financial assets	180,812	-	9,034,043	-	9,214,855
Loans and advances to banks and other financial institutions	-	-	-	-	-
Loans and advances to customers	90,968,904	836,211	-	5,593,542	97,398,657
Pledged assets	-	16,937,607	27,159,748	-	44,097,355
Investment securities	-	227,477	12,291,491	2,072,578	14,591,546
Other assets	-	-	-	31,112,691	31,112,691
Total	**91,149,717**	**97,879,233**	**48,485,281**	**38,778,811**	**276,293,041**
Credit risk exposures relating to other credit commitments at gross amount are as follows:					
Transaction related to Bonds and guarantees	1,378,847	-	-	-	1,378,847
Clean line facilities for letters of credit and	37,695,684	-	-	-	37,695,684
Total	**39,074,531**	-	-	-	**39,074,531**

December 2021

In thousands of Naira	Corporate	Financial institutions	Government	Others	Total
Financial assets held for trading	-	3,149,319	-	-	3,149,319
Derivative financial assets	-	-	-	-	-
Loans and advances to banks and other financial institutions	-	2,003,288	-	-	2,003,288
Loans and advances to customers	88,149,682	3,288	-	229,265	88,382,235
Pledged assets	-	16,319,020	33,697,517	-	50,016,537
Investment securities	-	7,987,725	11,908,899	-	19,896,624
Other assets	-	-	-	20,408,370	20,408,370
Total	88,149,682	29,462,639	45,606,416	20,637,635	183,856,373

Credit risk exposures relating to other credit commitments at gross amount are as follows:					
Transaction related to Bonds and guarantees	3,431,217	-	-	-	3,431,217
Clean line facilities for letters of credit and	30,795,919	-	-	-	30,795,919
Total	**34,227,136**	-	-	-	**34,227,136**

5.2 Market risk management

The Bank trades on treasury bills and foreign currency. Market risk in trading portfolios is monitored and controlled using tools such as position limits and sensitivity limits coupled with concentration limits. The major measurement technique used to measure and control market risk is outlined below.

5.2.1 Sensitivity Analysis

The Bank applies a sensitivity analysis to its trading portfolios to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the trading book, which are monitored on a daily basis by Market Risk Unit. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis.

Sensistivity analysis is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, The Bank applies these historical changes in rates, prices, etc. directly to its current positions . Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/ factors used in the calculation.
The Sensitivity method incorporates the factor sensitivities of the trading portfolio, the volatilities of the market risk factors. However, the Bank does not only base its risk estimates on Sensitivity Analysis, it uses Stress Tests to provide an indication of the potential size of losses that could arise in extreme conditions by applying a what-if analysis to further complement it. The results of the stress tests are reviewed by senior management and by the Board of Directors.

The trading book is made up of foreign currencies and treasury bills instruments. The table below illustrates the hypothetical sensitivity of the Bank's trading book to a rise in interest rate by 2% and foreign exchange volatility.

GROUP

Bank Sensitivity by risk type	December 2022			
In thousands of Naira	Average	High	Low	Actual
Foreign exchange risk	23,449	80,313	736	(5,067)
Interest rate risk	(126,734)	1,129,875	(684,038)	(350,960)
Total	**(103,285)**	**1,210,188**	**(683,302)**	**(356,028)**

Bank Sensitivity by risk type	December 2021			
In thousands of Naira	Average	High	Low	Actual
Foreign exchange risk	(596)	(4,003)	(25)	(36)
Interest rate risk	(819,251)	(2,266,664)	18,034	(20,525)
Total	**(819,848)**	**(2,270,666)**	**18,009**	**(20,561)**

BANK

Bank Sensitivity by risk type	December 2022			
In thousands of Naira	Average	High	Low	Actual
Foreign exchange risk	23,449	80,313	736	(5,067)
Interest rate risk	(126,734)	1,129,875	(684,038)	(350,960)
Total	**(103,285)**	**1,210,188**	**(683,302)**	**(356,028)**

Bank Sensitivity by risk type	December 2021			
In thousands of Naira	Average	High	Low	Actual
Foreign exchange risk	(596)	(4,003)	(25)	(36)
Interest rate risk	(819,251)	(2,266,664)	18,034	(20,525)
Total	**(819,848)**	**(2,270,666)**	**18,009**	**(20,561)**

NOVA

5.2.2 A summary of the Bank's interest rate gap position on financial instruments is as follows:

GROUP

	Re-pricing year			
In thousands of Naira	Less than 6 months	7 - 12 months	Above 1 year	Total
31 December 2022				
Money market placements	3,233,035	-	-	3,233,035
Loans and advances to customers:	55,785,017	19,578,949	21,225,468	96,589,434
Pledged assets - Treasury bills	27,138,626	-	-	27,138,626
Pledged assets - Bonds	-	-	16,916,486	16,916,486
Investment securities	13,916,926	605,340	217,998	14,740,264
	100,073,604	**20,184,290**	**38,359,952**	**158,617,844**
Due to Banks	9,903,991	17,089,270	-	26,993,262
Customer Deposits	131,994,119		2,630,880	152,013,035
Debt securities issued	-	-	10,268,478	10,268,478
	141,898,111	**17,089,270**	**12,899,358**	**189,274,775**
Total interest re-pricing gap	**(41,824,507)**	**3,095,019**	**25,460,594**	**(30,656,931)**

In thousands of Naira	Less than 6 months	7 - 12 months	Above 1 year	Total
31 December 2021				
Money market placements	6,765,141	-	-	6,765,141
Loans and advances to customers:	46,682,907	24,572,121	17,168,668	88,423,696
Pledged assets - Treasury bills	33,697,517	-	-	33,697,517
Pledged assets - Bonds	-	-	16,319,020	-
Investment securities	11,436,366	-	11,008,440	22,444,806
	98,581,929	**24,572,122**	**44,496,129**	**151,331,158**
Due to Banks	26,813,409	-	-	26,813,409
Customer Deposits	108,652,380	8,260,115	-	116,912,495
Debt securities issued	-	-	10,253,567	10,253,567
	135,465,789	**8,260,115**	**10,253,567**	**153,979,471**
Total interest re-pricing gap	**(36,883,859)**	**16,312,007**	**34,242,562**	**(2,648,313)**

BANK

	Re-pricing year			
In thousands of Naira	Less than 6 months	7 - 12 months	Above 1 year	Total
31 December 2022				
Money market placements	2,002,082	-	-	2,002,082
Loans and advances to customers:	55,785,017	20,352,811	21,225,468	97,363,296
Pledged assets - Tbills	27,138,626	-	-	27,138,626
Pledged assets - Bonds	-	-	16,916,486	16,916,486
Investment securities				
- Treasury Bills	11,686,151	605,340	-	12,291,491
-Bonds	-	-	227,477	227,477
-Commercial Paper	2,072,578	-	-	2,072,578
	98,684,455	**20,958,151**	**38,369,430**	**158,012,036**
Due to Banks	9,903,991	17,089,270	-	26,993,262
Customer Deposits	131,953,548	17,388,036	2,630,880	151,972,464
Debt securities issued	-	-	10,378,471	10,378,471
	141,857,539	**34,477,306**	**13,009,351**	**189,344,197**
Total interest re-pricing gap	**(43,173,084)**	**(13,519,155)**	**25,360,079**	**(31,332,161)**

In thousands of Naira	Less than 6 months	7 - 12 months	Above 1 year	Total
31 December 2021				
Money market placements	5,837,986	-	-	5,837,986
Loans and advances to customers:	46,682,907	26,572,121	17,168,668	90,423,696
Pledged assets - Tbills	33,697,517	-	-	33,697,517
Pledged assets - Bonds	-	-	16,319,020	16,319,020
Investment securities	11,436,366	-	7,987,725	19,424,091
Treasury bills	43,934,033	-	-	43,934,033
	141,588,808	**26,572,122**	**41,475,413**	**209,636,342**
Due to Banks	26,813,409	-	-	26,813,409
Customer Deposits	108,909,369	7,980,097	-	116,889,466
Debt securities issued	-	-	10,361,697	10,361,697
Interest bearing borrowings	-	-	-	-
	135,722,778	**7,980,097**	**10,361,697**	**154,064,571**
Total interest re-pricing gap	**5,866,031**	**18,592,025**	**31,113,717**	**55,571,770**

The table below sets out information on the exposure to fixed and variable interest instruments.

GROUP

In thousands of Naira

31 December 2022	Fixed	Non-interest bearing	Total
ASSETS			
Balances with banks	3,233,035	78,006,034	81,239,070
Derivative financial assets	-	9,214,855	9,214,855
Loans and advances to customers	96,624,795	-	96,624,795
Pledged assets	44,055,112	-	44,055,112
Investment securities	14,582,067	158,196	14,740,264
Other assets	-	30,726,919	30,726,919
TOTAL	**158,495,010**	**118,106,005**	**276,601,014**
LIABILITIES			
Derivative financial liabilities	-	9,160,449	9,160,449
Due to Banks	26,993,262	-	26,993,262
Customer Deposits	37,147,037	114,865,998	152,013,035
Other liabilities	12,696,311	38,948,489	51,644,800
Debt securities issued	10,268,478	-	10,268,478
TOTAL	**87,105,088**	**162,974,936**	**250,080,024**

31 December 2021	Fixed	Non-interest bearing	Total
ASSETS			
Balances with banks	6,765,141	50,421,557	57,186,698
Derivative financial financial assets	-	3,149,319	3,149,319
Loans to banks and other financial institutions	4,978	-	4,978
Loans and advances to customers	88,382,235	-	88,382,235
Pledged assets	50,016,537	-	50,016,537
Investment securities	22,444,806	329,371	22,774,177
Other assets	-	20,006,391	20,006,391
TOTAL	**167,613,696**	**73,906,638**	**241,520,333**
LIABILITIES			
Derivative financial liabilities	-	3,072,162	3,072,162
Due to Banks	26,813,409	-	26,813,409
Customer Deposits	86,341,513	30,570,983	116,912,496
Other liabilities	-	62,872,863	62,872,863
Debt securities issued	10,253,567	-	-
TOTAL	**123,408,488**	**96,516,008**	**209,670,930**

BANK

In thousands of Naira

31 December 2022	Fixed	Non-interest bearing	Total
ASSETS			
Balances with banks	2,002,082	77,875,856	79,877,938
Financial assets held for trading	-	-	-
Derivative financial financial assets	-	9,214,855	9,214,855
Loans to banks and other financial institutions	-	-	-
Loans and advances to customers	97,363,297	-	97,363,297
Pledged assets	44,055,112	-	44,055,112
Investment securities	14,577,567	-	14,577,567
Other assets	-	31,112,691	31,112,691
TOTAL	**157,998,058**	**118,203,401**	**276,201,459**
LIABILITIES			
Derivative financial liabilities	-	9,160,449	9,160,449
Due to Banks	26,993,262	-	26,993,262
Customer Deposits	37,106,466	114,865,998	151,972,464
Other liabilities	12,696,311	38,900,424	51,596,735
Debt securities issued	10,378,471	-	-
TOTAL	**87,174,510**	**162,926,870**	**239,722,909**

In thousands of Naira

31 December 2021	Fixed	Non-interest bearing	Total
ASSETS			
Balances with banks	5,837,986	50,269,560	56,107,545
Financial assets held for trading	-	-	-
Derivative financial financial assets	-	3,149,319	3,149,319
Loans to banks and other financial institutions	-	-	-
Loans and advances to customers	90,382,235	-	90,382,235
Pledged assets	50,016,537	-	50,016,537
Investment securities	19,424,091	-	19,424,091
Other assets	-	20,408,370	20,408,370
TOTAL	**165,660,848**	**73,827,249**	**239,488,096**
LIABILITIES			
Derivative financial liabilities	-	3,072,162	3,072,162
Due to Banks	26,813,409	-	26,813,409
Customer Deposits	30,547,954	86,341,513	116,889,466
Other liabilities	-	61,322,682	61,322,682
Debt securities issued	10,333,708	-	-
TOTAL	**67,695,070**	**150,736,356**	**208,097,719**

Interest rate risk

Cash flow interest rate risk 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 value of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow and fair value Interest rate risk

The Bank's interest rate risk arises from risk assets, deposits from banks and customers. Other financial liabilities issued at fixed rates expose the group to fair value interest rate risk.

The management of interest rate risk against interest rate gap limits is supplemented with monitoring the sensitivity of the Bank's financial assets and liabilities to various scenarios.

Interest rate movement have both cash flow and fair value effect depending on whether interest rate is fixed or floating. The impact resulting from adverse or favourable movement flows from either retained earnings or OCI and ultimately ends in equity in the following manner:

(i) Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.

(ii) Fair value reserves arising from increases or decreases in fair value through other comprehensive income financial instruments reported directly in other comprehensive income.

5.2.3 The table below summaries the Bank's financial instruments at carrying amount, categorised by currency:

Financial instruments by currency
GROUP
In thousands of Naira

31 December 2022	Total	Naira	USD	EUR	GBP
Balances with banks	81,239,070	47,819,469	29,865,594	3,551,903	2,103
Derivative financial assets	9,214,855	-	9,214,855	-	-
Loans and advances to customers	96,624,795	73,203,801	23,151,012	269,422	560
Pledged assets					
- Treasury bills	27,138,626	27,138,626	-	-	-
- Bonds	16,916,486	16,916,486	-	-	-
Investment securities	14,740,264	14,740,264	-	-	-
Other assets	30,726,919	1,131,859	29,294,481	296,261	4,318
	276,601,014	**180,950,504**	**91,525,942**	**4,117,587**	**6,981**
Derivative financial liabilities	9,160,449	-	9,160,449	-	-
Due to Banks	26,993,262	-	26,670,357	322,905	-
Due to customers	152,013,035	137,638,856	11,741,898	2,630,880	1,400
Other liabilities	51,644,800	18,491,450	32,143,914	1,007,960	1,476
Debt securities issued	10,268,478	10,268,478	-	-	-
	250,080,024	**166,398,785**	**79,716,618**	**3,961,744**	**2,877**
Off balance sheet exposures					
Transaction related bonds and guarantees	1,378,847	1,378,847	-	-	
Clean line facilities for letters of credit and other commitments	37,695,684	1,040,607	36,358,470	296,607	
	39,074,532	2,419,454	36,358,470	296,607	

31 December 2021	Total	Naira	US	Euro	GBP
Balances with banks	57,186,698	36,259,691	18,485,725	2,456,415	(15,133)
Derivative financial assets	3,149,319	-	3,149,319	-	-
Loans to banks and other financial institutions	-	-	-	-	-
Loans and advances to customers	88,382,235	66,079,204	22,170,256	132,776	-
Pledged assets					
- Treasury bills	33,697,517	33,697,517	-	-	-
- Bonds	16,319,020	16,319,020	-	-	-
Investment securities	22,774,177	22,774,177	-	-	-
Other assets	20,006,391	6,375,430	13,546,993	83,738	229
	241,515,356	**181,505,040**	**57,352,293**	**2,672,928**	**(14,904)**
Derivative financial liabilities	3,072,162	-	3,072,162	-	-
Due to Banks	26,813,409	-	27,178,835	(365,426)	-
Due to customers	116,912,496	103,731,840	10,775,973	2,403,240	1,443
Other liabilities	62,872,863	43,360,366	19,498,144	14,354	-
Debt securities issued	10,253,567	10,253,567	-	-	-
	219,924,497	**157,345,773**	**60,525,114**	**2,052,167**	**1,443**
Off balance sheet exposures					
Transaction related bonds and guarantees	5,009,651	5,009,651	-	-	
Clean line facilities for letters of credit and other commitments	29,217,485	-	29,217,485	-	
	34,227,136	5,009,651	29,217,485	-	

Bank

In thousands of Naira

31 December 2022	Total	Naira	USD	EUR	GBP
Balances with banks	79,877,938	46,459,249	29,864,683	3,551,903	2,103
Derivative financial assets	9,214,855	-	9,214,855	-	-
Loans and advances to customers	97,363,296	73,942,302	23,151,012	269,422	560
Pledged assets					
- Treasury bills	27,138,626	27,138,626	-	-	-
- Bonds	16,916,486	16,916,486	-	-	-
Investment securities					
Treasury bills	12,277,512	12,277,512	-	-	-
Bonds	227,477	227,477	-	-	-
Commercial Paper	2,072,578	2,072,578	-	-	-
Other assets	31,112,691	1,517,631	29,294,481	296,261	4,318
	276,201,459	**180,551,860**	**91,525,030**	**4,117,587**	**6,981**
Derivative financial liabilities	9,160,449	-	9,160,449	-	-
Due to Banks	26,993,262	-	26,724,629	268,633	-
Due to customers	151,972,464	137,598,285	11,741,898	2,630,880	1,400
Other liabilities	51,596,735	18,443,384	32,143,914	1,007,960	1,476
Debt securities issued	10,378,471	10,378,471	-	-	-
	250,101,380	**166,420,141**	**79,770,890**	**3,907,472**	**2,877**
Off balance sheet exposures					
Transaction related bonds and guarantees	1,378,847	1,378,847	-	-	-
Clean line facilities for letters of credit and other commitments	37,695,684	1,040,607	36,358,470	296,607	-
	39,074,532	2,419,454	36,358,470	296,607	-

In thousands of Naira

31 December 2021	Total	Naira	US	Euro	GBP
Balances with banks	56,107,545	35,180,539	18,485,725	2,456,415	(15,133)
Derivative financial assets	3,149,319	-	3,104,131	-	-
Loans to banks and other financial institutions	-	-	-	-	-
Loans and advances to customers	90,382,235	68,079,204	22,170,256	132,776	-
Pledged assets					
- Treasury bills	33,697,517	33,697,517	-	-	-
- Bonds	16,319,020	16,319,020	-	-	-
Investment securities	19,424,091	19,424,091	(0)	-	-
Other assets	20,408,370	6,777,410	13,546,993	83,738	229
	239,488,097	**179,477,781**	**57,307,105**	**2,672,928**	**(14,904)**
Derivative financial liabilities	3,072,162	-	3,072,162	-	-
Due to Banks	26,813,409		27,178,835	(365,426)	-
Due to customers	116,889,467	103,708,811	10,775,973	2,403,240	1,443
Other liabilities	61,322,682	41,810,184	19,498,144	14,354	-
Debt securities issued	10,361,697	10,361,697	-	-	-
	218,459,416	**155,880,692**	**60,525,114**	**2,052,167**	**1,443**
Off balance sheet exposures					
Transaction related bonds and guarantees	5,009,651	5,009,651	-	-	-
Clean line facilities for letters of credit and other commitments	29,217,485	-	29,217,485	-	-
	34,227,136	5,009,651	29,217,485	-	-

5.3 Liquidity risk management

The following table shows the undiscounted cash flows on the Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

The amounts in the table below have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest year in which the guarantee could be called.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising Cash and balances with banks and debt securities issued by federal government, which can be readily sold to meet liquidity requirements.
In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral.

Residual contractual maturities of financial assets and liabilities

GROUP **31 December 2022** *In thousands of Naira*	Carrying amount	Gross nominal inflows/outflows	Less than 3 months	3 months -12 months	More than 1 year
Assets					
Balances with banks	81,239,070	81,239,070	81,239,070	-	-
Loans and advances to customers	96,624,795	96,624,795	10,935,265	64,464,062	21,225,468
Pledged assets	44,055,112	71,694,752	9,240,207	19,438,058	43,016,487
Investment securities	14,740,264	15,068,991	11,782,589	2,011,066	1,275,336
Other assets	30,726,919	30,726,919	30,391,761	-	335,158
	267,386,160	**295,354,527**	**143,588,892**	**85,913,186**	**65,852,449**
Liabilities					
Due to Banks	26,993,262	27,390,569	21,830,134	5,560,435	-
Deposits	152,013,035	153,182,521	131,166,326	22,016,195	-
Other liabilities	51,644,800	51,644,800	43,196,503	8,386,283	62,014
Debt securities issued	10,268,478	15,838,454	598,701	588,939	14,650,814
	241,031,226	248,167,995	196,791,663	36,551,852	14,824,480
Gap (asset - liabilities)	**26,354,934**	**47,186,531**	**(53,202,771)**	**49,361,334**	**51,027,969**
Off balance-sheet					
Transaction related bonds and guarantees	1,378,847	1,378,847	378,847	1,000,000	-
Clean line facilities for letters of credit and other commitment	37,695,684	38,074,532	17,993,889	20,080,643	-
	39,074,532	**39,453,379**	**18,372,736**	**21,080,643**	-

GROUP **31 December 2021** *In thousands of Naira*	Carrying amount	Gross nominal inflows/outflows	Less than 3 months	3 months -12 months	More than 1 year
Assets					
Balances with banks	57,186,698	57,186,698	57,186,698	-	-
Loans and advances to customers	88,382,235	103,121,050	29,730,667	44,875,782	28,514,601
Pledged assets	50,016,537	78,952,297	3,248,218	31,885,206	43,818,873
Investment securities	22,774,177	30,934,437	10,142,314	2,674,480	18,117,643
Other assets	20,006,391	20,006,391	19,671,233	-	335,158
	238,371,015	**290,205,850**	**119,984,107**	**79,435,468**	**90,786,275**
Liabilities					
Due to Banks	26,813,409	26,791,210	537,995	26,253,215	-
Due to financial institutions	37,056,471	37,056,471	46,125,181	-	-
Due to customers	71,190,309	-	62,930,193	8,260,115	-
Due to customers	116,912,496	117,390,036	106,637,518	10,752,518	-
Other liabilities	61,322,682	61,322,682	61,322,682	-	-
Debt securities issued	10,253,567	17,082,865	600,697	590,903	15,891,265
	215,413,805	222,698,444	169,098,892	37,596,636	16,002,916
Gap (asset - liabilities)	**22,957,211**	**67,507,406**	**(49,114,784)**	**41,838,833**	**74,783,358**
Off balance-sheet					
Transaction related bonds and guarantees	5,009,651	5,009,651	-	5,009,651	-
Clean line facilities for letters of credit and other commitment	29,217,485	-	-	29,217,485	-
	34,227,137	**5,009,651**	-	**34,227,137**	-

BANK
31 December 2022
In thousands of Naira

	Carrying amount	Gross nominal inflows/outflows	Less than 3 months	12 months	More than 1 year
Assets					
Balances with banks	79,877,938	79,877,938	79,877,938	-	-
Loans and advances to customers	97,363,297	97,398,657	10,935,265	65,202,563	21,260,829
Pledged assets	44,055,112	71,694,752	9,240,207	19,438,058	43,016,487
Investment securities	14,577,567	14,906,294	11,624,393	2,011,066	1,270,836
Other assets	31,112,691	31,112,691	30,777,533	-	335,158
	266,986,605	**294,990,332**	**142,455,336**	**86,651,687**	**65,883,310**
Liabilities					
Due to Banks	26,993,262	27,390,569	21,830,134	5,560,435	-
Due to customers	151,972,464	153,141,911	131,125,716	22,016,195	-
Other liabilities	51,596,735	51,596,735	51,596,735	-	-
Debt securities issued	10,378,471	16,003,288	604,932	595,068	14,803,288
	240,940,931	248,132,502	205,157,516	28,171,698	14,803,288
Gap (asset - liabilities)	**26,045,673**	**46,857,829**	**(62,702,180)**	**58,479,989**	**51,080,022**
Off balance-sheet					
Transaction related bonds and guarantees	1,378,847	1,378,847	378,847	1,000,000	-
Clean line facilities for letters of credit and other commitment	37,695,684	38,074,532	17,993,889	20,080,643	-
	39,074,532	**39,453,379**	**18,372,736**	**21,080,643**	**-**

BANK
31 December 2021
In thousands of Naira

	Carrying amount	Gross nominal inflows/outflows	Less than 3 months	12 months	More than 1 year
Assets					
Balances with banks	46,822,920	46,822,920	46,822,920	-	-
Loans and advances to customers	90,382,235	105,124,854	29,730,667	46,879,586	28,514,601
Pledged assets	50,016,537	78,952,297	3,248,218	31,885,206	43,818,873
Investment securities	22,774,177	30,934,437	10,142,314	2,674,480	18,117,643
Other assets	20,408,370	20,408,370	20,073,213	-	335,158
	230,404,240	**282,242,879**	**110,017,332**	**81,439,272**	**90,786,275**
Liabilities					
Due to Banks	26,813,409	26,791,210	537,995	26,253,215	-
Due to customers	116,889,467	117,367,007	106,614,489	10,752,518	-
Other liabilities	61,322,682	61,322,682	61,322,682	-	-
Debt securities issued	10,361,697	17,203,288	604,932	595,068	16,003,288
	215,387,254	222,684,187	169,080,098	37,600,801	16,003,288
Gap (asset - liabilities)	**15,016,986**	**59,558,692**	**(59,062,765)**	**43,838,471**	**74,782,987**
Off balance-sheet					
Transaction related bonds and guarantees	5,009,651	-	-	5,009,651	-
Clean line facilities for letters of credit and other commitment	29,217,485	-	-	29,217,485	-
	34,227,137	**-**	**-**	**34,227,137**	**-**

Derivatives settled on a gross basis

The Bank's derivatives that will be settled on a gross basis are foreign exchange derivatives. The table below analyses the Bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. Contractual maturities are assessed to be essential for an understanding of the timing of the cashflows on all derivatives including derivatives classified as "Liabilities held for trading". The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP
31 December 2022
In thousands of Naira

	1- 3 months	Total
Liabilities held for trading		
Forward contracts - Payment	22,113,405	22,113,405
Forward contracts - Receipt	22,130,593	22,130,593
Swap contracts (inflow)	-	-
Swap contracts (outflow)	-	-
Total inflows	22,130,593	
Total outflows	22,113,405	

31 December 2021
In thousands of Naira

Liabilities held for trading		
Forward contracts - Payment	10,989,514	10,989,514
Forward contracts - Receipt	10,990,460	10,990,460
Swap contracts (inflow)	-	-
Swap contracts (outflow)	-	-
Total Inflows	10,990,460	
Total outflows	10,989,514	

	1- 3 months	Total

BANK
31 December 2022
In thousands of Naira

	1- 3 months	Total
Liabilities held for trading		
Forward contracts - Payment	22,113,405	22,113,405
Forward contracts - Receipt	22,130,593	22,130,593
Total inflows	22,130,593	22,130,593
Total outflows	22,113,405	22,113,405

31 December 2021
In thousands of Naira

Liabilities held for trading		
Forward contracts - Payment	10,989,514	10,989,514
Forward contracts - Receipt	10,990,460	10,990,460
Total inflows	10,990,460	10,990,460
Total outflows	10,989,514	10,989,514

5.4 ECL Coverage Ratio
In thousands of Naira

31 December 2022	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
Financial statements items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
									%	%	%	%
On-balance sheet items												
Cash and balances with central banks	79,877,938	-	-	79,877,938	-	-	-	-	-	-	-	-
Loans and advances to customers at amortised cost	93,060,794	4,188,874	148,989	97,398,657	24,458	5,560	5,343	35,361	0.03	0.00	0.00	0.03
Debt investment securities at amortised cost	11,708,562	-	-	11,708,562	13,978	-	-	13,978	0.12	-	-	-
Pledged Assets	44,097,355	-	-	44,097,355	42,243	-	-	42,243	0.10	-	-	-
Debt investment securities at Fair value	973,102	-	-	973,102	-	-	-	-	-	-	-	-
Other assets	31,112,691	-	-	31,112,691	-	-	-	-	-	-	-	-
Sub total	**260,830,442**	**4,188,874**	**148,989**	**265,168,305**	**80,679**	**5,560**	**5,343**	**91,582**	**0.24**	**0.00**	**0.0**	**0.03**
Off-balance sheet items												
Loan and other credit related commitments												
- Letter of credits	29,981,736	5,188,985	1,484,357	36,655,078	193,268	-	-	193,268	0.527	-	-	0.53
contracts												
- financial guarantees	1,378,847	-		1,378,847	-	-	-	-	-	-	-	-
Loan commitments	1,040,607	-	-	1,040,607	-	-	-	-	-	-	-	-
Sub total	**32,401,190**	**5,188,985**	**1,484,357**	**39,074,532**	**193,268**	**-**	**-**	**193,268**	**0.527**	**-**	**-**	**0.53**
Total												

31 December 2021	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
Financial statements items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
									%	%	%	%
On-balance sheet items												
Cash and balances with central banks	57,186,698	-	-	57,186,698	-	-	-	-	-	-	-	-
Placements and other short term investments	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers at amortised cost	90,081,678	3,149	338,868	90,423,696	4,573	-	36,889	41,461	0.01	-	0.0	0.01
Debt investment securities at amortised cost	18,073,115	-	-	18,073,115	85,826	-	-	85,826	0.47	-	-	-
Debt investment securities at Fair value	4,786,889	-	-	4,786,889	-	-	-	-	-	-	-	-
Other assets	20,408,370			20,408,370								
Debt securities at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-
Sub total	**190,536,750**	**3,149**	**338,868**	**190,878,767**	**90,399**	**-**	**36,889**	**127,287**	**0.48**	**-**	**0.0**	**0.01**
Off-balance sheet items												
Loan and other credit related commitments												
- Letter of credits	29,217,485	-	-	29,217,485	18,218	-	-	18,218	0.062	-	-	0.06
contracts												
- financial guarantees	3,431,217	-		3,431,217	-	-	-	-	-	-	-	-
Loan commitments	1,578,434	-	-	1,578,434	-	-	-	-	-	-	-	-
Sub total	**34,227,136**	**-**	**-**	**34,227,136**	**18,218**	**-**	**-**	**18,218**	**0.062**	**-**	**-**	**0.06**
Total												

Facilities held by the bank are classified across stage 1, stage 2 and stage 3.

5.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:
i) To comply with the capital requirements set by the Central Bank of Nigeria;
ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
iii) To maintain a strong capital base to support the development of its business.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained for merchant banks . The Standardised approach has been adopted in computing the risk weighted assets for Credit, Operational, and Market Risk. The following table provides an overview of the development of the capital ratios and risk-weighted assets (RWA):
The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises:
- Tier 1 capital: This includes ordinary share capital, share premium, retained earnings and other reserves excluding regulatory reserves. Intangible assets, deferred tax assets and investment in subsidiaries were also deducted from Tier I capital for capital adequacy purposes; and
- Tier 2 capital: This includes fair value reserves, foreign currency translation reserves with adjustments for investments in subsidiaries.

In thousands of Naira	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Tier 1 capital				
Ordinary share capital	16,000,000	16,000,000	16,000,000	16,000,000
Retained earnings	5,144,471	3,010,297	5,149,310	2,899,625
Other reserves	5,590,561	4,613,017	5,590,561	4,613,017
Non-controlling interests	34,792	-	-	-
	26,769,824	**23,623,314**	**26,739,871**	**23,512,642**
Add/(less):				
Fair value reserve	38,684	25,291	38,684	25,291
Total Tier 1	**26,731,140**	**23,598,023**	**26,701,187**	**23,487,351**
Less:				
Deferred tax assets	(454,490)	(448,407)	(443,497)	(443,497)
Regulatory risk reserve	(2,101,521)	(2,101,521)	(2,101,521)	(2,101,521)
Intangible assets	(933,251)	(579,258)	(907,539)	(544,976)
Adjusted Tier 1	**23,241,877**	**20,468,836**	**23,248,628**	**20,397,357**
Sub-ordinated debt	10,268,478	10,253,567	10,378,471	10,361,697
Fair value reserve	38,684	25,291	38,684	25,291
Total Tier 2	**10,307,163**	**10,278,858**	**10,417,156**	**10,386,988**
Adjusted Tier 2 capital (33% of Tier 1)	**7,746,518**	**6,822,263**	**7,748,768**	**6,798,439**
Total regulatory capital	**30,988,395**	**27,291,099**	**30,997,396**	**27,195,795**
Risk-weighted assets	133,385,951	93,883,976	133,385,951	93,883,976
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	23.23%	29.07%	23.24%	28.97%
Total tier 1 capital expressed as a percentage of risk-weighted assets	17.42%	21.80%	17.43%	21.73%

	In thousands of Naira	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
6	**Interest income calculated using effective interest rate**				
a.	**Interest income at FVOCI**				
	Bonds	37,771	349,630	103	344,410
	Treasury bills	385,146	1,036,753	385,146	1,036,753
	Total	**422,917**	**1,386,383**	**385,249**	**1,381,164**
b	**Interest income at amortised cost**				
	Placements	770,173	2,322,264	577,019	2,316,806
	Loans and advances to customers	13,556,043	8,065,952	13,556,043	8,065,952
	Treasury bills	152,373	-	152,373	-
	Bond	1,663,806	290,412	1,524,547	290,412
	Commercial Paper	72,578	-	72,578	-
		16,214,973	10,678,628	15,882,560	10,673,170
	Total interest income	**16,637,890**	**12,065,011**	**16,267,808**	**12,054,334**

		Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
7	**Interest expense**				
	Deposit from banks	1,891,869	1,753,865	1,891,869	1,753,865
	Deposit from customers	9,902,560	7,558,743	9,476,128	7,558,743
	Interest expense on lease liability	17,955	15,468	17,955	15,468
	Interest expense on margin	1,822,915	1,081,579	1,822,915	1,081,579
	Interest expense on debt securities	1,903,866	1,218,315	1,917,882	1,227,988
	Interest expense due to banks	438,900	247,983	438,900	247,983
	Total	**15,978,066**	**11,875,953**	**15,565,650**	**11,885,626**

		Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
8	**Impairment charge/(write back) for credit losses**				
	Impairment (see note below)	139,345	(7,104)	139,345	(7,104)
		139,345	**(7,104)**	**139,345**	**(7,104)**
	ECL impairment (writeback)/charge on loans and advance to customers (note 18)	(6,100)	(56,914)	(6,100)	(56,914)
	ECL impairment writeback on placement (note 16)	-	(80)	-	(80)
	ECL impairment charge/(writeback) on off balance sheet engagements (note 27)	175,050	(35,937)	175,050	(35,937)
	ECL impairment (writeback)/ charge on investment securities (note 19)	(71,848)	85,826	(71,848)	85,826
	ECL impairment (writeback)/ charge on Pledged Assets (note 19)	42,243	-	42,243	-
		139,345	**(7,104)**	**139,345**	**(7,104)**

		Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
9	**Net Fee and commission income**				
	Credit related fees	213,874	350,247	213,874	334,845
	Other fee & Commission income	1,666,006	554,816	1,658,634	535,763
	Fee and commission income	**1,879,880**	**905,063**	**1,872,508**	**870,608**
	Fee and commisison expense	(3,550)	(77,977)	(1,235)	(71,876)
	Net fee and commission income	**1,876,331**	**827,087**	**1,871,274**	**798,732**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
10 Net gains on financial instruments held for trading				
Nigerian Treasury Bills & Bonds	952,718	1,408,305	961,458	1,418,474
Derivatives	54,406	78,279	54,406	78,279
	1,007,124	1,486,585	1,015,864	1,496,753

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
11 Net foreign exchange gain				
Foreign currency revaluation gain/loss	702,185	1,693,035	702,185	1,690,887
Foreign currency income	3,064,372	792,225	3,064,372	792,225
	3,766,558	2,485,260	3,766,558	2,483,112

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
12 Other income				
Other sundry income	50,120	157,281	39,626	29,796
Profit on disposal of property and equipment	3,771	12,794	3,771	12,794
	53,892	**170,075**	**43,397**	**42,589**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
13 Operating expenses				
Staff cost (note (i))	1,015,734	906,559	960,441	806,122
Contract Staff cost	7,333	11,151	7,333	11,151
Depreciation	260,658	267,704	260,135	267,496
Depreciation of right of use asset	15,887	15,887	15,887	15,887
Amortisation	186,964	172,321	178,393	164,953
Professional fees and legal expense	198,471	137,760	196,089	128,534
Business travel expenses	37,074	16,555	37,074	16,533
Auditor's renumeration	50,844	30,640	49,845	30,000
Administrative expense	297,325	240,077	295,226	236,058
NDIC	575,877	400,320	575,877	400,320
Directors' emoluments (note (ii))	403,337	333,275	394,735	317,962
Stationeries, postage, printing and consumables	6,203	7,005	6,203	6,997
Penalty	10,345	100	10,000	-
Repairs and maintenance	45,248	37,945	45,248	37,850
Advertisement expense	40,781	92,372	40,086	92,212
Subscription expense	209,179	222,551	208,254	219,461
Other license fees	227,084	104,884	220,636	98,155
Other expenses	298,366	484,489	299,117	483,049
	3,886,711	**3,481,592**	**3,800,577**	**3,332,741**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
(i) Staff related costs, excluding executive directors, during the year amounted to:				
Wages, salaries, other benefits and staff costs	982,609	876,409	929,448	779,977
Pension costs - Defined contribution plan	33,125	30,149	30,992	26,145
	1,015,734	**906,559**	**960,441**	**806,122**

The number of persons employed by the Group and Bank during the year was as follows:	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Executive	3	3	3	3
Management	17	19	15	18
Non-management	76	76	73	67
	96	**98**	**91**	**88**

The number of employees of the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

N300,001 - N1,000,000	0	0	0	0
N1,000,001 - N3,000,000	11	14	11	14
N3,000,001 - N5,000,000	21	24	18	20
Above N5,000,000	61	57	59	51
	93	**95**	**88**	**85**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
(ii) Directors' emoluments and expenses Remuneration paid to the directors (excluding certain allowances) is shown below				
Fees and sitting allowances	110,100	67,650	110,100	67,650
Executive compensation	265,000	230,677	265,000	230,677
Pension cost - defined contribution scheme	11,102	9,889	11,102	9,889
Other directors expenses	8,533	9,746	8,533	9,746
	394,735	**317,962**	**394,735**	**317,962**

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefits) in the following ranges was

	Group Number of Directors		Bank Number of Directors	
N8,000,001 - N15,000,000	0	6	0	6
Above N15,000,0000	9	2	9	2
	9	8	9	8

14 Income tax expense

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Tax charge for the year comprises:				
a) Income tax charge				
NITDA levy	34,198	17,401	34,198	16,983
NASENI Levy	8,635	4,246	8,635	4,246
Police trustfund levy	173	83	173	80
Income tax expenses	1,711	835	-	-
Education tax	87,955	16,662	87,955	16,577
b) Minimum tax				
Minimum tax	114,532	42,176	114,532	42,176
Total current tax charge	**247,203**	**81,402**	**245,493**	**80,062**
b) Deferred tax				
Recognised in income statement:	(6,083)	(3,401)	-	-
Deferred tax from origination of temporary difference	-	-	-	-
Total deferred tax credit	**(6,083)**	**(3,401)**	**-**	**-**
Income tax charge/credit	**241,120**	**78,001**	**245,493**	**80,062**

(c) Reconciliation of effective tax rate

Profit before income tax	3,337,671	1,683,575	3,459,328	1,664,258
Effective tax as per accounts:				
Income tax using the companies income tax rate at 30%	1,001,301	505,072	1,037,798	499,277
Non-deductible expenses	720,875	1,158,941	719,164	1,158,106
Education tax	87,955	16,577	87,955	16,577
Minimum tax	114,532	42,176	114,532	42,176
NASENI Levy	8,635	4,246	8,635	4,246
Police Trust Fund Levy	173	83	173	80
Tax effect of unrelieved losses	(1,596,610)	(602,490)	(1,596,610)	(602,490)
Tax exempt income	(129,939)	(1,063,587)	(160,353)	(1,054,893)
Effect of NITDA levy	34,198	16,983	34,198	16,983
Total Income tax expense in income statement	**241,120**	**78,001**	**245,493**	**80,062**

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

Tax exempt income include income such as income on Federal Government of Nigeria Bonds which are exempt from income tax and other applicable taxes as gazetted by the Federal Government of Nigeria.

The movement in the current income tax liability is as follows:

Current tax payable	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
At 1 January	80,010	35,356	80,646	34,670
Tax paid	(64,943)	(36,748)	(63,335)	(34,085)
Income tax charge	247,203	81,402	245,493	80,062
At 31 December	**262,270**	**80,010**	**262,804**	**80,646**

Deferred tax asset	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
At 1 January	448,407	445,006	443,497	443,497
Deferred tax credit	6,083	3,401	-	-
At 31 December	454,490	448,407	443,497	443,497

Deferred income tax assets are attributable to the following items	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Property, Plant and Equipment	612,788	409,419	612,788	409,419
Provisions	92,576	-	92,576	-
Unrelieved losses	-	90,173	-	85,263
Right of use asset/Lease liability	(33,657)	(41,221)	(33,657)	(41,221)
Unrealised exchange difference	(228,210)	(9,964)	(228,210)	(9,964)
	443,497	448,407	443,497	443,497

(d) Deferred tax asset not recognised

The bank's deferred tax asset which typically arise from allowable loss, un-utilized capital allowance and ECL allowance on not credit impaired financial instruments is N1.06billion as at 31 December 2022. (2021: N921million). The bank has assessed based on its profit forecast, the extent to which there will be future taxable profits against which the deferred tax assets recognised, can be utilised. The value of unrecognized deferred tax asset as at 31 December 2022 is N620.94million (2021: N476million). The amount of deductible temporary differences for which no deferred tax asset is recognised is detailed below:

Group and Bank	Gross amount 2022	Tax Impact 2022	Gross amount 2021	Tax impact 2021
Deferred income tax assets are attributable to the following items				
Unrelieved losses	1,784,758	535,427	1,491,449	447,435
Unclaimed capital allowance	285,045	85,514	-	-
ECL Impairment allowance	-	-	97,332	29,196
	2,069,803	620,941	1,588,781	476,631

(e) Uncertain tax position

In evaluating income tax assets and liabilities, there may be some uncertainty relating to the interpretation of the tax regulations. It cannot be ruled out that the fiscal authority will take a completely different view on the correct interpretation of tax regulations. Uncertain tax assets and liabilities are recognised as soon as their probability of occurrence is more than 50 percent.

The bank prepares and files its tax returns based on an interpretation of tax laws and regulations, and records estimates based on these judgments and interpretations. Its tax returns are subject to examination by the competent taxing authorities, which may result in an assessment being made, requiring payments of additional tax, interest or penalties.

		Group December 2022 N'000	Group December 2021 N'000	Bank December 2022 N'000	Bank December 2021 N'000
15	**Earnings per share**				
	Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average				
	Profit for the period from continuing operations *(In thousands of Naira)*	3,111,719	1,568,611	3,227,229	1,547,299
	Weighted average number of ordinary shares in issue *(In thousands of units)*	16,000,000	16,000,000	16,000,000	16,000,000
	In kobo per share	19.45	9.80	20.17	9.67
	Basic earnings per share from continuing operations (annualised)				
	Diluted earnings per share from continuing operations (annualised)	19.45	9.80	20.17	9.67

		Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
16	**Balances with banks**				
16a	Balances held with Central bank of Nigeria and other banks				
	-Balances with the Central Bank of Nigeria other than mandatory reserve deposits	1,447,062	36,924	1,447,062	36,924
	-Balances with banks in Nigeria	220,895	174,362	91,766	23,414
	-Balances with banks outside Nigeria	33,418,689	18,591,486	33,418,689	18,591,486
		35,086,646	**18,802,772**	**34,957,518**	**18,651,824**
	Placement with Banks within 1 year	**3,233,035**	**6,765,141**	**2,002,082**	**5,837,986**
	ECL impairment charge	-	-	-	-
		3,233,035	6,765,141	2,002,082	5,837,986
	Mandatory reserve deposits with the Central Bank of Nigeria	42,919,388	31,618,785	42,918,338	31,617,735
		42,919,388	**31,618,785**	**42,918,338**	**31,617,735**
		81,239,070	**57,186,698**	**79,877,938**	**56,107,545**

Mandatory reserve deposits with the Central Bank of Nigeria are not available for use in the bank's day to day operations. This balance represents CBN Cash Reserve Requirement of N42.92Bn.

Included in balances with banks outside of Nigeria is an amount of N5.49Bn (31 Dec 2021: N8.06bn) representing the naira value of foreign currency 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 27).

16b	Cash and cash equivalent in statement of cashflow				
	Balances held with Central bank of Nigeria and other banks	35,086,646	18,802,772	34,957,518	18,651,824
	Placement with banks	3,233,035	6,765,141	2,002,082	5,837,986
		38,319,682	**25,567,912**	**36,959,599**	**24,489,809**

17 Derivative financial instruments

GROUP 2022

	Derivative financial assets		Derivative financial liabilities	
	Notional amount	Fair Value Assets	Notional amount	Fair Value (Liabilities)
Foreign exchange forward contracts	19,962,660	539,596	19,086,570	(518,554)
Foreign exchange futures	359,447	8,675,259	359,447	(8,641,894)
Derivative financial assets	20,322,107	9,214,855	19,446,017	(9,160,449)

GROUP 2021

	Derivative financial assets		Derivative financial liabilities	
	Notional amount	Fair Value Assets	Notional amount	Fair Value (Liabilities)
Foreign exchange forward contracts	27,334,088	1,082,449	27,334,090	(1,050,480)
Foreign exchange futures	350,475,580	2,066,869	350,475,580	(2,021,682)
	377,809,668	3,149,319	377,809,670	(3,072,162)

BANK 2022

	Derivative financial assets		Derivative financial liabilities	
	Notional amount Dec-22	Fair Value Assets / Dec-22	Notional amount Dec-22	Fair Value Assets / (Liabilities) Dec-22
Foreign exchange forward contracts	19,962,660	539,596	19,086,570	(518,554)
Foreign exchange futures	359,447	8,675,259	359,447	(8,641,894)
Derivative financial assets	20,322,107	9,214,855	19,446,017	(9,160,449)

BANK 2021

	Derivative financial assets		Derivative financial liabilities	
	Notional amount N'000	Fair Value Assets / N'000	Notional amount N'000	Fair Value Assets / (Liabilities) N'000
Foreign exchange forward contracts	27,334,088	1,082,449	27,334,090	(1,050,480)
Foreign exchange futures	152,940,178	2,066,869	152,985,365	(2,021,682)
Derivative financial assets	180,274,266	3,149,319	180,319,455	(3,072,162)

All derivative contracts are current in nature. Derivative financial instruments consist of futures & forward contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. The contracts have intended settlement dates of between 30 days and a year. The future contracts are considered to be valued with reference to data obtained from the Financial Market Dealer Quotation (FMDQ).

18 Loans and advances to customers

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Loans and advances to customers	96,445,054	88,194,431	97,183,555	90,194,431
Loans to staff	215,103	229,265	215,103	229,265
Allowance for impairment	(35,361)	(41,461)	(35,361)	(41,461)
	96,624,795	88,382,235	97,363,297	90,382,235
Current	75.372.571	71.255.028	76.111.072	73.255.028
Non-current	21,252,224	17,127,207	21,252,224	17,127,207
	96,624,795	88,382,235	97,363,296	90,382,235

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
The reconciliation of the ECL impairment charge on loans and advances to customers is stated below				
Balance at 1 January	41,462	98,375	41,462	98,375
Increase/(Decrease) in ECL impairment (see note 8)	(6,100)	(56,914)	(6,100)	(56,914)
At 31 December	**35,361**	**41,462**	**35,361**	**41,462**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
19 Financial assets				
Pledged assets (note a below)	44,055,112	50,016,537	44,055,112	50,016,537
Investment securities (note b below)	14,754,242	22,860,003	14,591,546	19,509,917
	58,809,354	**72,876,540**	**58,646,658**	**69,526,454**
19a Pledged assets				
Nigerian Treasury Bills	27,159,748	33,697,517	27,159,748	33,697,517
Federal Government of Nigeria bonds	16,937,607	16,319,020	16,937,607	16,319,020
Allowance for Impairment on Pledged Assets (see note 8)	(42,243)	-	(42,243)	-
	44,055,112	**50,016,537**	**44,055,112**	**50,016,537**
Current	27,117,505	33,697,517	27,117,505	33,697,517
Non-current	16,937,607	16,319,020	16,937,607	16,319,020
	44,055,112	**50,016,537**	**44,055,112**	**50,016,537**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
19b Investment securities				
Investment securities (see note (i))	14,754,242	22,860,003	14,591,546	19,509,917
Allowance for Impairment on Investment Securities	(13,978)	(85,826)	(13,978)	(85,826)
	14,740,264	**22,774,177**	**14,577,567**	**19,424,091**
Current	14,508,287	22,444,806	14,350,091	19,424,091
Non current	231,977	329,371	227,477	-
	14,740,264	**22,774,177**	**14,577,567**	**19,424,091**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
The reconciliation of the ECL impairment charge on investment securities is stated below				
Balance at 1 January	85,826	-	85,826	-
Increase/(Decrease) in ECL impairment (see note 8)	(71,847)	85,826	(71,847)	85,826
At 31 December	**13,978**	**85,826**	**13,978**	**85,826**
(i) Investment securities				
Debt securities at amortised cost	11,708,562	18,073,115	11,708,562	18,073,115
Mutual funds FVTPL	158,196	152,033	-	-
Quoted Equity FVTPL	-	177,339	-	-
Nigerian Treasury Bills FVOCI	810,405	1,436,802	810,405	1,436,802
Nigerian Treasury Bills FVTPL	-	-	-	
Federal Government of Nigeria (FGN) bonds FVOCI	4,500	3,020,715	-	-
Commercial Paper	2,072,578	-	2,072,578	
	14,754,242	**22,860,003**	**14,591,546**	**19,509,917**

20 Investment in Subsidiaries

Investment in Novambl Asset Management Ltd	-	-	148,500	148,500
Investment in Novambl Securities Ltd	-	-	282,667	282,667
	-	**-**	**431,167**	**431,167**

(a) The movement in investment subsidiaries is as follows:

Opening balance	-	-	431,167	415,000
Additions during the year	-	-	-	16,167
Closing balance	**-**	**-**	**431,167**	**431,167**

(b) Set out below is the group's subsidiaries as at 31 December 2022

Name of Subsidiary	Principal activi	Place of opera	Proportion of ownership interests
NovaMBL Asset Management Limited	Fund & Portfolio Management	Lagos	99%
Novambl Securities Limited	Stockbroking	Lagos	88%

(c) Condensed result of consolidated entities
The condensed financial data of the consolidated entities is as follows:

Condensed statement of comprehensive income	NovaMBL Asset		Novambl Securities Limited	
	December 2022	December 2021	December 2022	December 2021
Operating income	361,482	133,937	29,427	40,333
Operating expenses	(478,062)	(92,142)	(35,508)	(62,810)
Profit before tax	(116,580)	41,795	(6,081)	(22,476)
Taxation	2,877	(2,054)	1,496	4,114
Profit/(loss) for the year	(113,703)	39,740	(4,585)	(18,362)
Other comprehensive income			-	-
Total comprehensive income	(113,703)	39,740	(4,585)	(18,362)

Condensed statement of financial position	NovaMBL Asset Management Limited		Novambl Securities Limited	
	December 2022	December 2021	December 2022	December 2021
Cash and balances with banks	918,840	818,727	442,330	260,605
Investments	226,349	3,240,900	46,341	217,315
Other assets	65,599	36,858	11,409	7,836
Intangible assets	27,562	34,282	-	-
Property and equipment	897	1,220	250	366
Total assets	1,239,246	4,131,988	500,330	486,122
Financed by:				
Other liabilities	1,082,570	3,862,533	195,969	177,175
Equity	156,676	270,380	304,362	308,947
Total liabilities and equity	1,239,246	4,132,913	500,330	486,122
Net cashflow from operating activities	56,183,600	22,388,758	(76,209,345)	68,384,366
Net cashflow from investing activities	(1,934,437)	(13,375,103)	-	-
Net cashflow from financing activities	-	-	-	17,666,667
Increase in cash and cash equivalent	54,249,153	9,013,657	(76,209,346)	86,051,033
Cash and cash equivalent, beginning of year	18,726,875	9,713,218	132,400,440	46,349,407
Cash and cash equivalent, end of year	72,976,028	18,726,875	56,191,094	132,400,440

Nova Asset Management Limited had assets under management of N4.78bn as at 31 December 2022 (2021: N3.0Bn)

21 Other assets

in thousands of Naira

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Financial assets				
Contribution to AGSMEIS (note (i))	335,158	335,158	335,158	335,158
Foreign exchange settlement (note (ii))	16,336,644	18,113,814	16,336,644	18,113,814
Receivable from subsidiaries (note 33(ii)	-	-	450,368	440,273
Other receivables	14,054,887	1,557,374	13,990,291	1,519,081
Cash advance	230	45	230	45
	30,726,919	20,006,391	31,112,691	20,408,370
Non-financial assets				
Prepayments	205,052	60,523	205,044	60,523
	205,052	60,523	205,044	60,523
Total other assets	**30,931,971**	**20,066,913**	**31,317,735**	**20,468,893**
Current	30,726,919	20,006,391	31,112,691	20,408,370
Non-current	205,052	60,523	205,044	60,523
	30,931,971	**20,066,913**	**31,317,735**	**20,468,893**

(i) This represents contribution to Agri-Business/Small and Medium Investment Scheme aimed at supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. It is an initiative of the Bankers' Committee in which banks are required to set aside 5% of their Profit After Tax for investment in qualified players. The fund is domiciled in the Central Bank of Nigeria.

(ii) These amounts are receivables from the Central Bank of Nigeria for the purchase of foreign currency from the Retail Special Secondary Market Intervention Sales (SMIS) window.

22 Intangible assets

In thousands of naira

The intangible assets are not internally generated. The amortization method used is straight line and the charge for the year is included within operating expenses. WIP is not depreciated until brought into use.

Group
2022

31 December 2022	**Computer software**	**rk in progress**	**Total**
Cost			
Balance at 1 January	937,566	-	937,566
Additions	-	540,956	540,956
Reclassification	-	-	-
Balance at 31 December	937,566	540,956	1,478,522
Accumulated amortisation			
Balance at 1 January	358,308	-	358,308
Amortization	186,964	-	186,964
Balance at 31 December	545,271	-	545,271
Carrying amount			
Balance at 31 December 2022	**392,295**	**540,956**	**933,251**

2021

31 December 2021	**Computer software**	**rk in progress**	**Total**
Cost			
Balance at 1 January	806,422	80,665	887,087
Additions	31,938	18,541	50,479
Reclassification	99,206	(99,206)	-
Balance at 31 December	937,566	-	937,566
Accumulated amortisation			
Balance at 1 January	185,987	-	185,987
Amortization	172,321	-	172,321
Balance at 31 December	358,308	-	358,308
Carrying amount			
Balance at 31 December 2021	**579,258**	**-**	**579,258**

Bank

2022

31 December 2022	**Computer software**	**rk in progress**	**Total**
Cost	**N'000**	**N'000**	**N'000**
Balance at 1 January	895,916	-	895,916
Additions	0	540,956	540,956
Reclassification	-	-	-
Balance at 31 December	895,916	540,956	1,436,872
Accumulated amortisation			
Balance at 1 January	350,940	-	350,940
Amortization	178,393	-	178,393
Balance at 31 December	529,333	-	529,333
Carrying amount			
Balance at 31 December 2022	**366,583**	**540,956**	**907,539**

2021

31 December 2021	**Computer software**	**rk in progress**	**Total**
Cost	**N'000**	**N'000**	**N'000**
Balance at 1 January	806,422	51,940	858,362
Additions	19,013	18,541	37,554
Reclassification	70,481	(70,481)	-
Balance at 31 December	895,916	-	895,916
Accumulated amortisation			
Balance at 1 January	185,987	-	185,987
Amortization	164,953	-	164,953
Balance at 31 December	350,940	-	350,940
Carrying amount			
Balance at 31 December 2021	**544,976**	**-**	**544,976**

23 Property and equipment

In thousands of Naira

Group

31 December 2022

	Office equipment	IT equipments	Furnitures & Fittings	Motor Vehicles	Leasehold Improvement	WIP	Total
Cost							
Balance as at 1 January 2022	59,291	446,828	72,018	563,577	366,170	679,053	2,186,936
Acquisitions	1,090	13,797	768	29,003	-	328,420	373,078
Disposal	-	-	-	(97,201)	-	-	(97,201)
Reclassification	-	-	-	-	-	(1,161)	(1,161)
Balance as at 31 December 2022	**60,380**	**460,626**	**72,786**	**495,379**	**366,170**	**1,006,312**	**2,461,652**
Depreciation							
Balance as at 1 January 2022	44,006	288,756	45,086	305,083	138,919	-	821,850
Charge for the period	10,772	90,992	14,506	104,290	40,098	-	260,657
Disposal	-	-	-	(74,539)	-	-	(74,539)
Balance as at 31 December 2022	**54,777**	**379,748**	**59,592**	**334,835**	**179,017**	**-**	**1,007,969**
Carrying amount							
Balance as at 31 December 2022	**5,603**	**80,878**	**13,194**	**160,544**	**187,152**	**1,006,312**	**1,453,684**

31 December 2021

	Office equipment	IT equipments	Furnitures & Fittings	Motor Vehicles	Leasehold Improvement	WIP	Total
Cost							
Balance as at 1 January 2021	58,069	420,271	62,293	653,127	356,956	9,192	1,559,910
Acquisitions	1,221	26,557	9,725	32,250	2,473	676,601	748,828
Disposal	-	-	-	(121,800)	-	-	(121,800)
Reclassification	-	-	-	-	6,740	(6,740)	-
Balance as at 31 December 2021	**59,291**	**446,828**	**72,018**	**563,577**	**366,170**	**679,053**	**2,186,936**
Depreciation							
Balance as at 1 January 2021	32,221	200,652	31,844	263,242	99,334	-	627,294
Charge for the period	11,785	88,105	13,241	114,988	39,585		267,704
Disposal	-	-	-	(73,147)	-		(73,147)
Balance as at 31 December 2021	**44,006**	**288,756**	**45,086**	**305,083**	**138,919**	**-**	**821,850**
Carrying amount							
Balance as at 31 December 2021	**15,285**	**158,072**	**26,933**	**258,493**	**227,250**	**679,053**	**1,365,086**

Bank

31 December 2022

	Office equipment	IT equipments	Furnitures & Fittings	Motor Vehicles	Leasehold Improvement	WIP	Total
Cost							
Balance as at 1 January 2022	59,208	445,800	70,625	563,577	366,030	679,053	2,184,293
Acquisitions	1,006	13,797	768	29,004		326,570	371,144
Disposal	-	-	-	(97,201)	-	-	(97,201)
Reclassification	-	-	-	-		(1,161)	(1,161)
Balance as at 31 December 2022	**60,214**	**459,598**	**71,393**	**495,379**	**366,030**	**1,004,462**	**2,457,074**
Depreciation							
Balance as at 1 January 2022	43,962	288,507	44,366	305,083	138,875	-	820,793
Charge for the period	10,750	90,786	14,228	104,290	40,081	-	260,135
Disposal	-	-	-	(74,539)	-	-	(74,539)
Balance as at 31 December 2022	**54,711**	**379,293**	**58,594**	**334,835**	**178,956**	**-**	**1,006,388**
Carrying amount							
Balance as at 31 December 2022	**5,503**	**80,305**	**12,799**	**160,544**	**187,073**	**1,004,462**	**1,450,686**

31 December 2021

	Office equipment	IT equipments	Furnitures & Fittings	Motor Vehicles	Leasehold Improvement	WIP	Total
Cost							
Balance as at 1 January 2021	57,987	419,693	60,900	653,127	356,816	9,192	1,557,715
Acquisitions	1,221	26,107	9,725	32,250	2,473	676,601	748,377
Disposal	-	-	-	(121,800)	-	-	(121,800)
Reclassification	-	-	-	-	6,740	(6,740)	-
Balance as at 31 December 2021	**59,208**	**445,800**	**70,625**	**563,577**	**366,030**	**679,053**	**2,184,293**
Depreciation							
Balance as at 1 January 2021	32,193	200,556	31,146	263,242	99,307	-	626,444
Charge for the period	11,768	87,951	13,220	114,988	39,568	-	267,496
Disposal	-	-	-	(73,147)	-	-	(73,147)
Balance as at 31 December 2021	**43,962**	**288,507**	**44,366**	**305,083**	**138,875**	**-**	**820,793**
Carrying amount							
Balance as at 31 December 2021	**15,247**	**157,293**	**26,260**	**258,493**	**227,155**	**679,053**	**1,363,500**

24 Right of use assets

Group and Bank

	Building	Total
Opening balance at 1 January 2022	296,714	296,714
Additions in the year	-	-
Closing balance as at 31 December 2022	296,714	296,714
Depreciation		
	N'000	**N'000**
Opening balance as at 1 January 2022	47,660	47,660
Charge for the year	15,887	15,887
Closing balance as at 31 December 2022	63,547	63,547
Net book value	**233,167**	**233,167**

ii Amounts recognised in the statement of profit or loss

	N'000	N'000
Depreciation charge of right-of-use assets	15,887	15,887
Interest expense (included in finance cost)	17,955	17,955
Total amount expensed	**33,842**	**33,842**

iii. Lease liability

Opening balance at 1 January 2022	111,651	111,651
Interest expense	17,955	17,955
Closing balance as at 31 December 2022	**129,607**	**129,607**

	N'000	N'000
Opening balance at 1 January 2021	296,714	296,714
Additions in the year	-	-
Closing balance as at 31 December 2021	296,714	296,714
Depreciation		
	N'000	**N'000**
Opening balance as at 1 January 2021	31,773	31,773
Charge for the year	15,887	15,887
Closing balance as at 31 December 2021	47,660	47,660
Net book value	**249,054**	**249,054**

ii Amounts recognised in the statement of profit or loss

	N'000	N'000
Depreciation charge of right-of-use assets	15,887	15,887
Interest expense (included in finance cost)	15,468	15,468
Total amount expensed	**31,355**	**31,355**

iii. Lease liability

Opening balance at 1 January 2021	96,184	96,184
Interest expense	15,468	15,468
Closing balance as at 31 December 2021	**111,651**	**111,651**

		Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
	Financial liabilities carried at amortised cost				
25a	**Deposits**				
	Demand deposits	37,147,037	30,570,983	37,106,466	30,547,954
	Term deposits	114,865,998	86,341,513	114,865,998	86,341,513
	Deposits	**152,013,035**	**116,912,496**	**151,972,464**	**116,889,466**
	Current	152,013,035	116,912,496	151,972,464	116,889,466
		152,013,035	**116,912,496**	**151,972,464**	**116,889,466**
25b	**Due to banks**				
	Deposit from Banks	26,993,262	26,813,409	26,993,262	26,813,409
		26,993,262	**26,813,409**	**26,993,262**	**26,813,409**
	Current	26,993,262	26,813,409	26,993,262	26,813,409
		26,993,262	**26,813,409**	**26,993,262**	**26,813,409**
26	**Debt securities issued carried at amortised cost**				
	Debt securities issued carried at amortised cost	10,268,478	10,253,567	10,378,471	10,361,697
		10,268,478	**10,253,567**	**10,378,471**	**10,361,697**
	Current	1,200,000	1,184,042	1,200,000	1,227,989
	Non-current	9,068,478	9,069,525	9,178,471	9,133,708
		10,268,478	**10,253,567**	**10,378,471**	**10,361,697**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Movement in Debt securities issued				
Net debt as at 1 January 2022	10,253,567	10,259,852	10,361,697	10,333,708
Debt securities issued	12,134,676	-	12,134,676	-
Repayment of debt securities issued	(12,134,676)	-	(12,134,676)	
Total change from financing cash flow	10,253,567	10,259,852	10,361,697	
Interest expense	1,973,453	1,184,042	1,961,301	1,227,989
Interest paid	(1,958,543)	(1,190,327)	(1,944,527)	(1,200,000)
Balance as at December 2022	**10,268,477**	**10,253,567**	**10,378,471**	**10,361,697**

The Bank issued a N10Bn unsecured subordinated bond on July, 23, 2020 with a coupon rate of 12% payable semi-annually. The bond has a tenor of 7 years and is due on July, 2027. This is Series 1 of the bank's N50bn Bond programme issued via Novambl Investments SPV Plc. The subscription offer for this series contains a provision for early redemption in Year 5 at a redemption amount of N10bn. This call option is an embedded derivative which has not been seperated from the host contract as the exercise price is approximately equivalent to the amortised cost at year 5.

		Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
27	**Other liabilities**				
	Financial liabilities				
	Customer's deposits for foreign trade - see note (i) below	5,494,094	8,058,877	5,494,094	8,058,878
	Amount held for customer foreign exchange transactions - see note (ii) below	44,409,939	49,992,814	44,409,939	49,992,814
	Sundry Creditors (iii)	1,547,499	4,802,953	1,499,433	3,252,771
	ECL impairment charge on off balance sheet engagements	193,268	18,218	193,268	18,218
		51,644,800	**62,872,863**	**51,596,735**	**61,322,682**
	Non- Financial liabilties				
	Statutory payables	2,638,932	313,227	2,638,897	313,132
	Deferred Income (iv)	-	128,419	-	103,326
	Total other liabillities	**54,283,732**	**63,314,509**	**54,235,631**	**61,739,140**
	Current	54,283,732	63,314,509	54,235,631	61,739,140
	Non-current	-	-	-	-
		54,283,732	**63,314,509**	**54,235,631**	**61,739,140**

The reconciliation of ECL on off balance sheet engagement is stated below:

Balance at 1 January	18,218	54,155	18,218	54,155
(Decrease)/Increase in ECL impairment (see note 8)	175,050	(35,937)	175,050	(35,937)
At 31 December	193,268	18,218	193,268	18,218

(i) This represents the naira value of foreign currencies held on behalf of customers to cover letters of credit transactions.
(ii) This represents collections for the purchase of foreign currency from the Central Bank of Nigeria on behalf of customers.
(iii) This mostly represents unsettled interbank transactions as at 31 Dec 2022
(iv) This represent contract fees charged from customers, which is being amortized through the life span of the contract

28 Share capital

Share capital In thousands of Naira

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
i Authorised:				
20,000,000,000 ordinary shares of N1 each	20,000,000	20,000,000	20,000,000	20,000,000
Issued and fully paid-up :				
ii 16,000,000,000 ordinary shares of N1 each	16,000,000	16,000,000	16,000,000	16,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank.

29 Retained earnings and other reserves

Other regulatory reserves

i Statutory reserves

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 Institution Act of Nigeria, 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.

ii Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

iii Fair value reserves

The revaluation reserves show the effects from the fair value measurement of financial instruments of the fair value through other comprehensive income category. Any gains or losses on this class of financial instruments are not recognised in the income statement until the asset has been sold or impaired.

30 Regulatory risk reserves

This represents a non-distributable reserves for the excess between the impairment reserves on loans and advances determined using Prudential Guidelines issued by the Central Bank of Nigeria over the impairment reserves calculated under IFRS.

Movement in regulatory risk reserves

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Balance as at 1 January	**2,101,521**	**1,287,423**	**2,101,521**	**1,287,423**
Transfer from retained earnings	-	814,098	-	814,098
Balance as at 31 December	**2,101,521**	**2,101,521**	**2,101,521**	**2,101,521**

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
31 Prudential adjustments				
Prudential guidelines provision:				
- General provisions	2,386,372	2,247,026	2,386,372	2,247,026
	2,386,372	2,247,026	2,386,372	2,247,026
IFRS impairment provisions:				
- ECL provision on financial assets	284,850	145,505	284,850	145,505
	284,850	**145,505**	**284,850**	**145,505**
Difference in IFRS impairment over prudential guidelines accounted for in regulatory risk reserves	**2,101,521**	**2,101,521**	**2,101,521**	**2,101,521**

In line with the regulatory requirements of the Central Bank of Nigeria, provisions for loans recognised in the statement of comprehensive income determined based on the impairment provision requirement under IFRS should be compared with the provisions determined under prudential guidelines and the difference should be treated as follows:

i. If impairment under Prudential Guidelines exceed the IFRS provisions; the resulting excess provision should be transferred from the general reserve account to a non-distributable " regulatory risk reserve"

ii. If the provisions under the Prudential Guidelines is less than the IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

As at 31 December 2022, the CBN Prudential provision was higher than the IFRS impairment provision. There was no (2021 N814 million) additional reclassification from retained earnings to the regulatory risk reserve because the amount already recognised in the regulatory risk is higher than the CBN Prudential provision when add to the IFRS impairmnent provision.

32 Contingent liabilities and commitments

a Legal Proceedings

The Group is presently involved in several litigation suits in the ordinary course of business. The total amount claimed against the Group is estimated at N188.8million as at 31 December 2022 (31 December 2021: N520.60million). The actions are being contested and the Directors are of the opinion that no significant liability will crystalise from these cases, and they are not aware of any other pending or threatened claims and litigations.
In arriving at this conclusion, the Group has relied on evidence and recommendations from its internal litigation group and its team of external solicitors.

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 December 2022	Group December 2021	Bank December 2022	Bank December 2021
Letters of credit	36,655,077	29,217,485	36,655,077	29,217,485
Bonds and Guarantees	1,378,847	3,431,217	1,378,847	3,431,217
Loan commitments	1,040,607	1,578,434	1,040,607	1,578,434
	39,074,531	**34,227,136**	**39,074,531**	**34,227,136**

33 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes key management personnel. The key management personnel have been identified as directors of the Bank.

A number of transactions are entered into with related parties in the normal course of business. These include wages and salaries paid and payable to

Parent
The parent company, which is also the ultimate parent company, is Nova Merchant Bank Limited

(i) Key management personnel

	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
(a) Compensation to directors				
Fees and sitting allowances	110,100	82,750	110,100	67,650
Wages and salaries	265,000	230,677	265,000	230,677
Pension Contribution	11,102	9,889	11,102	9,889
Other directors expenses	8,533	9,959	8,533	9,746
	394,735	**333,275**	**394,735**	**317,962**
(b) Loans and advances to directors	108,488	120,625	108,488	120,625

(ii) Subsidiaries	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
Receivable from NovaMBL Asset Management Limited	-	-	302,080	292,122
Receivable from NovaMBL Securities Limited	-	-	148,288	148,151
	-	-	**450,368**	**440,273**

The receivable from subsidiaries above represent transaction payments made by the bank on behalf of the subsidiaries. Cash reimbursement are made to the bank at no cost

35 Insider related credits

In compliance with Central Bank of Nigeria circular BSD/1/2004 on insider related credits, the Bank follows a strict process in its Credit policy manual granting insider related credits

Below is a schedule showing Directors insider related credites as at 31 December 2022

S/N	CUSTOMER NAME	DIRECTOR RELATIONSHIP	FACILITY TYPE	BALANCE IN NAIRA	BANK IFRS9 STAGING	DETAILS OF SECURITIES
1	AFRICAN STEEL MILLS NIGERIA LIMITED	Shams Butt -Non-Executive Director	OVERDRAFT	4,895,431	1	Cross Company Guarantee
2	HFP DECOR LIMITED	Shams Butt -Non-Executive Director	CBN DCRR RSSF	4,085,511,233	1	All assets debenture
3	OLUFUNKE OKOYA	Olufunke Okoya - Executive Director	STAFF LOAN MORTGAGE	108,487,792	1	Legal Mortgage
4	ABUJA STEEL MILLS LIMITED	Shams Butt -Non-Executive Director	OVERDRAFT_IGF	6,930,904	1	Cross Company Guarantee
5	AFRICAN STEEL MILLS NIGERIA LIMITED	Shams Butt -Non-Executive Director	OVERDRAFT_IGF	2,441,357	1	Cross Company Guarantee
6	PARCO ENTERPRISES NIGERIA LIMITED	Shams Butt -Non-Executive Director	OVERDRAFT_IGF	1,283,774	1	Cross Company Guarantee
7	AFRICAN FOUNDRIES LIMITED	Shams Butt -Non-Executive Director	OVERDRAFT_IGF	2,398,127	1	Cross Company Guarantee
8	CAPITAL COLD ROLLING STEEL MILLS LIMITED	Shams Butt -Non-Executive Director	TERM LOAN	1,515,151,233	1	Cross Company Guarantee
9	NOVAMBL ASSET MANAGEMENT LIMI	Subsidiary	TERM LOAN	524,079,501	1	FGN Bonds
10	NOVAMBL ASSET MANAGEMENT LIMI	Subsidiary	TERM LOAN	312,131,507	1	FGN Bonds
11	AFRICAN STEEL MILLS NIGERIA LIMITED	Shams Butt -Non-Executive Director	TERM LOAN	2,296,885,087	1	Cross Company Guarantee
			TOTAL	**8,860,195,945**		

36 Proposed dividend

The Directors proposed a full year dividend of N1.0billion representing 62.5 kobo per N1.00 share held in Nova Merchant Bank from the retained earnings account as at 31 December 2022. The proposed dividend will be presented to shareholders for approval at the next Annual General Meeting. The dividend will be paid subject to withholding tax of 10%

37 Non-audit services

During the year, the auditors PwC performed the following non-audit engagements.

Name of signer	FRC number	Name of firm	Contract sum (N)	Service Description
Samuel Abu	FRC/2013/ICAN/00000000880	Pricewaterhouse Coopers	500,000	Certification of total deposit outstanding in the books of the bank as at 31 December 2022.

38 Compliance with Banking Regulations

During the year, the bank paid N10million (2021: Nil) penalty to CBN arising from late submission of the 2021 Auditted Financial Statement.

		Note	Group December 2022	Group December 2021	Bank December 2022	Bank December 2021
39	**Statement of Cashflow workings**					
(i)	**Profit/loss on disposal of property and equipment**					
	Cost	23	97,201	121,800	97,201	121,800
	Accummulated depreciation	23	(74,539)	(73,147)	(74,539)	(73,147)
	Net book value		22,662	48,653	22,662	48,653
	Proceeds from disposal of property and equipment		26,434	61,447	26,434	61,447
	Profit/(loss) on disposal	12	3,771	12,794	3,771	12,794
(ii)	**Mandatory reserve deposits with the Central Bank of Nigeria**					
	Balance as at beginning of the year	16	31,617,735	35,170,012	31,617,735	35,170,012
	Cash (inflow)/outflow from reserve deposit		11,300,603	(3,552,276)	11,300,603	(3,552,276)
	Balance as at end of the year	16	42,918,338	31,617,735	42,918,338	31,617,735
(iii)	**Loans and advances to customers**					
	Gross loans beginning of the year	18	88,423,696	50,069,997	90,423,696	50,069,997
	Gross loans, end of the year	18	96,660,156	88,423,696	97,398,658	90,423,696
			8,236,461	38,353,699	6,974,962	40,353,699
	Interest receivable		(242,896)	(1,946,971)	(242,896)	(1,946,971)
	Foreign exchange gain/(loss) on FCY balances		(171,414)	-	(171,414)	-
	Cash outflow		7,822,150	36,406,728	6,560,651	38,406,728
(iv)	**Financial instruments - FVTPL**					
	Balance as at beginning of the year	19	329,371	391,260	-	-
	Cash outflow due to proceeds from sale of financial assets at FVTPL		781,543	1,346,417	961,458	1,418,474
	Net gains on FVTPL instruments	10	(952,718)	(1,408,305)	(961,458)	(1,418,474)
	Balance as at end of the year	19	158,196	329,371	-	-
(v)	**Other assets**					
	Balance as at beginning of the year	21	20,066,913	3,825,592	20,468,893	4,143,416
	Cash inflow due to changes in other assets		10,809,920	16,204,821	10,793,704	16,325,478
	Adjustment for NCI		34,792	36,500	-	-
	Exchange Gain		55,137	-	55,137	-
	Balance as at end of the year	21	30,931,971	20,066,913	31,317,735	20,468,893
(vi)	**Due to banks**					
	Balance as at beginning of the year	25b	26,813,409	21,713,953	26,813,409	21,713,953
	Cash inflow due to increase in liabilities - due to banks		95,797	5,045,823	95,797	5,045,823
	Interest payable		131,579	53,633	131,579	53,633
	Exchange Gain		(47,523)	-	(47,523)	-
	Balance as at end of the year	25b	26,993,262	26,813,409	26,993,262	26,813,409
(vii)	**Deposits**					
	Balance as at beginning of the year	25a	116,912,496	89,627,443	116,889,467	89,611,830
	Cash inflow due to increase in liabilities - due to banks		34,881,915	26,872,822	34,864,373	26,865,406
	Interest payable		486,181	412,231	486,181	412,231
	Exchange Gain		(267,557)	-	(267,557)	-
	Balance as at end of the year	25a	152,013,035	116,912,496	151,972,464	116,889,467

(viii) Other liabilities

Balance as at beginning of the year (See note 27)	27	63,314,509	34,064,139	61,739,140	34,023,635
Impairment charge on contingent assets	8	175,050	(35,937)	175,050	(35,937)
Cash inflow due to increase in liabilities - Other liabilites		(9,110,408)	29,286,306	(7,583,074)	27,751,442
Exchange Gain		(95,485)	-	(95,485)	-
Balance as at end of the year (See note 27)	27	54,283,732	63,314,509	54,235,631	61,739,140

(ix) Interest received

Interest income for the year	6	16,637,890	12,065,011	16,267,808	12,054,334
Interest receivable	39(iii)	(94,073)	(1,946,971)	(89,786)	(1,946,971)
Interest received		16,543,817	10,118,040	16,178,022	10,107,363

(x) Interest paid

Interest expense	7	(15,978,066)	(11,875,953)	(15,565,650)	(11,885,626)
Interest payable on deposit	39(vii)	486,181	412,231	486,181	412,231
Interest payable on due to banks	39(vi)	131,579	53,633	131,579	53,633
Interest payable on debt securities issued	26	14,911	(6,285)	16,774	27,989
Interest payable on lease liability	7	17,955	15,468	17,955	15,468
Interest paid		(15,327,440)	(11,400,906)	(14,913,160)	(11,376,305)

(xi) Pledged assets

Balance as at beginning of the year	19a	50,016,537	22,071,575	50,016,537	22,071,575
Cash outflow due to changes in pledged assets		(5,919,182)	27,944,962	(5,919,182)	27,944,962
ECL Impairment charges		(42,243)	-	(42,243)	-
Balance as at end of the year (See note 19a)	19a	44,055,112	50,016,537	44,055,112	50,016,537

(xii) Investment securities - FVOCI and Amortised Cost

Balance as at beginning of the year	19b	22,444,806	53,039,462	19,424,091	52,822,843
Change in fair value (See SOCI)		13,393	(36,897)	13,393	(36,897)
ECL Impairment charges	8	71,848	(85,826)	71,848	(85,826)
Interest receivable		(148,757)	-	(153,110)	-
Cash outflow		(7,799,223)	(30,471,933)	(4,778,654)	(33,276,027)
Balance as at end of the year	19b	14,582,067	22,444,806	14,577,567	19,424,091

40 Operating segments

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the group's management and internal reporting structure.The group presents segment information to its Board of Directors, which is the group's chief operating decision maker, based on International Financial Reporting Standards. All segments are operated in Nigeria.

2022	Bank Segment	Investment Management Segment	Unallocated Segment	Total
Interest income	16,267,808	370,082	-	16,637,890
Interest expense	(15,565,650)	(412,416)	-	(15,978,066)
Net interest income	**702,159**	**(42,334)**	-	**659,824**
Impairment charge for credit losses	(139,345)	-	-	(139,345)
Other operating income	6,697,092	6,812	-	6,703,904
Operating expenses	(3,800,577)	(86,133)	-	(3,886,711)
Profit before tax	**3,459,328**	**(121,656)**	-	**3,337,672**
Income tax	(245,493)	4,372	-	(241,120)
Profit for the year	**3,213,835**	**(117,283)**	-	**3,096,552**
			-	
Total assets	279,872,559	8,099	-	279,880,658
Total liabilities	253,132,688	(21,854)	-	253,110,833
Net Assets	**26,739,871**	**29,953**	-	**26,769,825**
2021				
Interest income	12,054,334	10,677	-	12,065,011
Interest expense	(11,885,626)	9,673	-	(11,875,953)
Net interest income	**168,708**	**20,350**	-	**189,058**
Impairment charge for credit losses	7,104	-	-	7,104
Other operating income	4,821,186	147,820	-	4,969,006
Operating expenses	(3,332,741)	(148,852)	-	(3,481,592)
Profit before tax	**1,664,258**	**19,318**	-	**1,683,576**
Income tax	(80,062)	2,061	-	(78,001)
Profit for the year	**1,584,196**	**21,379**	-	**1,605,575**
			-	
Total assets	242,580,814	1,636,870	-	244,217,684
Total liabilities	219,068,172	1,489,631	-	220,557,804
Net asset	**23,512,642**	**147,239**	-	**23,659,880**

NOVA

OTHER NATIONAL DISCLOSURES
VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

In thousands of Naira	Group December 2022	%	Group December 2021	%	Bank December 2022	%	Bank December 2021	%
Gross earnings	23,341,794		17,034,017		22,964,900		17,034,017	
Interest expense	(15,978,066)		(11,875,953)		(15,565,650)		(11,875,953)	
Administrative overheads- local	(2,138,687)		(1,815,641)		(2,116,938)		(1,815,641)	
Total value added	5,225,042		3,342,423		5,282,312		3,342,423	
Distribution of value added								
To employees and directors:								
Salaries and benefits	1,410,469	27%	1,239,833	37%	1,355,175	26%	1,239,833	37%
To government:								
Tax	241,120	5%	78,001	2%	245,493	5%	78,001	2%
Provide for maintenance and expansion of the company								
For replacement of property, plant and equipment (depreciation)	260,658	5%	267,704	8%	260,135	5%	267,704	8%
Depreciation of right of use asset	15,887	0%	15,887	0%	15,887	0%	15,887	0%
For replacement of intangible assets (amortisation)	186,964	4%	172,321	5%	178,393	3%	172,321	5%
Retained earnings	3,109,944	60%	1,568,677	47%	3,227,229	61%	1,568,677	47%
	5,225,042	100%	3,342,423	100%	5,282,312	100%	3,342,423	100%

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

Three Year Financial Summary- Group

In thousands of Naira	December 2022	December 2021	December 2020
Assets			
Balances with banks	81,239,070	57,186,698	46,983,617
Loans to banks and other financial institutions	-	-	4,978
Loans and advances to customers	96,624,795	88,382,235	49,971,622
Investment securities	14,740,264	22,774,177	53,430,722
Derivative financial assets	9,214,855	3,149,319	3,700,410
Pledged assets	44,055,112	50,016,537	22,071,575
Property and equipment	1,453,684	1,365,086	932,615
Right-of-use asset	233,167	249,054	264,941
Intangible assets	933,251	579,258	701,100
Other assets	30,931,971	20,066,913	3,825,592
Deferred tax assets	454,490	448,407	445,006
Total assets	**279,880,658**	**244,217,684**	**182,332,178**
Liabilities			
Due to Banks	26,993,262	26,813,409	-
Due to customers	152,013,035	116,912,496	89,627,443
Derivative financial liabilities	9,160,449	3,072,162	3,680,548
Lease liability	129,607	111,651	96,184
Current tax liabilities	262,270	80,010	35,356
Other liabilities	54,283,733	63,314,509	34,064,139
Debt securities issued	10,268,478	10,253,567	10,259,852
Total liabilities	**253,110,833**	**220,557,804**	**159,477,475**
Equity			
Share capital	16,000,000	16,000,000	16,000,000
Statutory reserve	3,450,355	2,486,205	2,010,946
Retained earnings	5,144,471	3,010,297	3,494,146
Fair value reserve	38,684	25,291	62,188
Regulatory risk reserve	2,101,521	2,101,521	1,287,423
Total equity attributable to owners of the Parent	**26,735,033**	**23,623,314**	**22,854,703**
Non-controlling interest	34,792	36,566	-
Total Equity	**26,769,824**	**23,659,880**	**22,854,703**
Total liabilities and equity	**279,880,660**	**244,217,684**	**182,332,178**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Naira	December 2022	December 2021	December 2020
Interest income	16,637,890	12,065,011	9,644,250
Interest expense	(15,978,066)	(11,875,953)	(7,177,219)
Net interest income	**659,824**	**189,058**	**2,468,792**
Impairment charge for credit losses	(139,345)	7,104	(72,696)
Fee and commission income	1,876,331	827,087	336,597
Net gains on financial instruments held for trading	1,007,124	1,486,585	3,013,645
Net foreign exchange gain	3,766,558	2,485,260	369,614
Other income	53,892	170,075	181,968
Operating expenses	(3,886,711)	(3,481,592)	(2,778,249)
Profit before tax	**3,337,671**	**1,683,575**	**3,519,670**
Income tax	(241,120)	(78,001)	(34,424)
Profit for the year	**3,096,551**	**1,605,574**	**3,485,247**
Net changes in fair value of financial assets FVOCI	13,393	(36,897)	(185,345)
Other comprehensive loss, net of related tax effects:	**13,393**	**(36,897)**	**(185,345)**
	-	-	-
Total comprehensive income for the period	**3,109,944**	**1,568,677**	**3,299,902**
Profit for the period attributable to:			
Owners of Parent	3,098,325	1,605,508	3,485,247
Non-controlling interest	(1,774)	66	-
Profit for the period	**3,096,551**	**1,605,574**	**3,485,247**
Total comprehensive income attributable to:			
Owners of Parent	3,111,719	1,568,611	3,299,902
Non-controlling interest	(1,774)	66	-
Total comprehensive income	**3,109,944**	**1,568,677**	**3,299,902**

NOVA

Other National Disclosures:

Five Year Financial Summary- Bank

In thousands of Naira	December 2022	December 2021	December 2020	December 2019	December 2018
Assets					
Balances with banks	79,877,938	56,107,545	46,822,920	4,861,089	1,195,794
Loans to banks and other financial institutions	-	-	-	7,035,462	3,883,788
Loans and advances to customers	97,363,297	90,382,235	49,971,622	29,285,504	2,427,818
Investment securities	14,577,567	19,424,091	52,822,843	13,549,172	13,050,778
Investment in subsidiaries	431,167	431,167	415,000	150,000	-
Derivative financial assets	9,214,855	3,149,319	3,700,410	1,460,523	20,753
Pledged assets	44,055,112	50,016,537	22,071,575	2,497,380	1,192,312
Property and equipment	1,450,686	1,363,500	931,272	1,092,576	1,213,250
Right-of-use asset	233,167	249,054	264,940	280,871	-
Intangible assets	907,539	544,976	672,375	777,071	727,568
Other assets	31,317,735	20,468,893	4,143,416	2,372,154	979,583
Deferred tax assets	443,497	443,497	443,498	443,497	294,497
Total assets	**279,872,559**	**242,580,814**	**182,259,871**	**63,805,299**	**24,986,141**
Liabilities					
Due to banks	26,993,262	26,813,409	21,713,953	-	-
Due to customers	151,972,464	116,889,467	89,611,830	40,512,940	6,494,473
Derivative financial liabilities	9,160,449	3,072,162	3,680,548	1,446,598	87,319
Lease liability	129,607	111,651	96,184	82,825	-
Current tax liabilities	262,804	80,646	34,670	15,264	9,606
Other liabilities	54,235,631	61,739,140	34,023,634	2,187,861	783,310
Debt securities issued	10,378,471	10,361,697	10,333,708	-	-
Total liabilities	**253,132,688**	**219,068,172**	**159,494,527**	**44,245,488**	**7,374,708**
Equity					
Share capital	16,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Statutory reserve	3,450,355	2,486,205	2,010,946	993,683	498,468
Retained earnings	5,149,310	2,899,625	3,404,787	1,812,178	1,115,666
Fair value reserve	38,684	25,291	62,188	247,533	(50,131)
Regulatory risk reserve	2,101,521	2,101,521	1,287,423	506,417	47,428
Total equity attributable to owners of the Parent	26,739,871	23,512,642	22,765,344	19,559,811	17,611,431
Non-controlling interest	-	-	-	-	-
Total Equity	**26,739,871**	**23,512,642**	**22,765,344**	**19,559,811**	**-**
Total liabilities and equity	**279,872,559**	**242,580,814**	**182,259,871**	**63,805,299**	**24,986,139**

NOVA

Five Year Financial Summary- Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Naira	December 2022	December 2021	December 2020	December 2019	December 2018
Interest income	16,267,808	12,054,334	9,603,920	4,529,392	1,876,519
Interest expense	(15,565,650)	(11,885,626)	(7,181,076)	(2,343,268)	(373,347)
Net interest income	**702,159**	**168,708**	**2,424,605**	**2,186,124**	**1,503,172**
Impairment charge for credit losses	(139,345)	7,104	(72,696)	(78,766)	(1,148)
Fee and commission income	1,871,274	798,732	320,272	267,072	29,068
Net gains on financial instruments held for trading	1,015,864	1,496,753	2,959,026	765,117	545,475
Net foreign exchange gain	3,766,558	2,483,112	369,614	246,116	302,419
Other income	43,397	42,589	5,862	11,281	1,987
Operating expenses	(3,800,577)	(3,332,741)	(2,581,382)	(1,880,059)	(1,420,382)
Profit before tax	**3,459,328**	**1,664,258**	**3,425,301**	**1,516,886**	**960,591**
Income tax	(245,493)	(80,062)	(34,424)	133,831	190,394
Profit for the year	**3,213,835**	**1,584,196**	**3,390,877**	**1,650,717**	**1,150,985**
Net changes in fair value of financial assets FVOCI	13,393	(36,897)	(185,345)	297,664	(50,131)
Other comprehensive loss, net of related tax effects:	**13,393**	**(36,897)**	**(185,345)**	**297,664**	**(50,131)**
Total comprehensive income for the period	**3,227,229**	**1,547,299**	**3,205,532**	**1,948,381**	**1,100,854**
Profit for the period attributable to:					
Owners of Parent	3,098,325	1,605,508	3,483,555	1,645,708	3,390,877
Non-controlling interest	(1,774)	66	1,692	-	-
Profit for the period	**3,096,551**	**1,605,574**	**3,485,247**	**1,645,708**	**3,390,877**
Total comprehensive income attributable to:					
Owners of Parent	3,111,719	1,568,611	3,298,210	1,943,371	3,205,532
Non-controlling interest	(1,774)	66	1,692	-	-
Total comprehensive income	**3,109,944**	**1,568,677**	**3,299,902**	**1,943,371**	**3,205,532**