

Defining Frontiers

FBNQUEST MERCHANT BANK LIMITED
ANNUAL REPORT AND ACCOUNTS 2022



IN THIS REPORT

The FBNQuest Merchant Bank Limited audited financial statements have been prepared under the International Financial Reporting Standards (IFRS). Unless otherwise stated, the income statement compares the 12 months of 2022 to the corresponding 12 months of 2021. The statements of financial position compares the closing balances as at 31 December 2022 with those of 31 December 2021. Except where otherwise disclosed, all balances and figures relate to continuous operations except where otherwise disclosed.

Relevant terms used in this document but not defined under applicable regulatory guidance or the IFRS are explained in the abbreviations section of this Report. In this Report, the abbreviations' 'Nm', 'Nbn' and 'Ntn' represent millions, billions and trillions of Naira, respectively.

FBNQuest Merchant Bank Limited is a subsidiary of FBN Holdings Plc.

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At a Glance





WHO WE ARE

FBNQuest Merchant Bank is a subsidiary of the FBNHoldings Group and a full-service investment bank and asset manager. We offer a diverse range of services, including Corporate & Transaction Banking, Investment Banking, Sales & Trading of Fixed Income, Currencies and Equities, Treasury Services, Wealth Management and Facility Agency Services.

A RICH HERITAGE IN FINANCIAL SERVICES

Since inception, we have built a strong market presence and received several awards while working with our clients on milestone transactions. We cultivate deep-rooted connections with our diverse clientele, combining market-leading knowledge with cutting-edge technology to create best-in-class financial services that improve efficiency while enhancing customer experience. Our commitment is to continuously create sustainable value for all our stakeholders, with a clear focus on building an enduring legacy for future generations.

VISION

WE BELIEVE IN SETTING OUR OWN STANDARD, EMBRACING A PIONEERING SPIRIT THAT PUSHES BOUNDARIES AND OPENS UP BOLD POSSIBILITIES.

MISSION

TO BE THE MERCHANT BANK AND ASSET MANAGER OF CHOICE, CREATING, GROWING AND SECURING ENDURING WEALTH FOR OUR CLIENTS

HERITAGE

FBN HOLDINGS PLC IS ONE OF THE LEADING FINANCIAL SERVICE PROVIDERS IN AFRICA. OUR UNRIVALLED HERITAGE ENSURES WE HAVE SIGNIFICANT FINANCIAL CAPACITY AND A STRONG TRADITION OF GOVERNANCE.

ANCHORED BY OUR VALUES

OUR GUIDING PRINCIPLES REPRESENT WHO WE ARE AS A BUSINESS, AS WELL AS HOW WE THINK AND BEHAVE. WE STRIVE TO BE INCLUSIVE, SUSTAINABLE AND INNOVATIVE AT ALL TIMES, AND WE HOLD OURSELVES TO STRONG FINANCIAL AND COMMUNITY STEWARDSHIP EXPECTATIONS WITHIN OUR BRAND AND OUR CORE.

OUR CORE VALUES

ENTREPRENEURIAL: Nothing gets in our way. Entrepreneurship is in our DNA. We are our own bosses and never wait to be told what to do when it comes to putting the customer first

INNOVATIVE: We turn our ideas into plans. Innovation is our culture. We are great thinkers and always bring fresh, unusual, and impactful ideas to the table.

PROFESSIONAL: Our track record shows we get the work done well. Professionalism defines us. We are experts at putting the customer first always. We are competent, reliable, and respectful.

CUSTOMER-CENTRIC: Every move we make puts the customer first. Putting the customer first is our main priority. The customer is always at the centre of everything we do. They are the reason we exist.

OUR STRUCTURE

OUR BUSINESSES PROVIDE FINANCIAL SERVICES TO A VARIETY OF CUSTOMERS ACROSS COMMERCIAL BANKING, MERCHANT BANKING, CAPITAL MARKETS, TRUSTEES AND INSURANCE BROKERAGE.

COMMERCIAL BANKING

First Bank of Nigeria Limited

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

The Group's core business is to provide financial services to individuals, corporate institutions and the public sector.

This business segment includes the domestic and international offices offering commercial banking services in 10 countries.

MERCHANT BANKING

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

CAPITAL MARKETS

FBNQuest Capital Limited

- FBNQuest Funds Limited

TRUSTEES

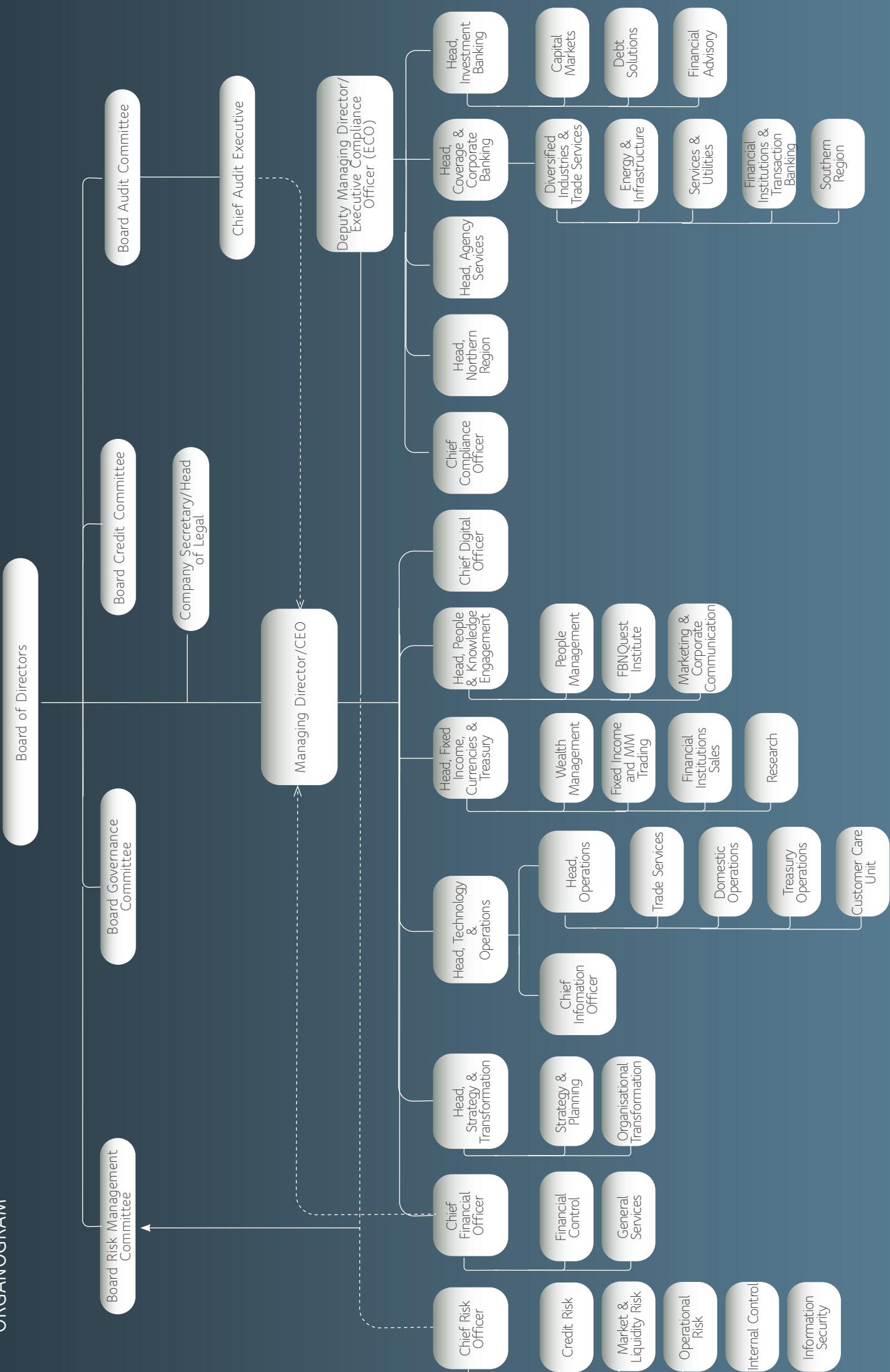
FBNQuest Trustees Limited

INSURANCE BROKERAGE

FBN Insurance Brokers Limited

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

**FBNQUEST MERCHANT BANK LIMITED
ORGANOGRAM**



PERFORMANCE HIGHLIGHTS - FINANCIAL

OPERATING INCOME

2022: ₦9.73bn

2021: 8.51bn

▲ 14.4%

The year-on-year growth in net revenue is largely due to the 137.7% growth in net interest income from higher yields on assets and growth in loans, while the very marginal drop in non-interest income was largely driven by lower trading gains in 2023 moderated by growth in advisory fees and dividend income and the 71.8% increase in impairment charge on financial assets.

OPERATING EXPENSES

2022: ₦6.72bn

2021: ₦7.78bn

▼ -13.6%

Operating costs declined by 13.6% year-on-year due to the implementation of cost optimisation strategies, leading to 9.5% and 16.2% reduction in personnel and other operating expenses, respectively. Depreciation and amortisation costs declined by 23% year-on-year, mainly due to the expiration of the useful lives of assets and the moderation in investments in new noncurrent assets.

PROFIT BEFORE TAX

2022: ₦3.01bn

2021: 0.73bn

▲ 312.5%

The significant, 312.5% growth in profit before tax, to ₦3.01bn, was mainly a result of the 137.7% growth in net revenue in the full year 2022, which was largely driven by higher yields on assets, relatively stable non-interest income and a decline of 13.6% in operating expenses in 2022 relative to the full year 2021.

COST-TO-INCOME RATIO

2022: 69.1%

2021: 91.4%

22pp

The cost-to-income (CIR) ratio improved significantly year-on-year due to increased net revenues and a decline in operating expenses in full year 2022. The Bank's CIR closed the year at 69.1%, a decrease of 22.3 pp from the same period in 2021.



PERFORMANCE HIGHLIGHTS - NON FINANCIAL

Launch of the Digital Academy

Launched the Digital Academy initiative designed to equip employees with the relevant digital knowledge, skills and attitude to deploy innovative practices in the workplace.

Technology

- Completed the infrastructure refresh on the virtualised environment, with all virtual servers relocated to the newly purchased Dell Ready Nodes. The environment has enjoyed improved stability since. Completed the segregation and upgrade of the Swift network and relocated the Swift environment to a separate VLAN.
- Completed the Swift Archiver project.
- Successfully upgraded the Symplus Capital Application by introducing additional functions to increase automation and productivity.
- Ensured Nuban Account Compliance enforcement for FBNQuest Merchant Bank.

Talent Management

- Drove the Executive Coaching Programme for Senior Managers, in line with the strategic goal to optimise leadership effectiveness.

- Delivered a new cycle of the FBNQuest Mentoring Programme, designed to foster the capacity development objectives of the firm.
- Finalised modalities, approach and framework of the FBNQuest Leadership Development Programme, aimed at building leadership capabilities across all levels of responsibility and strengthening leadership pipelines across the business.

Performance Management

- Implemented an Organisation-wide review of KPIs for all tiers of staff to further drive and improve the Company's overall performance.

Reward and Recognition

- Introduced Qudos, a team recognition initiative structured to foster recognition and productivity at departmental levels across the Company.
- Revamped the Employee Recognition Programme for a more objective nomination process and inclusive participation. Deployed two cycles in July and December.

AWARDS AND RECOGNITIONS

The awards and recognitions attest to our leadership in the Nigeria's merchant banking and asset management sector. We continue to define frontiers by developing talent, reorienting customer service, and providing cutting-edge financial solutions to our diverse clients.



Infrastructure and Project Finance House of the Year
BUSINESSDAY BANKS and OTHER FINANCIAL INSTITUTIONS AWARDS

The Award was presented to FBNQuest Merchant Bank in recognition of the Bank's outstanding achievement as one of Nigeria's leading project financing institutions



Best Asset Manager in Nigeria
EMEA FINANCE AFRICAN BANKING AWARDS

FBNQuest Asset Management won the Award for the 5th consecutive time in recognition of the outstanding performance of its mutual funds across all public funds and bespoke portfolios.



Silver Certification as a Great Workplace
GREAT PLACE TO WORK*

The silver certification reflects FBNQuest Asset Management's commitment to offering exceptional and distinctive workplace ethics, culture, values and employee experience.

*Great Place to Work - A global authority on workplace culture.



Strategic Report



The Bank remains committed to providing its shareholder with stable and sustainable returns, bearing in mind considerations for growth as well as the capital requirements of the Bank.

Mallam Bello Maccido
Chairman
FBNQuest Merchant Bank Limited





CHAIRMAN'S STATEMENT

Distinguished Ladies and Gentlemen,

I am pleased to present to you the Annual Report and Financial Statements of the FBNQuest Merchant Bank Group (the "Group") for the financial year ended 31 December 2022.

Overview

In 2022, our world, as we knew it prior to the COVID-19 pandemic, began to reconnect. This gradual recovery was however, truncated in February when Russia declared a full-scale invasion of Ukraine, with multiple implications for Ukraine, Russia directly and the global economy indirectly. The IMF, in its World Economic Outlook October 2022 edition, noted the continuing threats to the global economy arise from three significant factors; the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures and the slowdown of economic activities in China.

In addition, we saw the Federal Reserve of the United States raise interest rates seven times, pushing the costs of borrowing to a 15-year high, as a means of stabilising and stimulating the economy. In the United Kingdom, the Bank of England raised interest rates eight consecutive times in the face of rising unemployment, high energy prices, a fiscal crisis, high mortgage rates and CPI inflation at 11%.

On the domestic front, although the Nigerian economy rebounded after the difficult years of COVID-19, growing 3.1% in 2022, there was upward pressure on the inflation rate, which increased to 21% in 2022, compared with an average of 10.6% for emerging and developing economies and 8.8% for the world.

The CBN's Monetary Policy Committee continued to maintain its aggressive stance on monetary policy and, as of January 2023, raised the policy rate by a further 100bps to 17.5%. The hike was the fifth consecutive rate hike since May 2022.

The nation also grappled with a number of macro-economic challenges, including soaring public debt, heightening inflationary pressures, foreign exchange illiquidity, rising energy costs, weakening purchasing power and lingering insecurity, all of which combined to slow down growth.

Performance of the Bank

Notwithstanding these headwinds, I am pleased to inform shareholders that gross earnings for the Bank improved by 34.4% year-on-year to 24.81bn (Group: 31.80bn).

34.4%

Gross earnings for the Bank improved by 34.4% year-on-year to 24.81bn (Group: 31.80bn).

A combination of Management's resilience and the Board's keen oversight during the year resulted in a Profit Before Tax (PBT) of 3.01bn for FBNQuest Merchant Bank for the year ended 31 December 2022, which represented an improvement of 312.5% year-on-year. Total PBT for the Group was 5.21bn, which represented an increase of 110.1% year-on-year.

While I commend Management for turning around the performance of the Bank from its position in 2021, they have been urged to ensure that this performance is surpassed in 2023.

Interim Dividend

The Bank remains committed to providing its shareholder with stable and sustainable returns, bearing in mind considerations for growth as well as the capital requirements of the Bank. As a result, based on the performance of the Bank following an audit of the nine-months' financial statements ending 30 September 2022, the Directors declared an interim dividend of 1.38bn, being 50% of audited Profit After Tax for the period. This sum has been paid to FBN Holdings Plc, following CBN's approval.

Governance

The Board has continued to ensure that its governance structures conform with international best practices, the provisions of the Nigerian Code of Corporate Governance and the CBN Code of Corporate Governance for Banks and Discount Houses, as well as other sectoral corporate governance guidelines, in order to effectively meet the expectations of all stakeholders.

The Board remains committed to the Bank's corporate culture and strategy and has the experience, knowledge and dedication required to accomplish the Bank's mission. The Board also continued its practice of conducting an independent assessment of the Board. The 2022 Board Evaluation Report confirmed that the Board and Management of FBNQuest Merchant Bank Limited continue to give preference to leading corporate governance

CHAIRMAN'S STATEMENT

practices. A copy of the comprehensive Board appraisal report conducted by PricewaterhouseCoopers (PWC) in respect of the 2022 financial year will be presented to shareholders at the 2023 Annual General Meeting.

In 2022, members of the Board participated in several strategic training sessions specifically organised for Directors in diverse areas, including corporate governance, cybersecurity, AML/CFT and Sustainability. Regular corporate governance returns were also filed, to ensure accountability in line with the provisions of relevant regulations.

Unfortunately, despite the care taken in ensuring that the Bank did not contravene any regulations, the Bank paid a penalty of 0.40mn during the year, as disclosed in the financial statements. The Bank adopts a zero-tolerance for any actions that could give rise to penalties of any sort, and steps have already been put in place to ensure that this does not recur.

The governance framework for the oversight of the two subsidiaries of the Bank – FBNQuest Asset Management Limited and FBNQuest Securities Limited – continues to be enhanced on an ongoing basis. During the year, the Board took a special interest in ensuring that the internal controls within the subsidiary entities were as robust as those operated within the Bank. This was achieved by a combination of shared services from the Bank to its subsidiaries, as well as Management and Board oversight of the subsidiaries, without compromising the independence of these entities.

Board Composition and Committees

As at 31 December 2022, the Board, led by myself, comprised six other Directors (five Non-Executive Directors and two Executive Directors). The Board was supported by four Board Committees whose memberships were re-constituted during the year in line with best practices.

Babatunde Odunayo, a Non-Executive Director, retired from the Board effective 14 December 2022, upon the completion of a successful tenure. An additional Director, Dr Irene Akpofure, was appointed to the Board effective 11 January 2023, following the CBN's approval of her appointment. While the Board and shareholders continue to seek to appoint Directors that would enrich the Board with their diverse skills and experience, the size and constitution of the Board continue to reflect best practices.

As we venture into 2023, with the attendant political and economic headwinds and an aspirational budget for the Bank and Group, all hands must be on deck for us to achieve the targets set for the year.

I am confident that, in spite of the difficult outlook, with diligent and purposeful implementation of the strategies we have outlined, the Bank and the Group shall achieve its various objectives in 2023.

Acknowledgements

I want to thank all our stakeholders, specifically the Bank's shareholders, whose tremendous support has helped the Bank consistently deliver value and retain customer confidence and loyalty. I would also like to acknowledge the collective efforts of our staff, whose passion and commitment have contributed immensely to the improved performance recorded in 2022.

Finally, I extend my appreciation to members of the Board and Management, whose vision and exemplary leadership have ensured a consistent growth trajectory of the institution.

I look forward to a successful and rewarding financial year in 2023.



Mallam Bello Maccido

Chairman
FBNQuest Merchant Bank Limited



I am pleased to report that the Group delivered a solid financial performance in 2022, demonstrating our tenacity and commitment to shareholder value creation.

Kayode Akinkugbe
Managing Director
FBNQuest Merchant Bank Limited



MANAGING DIRECTOR'S REVIEW

Introduction

At the start of 2022, we set out to 'Transform for Maximum Productivity' and deliver a significantly improved financial performance compared to 2021. The Russia-Ukraine conflict triggered several disruptions in the global economy, which had only begun to return to a semblance of normalcy following the COVID-19 pandemic. Unprecedented levels of inflation, intense supply chain shocks and soaring energy prices left many nations in crisis as central banks raised interest rates to record highs. Locally, the Nigerian economy was not shielded from these headwinds. The Central Bank of Nigeria increased the Monetary Policy Rate and Cash Reserve Requirement to highs of 16.5% and 32.5%, respectively. The higher interest rates should have attracted increased Foreign Direct Investment (FDI), but foreign exchange illiquidity was a significant deterrent for investors. This, alongside reduced oil production and revenues, led to a decline in the nation's foreign reserves by c. 9% to close the year at USD 37.09bn.

Although this myriad of challenges tested our resolve and resilience, I am pleased to report that the Group delivered a solid financial performance in 2022, demonstrating our tenacity and commitment to shareholder value creation.

Financial and Non-Financial Highlights

The Merchant Banking Group delivered a solid financial performance across our diversified portfolio of businesses. The Group's PBT grew by 110% year-on-year to ₦5.2bn, driven by a 123% increase in net interest income during the year. Notwithstanding the highest inflation levels in almost two decades, the implementation of rigorous cost optimisation initiatives enabled us to curtail operating expenses, which were flat year-on-year. The Investment Banking, Equities, Asset Management and Agency Services businesses performed commendably, with revenue growth of 70%, 61%, 28% and 20%, respectively, compared to 2021. The Corporate Banking and Fixed Income, Currencies and Treasury businesses also delivered strong performances, despite the high-rate environment, which compressed margins and net trading gains in the second half of the year.

The Group received the following awards and recognitions in 2022.

Award	Awarding Organisation
Banks and Other Financial Institutions Award <ul data-bbox="123 1257 1048 1313" style="list-style-type: none"> <li data-bbox="123 1257 1048 1313">• FBNQuest Merchant Bank Limited - Infrastructure and Project Finance House of the Year 	Business Day
2022 EMEA Finance Africa Banking Awards <ul data-bbox="123 1358 1048 1392" style="list-style-type: none"> <li data-bbox="123 1358 1048 1392">• Best Asset Manager 	EMEA Finance Africa
The Great Place to Work Survey <ul data-bbox="123 1459 1048 1493" style="list-style-type: none"> <li data-bbox="123 1459 1048 1493">• Silver Certification - FBNQuest Asset Management Limited 	Great Place to Work Institute

Strategic Pillars

2022 marked the halfway point in our five-year strategic plan, and we set out with a mission to 'Transform for Maximum Productivity'. Realising this mission was anchored on three strategic pillars, namely: Optimisation, Innovation and Partnerships. I am pleased to report that we have made progress across each pillar and continue to improve on our successes year-on-year. The highlights are provided below:

On **Optimisation**, we remain committed to enhancing our platform for success with a focus on our people, revenue growth and cost optimisation initiatives.

1. Elevating the People Agenda

Our people remain our greatest asset, and we strive to attract and retain the best talent. Like others, we were affected by the increased emigration of many Nigerians abroad. Fortunately, following the successful completion of our staff optimisation initiative, we have an improved alignment of job roles across the organisation to increase productivity and optimise costs. We took additional steps to enhance our Group culture by changing our core values to Entrepreneurship, Professionalism, Innovation and Customer Centricity (EPIC), in demonstration of our brand ethos as part of the FBNHoldings Group.



MANAGING DIRECTOR'S REVIEW

2. Accelerating Revenue Growth

We were deliberate in our efforts to diversify and increase sustainable revenues, which resulted in significant wins across key businesses lines:

- Investment Banking intensified execution efforts to increase revenues by 70% year-on-year.
- We reimagined the client coverage model for our Asset Management business to improve scalability and service delivery across all our client segments. Our AUM increased by 14% compared to 2021.
- The Equities business implemented an enhanced trading strategy and increased revenues by 49%.

3. Cost Optimisation

We aggressively explored ways to optimise our costs despite rising inflation, including leveraging synergies where applicable. As a result, we were able to contain operating expenses, which remained relatively flat over the period.

On **Innovation**, we continued to focus on automation and digitisation of our processes and service touchpoints as a strategic priority for our business.

- We embarked on a process review exercise towards ensuring a standard and optimal approach across all our key functions and enabling us to deliver a best-in-class experience for our stakeholders.
- Our Omnichannel platform, a gateway to our service offerings, is now in its pilot phase ahead of the release to our clients in the second quarter of 2023.
- We enhanced our payments and collections platforms on our Corporate Internet Banking application to provide clients with more transaction options.
- We launched the FBNQuest Digital Academy to enhance Group-wide digital skills and competencies.

On **Partnerships**, we remained focused on value-adding partnerships and have maintained a strong alliance with our strategic partners to accelerate growth and optimise revenue streams. We successfully executed 10 new partnerships this year.

Outlook

2023 is a pivotal year for Nigeria as the newly-elected government takes on the reins. As we look forward to a smooth transition to a new leadership team, the macroeconomic and social challenges will not abate overnight. Inflation is high and continues to put pressure on our operating expenses. High-interest rates will affect interest margins and the cost of funds.

Notwithstanding, we expect the operating environment to improve as we move into the first half of 2023. Indeed, the International Monetary Fund adjusted its growth forecast upwards for Nigeria, from 3.0% to 3.2% in 2023, signalling a more optimistic outlook than previously envisaged. An improved outlook would signal more opportunities for our various lines of business.

As a Group, our focus is on accelerating our revenue growth purposely and responsibly. We will deepen our knowledge of our evolving client base to offer novel products and services. We will deliberately pursue collaboration opportunities that open access to new markets and expand our offering to clients. We are dedicated to the digital transformation of our delivery touchpoints so that client experience and satisfaction are best-in-class. Additionally, we will intensify our efforts to retain our high-quality staff through our people agenda as we position ourselves as an employer of choice within our industry.

We remain resolute in our goal to be:

- A provider of investment solutions for all
- A corporate and investment bank for entrepreneurs
- A broker/partner for institutional investors

I want to thank our esteemed clients for their continued trust in our ability to deliver solutions; your faith in us is evidenced by the Group's performance in 2022, despite several headwinds. Thank you to every employee for your unwavering commitment. To our shareholders, we remain dedicated to generating incremental diversified and sustainable revenues. We look forward to once again outperforming expectations and remain committed to delivering value to all our stakeholders.



Kayode Akinkugbe

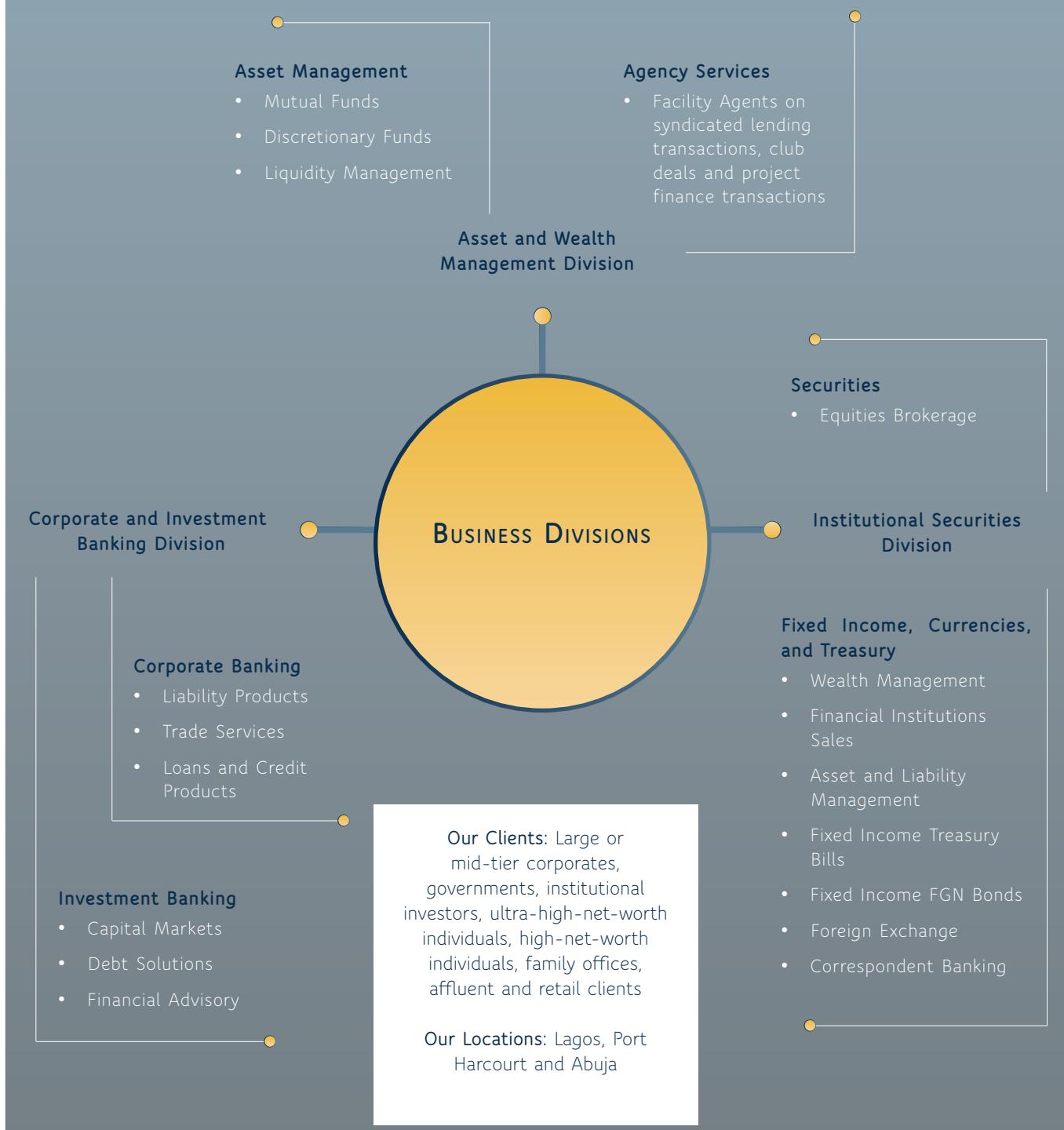
Managing Director
FBNQuest Merchant Bank Limited

BUSINESS MODEL

FBNQuest Merchant Bank is a subsidiary of the FBNHoldings Group and a full-service investment bank and asset manager. We offer a diverse range of services, including Corporate & Transaction Banking, Investment Banking, Sales & Trading of Fixed Income, Currencies and Equities, Treasury Services, Wealth Management, and Facility Agency Services.

We are committed to providing innovative banking and investment solutions for our diverse customer base, which comprises governments, financial institutions, corporates, high-net-worth individuals and a range of retail clients.

We create and deliver value for our clients and shareholders by raising funds, providing financial advisory services, managing assets, and investing alongside our clients.





BUSINESS MODEL

Our world-class team, rich heritage as part of the FBNHoldings Group, local insights and unrivalled network put us in a unique position within the merchant banking space. Our broad product platform enables us to cater to our clients' diverse business needs. Our focus on customer-centricity differentiates us from our peers, as we can anticipate and proactively meet our customers' requirements.

We continue to transform our business in line with the ever-evolving operating environment. We aim to be the wealth manager of choice, with strong corporate and investment banking capabilities. The Merchant Bank group provides the following products and services:

- **Investment Banking:** We provide strategic advisory services across various sectors and arrange tailor-made financing solutions through the bank and capital markets to help businesses grow.
- **Corporate Banking:** We offer a full range of wholesale banking services (lending, trade services and transaction banking) to medium-sized and large institutions.
- **Fixed Income, Currencies and Treasury (FICT):** The FICT team fuses market knowledge and trading strategies to help our clients achieve their financial goals, while the Wealth Management and Financial Institutional Sales teams manage the investment portfolios for ultra-high-net-worth and high-net-worth individuals and a broad segment of investors, including Pension Fund Administrators, insurance companies, banks, financial institutions, local and offshore portfolio managers and cooperative societies.

- **Agency Services:** We serve as the primary point of contact between transaction parties to a syndicated loan, managing communication between parties, handling the flow of funds and providing ongoing transaction support.
- **Asset Management:** We assist individuals and institutional investors with achieving their investment goals and portfolios through various solutions, including mutual funds, independent portfolio management and treasury management.
- **Equity Brokerage:** Our Equities team provides clients with research, and best execution sales and trading services.



We are committed to providing innovative banking and investment solutions for our diverse customer base, which comprises governments, financial institutions, corporates, high-net-worth individuals and a range of retail clients.



OPERATIONAL REVIEW

The Operations department, comprising Trade Services, Treasury Operations, Domestic Operations, Transaction Support and Customer Experience, is responsible for ensuring all the Bank's transactions are processed efficiently. The department's activities minimise overall processing risks and enhance the quality of customer service delivery and revenues. The department is also responsible for identifying optimisation gaps and working with relevant stakeholders to deploy the right technologies and solutions to improve operational efficiency and productivity, optimise costs and enhance revenue.

A. Trade Services

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

The Trade Services team works with the Treasury, Coverage and Corporate Banking divisions to source foreign exchange for the settlement of offshore trade. The team includes the Correspondent.

Banking function, which liaises with offshore banks to facilitate Trade Finance transactions. The team is also responsible for control checks in line with the CBN foreign exchange guidelines. The team periodically attends to the regulators' scheduled and spot-check audits.

B. Transaction Support

- **Investment Operations:** Responsible for settlement of counter-party trades, processing of payments and transfer requests, execution of corporate actions, reconciliation of in-house asset positions with custodians' positions, daily review of valuation reports and processing of fee income and expenses (management fees, custodian fees), amongst others.
- **Fund Administration (Mutual Funds, Private Portfolios and Structured Notes):** Responsible for identification of inflows, unitisation (unit creation) of identified inflows, redemption and cancellation of units, payment of redemption proceeds (cash to beneficiary's registered bank accounts through the custodian bank), preparation and publishing of daily prices/yields, periodic reconciliation of unit holders' positions with the registrar's records, regular processing and payment of returns on investments in line with each investor's mandate and booking and liquidation of investments for the structured notes - Private Banking Notes, Liquidity Management Notes, First Notes, Bond Notes and Halal Notes.
- **Reconciliation and Operations Control:** Actively supports FBNQuest Asset Management Limited's business and is responsible for reconciliation of bank statements, execution of End of Day processes and creation of portfolio and instrument positions.
- **Securities Operations** Supports FBNQuest Securities' business and is responsible for the execution of clients' mandates (which include purchase and sale orders), processing of clients' payment and transfer requests, reconciliation of bank statements, handling of inter-member transfers, management of Central Securities Clearing System (CSCS) correspondence on behalf of the customers, processing of signature lodgments, changes of name/address, account opening (CSCS/NASD) and processing of IPO/Right issue/FGN savings bond.



The Operations department is responsible for ensuring all the Bank's transactions are processed efficiently. Its activities minimise overall processing risks and enhance the quality of customer service delivery and revenues.





OPERATIONAL REVIEW

C. Domestic Operations

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

- Execution of funds transfers and payment requests (internal and external);
- Booking of invoices, income recognition and receiving funds;
- Daily inflow identification in liaison with the relationship managers;
- Transaction postings;
- Cheque processing;
- Reconciliation of local correspondent bank accounts and proofing of internal accounts; and
- Collaboration with relevant stakeholders to continuously improve service delivery.

D. Treasury Operations

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

- Settlement of bonds trades, both Federal Government and non-Federal Government bonds;
- Settlement of Treasury Bills and Open Market Operations;
- Settlement of foreign exchange transactions and transfers;
- Settlement of Eurobond transactions;
- Settlement of money market - Naira transactions;
- Reconciliation of securities position;
- Reconciliation of foreign currency and money market - Naira positions;
- Rendition of all regulatory returns;
- Regulatory engagements; and
- Liaising with and attending to external and internal auditors.

E. Customer Experience

- **Customer Experience Team:** The team serves as the bridge between the Bank and its customers. It works to improve the customer experience, deliver excellent service at every interaction and improve service delivery across all touchpoints. It oversees three client-facing functions across the Operations division.
- **Customer Service:** Onboards customers according to relevant regulatory guidelines and the Bank's Standard Operating Procedures (SOP). The unit handles all internal and external customer enquiries and collaborates with specific internal stakeholders to resolve customer issues and provide timely feedback to customers. The unit renders appropriate reports on customers' activities to the regulatory authorities and internally. Its duties are:

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

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

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

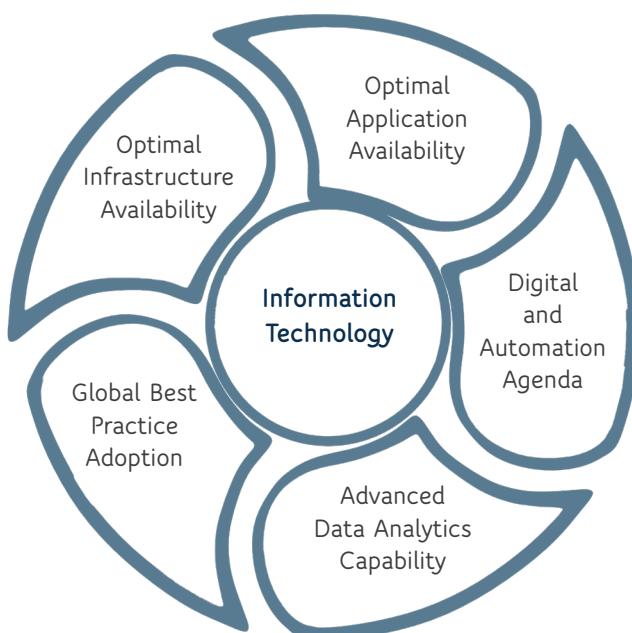
- **Contact Centre:** Manages inbound and outbound calls for the organisation. They undertake the following functions:

✓ Handling and resolving customer enquiries, requests and complaints;	✓ Tracking and ensuring all pending issues are consistently followed up, resolved, or escalated to the respective relationship manager or back-office function; and
✓ Upselling and cross-selling the Company's products and services;	✓ Logging of all customer interactions.

OPERATIONAL REVIEW

Information Technology

Information technology was a major enabler in achieving the Company's set objective. It focused on its strategic intent of curbing technology challenges by stabilising the technology platform. This was achieved by ensuring delivery across the following measures of success:



- **Optimal Infrastructure Availability:** The team completed the infrastructure refresh programme, which resulted in increased capacity and availability while at the same time strengthening the security of our information assets. To achieve operational cost savings and to optimise supplier service delivery, network links consolidation and supplier management initiatives were implemented.
- **Optimal Application Availability:** Critical Application upgrades and implementing multifactor authentication on core applications were delivered to improve customer experience and security posture while ensuring regulatory compliance. In addition, the team successfully conducted a business continuity failover exercise to ascertain business continuity/disaster recovery readiness.
- **Digital and Automation Agenda:** Key initiatives delivered included payment platform options (Remitta and NAPS) on Corporate Internet Banking. In addition, PIN reset functionality and code optimisation were delivered to improve customer experience and increase customer service offerings.
- **Advance Data Analytics Capability:** The data governance framework and data quality management tools were implemented to define the blueprint of processes, practices, goals, responsibilities, technology and culture that help ensure the quality, integrity, security, discoverability and usability of Quest data.

- **Global Best Practice Adoption:** COBIT 2019 and TOGAF Framework: Enabled institutionalising IT Governance, Service Management and Enterprise Architecture capabilities. This will continue to define the effective deployment of Technology in alignment with business goals, providing a secure and scalable foundation for delivering FBNQuest digital aspirations.

General Services

General Services concentrated on strengthening supplier relationships in 2022. This was accomplished by reinforcing best practices in the procurement processes, which boosted effective vendor management by:

- Enhancing the vendor onboarding process;
- Further strengthening the risk mitigation strategies; and
- Capitalising on the leverage over the vendors to attract better terms and conditions thereby thereby improving the standard of goods and services delivered, resulting in cost savings of over 17%.

Other cost-saving initiatives implemented by the department were:

- Phase one of the power management solution;
- Optimising print management, achieving 22% savings relative to the budget; and
- Streamlining corporate staff subscriptions, achieving 80% savings relative to the budget.

The team continued automating internal processes to improve service delivery and enhanced the Sustainability and ESG framework by creating greater awareness of recycling and reducing the use of power after office hours.

Focus for 2023:

We intend to maintain a sustainable environment for our suppliers and internal stakeholders by carrying out the following activities and initiatives:

- Continue to enhance our vendor platforms that support engagement channels to provide a seamless, user-friendly experience and uphold our service promise of excellence to vendors and stakeholders;
- Execute phase two of the power management solution initiative at the head office and branches. This initiative will lower CO2 emissions and significantly reduce medium-and long-term power costs by approximately 29.2% and 69.1%, respectively;
- Continue to initiate and implement cost optimisation initiatives while maintaining excellent service quality; and
- Provide a more modern and conducive work environment by completing the remodelling and relocation to the Bank's head office building.



DIVISIONAL OPERATING REVIEW

INVESTMENT BANKING



Patrick Mgbenwelu

Head, Investment Banking and Operations
FBNQuest Merchant Bank Limited



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



Introduction

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

FBNQuest Merchant Bank has an unrivalled track record regarding the number of transactions closed, underpinned by quick deal turn around times and unique structuring and distribution capabilities.

The team has developed strong relationships with strategic fund sources, domestic and foreign banks and other specialised fund sources and has extensive knowledge of key sectors that impact national development. The IB team's structuring expertise and track record across various sectors have enabled it to maintain its position among the top three in Nigeria in each business vertical.

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

Capital Markets

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

Financial Advisory

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

Debt Solutions

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

DIVISIONAL OPERATING REVIEW

COVERAGE AND CORPORATE BANKING



Afolabi Olorode

Head, Coverage and Corporate Banking
FBNQuest Merchant Bank Limited



The Coverage and Corporate Banking team offers bespoke advisory and financial solutions to its various clients across key sectors of the Nigerian economy.



Introduction

The coverage team provides a one-stop contact point for managing the Bank's client relationships and originating opportunities to deliver value for them. The team provides expertise across five industries that focus on deepening client engagement, executing thought leadership initiatives, deal origination and selling across multiple business segments while maintaining relationships with relevant players.

The industry focus mirrors the active industries in Nigeria, namely:

Diversified Industries	Services and Utilities	Energy and Infrastructure	Public Sector	Financial Institutions
<ul style="list-style-type: none"> Manufacturing/ FMCG Pharmaceuticals Metals and Fabrication Agriculture and Agribusiness 	<ul style="list-style-type: none"> Telecoms, Media and Technology Transport and Logistics Education Power 	<ul style="list-style-type: none"> Upstream Midstream Downstream Real Estate 	<ul style="list-style-type: none"> Federal Government Sub-nationals Ministries, Agencies and Parastatals 	<ul style="list-style-type: none"> Banks Insurance Companies Microfinance, PFAs, Asset Managers



DIVISIONAL OPERATING REVIEW

Corporate Banking

- The Corporate Banking business provides customised solutions for various corporations across all sectors. These solutions can be grouped under three main product lines:



Key Development

- **Foreign Exchange Market:** The limited supply of foreign exchange currency continued to impact the volume of international trade business (i.e. Letters of Credit) and consequently constrained the Bank from onboarding new trade customers. While there was an overall improvement in the volume of successful bids at the Retail SMIS window, the Bank provides forward discounting solutions to its customers to settle outstanding offshore obligations promptly.
- **Hike in Monetary Policy Rate:** To control the inflationary pressure, CBN in a series of hikes, increased the MPR by 500bps from 11.5% at the beginning of the year to 16.5%. The Bank responded by reviewing the pricing of its risk assets in line with the prevailing MPR.
- **Impact of the Russia-Ukraine War:** Global commodities prices were impacted by the lingering Russia-Ukraine war that led to supply chain challenges and heightened inflation rates. In managing the impact of increased global commodities prices, a number of our customers sought various alternatives to reduce operations costs, such as embarking on backward integration to increase domestic production and accessing intervention funds to reduce the cost of borrowings.
- **Tightening Liquidity:** The Bank continued to experience tight liquidity in the money market and continues to pursue an active low-cost liability generation strategy, to drive its risk assets growth while deploying some of the CRR Funds to bankable projects.

DIVISIONAL OPERATING REVIEW

FIXED-INCOME CURRENCIES AND TREASURY



Adetoun Dosunmu
Head, Fixed Income Currencies and Treasury
FBNQuest Merchant Bank Limited



The Group's main focus is the optimal management of the consolidated funds of the Bank and ensuring its profitability within acceptable levels of risk.



Introduction

The Fixed Income, Currencies and Treasury (FICT) Group is responsible for balancing and managing the Bank's daily cash flow and liquidity of funds while mitigating risk effectively through our range of treasury products. The Group is also tasked with effectively managing the Bank's investments in securities, foreign exchange and cash instruments. Our main focus is the optimal management of the consolidated funds of the Bank and ensuring its profitability within acceptable levels of risk. FICT comprises seven sub-units: Asset and Liability Management, Fixed Income FGN Bonds, Fixed Income Treasury Bills, Foreign Exchange, Correspondent Banking, Financial Institutional Sales and Wealth Management.

The Asset and Liability Management Unit manages the Bank's balance sheet with respect to liquidity/funding and interest rate risk while ensuring the Bank's obligations are sufficiently funded. The unit is also responsible for managing the Bank's asset and liability profile, focusing on reducing funding costs by capitalising on arbitrage opportunities.

As one of the authorised Primary Dealers and Market Makers in the Federal Government of Nigerian Bonds, the Fixed Income FGN Bonds Unit is responsible for ensuring the Bank meets its obligations, as stipulated by the Debt Management Office, by providing liquidity to facilitate market efficiency and functioning. The unit provides the platform for the Bank to contribute to the continual development of the Nigerian bond market through its participation in bond issuances on behalf of the Bank and interested investors. The unit is also responsible for executing trades and identifying trading strategies and investment opportunities in the various classes of locally denominated bonds.

As one of the pioneer Primary Dealers and Market Makers in FGN Treasury Bills as appointed by the CBN, the Fixed Income Treasury Bills Unit ensures the Bank meets its money market dealer obligations, as stipulated by the CBN, by actively participating in auctions conducted by the CBN and serving as a first point of contact for primary treasury bills issues. The unit is also responsible for trading in the secondary market on behalf of the Bank and its customers. It provides relevant information and advice to help the Bank and its customers effectively manage their treasury bills portfolio.

The Foreign Exchange Unit offers a broad range of foreign exchange products and services to the Bank's customers to help them manage their needs, including international trade and cross-border payments and payments for invisibles. The unit is also responsible for providing bespoke hedging solutions to support the Bank's customers in managing their foreign exchange risks. In addition, the unit manages the Bank's foreign exchange liquidity position and the Bank's foreign currency balance sheet while trading Eurobond securities on behalf of the Bank and offering an appropriate investment solution to our clients.

The Correspondent Banking Unit provides specialised services in association with financial institutions worldwide. It monitors the various exposures of the Bank while offering a full range of international trade finance solutions. The unit's functions include continuously developing and maintaining relationships with banks and financial institutions across the globe and sourcing, structuring and managing trade finance as well as other lines of credit from international financial institutions.

The Wealth Management Unit provides financial planning and effective portfolio management to a diverse client base of high-net-worth individuals, delivered through our various products, innovative solutions and excellent client services.



DIVISIONAL OPERATING REVIEW

We cross-sell products across all FBNQuest Entities, including our Local and Foreign Currency Premium deposits products and FBN Easy Retirement Package, a retirement investment plan for generational transfer of wealth through FBN securities backed products and fixed income securities (Treasury bills, FGN bonds, corporate bonds and Eurobonds). We also offer commercial papers, mutual funds, equities brokerage services and other extended services (e.g. financial planning sessions, pre-retirement workshops and webinars), and transactional banking services.

The Wealth Management Unit's core functions include sales, marketing and relationship management and are located along the major geographical lines covering Lagos, Abuja and Port Harcourt and their environs.

The Financial Institutions Sales Unit was set up to provide financial services to a broad segment of investors (including PFAs, insurance companies, banks and financial institutions, local and offshore portfolio managers and cooperative societies) with the main aim of managing their investment portfolio, while identifying areas of opportunities and growth. Our products include local and foreign currency fixed deposit and fixed income securities (Treasury bills, FGN bonds, corporate bonds and Eurobonds). The unit is also responsible for distributing capital market products, such as commercial paper and corporate bonds, to our broad segment of clients.

SUBSIDIARY OPERATING REVIEW

FBNQUEST ASSET MANAGEMENT LIMITED



Ike Onyia
Managing Director
FBNQuest Asset Management Limited

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

This business serves the financial planning and investment management needs of individuals, institutions and governments

KEY OFFERINGS

Mutual Funds

The collective investment schemes offer actively managed and passive funds that target capital preservation, growth and hedging by investing in local and foreign currency-denominated assets. While the pooled funds are popular with individuals, institutional



FBNQuest Asset Management has a solid track record of consistent performance across different investment strategies focused on capital preservation, income generation and capital appreciation, which is reflected in its SEC-registered collective investment schemes and outsourced mandates for bespoke investment programs.



by applying the team's strong fundamental and quantitative research capabilities and experience in navigating complex financial markets. FBNQuest Asset Management Limited has a solid track record of consistent performance across different investment strategies, focused on capital preservation, income generation and capital appreciation. This performance record is reflected in its SEC-registered collective investment schemes and outsourced mandates for bespoke investment programmes.

The FBN Money Market Fund is the second largest in Nigeria and performed strongly in 2022, outperforming its benchmark.

The FBN Smart Beta Equity Fund is a quantitative-based, passively managed Fund and is Nigeria's first factor-based fund, built on simple, transparent, rule-based strategies.

In addition to outperforming its benchmark in 2022, it was the best-performing passive equity fund in Nigeria.

The FBN Specialized Dollar Fund is the first specialized USD fund in Nigeria, offering exposure to non-Nigerian USD instruments.

The FBN Halal Fund, our ethical investment solution, is the second largest in Nigeria and performed strongly versus its benchmark and peers in 2022.

The FBN Balanced Fund became the largest balanced fund in Nigeria in 2022. It closed the year as the best-performing balanced fund in Nigeria, beating its benchmark and peer funds.



SUBSIDIARY OPERATING REVIEW

In 2022, the Asset Management business enhanced its mutual fund offering by launching the FBN Specialized Dollar Fund, Nigeria's first specialised dollar-based fund. The Fund was launched in August and had grown by an impressive 176% by 31 December 2022. The Fund's objective is to provide competitive returns to qualified investors and an opportunity for these local investors to reduce some of their country-specific risks while hedging against the potential devaluation of their local currency.

Independently Managed Portfolios

The Investment Management and Research team serve investors with a preference for segregated portfolios by building customised portfolios to meet their specific investment objectives. The business has seen its institutional client segment continually broaden its sector focus and conversion.

Structured Products

Investors can access a variety of synthetic solutions and fully bespoke product structures to achieve their financial objectives through collaboration with various specialist teams within the Merchant Banking and Asset Management businesses and global strategic partnerships.

Key Opportunities

The Nigerian financial landscape has evolved in the last decade as technology, regulation and a more discerning investor base have come together to shape a more sophisticated market. The Asset Management industry continues to grow, as evidenced by the increase in the Assets Under Management (AUM) of SEC-regulated offerings, from ₦102.06bn at the end of 2012 to ₦1.52tn at the end of 2022.

Following a challenging year in 2021, where the Nigerian Asset Management industry saw AUM for SEC-registered funds decline by 11%, the industry rebounded in 2022, with 8% growth in AUM, as yields increased on the back of higher interest rates.

As a result, money market mutual funds performance improved year-on-year, with a 12% growth in AUM, as fixed-income solutions performance continued to be driven by investors' preference for capital preservation strategies. Equity markets have remained less attractive to many investors, with equity-oriented mutual funds accounting for only 1% of the mutual fund sector.

Our product portfolio has continued to assist a variety of investor segments in navigating financial markets influenced by macroeconomic conditions and policy changes. Our experience in various asset classes, including the money market, fixed-income market, equity market and alternative investments, has enabled us to offer our clients comprehensive investment options. Our portfolio management and research teams consistently delivered competitive returns across various portfolio types in 2022. Our mutual funds outperformed their benchmarks in 2022 and remained at or near the top of their peer groups.

Strategies and Outlook for 2023

The Asset Management industry is becoming more competitive as newly formed financial holding companies and fintech are accelerating the democratisation of investment solutions. Technological innovation and the disruptive effect of digitalisation are two vital opportunities in the Asset Management space, as many incumbents will have to redefine their operating model and value chains to be fit for purpose to serve clients efficiently.

With the general elections set to take place in the first quarter of 2023 and the emigration of Nigerians across the country still prevalent, investor appetite for capital preservation strategies is expected to increase, which could spur investment in fixed-income solutions. The money market is expected to thrive as interest rates remain high, at least in the first half of the year. We expect regulation to continue to shape the industry, institutional asset owners to drive corporate governance improvements and service providers to continue to compete for increased market share in the retail segments.

FBNQuest Asset Management will intensify efforts to sustain its position as the 'Best Asset Manager' in Nigeria - as recognised for the fourth year in a row in the 2022 Africa Banking Awards organised by EMEA Finance - a testament to the outstanding quality of service and products delivered by the firm. In 2023, we will expand our product offering to include a differentiated USD offering and actively diversify into alternative assets. We are actively developing our infrastructure fund, our first publicly registered, alternatives-based solution. Alongside these products, we will focus on providing a robust and repeatable performance to our clients, leveraging technology to deliver a seamless end-to-end service to our clients.

Strategic partnerships remain integral to our success. We will continue to work with our existing partners and seek new ones, to enhance our product distribution and service delivery across all channels.

SUBSIDIARY OPERATING REVIEW

FBNQUEST SECURITIES LIMITED



Fiona Ahimie
Managing Director
FBNQuest Securities Limited

OVERVIEW

FBNQuest Securities Limited is a wholly owned subsidiary of FBNQuest Merchant Bank and a member of the FBNHoldings Group. It provides equities brokerage services to a broad range of customers, including Pension Fund Administrators (PFAs), insurance companies, banks and other financial institutions, local and offshore portfolio managers, large corporations, endowment funds, foundations and cooperative societies, high net-worth individuals and retail clients.

FBNQuest Securities Limited is a Trading License Holder of The Nigerian Exchange Limited and currently ranks amongst the top ten firms on the Exchange's value league table, having consistently been among the top-ranked stockbroking firms on the Exchange for about a decade. It offers a reliable online trading experience through its FBNQuest online trader, empowering clients to trade stocks directly on the Exchange in real time from anywhere. The Company constantly evolves in line with the times and prioritises customer comfort and satisfaction in rendering its services.

The firm is also a licensed Participating Institution on the NASD OTC Securities Exchange, the regulated marketplace for OTC transactions and a centralised source of liquidity and price discovery on unlisted public companies in Nigeria. In addition, FBNQuest Securities registered in 2022 as a Broker-Dealer firm in the AFEX Commodities Exchange Limited (AFEX), providing a platform for interested investors to trade in the commodities market for diversified portfolios.

FBNQuest Securities Limited offers corporate brokerage services to firms, acting as stockbrokers for primary market transactions in Nigeria in equities and debt. With a strong client base, FBNQuest Securities Limited distributes public offerings on behalf of issuers domestically and internationally.



FBNQuest Securities Limited ranks amongst the Top ten firms on the Exchange's value league table, having consistently been among the top-ranked Stockbroking firms on the Exchange for about a decade.



BUSINESS MODEL

The Securities unit generates revenue through:

- Brokerage commissions from institutions, high net-worth individuals and retail clients across primary and secondary markets investing in capital market products, typically exchange-traded
- Buying and selling capital market products on its account
- Sale of research products
- Provision of regulatory advisory, share administration and liaison services



SUBSIDIARY OPERATING REVIEW

Strategy and Outlook

Adverse economic headwinds continued to dominate global economies in 2022, as the Russia-Ukraine conflict took a toll on a world gradually recovering from COVID-19 induced slowdowns. Commodities prices, particularly energy prices, reached record highs, whilst inflationary pressure led most Central Banks to increase interest rates. High-interest rates and a general risk-off attitude drove investors towards fixed income securities and away from the equity markets.

Despite the predominantly negative economic environment, the Nigerian equities market closed the year up 19.9%, as a result of gains in large-cap stocks, which increased largely on the back of year-end activities from portfolio managers, with some strategic trades in large-cap names such as Airtelafri, Nestle, Geregu, BUACEM and some financial services counters, including FBNHoldings, which resulted in index-boosting gains that masked the otherwise weak market performance for the year. Domestic participants mainly drove activity levels, as foreign investors largely stayed on the sidelines, given the lingering foreign exchange liquidity challenges. In 2022, foreign participation in the Nigerian equities market was only 16.3% while domestic participation was 83.7%. Consequently, we continued to intensify the coverage of our domestic clients while engaging our offshore clients and focused on cross-selling opportunities within and beyond the FBNHoldings Group to ensure an improved bottom line for the Company.

The market outlook for 2023 appears mixed. Given the lingering negative economic headwinds from the Russia-Ukraine war, foreign investors are expected to remain on the sidelines considering the predominantly global high-interest-rate environment and the continuing foreign exchange liquidity constraints.

Given the upcoming elections, we expect 2023 to be a tale of two halves. As we approach the elections, the equity market will probably remain sluggish in the first part of the year. However, we expect market activity to pick up once the elections are over, as investors come to terms with the policies of the newly elected government. Increased contraction of disposable income may also be a constraint, as higher energy tariffs and likely subsidy removal may further aggravate the prevalent tough operating environment in the country. We will continue to leverage our corporate brand and expertise, market relationships and coverage network to deliver bespoke services and good returns to all stakeholders.



Corporate Responsibility & Sustainability



EMPOWERING OUR PEOPLE

Recognising that our people are a key part of our success, we implemented several initiatives to foster a positive work environment and increase employee satisfaction. In 2022, our Workforce Optimisation project was delivered to ensure

the organisation's operating model is optimally positioned to improve its cost-to-income ratio by providing the right structure, fitment and resources to position FBNQuest as the Investment Manager of choice.

Employee Engagement and Development

A plan was developed and implemented to accelerate the delivery of key people and talent initiatives while improving the employee experience.

Throughout the year, the People Management team delivered a series of programmes, initiatives and roadshows to increase employee productivity and promote various benefits and support structures available to employees. The CEO and senior management held townhall meetings to provide a platform for our people to interact with leadership.

Given the Bank's hybrid work model, specific in-house and on-the-job training initiatives were implemented for employees in line with the continuous growth and development policy. The Bank's robust and fit-for-purpose digital e-learning platform, which hosts numerous relevant courses designed to develop skills for the present and future of work, was harnessed alongside other conventional learning interventions and resulted in over 90% learning coverage for all employees at year-end (including outsourced staff).

The Bank's overall framework incorporates leadership development programmes and projects. The FBNQuest Mentoring programme, leadership coaching and targeted career development initiatives implemented at all levels demonstrate the Bank's dedication to fostering a work environment that promotes capacity building and employee growth and development. In addition to its value-driven and focused technical training, the Bank offers strategic executive programmes for senior management and capacity development interventions for middle management.

Health, Safety and Welfare

The work environment at FBNQuest Merchant Bank is governed by strict health and safety rules and practices, which are regularly reviewed and tested. Fire prevention and firefighting equipment are installed strategically throughout the Bank's premises.

Under the Bank's health insurance scheme, top-rated private medical facilities are available to employees and their immediate family members. The company's health insurance provides coverage for gym membership and periodic visits to wellness centres to promote and facilitate a healthy lifestyle.

The FBNQuest Employee Assistance Programme (EAP), in partnership with a reputable EAP service provider, provides professional support to boost employees' emotional health and wellbeing. Counselling and therapeutic interventions under the programme are available to employees and their spouses. The EAP service recorded a full utilisation of enrollee slots subscribed to in 2022 and continues to be used by employees.



Throughout the year, the People Management team delivered a series of programmes, initiatives and roadshows to increase employee productivity and promote various benefits and support structures available to employees.

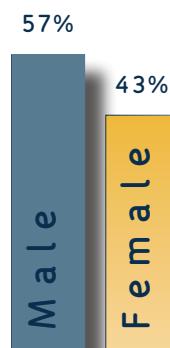


The Bank implemented various wellness initiatives, such as webinars on health and emotional wellness, tele-medicare and comprehensive annual medical check-ups throughout the year. The FBNQuest Health Week and a #FitFam week also held at different times, featuring health talks, communication materials with essential health tips, health trivia, and other activities to encourage healthy living.

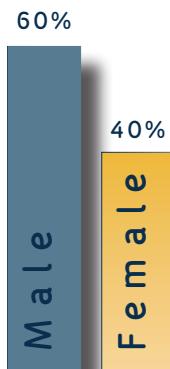
The Bank has Group Life and Personal Accident Insurance and contributes to the Employees' Compensation Fund. It also runs a contributory pension plan in compliance with the Pension Reform Act.

Male / Female % Distribution

Top Management



All Employees



OUR SOCIAL COMMITMENT

We consider ourselves stewards of our world, directing our sustainability efforts towards resolving environmental, social and ethical issues that pose obstacles and business opportunities. We take a stand for sustainability in our business practices in three ways:

Exceeding Expectations and Making Sustainable Impact

We are an ethical organisation dedicated to innovative business practices that add sustainable value to all stakeholders. Sustainability is one of our top priorities and considering environmental and social governance factors is part of good business and contributes to long-term growth.

Taking Responsibility Beyond Ethical Practice

We are responsible for protecting and enriching the lives of our clients, employees and communities where we operate. It is a core part of our business, and we embed sustainability and ethical practices into everything we do, being accountable for our actions wherever possible.

Forward-Thinking Corporate Citizens

As a forward-looking organisation, we look to cater to all members of our stakeholder group, prioritising profitability while maintaining a high level of corporate social responsibility.

Our Approach

The Board and Management have developed a vision for integrating sustainability into the Group's culture, aligning it with the current business goals.

The Bank has pledged its support for a framework that is in line with globally recognised best practices, including:

Nigerian Sustainable Banking Principles

Applicable local laws and national legislation

ISO 26000 Guidance standards on social responsibility

IFC Performance and World Bank EHS standards

Recognised Best Practices



OUR SOCIAL COMMITMENT

The sustainability framework reflects our corporate values and is implemented in the following core areas as well as in our products and investments:



OUR SOCIAL COMMITMENT

Our 2022 Activities Focused on:

- ✓ Strengthening existing partnerships to drive stakeholder engagement and social impact
- ✓ Supporting our local community
- ✓ Mentorship programmes
- ✓ Financial literacy

Some of the highlights include:

EnterpriseNGR: FBNQuest Merchant Bank is a founding member of EnterpriseNGR, a member-led advocacy group that promotes the growth and development of Nigeria's Financial and Professional Services sector. The Bank fosters an enabling environment for the sustainable development of the Nigerian economy by working cohesively with its members to engage various stakeholders (Government, Regulators, NSE Premium Board companies, sectoral associations and the Media). During the year, two high-impact and sustainable projects were executed in a bid to:

- Connect talent with opportunity and build a sustainable workforce (Youth of Enterprise). The Youth of Enterprise is a six-month, paid internship opportunity targeted at unemployed and under-employed youths with no more than five years post-university experience providing a platform for taking that first step towards a meaningful career into a real hands-on role, discovering job-readiness skills from day one and building networking prospects with peers and leaders, while learning from some of the smartest minds in the industry.
- Establish thought leadership to drive policy engagement and initiatives through evidence-based research and data insights State of Enterprise Report. The report showcases the Financial and Professional Services sector's significant achievements and contributions to Nigeria's economy. It also presents up-to-date insights into the sector's impact and importance as a growth catalyst for the wider economy. This is achieved by providing a current-state assessment, offering a launch pad for discussions around policy and regulation to expand the depth and breadth of the sector.

Global Money Week: The Global Money Week initiative, held nationally in March, is focused on engaging children, youths and their communities about financial education and financial inclusion. FBNQuest Merchant Bank visited four schools nationwide, in Lagos, Abuja, Port Harcourt and Ebonyi, with 452 students reached. Ten employees volunteered to teach the curriculum that was shared. Kayode Akinkugbe, MD/CEO of FBNQuest Merchant Bank also gave a virtual presentation on the

concept of money and how to manage it at the Comprehensive School of Management and Technology, Ebonyi State.

United States Agency for International Development (USAID) Partnership: In line with its commitment to deliver impactful, community-based initiatives, FBNQuest Merchant Bank partnered with the USAID on a youth-powered initiative to empower young adults between the ages of 15 and 19 years with the skills, social capital and resources needed to actualise their dreams through training and mentorship sessions. The mentorship programme aims to improve the well-being of the participants with life skills for healthy living and future planning while preparing them for job opportunities and increasing the youth workforce readiness.

Marcelle Ruth Center Cancer Walk: The Bank supported Marcelle Ruth Cancer Centre and Specialist hospital hosted its first charity walk. The event was themed 'Walk Against Cancer', with the objective of raising awareness on the importance of health screening programs which help save lives. It was a 5km walk starting from the State House in Marina and finish at the Marcelle Ruth Centre in Victoria Island on 24 February 2022.

Healthy Heart Foundation: The Bank supported the Healthy Heart Foundation through First Cardiology consultants on its launch of the foundation. The foundation aims to bridge the health gap in Nigeria by offering specialised open-heart surgeries to indigenes free of charge while providing training for local clinicians and developing research. It provides quality health care to the less privileged in Nigeria, positively impacting its health care system.

World Savings Day: World Savings Day is observed annually across the globe on 31 October to enlighten people about the benefits of saving their money in a bank. The event aimed to increase public awareness of the importance of savings for modern economies and individuals. FBNQuest Merchant Bank visited three schools nationwide, in Lagos, Abuja and Port Harcourt, to commemorate the day. The main topics taught were focused on the importance of savings in the global economy and how every depositor contributes to its development.

Capacity Building for Female Employees: As part of our women's economic empowerment initiatives, female employees were sponsored to attend the 2022 Women in Management, Business and Public service annual conference and the Women in Successful Careers yearly conference. Employees also participated as speakers of the sessions organised to educate women on critical professional and personal growth strategies to celebrate International Women's Month.

Employee Initiative Activities: Employee participation is key at FBNQuest Merchant Bank. The Bank consistently creates innovative ways to increase participation. Health is taken seriously and several initiatives, such as virtual fitness and regular health checks, are implemented to assist employees in maintaining a healthy lifestyle. Trainings to increase capacity building amongst employees were also embarked on. Trainings were also deployed to increase capacity building amongst employees were also embarked on.



Governance

INTRODUCTION



Mallam Bello Maccido

Chairman
FBNQuest Merchant Bank Limited

The Board of Directors comprises eight Directors, six Non-Executive Directors and two Executive Directors. Babatunde Odunayo, a Non-Executive Director, retired from the Board effective 14 December 2022; however, another Non-Executive Director, Irene Akpofure, was appointed effective 11 January 2023. The members of the Board are accomplished professionals in their respective domains, possessing diverse skills and competencies that add value to the Bank's business.

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

At each Board and Board Committee meeting, Directors are required to confirm that they are not in conflict with any of the matters on the agenda for each Board meeting. This further entrenches the transparency of the deliberations of the Board.

The Board goes through a formal and transparent process for the nomination and appointment of Directors. The Board Governance and Human Resources Committee plays a major role in selecting candidates for appointment to the Board. Non-Executive Directors receive letters of appointment that detail their tenure, remuneration, duties and statutory obligations to guide them on the expectations of the Bank and the other

stakeholders, particularly those of the regulators of the Bank. As a result of the Bank's robust corporate governance practices, the Board continues to receive commendable ratings in the annual performance review and appraisal of Board members.

Despite the care taken to ensure the Bank did not contravene any regulations, the Bank was required to pay a penalty during the year, as disclosed in the financial statements.

In addition, the Board's composition and size continue to conform to best practices. I recognise the Board's success in maintaining a diverse and experienced membership, dedication to the Bank's expansion and unwavering pursuit of excellence.

I commend my fellow Board members for their unwavering support of Management during the year. I have faith in the Board's resilience and determination to overcome any challenges encountered in the future. In collaboration with Management, we will accomplish our objective of becoming Africa's leading investment bank and asset manager.

A handwritten signature in black ink, appearing to read 'B.M.' followed by a stylized surname.

Mallam Bello Maccido

Chairman
FBNQuest Merchant Bank Limited



LEADERSHIP

BOARD OF DIRECTORS



Bello Maccido
Chairman



Kayode Akinkugbe
Managing Director



Taiwo Okeowo
Deputy Managing Director



Oluyele Delano, SAN, MCI
Non-Executive/Independent
Director



Akinlolu Osinbajo, SAN
Non-Executive Director



Babatunde Odunayo
Non-Executive Director¹



Oyinkansade Adewale
Non-Executive/ Independent
Director



Nnamdi Okonkwo
Non-Executive Director²



Dr Irene-Ubiawhe Akpofure
Non-Executive Director³



Tolulope Adetugbo
Company Secretary

¹ Retired 12 December 2022
² Appointed 10 May 2022
³Appointed 11 January 2023

LEADERSHIP

EXECUTIVE LEADERSHIP COMMITTEE



Kayode Akinkugbe
Managing Director



Taiwo Okeowo
Deputy Managing Director



Patrick Mgbenwelu
Head, Investment Banking
and Operations¹



Ike Onyia
Managing Director,
FBNQuest Asset Management Limited



Awele Ajibola
Chief Risk Officer



Afolabi Olorode
Head, Coverage and Corporate
Banking



Adetoun Dosunmu
Head, Fixed Income, Currencies
and Treasury²



Olamide Adeosun
Chief Financial Officer



Fiona Ahimie
Managing Director,
FBNQuest Securities Limited

¹ Resigned 1st March 2023

² Resigned 6 January 2023



LEADERSHIP



Bello Maccido
Chairman

Bello Maccido has over 35 years of business experience, 26 of those representing hands-on experience handling a wide spectrum of financial services. An accomplished corporate and investment banker, his experience covers pension fund management, commercial, retail, corporate and investment banking at various institutions, which include Ecobank Nigeria Plc, New Africa Merchant Bank Limited and FSB International Bank Plc, where he rose to become acting Managing Director/Chief Executive Officer, Legacy Pensions. He was the founding Managing Director and Chief Executive Officer, First Bank of Nigeria Limited and Executive Director Retail Banking (North), where he was appointed the Group Managing Director of FBNHoldings. He retired from FBNHoldings effective 1 January 2016, when he became the Chairman of FBNQuest Merchant Bank Limited. He was a National Council Member of the Nigerian Stock Exchange (now known as the Nigerian Exchange) between 2009 and 2012 and a member of the Finance Committee National Council on Privatisation. He sat on the implementation committee of Financial System Strategy 2020 and the Presidential Monitoring Committee of the Niger Delta Development Commission.

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

Appointed on 4 November 2014, Bello Maccido has spent 8 years and 1 month on the Board.

Experience:

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

LEADERSHIP



Kayode Akinkugbe
Managing Director

Knowledge and Skills:

Kayode Akinkugbe is the Managing Director and Chief Executive Officer of FBNQuest Merchant Bank Limited. He has over 28 years of experience working in top-tier global investment banks in the United Kingdom and Nigeria. He focused on arranging finance and providing strategic advice to public and private-sector organisations.

Kayode has a proven track record of meeting business and financial targets and has, throughout his career, originated and executed over USD 9bn of structured debt, project finance and equity financing across banks and capital markets, advised on over USD 5bn of merger and acquisition transactions (privatisation, buy-side) and executed hedging solutions while generating significant revenue for stakeholders.

Kayode graduated from the University of Ibadan with a degree in Economics. Subsequently, he attended the London School of Economics, where he obtained an MSc in International Accounting and Finance. He also holds an MBA from Cranfield School of Management, United Kingdom.

Appointed on 24 November 2015, Kayode Akinkugbe has spent 7 years and 1 month on the Board.

Experience:

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



LEADERSHIP



Knowledge and Skills:

Taiwo Okeowo is a seasoned professional with over 34 years of experience in investment banking. He has considerable experience in project finance, mergers, acquisitions, restructuring and securities underwriting. Under his stewardship, FBNQuest Capital's investment banking team achieved the number one position in the Nigerian transaction league tables in Equity Capital Market (2007 and 2008) and Debt Capital Market (2009-2011). He is a Director of MainOne Cable Company Limited and former Chairman of the Fixed Income Subcommittee of the Capital Market Committee.

Taiwo graduated with First Class Honours in Computer Science from the University of Ibadan. He holds an MSc in Management from London Business School (where he was a Sloan Fellow), is a Chartered Financial Analyst (CFA) Charter holder and a Fellow of the Institute of Chartered Accountants of Nigeria.

Appointed on 24 November 2015, Taiwo Okeowo has spent 7 years and 1 month on the Board.

Experience:

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

LEADERSHIP



Oluyele Delano, SAN
Independent Non-Executive Director

Knowledge and Skills:

Oluyele Delano, SAN, commenced his practice with Chief Rotimi Williams' chambers in 1988, having been called to the Nigerian Bar in the same year. He subsequently rose to become one of the leading counsels in the chambers, with a focus on litigation and arbitration.

In 1998, Oluyele assumed his current position in the Lagos office of Akindelano Legal Practitioners (ALP). In 2006 was elevated to the Inner Bar, becoming one of the youngest Senior Advocates of Nigeria. He has been involved in notable multi-million-dollar transactions, advising key government and private sector interests. Oluyele obtained a Bachelor's degree in Law from the University of Southampton, United Kingdom. He is a Member of the Chartered Institute of Arbitrators (MCI Arb), London and Lagos.

Appointed on 31 March 2015, Oluyele Delano, SAN, has spent 7 years and 9 months on the Board.

Experience:

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



LEADERSHIP



Nnamdi Okonkwo

Non-Executive Director

Knowledge and Skills:

Nnamdi Okonkwo was appointed to the Board of Directors of FBNQuest Merchant Bank Limited on 10 May 2022. He is the Group Managing Director (GMD) of FBN Holdings Plc. His work experience spans over 32 years of focused and results-oriented local and international banking.

Before joining FBNHoldings, Nnamdi was the Managing Director/CEO of Fidelity Bank Plc from January 2014 to December 2020. He previously served as the Executive Director for Southern Nigeria at Fidelity Bank. During his tenure as CEO, the institution witnessed a series of significant transformations, one of which was the Bank's rise from a mid-table Bank to the leading Tier 2 Bank in Nigeria while enhancing its top ranking among banks in Africa. During his seven-year service at the helm, the Bank also successfully accessed the local and international markets through the issuance of corporate bonds and Eurobonds, alongside other key transformational and financial growth achievements.

Nnamdi joined Fidelity Bank after eight years at United Bank of Africa Plc (UBA). He was, at various times, Regional Director (FCT, Nigeria), Regional Bank Head (Lagos Mainland) Head Conglomerates (Corporate Banking Division). In the International banking sphere, Nnamdi was the Regional CEO covering the West African Monetary Zone for UBA Plc, overseeing the Group's operations in Ghana, Liberia and Sierra Leone, a role he combined with being the substantive Managing Director/CEO of UBA Ghana. He joined Fidelity Bank in 2012 upon returning to Nigeria.

Nnamdi has rich Corporate Board experience. Apart from currently serving as a Non-Executive Director on the Board of FBNQuest Merchant Bank, he is also a Non-Executive Director on the Board of the Group's largest subsidiary, FirstBank. Nnamdi's past Board experience at various times were at UBA Ghana, UBA Sierra Leone, UBA Liberia, Nigeria Interbank Settlement Scheme (NIBSS), Unified Payment Systems Limited and Nigeria e-Government Strategy. He also chaired the Shareholders' Audit Committee of FMDQ.

Nnamdi's career started at the Merchant Bank of Africa Limited in 1990. It saw him traverse the banking space and gain preparatory/ leadership experience in leading financial institutions, including Guaranty Trust Bank (Now GTCO) and FSB

International Bank. He is a Fellow of the Chartered Institute of Bankers of Nigeria and a Fellow of the Chartered Institute of Credit Administration. He also chaired the Mentoring Advisory Committee of CIBN and was a two-term Vice President of the Nigerian British Chamber of Commerce. He holds a B.Agric. degree in Agricultural Economics from the University of Benin, Nigeria and an MBA (Banking and Finance) from Enugu State University of Science and Technology, Nigeria. He is also a graduate of the Advanced Management Program of INSEAD. Nnamdi has attended Executive Management and Board training programmes at Harvard Business School, Stanford University, Wharton Business School, IMD, Singapore, IESE Business School, the University of Navarra, Barcelona, Spain and Kellogg's Business School, USA. Nnamdi has been honoured with many awards and recognitions globally. He is a globally recognised thought leader in banking and finance. He is highly reputed as one of the few African bank CEOs to be invited as guest speaker at the Investor Conference of major global banks.

Experience:

- Group Managing Director, FBN Holdings Plc
- Director, First Bank of Nigeria Limited
- MD/CEO, Fidelity Bank Plc
- Regional CEO, UBA West Africa Monetary Zone
- MD/CEO, UBA Ghana
- Director, UBA Liberia
- Director, Ghana National Banking College
- Regional Director, Standard Trust Limited, South Africa

LEADERSHIP

**Knowledge and Skills:**

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

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

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

Appointed on 31 January 2017, Akin Osinbajo, SAN, has spent 5 years and 11 months on the Board

Experience:

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



LEADERSHIP



Babatunde Odunayo

Non-Executive Director

Knowledge and Skills:

Babatunde Odunayo has over 41 years of experience in agriculture, accounting, consultancy and finance. He worked briefly with the State Ministry of Agriculture and later at the Federal Ministry of Agriculture. In 1977, he moved to the international accounting firm, Coopers & Lybrand, where he was involved in the audit of accounts of client companies for four years. He was later appointed as a consultant in the management consulting unit of the firm, where he managed consulting assignments for another four years.

In 1986, he was appointed Financial Controller and later Finance Director at Hagemeyer Nigeria Plc. He led the company to the capital market to raise debenture stock and redeemable cumulative preference shares for its capital needs. In 1992, he was appointed Group Managing Director of the Honeywell Group. Following 22 years in the service of the Honeywell Group and 17 years as CEO, he retired from the company on 1 April 2014 as the pioneer CEO. Babatunde Odunayo has a Bachelor of Arts in Agriculture from the University of Ife and is a Fellow of the Institute of Chartered Accountants (FCA).

Appointed on 3 May 2018, Babatunde Odunayo spent 4 years and 7 months on the Board and retired on 14 December 2022.

Experience:

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

LEADERSHIP



Oyinkansade Adewale
Non-Executive Director

Knowledge and Skills:

Oyinkansade Adewale is a senior finance executive with over 38 years of experience in the banking and professional services sector in Africa, mainly in bank Chief Financial Officer roles and complex bank turnaround engagements. She was appointed turnaround Chief Financial Officer of a large Nigerian bank by the CBN, where she was responsible for withdrawing and restating the bank's previously published financials.

She established a world-class finance function at another large turnaround Nigerian bank. She supported 14 banks as a financial adviser/due diligence consultant during the 2004-2006 CBN-led bank consolidation programme that moved the minimum capital of Nigerian banks from ₦5bn to ₦25bn through mergers and acquisitions. She is a recipient of the CBN Governor's commendation for meritorious services to the banking sector.

Appointed on 14 March 2019, Oyinkansade Adewale has spent 3 years and 9 months on the Board.

Experience:

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



EFFECTIVENESS

Strict adherence to good corporate governance is a core value at FBNQuest Merchant Bank Limited. The strategic thrust of the Bank is driven by corporate governance, which is embedded in the Bank's business practices for transparency and inclusion of all stakeholders. The Board is confident that the DNA of sustainability has been infused into the Bank because of its membership in Nigeria's first financial institution and that the Bank can only be sustained through transparent business practices and a culture of accountability. As a result, the Board of Directors supervises corporate governance and stakeholders are effectively involved.

Board Roles and Responsibilities

Responsibilities

The Board of Directors is responsible and accountable for the overall performance and success of FBNQuest Merchant Bank Limited. Through the review and approval of major strategic plans and initiatives, the Board fulfils its oversight responsibilities and provides strategic direction to the Bank. The Board ensures that adequate audit, risk management and control systems are in place, including adequate financial reporting and compliance programmes, and that the processes for evaluating the adequacy of these systems and programmes on an ongoing basis are not jeopardised. The Board also ensures that the Bank's internal and external audit processes maintain competence, independence and integrity.

The Role of Directors

The roles of the Chairman and other Board members are set out below:

Chairman

- Ensure the Board carries out its governance role in the most effective manner possible;
- Set the agenda for Board meetings and ensure the Board remains focused on its governance roles;
- Ensure Board meetings are run efficiently so that all points and opinions are heard;
- Ensure the various Board committees are set up and properly governed and assist the Board in its oversight functions; and
- Chair the Annual General Meeting.

Managing Director

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

EFFECTIVENESS

Non-Executive Director

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

Independent Non-Executive Director

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

Company Secretary

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



EFFECTIVENESS

Attendance at Board Meetings Held in 2022

Names	14 January	31 January	21 March	11 May	21 May	07 June	24 June	18 July	02 August	17 August	16 September	02 November	14 December
Bello Maccido	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Taiwo Okeowo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
Oluyele Delano, SAN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nnamdi Okonkwo	NYA	NYA	NYA	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Babatunde Odunayo	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oyinkansade Adewale	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ = Attendance | X = Apology | NYA = Not Yet Appointed | R = Retired/Resigned

Board Focus Areas for 2022

Based on the updated 2020–2024 strategic planning cycle, the Board focused on revenue growth and operational expense reduction in 2022 while maintaining strict compliance with corporate governance codes and regulatory frameworks.

Board Changes in 2022

Nnamdi Okonkwo was appointed a Non-Executive Director, effective 10 May 2022, and Babatunde Odunayo retired from the Board, effective 14 December 2022.

Re-election of Directors

Kayode Akinkugbe and Taiwo Okeowo retired by rotation and, being eligible, presented themselves for re-election and were re-elected at the Annual General Meeting of the Company on 11 May 2022.

Board Activities

The Board met thirteen times during the year, surpassing the minimum requirements for quarterly board meetings. In November 2022, a Board and Management retreat was held to facilitate interactions between the Board and Senior Management and to chart the input into the FBNHoldings Group strategic planning cycle for 2020–2024.

For the 2022 financial year, the Board complied significantly with the provisions of the NCCG and CBN code. The observations made by the Board appraisal consultants, PricewaterhouseCoopers (PwC) are being tracked for resolution.

Board Discussions

The Board spent significant time discussing the Bank's strategy, performance, prospects, reports from its strategic business units, risk reports and regulatory compliance. The Bank was able to

keep its costs below the budget in the 2022 financial year due to cost optimisation efforts. In accordance with the CBN's Code of Corporate Governance, the Board's committees met quarterly. The Board was informed of each Committee's activities and made decisions based on their recommendations.

Effectiveness and Evaluation

The number of Directors on the Board is governed by the CBN's Code of Corporate Governance (incorporated into the Charter of the Board of Directors). The Executive Directors are bound by contracts that spell out their terms of office, responsibilities and remuneration. In addition, the Board has approved succession planning policies for itself and the Bank's Management.

The company secretariat oversees an approved induction process for new Directors and periodic training for Directors, resulting from identified areas of growth and peer review by the Board appraisal consultants, PwC. The Board also engaged PwC to conduct an independent assessment of the Board and its governance practices to ensure it is fully up to speed with best practices. This appraisal is conducted annually and includes a Director peer review to examine the performance of each of the Bank's Directors.

The Board's evaluation covers each Committee's duties, effectiveness, proceedings and general compliance with its terms of reference. Quarterly, the Board Governance and Human Resources Committee reports to the Board of Directors on the progress in implementing the recommendations of PwC.

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

EFFECTIVENESS

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

Composition and Appointment Philosophy

At the end of 2022, the Bank's seven-member Board included one woman and six men, putting the ratio of women at 17%. As a result the Board has made it a priority to increase the number of female members. In line with the Corporate Governance Codes, two of the Bank's five Non-Executive Directors are designated Independent Non-Executive Directors (INEDs).

The Board has ensured that the Directors are drawn from both the public and private sectors of the economy, ensuring an appropriate balance of skills and knowledge. Board members have taken courses both locally and abroad. The Board Charter provides clear guidelines on the procedure to be followed, with due recognition that the Bank is part of a Group when appointing new Directors to the Board. The Directors are nominees of FBNHoldings. Nominations are subject to the approval of the Board of Directors and the requisite regulatory approval. The Board of Directors is also empowered to appoint a Director if the laws of the Federal Republic of Nigeria or the Bank's regulators require it.

Code of Business Conduct & Ethics

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

Induction and Training

Upon appointment to the Board and to Board Committees, all Directors receive an induction tailored to meet their individual requirements. The induction is arranged by the Company Secretary and includes meetings with senior management and key external directors, to assist Directors in acquiring detailed understanding of the Bank's operations, its strategic plan, business issues, the key issues which the Bank faces, and to introduce Directors to their fiduciary duties and responsibilities. Induction was facilitated in respect of Nnamdi Okonkwo following his appointment during the year.

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

Tenure of Directors

The CBN's Code of Corporate Governance specifies three terms of four years each for Non-Executive Directors and a maximum of 8 years (4 years for a single term) for Independent

Non-Executive Directors. The tenure of the Executive Directors (Deputy Managing Director and Managing Director) shall be in accordance with their terms of engagement, subject to a maximum tenure of 10 years. The Bank's policy on Directors' tenure is aligned with this.

Board Appraisal

The Board of Directors commissioned PwC to conduct an appraisal of its activities and Directors' peer appraisal during the year in accordance with established regulations. According to PwC's report, the Board's activities follow good corporate governance practices outlined in the CBN's Corporate Governance Code. The Board of Directors and the Annual General Meeting received PwC's report. PwC was first appointed in 2021.

Performance Monitoring

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

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

Code of Business Conduct & Ethics

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

Committee Reports

The Board Credit Committee, the Board Audit Committee, the Board Risk Management Committee and the Board Governance and Human Resources Committee all contribute to the effectiveness of the FBNQuest Merchant Bank Risk Management Committee (RMC) Board. Non-Executive Directors chair the Board Credit and Risk Management Committees, while Independent Non-Executive Directors chair the Board Audit and Governance and Human Resources Committees. Each Committee is governed by a charter approved by the Board.



EFFECTIVENESS

Board Audit Committee (BAC)

Oluyle Delano, SAN, chaired the BAC until the appointment of Oyinkansade Adewale as Chairperson, effective 11 May 2022. The Board's strategic and oversight functions in financial reporting, internal and external audits are all driven by the BAC.

Financial Reporting

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

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

External Audit

- Makes recommendations for the appointment and retention of external auditors;
- Reviews and discusses the scope of the audit and audit plan, including those of the subsidiaries;
- Considers differences of opinion between the Management and the external auditors;
- Evaluates the performance, objectivity and independence of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Obtains assurance from the auditors that adequate accounting records are maintained and used in preparing financial statements;
- Reviews internal and external auditors' reports (Management letter);
- Responds to and consider the status of actions taken by the Management; and
- Makes recommendations to the Board on the approved

annual audited reports and disclosure requirements, in line with Basel II.

Internal Audit

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

Internal Control Systems

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

EFFECTIVENESS

Attendance at BAC Meetings in 2022

Members

- Oluyele Delano, SAN – Chairman
- Babatunde Odunayo (Retired 14 December 2022)
- Oyinkansade Adewale – *Appointed Chairperson effective 11 May 2022)
- Nnamdi Okonkwo (Appointed 10 May 2022)



Names	24 January	10 March	19 April	14 July	18 October	09 December	29 December
Oluyele Delano, SAN	✓	✓	✓	✓	✓	✓	✓
Babatunde Odunayo	✓	✓	✓	✓	✓	✓	R
Oyinkansade Adewale	✓	✓	✓	✓	✓	✓	✓
Nnamdi Okonkwo	NYA	NYA	NYA	✓	✓	✓	✓

✓ – Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned

EFFECTIVENESS

Board Credit Committee (BCC)

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

- Review credit policies of the Bank and make recommendations to the Board;
- Review and approve all facilities exceeding the delegated authority of the Management Credit Forums, as set out in the Credit Policy;
- Review reports and monitor trends in the Bank's risk assets profile;

- Review the methodologies for assessing risk assets and recommend appropriate exposure limits; and
- Review and approve the restructuring of credit facilities per the Credit Policy and ensure that the concentration of risk assets is within the Company's defined risk tolerance.

Attendance at BCC meetings in 2022

Members

- Babatunde Odunayo – Chairman (Retired 14 December 2022)
- Akin Osinbajo, SAN
- Kayode Akinkugbe
- Taiwo Okeowo
- Oyinkansade Adewale (Appointed 11 May 2022)



Names	20 January	20 April	17 June	08 July	22 August	14 October
Babatunde Odunayo	✓	✓	✓	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓	✓	✓
Taiwo Okeowo	✓	✓	✓	✓	✓	✓
Oyinkansade Adewale	NYA	NYA	✓	✓	✓	✓

✓ – Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned

EFFECTIVENESS

Board Governance/HR Committee (BGC)

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

- Identification, approval and recommendation of individuals qualified to become members of the Board to the Board of Directors;
- Considering and making recommendations on the appointment of the top management staff of the Bank to the Board of Directors;
- Developing, updating and making recommendations to the Board on corporate governance principles and policies as applicable to the Bank;

- Monitoring compliance with such principles and policies; and
- Identifying and making recommendations to the Board for approval on staff welfare, conditions of service, administrative and/or ethical issues as they arise and acting as a general-purpose committee as may be required by the Board from time to time.

The BGC is composed of only Non-Executive Directors. The membership, meetings, duties, responsibilities and operations of the BGC shall be subject to the provisions of the BGC Charter, as approved by the Board. Matters shall be referred to the BGC from the resolutions of the Executive Leadership committee or other matters, as the Board shall refer to the BGC for consideration. The BGC shall make recommendations to the Board for adoption and approval.

Attendance at BGC Meetings in 2022

Members

- Oluyele Delano, SAN – Chairman
- Akin Osinbajo, SAN
- Nnamdi Okonkwo



Names	08 July	23 August	18 October
Oluyele Delano, SAN	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓
Nnamdi Okonkwo	✓	✓	✓

✓ – Attendance | X – Apology | NYA – Not Yet Appointed | R – Retired/Resigned



EFFECTIVENESS

Board Risk Management Committee (BRMC)

The BRMC was chaired by Oyinkansade Adewale until Akin Osinbajo, SAN, was appointed Chairman, effective 11 May 2022. The overall purpose of the BRMC is to protect the interests of shareholders and other stakeholders by overseeing the following:

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

The objectives of the BRMC include:

- i. Assisting the Board to discharge its responsibilities to exercise due care, diligence and skill in relation to the Bank;
- ii. Internal control systems;
- iii. Monitoring of both business and control risks;
- iv. Establishment and management of compliance procedures over regulatory and legal requirements;
- v. Improving the efficiency of the Board by accepting delegated tasks for sufficient and in-depth discussions;
- vi. Establishing a formal written policy on the overall risk management system of the Bank;
- vii. Improving the effectiveness of the risk management function;
- viii. Ensuring that adequate policies are put in place to manage and mitigate adverse effects of both business and control risks;
- ix. Re-evaluating the Bank's risk management policy periodically to accommodate major changes in internal and external factors; and
- x. Establishing robust contingency planning and continuity of business imperatives, with in-built capabilities for minimising disruption if mission-critical threats crystallise.

1. Enterprise Risk Management

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

- Reviewing and recommending to the Board for approval the Enterprise-wide Risk Management (ERM) Framework;
- Reviewing and recommending to the Board for approval the risk philosophy, risk appetite and tolerance levels;

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

2. Internal Control Efficiency

This involves evaluating the:

- Efficiency and effectiveness of FBNQuest Merchant Bank's operations;
- Accuracy of transactions capture and storage;
- Reliability of financial reporting;
- Effectiveness of risk management systems;
- Adequacy of internal controls; and
- Assessment and supervision of the Chief Risk and Compliance Officers.

EFFECTIVENESS

3. Compliance

- Ensuring that the Bank has a comprehensive compliance framework for regulations and guidelines of money laundering and financial crimes;
- Reviewing the adequacy and effectiveness of the programme of compliance with money laundering and financial crimes regulations and guidelines established within FBNQuest Merchant Bank Limited;
- Reviewing the processes in place for ensuring that new and changed legal and regulatory requirements on money laundering and financial crimes are identified and reflected in FBNQuest Merchant Bank Limited's processes;

- Reviewing the scope and depth of compliance audit activities and the resulting impact that audit findings have on the risk profile of FBNQuest Merchant Bank Limited regarding money laundering and financial crimes;
- Ensuring the effectiveness of the Bank's system for monitoring compliance with relevant laws and regulations (including internal rules) and the measures taken by the Management as a result of its investigation of material incidents of non-compliance;
- Evaluating the nature and effectiveness of action plans implemented to address identified compliance; and
- Ensuring compliance with the Nigerian Sustainability Banking principles and compliance with the cybersecurity risk regime.

Attendance at BRMC Meetings in 2022

Members

- Oyinkansade Adewale – Chairperson
- Akin Osinbajo, SAN (Appointed Chairman effective 11 May 2022)
- Oluyele Delano, SAN
- Kayode Akinkugbe



Names	20 January	14 April	15 July	14 October
Oyinkansade Adewale	✓	✓	✓	✓
Akin Osinbajo, SAN	✓	✓	✓	✓
Oluyele Delano, SAN	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓



EFFECTIVENESS

Management Committees

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

The Executive Leadership committee is entrusted with the following powers:

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

The Executive Leadership Committee carries out its mandate through the following committees:

Asset and Liability Committee (ALCO)

ALCO is responsible for developing short-, medium- and long-term strategies for managing the Bank's financial assets and funding. ALCO meets regularly to review the Bank's balance sheet and analyse and formulate strategies for managing inherent risks and achieving relevant performance goals.

ALCO focuses on a number of risks including, but not limited to:

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

The composition of the ALCO is as follows:

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

Information Technology Steering Committee (ITSC)

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

The Committee offers advice on long-term strategies to help the organisation achieve its goals. Members of the ITSC ensure that business objectives are met and that the project is on track. These responsibilities are carried out through the following functions:

- Monitoring and review of the project at regular ITSC meetings;
- Assisting with the project when required;
- Controlling project scope as emergent issues force changes to be considered, ensuring that scope aligns with the agreed business requirements of project sponsors and key stakeholder groups;
- Resolving project conflicts and disputes, reconciling differences of opinion and approach;
- Formal acceptance of project deliverables; and
- Ensuring that due diligence is followed in selecting and recommending service vendors for IT projects.

The composition of the ITSC is as follows:

- Deputy Managing Director – Chairman
- Head, Technology and Services
- Chief Risk Officer
- Chief Compliance Officer
- Head, Internal Audit
- Head, IT Applications
- Head, Transaction Operations
- Head, IT Security and Infrastructure

EFFECTIVENESS

- Head, Digital Transformation
- Head, Business Process Management
- Head, Organisational Transformation
- Head, Operational Risk Management
- Head, Channels
- Chief Information Security Officer
- Chief Information Officer (Secretary)

Risk Management Committee (RMC)

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

The objectives of the RMC include:

- Providing a solid foundation for enterprise-wide risk management and internal controls as part of good corporate governance, global best practices and applicable legal and regulatory requirements;

- Effective asset, liability and risk management for both the customer and FBNQuest Merchant Bank Limited while balancing the cost of risk management with the potential gains;
- Enhancing the Bank's profitability by building a good relationship between a sound risk management system and profitability;
- Safeguarding the Bank against high-probability risks and mitigating their impact when they occur in the course of business; and
- Establishing a robust business continuity management framework with built-in capabilities to ensure minimal disruption in the event of mission-critical threats and assess its adequacy relative to FBNQuest Merchant Bank Limited's business and regulatory requirements.

Remuneration

The remuneration of members of the Board of Directors is limited to a sitting allowance, Director's fees and reimbursable(s). Total fees and/or reimbursable paid to the Directors in 2022 were ₦560,835,372.00, broken down as follows:

	Amount ₦
Fees and sitting allowances	224,787,513.00
Executive compensation	256,394,292.00
Other Director expenses	79,653,567.00
Total	560,835,372.00

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

- Encourage excellence and a healthy balance of short- and long-term performance so that FBNQuest Merchant Bank Limited's financial objectives and expected returns are met and sustained;
- Enable FBNQuest Merchant Bank Limited to attract and retain people of proven ability, experience and skills in the market in which it competes for talent;

- Encourage people to focus on their contributions, contributions to the business where they work, and contributions to FBNQuest Merchant Bank Limited as a whole; and
- Ensure that remuneration policies and programmes are transparent, well-communicated, simple to comprehend and aligned with the interests of shareholders both internally and externally.



WHISTLEBLOWING PROCEDURES

Whistleblowing involves employees and other parties disclosing workplace malpractice, illegal acts, omissions or suspicious conduct internally or externally. A whistleblower is any individual, including employees, directors, customers, service providers, creditors, or other stakeholders of the Bank, who informs the appropriate authorities of any unethical behaviour or dishonest act in the Bank.

FBNQuest Merchant Bank is committed to providing the highest level of service and upholding the highest ethical standards in all its operations. The Group's internal systems and operating procedures are designed to detect, prevent, or deter improper conduct. However, even the most stringent control systems cannot guarantee complete protection against fraud, impropriety and other irregularities. The Bank is responsible for investigating allegations of suspected improper activities, taking appropriate disciplinary action where necessary and escalating findings to relevant agencies if required. The Bank recognises that employees are often the best people to know when the Company's interests are being jeopardised and can help uncover unethical and inappropriate workplace practices. The Bank also acknowledges that employees unsure whether to raise concerns or 'blow the whistle' on wrongdoing may fear being ignored or losing their jobs. The Whistleblowing Policy of the Bank encourages employees to report malpractice and misconduct without fear of negative repercussions.

The Bank will protect any employee who blows the whistle if the disclosure is made:

- a) in the reasonable belief that it is intended to show malpractice or impropriety; and
- b) to an appropriate person or authority.

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

- All forms of financial malpractice or impropriety or fraud;
- Failure to comply with legal obligations, statutes or regulatory directives;
- Actions detrimental to health and safety or the environment;
- Improper conduct or unethical behaviour, including any form of criminal activity;
- Other forms of corporate governance breaches;
- Connected transactions; insider abuses, including non-disclosure of interest; and
- Attempts to conceal any of these etc.

Objective:

The Bank's Whistleblowing Policy seeks to encourage stakeholders to bring unethical conduct and illegal activities to the attention of internal and or external authorities so that action can be taken to resolve the problem.

Roles

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

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

- Dedicated telephone lines: +234-906-246-2242, +234-908-752-2445
- Dedicated email address - whistleblowing@fbnquestmb.com; and
- Whistleblowing on the Bank's website <https://fbnquest.com/merchant-bank/policies/whistleblowing-policy/>

A prospective whistleblower may use one or a combination of the available channels. The whistle may also be blown in confidence to the CBN, the NFIU or the Economic and Financial Crimes Commission (EFCC) via relevant channels as communicated by the agencies.

Responsibilities

All whistleblowing cases at FBNQuest Merchant Bank will be investigated and reported to the Board and the regulator as appropriate. Each incident must be thoroughly investigated and immediately resolved according to the policy's resolution timeline. There was no case of Whistleblowing at FBNQuest Merchant Bank Limited in 2022.

Statement of Compliance

We hereby confirm to the best of our knowledge, that the Bank has complied with the following Codes of Corporate Governance:

1. The Code of Corporate Governance for Public Companies in Nigeria as issued by the Securities and Exchange Commission;
2. The Code of Corporate Governance for Bank and Discount Houses in Nigeria and the Guidelines for Whistleblowing in the Nigerian Banking Industry; and
3. The Financial Reporting Council's Nigerian Code of Corporate Governance.

In the event of any conflict regarding the provisions of the respective Codes and Rules, the Bank will defer to the provisions of the CBN Code as its primary regulator.

REPORT ON THE OUTCOME OF THE CORPORATE GOVERNANCE EVALUATION EXERCISE



12 May 2023

The Chairman
FBNQuest Merchant Bank Limited
16 Keffi Street
Off Awolowo Road
S.W. Ikoyi, Lagos
Nigeria.

Attention: Mallam Bello Maccido

Dear Sir,

REPORT ON THE OUTCOME OF THE BOARD AND CORPORATE GOVERNANCE EVALUATION EXERCISE FOR THE PERIOD ENDED 31 DECEMBER 2022

PricewaterhouseCoopers ("PwC") was engaged to carry out an evaluation of the Corporate Governance practices of FBNQuest Merchant Bank Limited ("the Bank") and an evaluation of the Bank's Board of Directors as required by Principles 15.1 and 14.1 of the Nigerian Code of Corporate Governance 2018 ("the NCCG") and Section 2.8.1 of the Central Bank of Nigeria (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code") for the period ended 31 December 2022.

Our responsibility was to reach a conclusion on the Corporate Governance practices of the Bank and the Board of Director's performance within the scope of our Letter of Engagement dated 16 February, 2023. In carrying out the evaluation, we relied on representations made by members of the Board and Management of the Bank, and on the documents provided for our review.

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

The Bank and the Board of Directors have complied significantly with the provisions of the Codes. Areas of compliance include oversight over:

- the Bank's internal audit function;
- the execution of the Bank's strategy; and
- the Bank's financial and non-financial reporting.

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

Yours faithfully,

Femi Osinubi
Partner
FRC/2017/ICAN/00000016659
for: PricewaterhouseCoopers Chartered Accountants

PricewaterhouseCoopers Limited
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TIN: 00290010-0001 RC39418

Directors: S Abu, O Adekoya, T Adeleke, G Adepetu, W Adetokunbo-Ajaiy, O Adewole, S Adu, E Agbeyi, A Akingbade, UN Akpata, O Alakhume, K Amida, A Atitebi, C Azobu, A Banjo, R El-Rufai, E Erhie, K Eriume, M Iwelumo, H Jaiyeola, T Labedan, F Madario, U Muoglim, A Nevin (Canadian), PK Ngahu (Kenyan), C Obaro, C Ojechi, U Ojinmah, O Oladipo, W Olowofoyeku, P Omontuemhen, O Osinubi, T Otifale, T Oyedele, O Ubah, C Uwaegbute, A Yusuf, Y Yusuf, O Zaccheaus



Risk Review

CHIEF RISK OFFICER'S REPORT

Nigeria's macroeconomic and microeconomic realities, including elevated inflation and increased lending rates, continue to impact the operating environment. FBNQuest Merchant Bank increased its ability to identify and reduce inherent risks in 2022, noting the opportunities resulting from appropriate risk management.

At FBNQuest Merchant Bank, we aim to become a world-class Investment Bank with appropriate risk management and we are committed to creating long-term value for our stakeholders. The Bank is subject to various risks with varying degrees of unpredictability. Credit, compliance, information security, liquidity, market, operational, strategy and reputational risks are among the most significant threats to the Bank.

The impacts on earnings, capital, liquidity and stakeholder interests have all been considered when determining the relative importance of each risk. While the risks have been properly identified, closely measured and handled at the Management level, there is considerable Board oversight through the Board's Risk Management Committee, which meets regularly.



Nigeria's macroeconomic and microeconomic realities, including elevated inflation and increased lending rates, continue to impact the operating environment. FBNQuest Merchant Bank increased its ability to identify and reduce inherent risks in 2022, noting the opportunities resulting from appropriate risk management.





RISK MANAGEMENT

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

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

Risk Management Framework

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

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

All Board Committees are made up of Executive and Non-Executive members. The various Management Committees assist the Board Committees in identifying, assessing and monitoring risks arising from the Bank's day-to-day operations. These Committees are tasked with developing and monitoring risk policies in their specific areas and regularly reporting their activities to the Board of Directors. The Committees are:

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

All established Committees meet monthly or quarterly, while ad hoc committees are formed based on changing operational realities and new risks. The Bank's risk philosophy, appetite and tolerance are all under the scrutiny and recommendation of the Board and its Management Committees.

The Committees also monitor the Bank's plans and progress toward regulatory, risk-based supervision requirements (including the migration to Basel III compliance) and regulatory and economic capital adequacy. FBNQuest Merchant Bank understands that it is in the business of risk management to generate optimal returns for the benefit of all its stakeholders. As a result, it approaches risk using a variety of policies and procedures, including the following:

- Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) Policies;
- Business Continuity Management (BCM) Policy;
- Code of Conduct Policy;
- Compliance Policy;
- Concentration Limit Policy;
- Credit Risk Policy;
- Crisis Management;
- Enterprise Risk Management (ERM) Policy;
- Environmental and Social Risk Policy;
- Information Security Policy;
- Market and Liquidity Risk Policy;
- Operational Risk Policy;
- Performance Management Framework;
- Related Parties Policy;
- Standard Manuals of Operations; and
- Whistleblowing Policy.

The Risk Management and Control Group implements approved risk policies and procedures. FBNQuest Merchant Bank has a robust and functional ERM policy designed to govern, identify, measure, control, manage and report the inherent and residual risks to which the Bank is exposed. The Risk Governance framework is tailored along the 'Three Lines of Defence' model, as depicted below:



RISK MANAGEMENT

Risk Governance Framework

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

- A definition of risk management governance and responsibilities, including the Bank's risk committee structure and organisation;
- A statement of risk tolerance, including qualitative and quantitative statements under stress situations;
- A risk appetite statement, including qualitative and quantitative statements under normal and stressed conditions;
- A capital adequacy management approach, including capital demand and supply as well as a capital planning process; and
- An internal control approach, following a 'Three Lines of Defence' method.

RISK MANAGEMENT GOVERNANCE AND RESPONSIBILITIES

Risk Management Model

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

Risk Committee Structure

The committee structure defined for the Bank is as follows.

The high-level responsibilities of these Committees regarding Enterprise Risk Management are:

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

General Roles

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

Specific Roles

Credit Risks

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



Risk MANAGEMENT

Market and Liquidity Risks

- Define the Bank's overall risk appetite relative to market risk;
- Ensure that the Bank's overall market risk exposure is maintained at levels consistent with the available capital;
- Ensure that Management, as well as individuals responsible for market risk management, possess the requisite expertise and knowledge to accomplish the risk management function;
- Approve the Bank's strategic direction and tolerance level for liquidity risk;
- Ensure that Management has the ability and required authority to manage liquidity risk;
- Approve the Bank's liquidity risk management policy; and
- Ensure that liquidity risk is identified, measured, monitored and controlled.

Operational Risks

- Define the Bank's overall risk appetite in relation to operational risk;
- Ensure the Bank's broad operational risk exposure is maintained at levels consistent with the available capital;
- Ensure that Management, as well as individuals responsible for operational risk management, possess the requisite expertise and knowledge to accomplish the risk management function;
- Approve the Bank's operational risk management framework;
- Audit the Bank's operational risk management framework effectively and comprehensively through operationally independent, properly trained and competent employees; and
- Ensure that operational risk is identified, measured, monitored and controlled.

Information Security Risks

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

Reputational Risk Management

- The Board shall establish appropriate guidelines for Management, including a clear, zero-tolerance policy for all unethical behaviour;
- The Board and its members must adhere to all applicable laws and regulations in their dealings with the Bank. Directors shall do everything in their power to avoid any appearance of a conflict of interest;
- All reports from regulators and auditors, as well as internal reports, shall be reviewed by the Board, which shall also ensure that appropriate sanctions are applied to erring officers while demanding explanations from Management for all exceptional items. The Board shall ensure that Management implements effective corrective measures and updates on its progress regularly; and
- The Board shall ensure that only qualified individuals are appointed to Senior Management positions in the Bank. Clear guidelines must be established and all employees must adhere to the Bank's Code of Conduct.

Money Laundering/Financing Terrorism Risks

- The Board shall outline an appropriate framework to manage Anti-Money Laundering (AML) and Combat Financing of Terrorism (CFT);
- The policy shall meet the requirements of the CBN Circular on Minimum Account Opening Requirements, CBN Know-Your-Customer Manual, the Money Laundering (Prohibition) Act 2011 (as amended) and the Terrorism (Prevention) Act 2011;
- The Board shall ensure the training of its staff in AML/CFT, as well as sustaining high ethical and professional standards in its operations at all times;
- The Board shall ensure that the highest standards of AML/CFT compliance are always adhered to; and
- The Board shall develop an AML/CFT policy that will guide compliance officers, relationship officers and all control operations in client profiling and monitoring, customer due diligence (CDD), record-keeping requirements and reporting of suspicious transactions, in line with best practices as well as applicable laws and regulations.

Risk MANAGEMENT

Board Risk Management Committee

This is the standing Committee of the supervisory Board responsible for the oversight of all risks and exercises the powers delegated to it by the Board. The role of the BRMC includes the following:

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

Board Audit Committee

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

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

Board Credit Committee

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

- Implementing the Board's strategies on risk assets creation, underwriting and reporting at regular intervals to the Board;
- Reviewing and recommending credit risk management policies, limits and thresholds to the Board for approval;
- Taking decisions and guiding Management on handling credits and exposures to credit risk;
- Reviewing and recommending the Bank's credit rating methodology to the Board for approval and ensuring its implementation; and
- Receiving reports periodically and, based on these reports, providing direction and advice on managing the identified risks.

Board Governance Committee

This Board committee is responsible for the following:

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

Executive Leadership Committee

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



RISK MANAGEMENT

Risk Management Committee

The Risk Management Committee develops and enforces the Bank's risk policies. It is also in charge of defining and approving risk-specific policies. The role of the RMC includes the following:

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

Asset and Liabilities Committee

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

- Management of market and liquidity risks;
- Regularly reviewing and assessing the Bank's exposure to market and liquidity risks, relevant risk factors and market and environmental outlook;
- Taking the necessary steps to reduce the potential impact of identified risk factors on portfolio exposures;

- Examining the implementation of strategic initiatives and making necessary changes;
- Taking reasonable action to ensure that performance targets and benchmarks are met, in full compliance with the Bank's strategic thrust;
- Performing relevant stress and scenario tests on the various portfolios based on risk factors and other variables identified;
- Examining the appropriate risk models used in market risk management; and
- Reviewing reports from various SBUs and the Risk Management group regularly.

ICT Steering Committee

This Management Committee is responsible for initiating and implementing an ICT infrastructure for the Bank. The role of ICTSC includes:

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

This Committee also serves as the Information Security Steering Committee (ISSC), responsible for providing strategic direction and information and cybersecurity governance. It also provides governance of the information and cyber security programme; ensures the alignment of policy and processes with business objectives; evaluates, approves and sponsors institution-wide security investment; and enforces the implementation of policies for prioritising investment and security risk management.

Risk MANAGEMENT

The ALCO has delegated to this Committee the responsibility for reviewing and approving new products, as well as the review and approval of corresponding new models and methodologies

New Product Approval Committee

The EAC analyses and evaluates internal audit reports and determines whether the responses from the Bank's departments and units are adequate or not. In addition, the Committee advises ELCO on the adequacy of internal audit, internal control, risk management and compliance procedures. These are major risks to which the Bank is exposed in the course of its normal operations:

Credit Risks

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

This is the exposure to legal and regulatory penalties, financial forfeiture and material loss a Bank faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

Information Security Risks

This is the effect that threats and vulnerabilities associated with the operation and use of information systems, as well as the environments in which those systems operate, may have on an organisation and its stakeholders.

Liquidity Risks

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

Market Risks

These are losses in on- and off-balance sheet positions because of adverse changes in market prices.



Risk MANAGEMENT

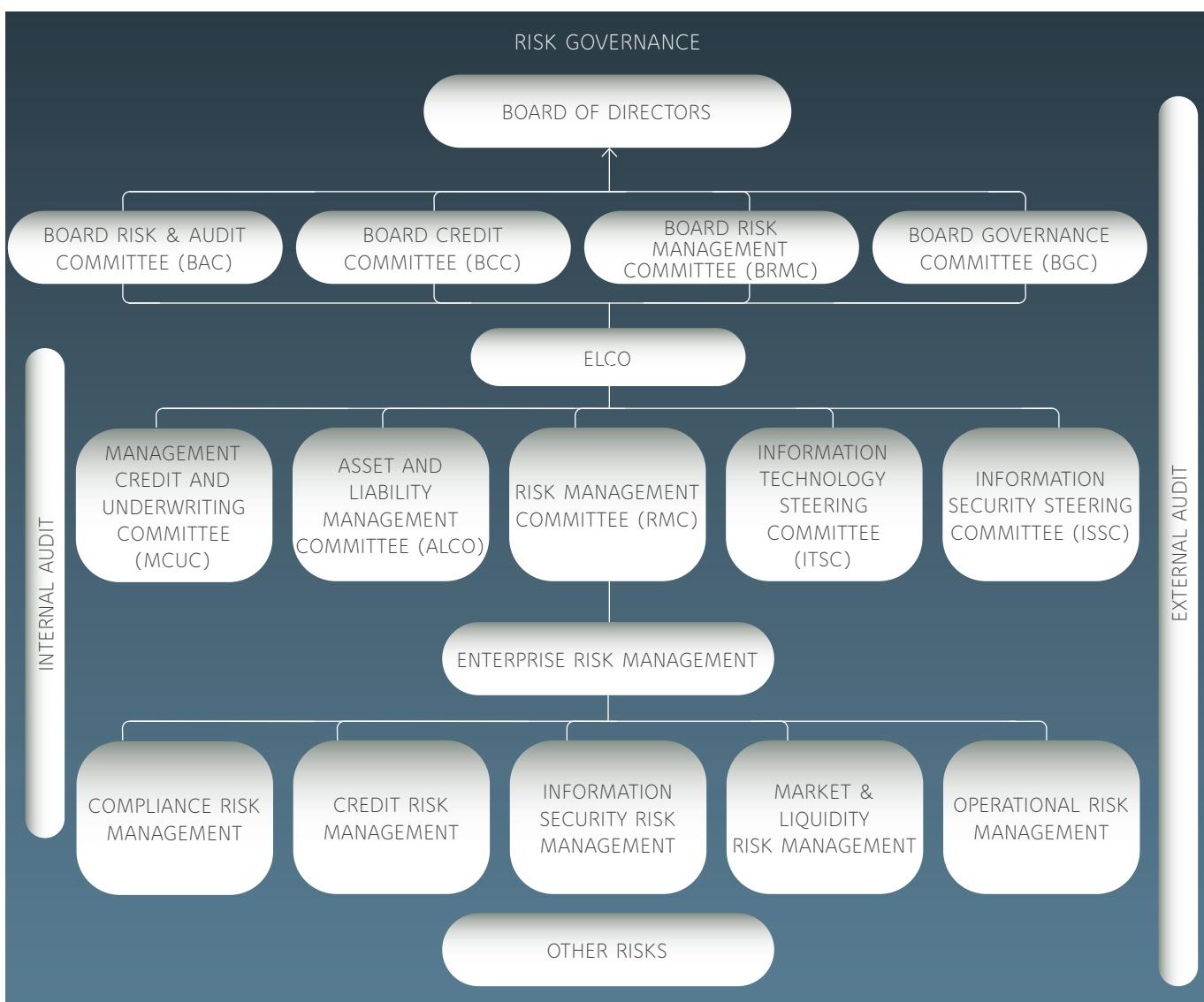


Legal, reputational and strategic risks are, however, critical. There are policies and procedures in place to measure and manage the Bank's exposure to these risks, all outlined in this section of the report.

Contingency Funding Plan Principles and Policy

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

The purpose of the plan is to provide a framework for the Bank's response to any liquidity crisis that may occur within the Bank, as well as external/systemic events that could trigger a liquidity crisis that may affect the Bank. The CFP provides procedures for handling liquidity and funding crises, through emergency market access that enables or allows the Bank to successfully manage the crisis and prompt a quick recovery. The plan also aligns with the policies and principles described in the Bank's Liquidity Risk and Policy.



RISK MANAGEMENT

Philosophy

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

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

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

Risk Appetite

At FBNQuest Merchant Bank, we recognise that pursuing opportunities to achieve our strategic goals comes with inherent risks. The Board and Management determine acceptable risks based on the Bank's capital, personnel and technology capabilities and these choices are disclosed to all stakeholders regularly. The Bank's risk strategy, which explains its approach to risk, also highlights how inherent risks are considered while making decisions. The Bank's risk appetite is strengthened by the availability of current risk management policies that address important components of the risks to which it is exposed.

Risk Culture

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



EMERGING RISKS

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

Information and Cyber Security Risks	<p>Many businesses are still plagued by cyber-threats and cyber-attacks, which can put their very existence in jeopardy or even bring about the collapse of the exposed organisations. Cyber security risk is the probability of loss or harm related to technical infrastructure and the misuse of technology. On the other hand, information security risk is the possibility of loss arising from a breach or attack on information technology.</p> <p>FBNQuest Merchant Bank has a set of policies and procedures for systematically managing the Group's sensitive data. The Bank's Information Security Management System (ISMS) aims to minimise risk and ensure business continuity by proactively limiting the impact of a security breach. The following are specific steps the Bank has taken regarding its ISMS.</p>
Information and Cyber Security Management	<p>Information and cyber security strategies, frameworks, policies and other related controls commensurate to the risks associated with information assets (hardware, software, documents, backup media, etc.) have been implemented to ensure cyber resilience and protect the Bank's information assets. These are continuously reviewed, monitored and reported. External consultants and experts are also hired to periodically analyse, assess and audit the Bank's IT infrastructure to ensure data security and protection.</p>
Information and Cyber Risk Management Awareness and Monitoring	<p>The Bank's strategies for protecting the confidentiality, availability and integrity of its information assets (hardware, software, documents, backup media, etc.) are constantly evaluated and monitored. The key risks identified are communicated to relevant stakeholders. The Bank's IT infrastructure is periodically reviewed, assessed and audited by external consultants and other specialists to ensure that information assets are safe and secure. Controls are implemented and monitored by the appropriate parties, as required.</p>
Regulatory Risks	<p>Regulatory risk is the possibility that a change in laws or legislation will impact security, a business, or an entire sector. FBNQuest Merchant Bank recognises that the Nigerian financial services business is constantly evolving as are the rules accompanying it. However, the Bank is committed to the following:</p> <ul style="list-style-type: none">• Ensure new and revised legal and regulatory requirements are identified, monitored and reflected in the rule book;• Engage competent and experienced compliance teams to drive and implement the Group's compliance framework;• Effectively monitor the Group's compliance with laws and regulations, its code of conduct and corporate governance practices;• Ensure regulatory requirements are incorporated in the operational procedure manual, and the manual is kept up-to-date;• Promptly submit regulatory returns and reports;• Promptly comply with regulatory directives;• Promptly implement recommendations from various regulatory examinations;• Regularly engage regulators, SROs and industry colleagues to clarify grey areas; and• Adhere to sound corporate governance practices and 'set the right tone at the top' with respect to regulatory compliance across the businesses.

PRINCIPAL RISKS

FBNQuest Merchant Bank is exposed to a number of risks with varying degrees of significance. Key risks faced by the Bank due to its operations include credit, compliance, liquidity, market, operational, reputational, strategy and information security risks.

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

Credit Risks

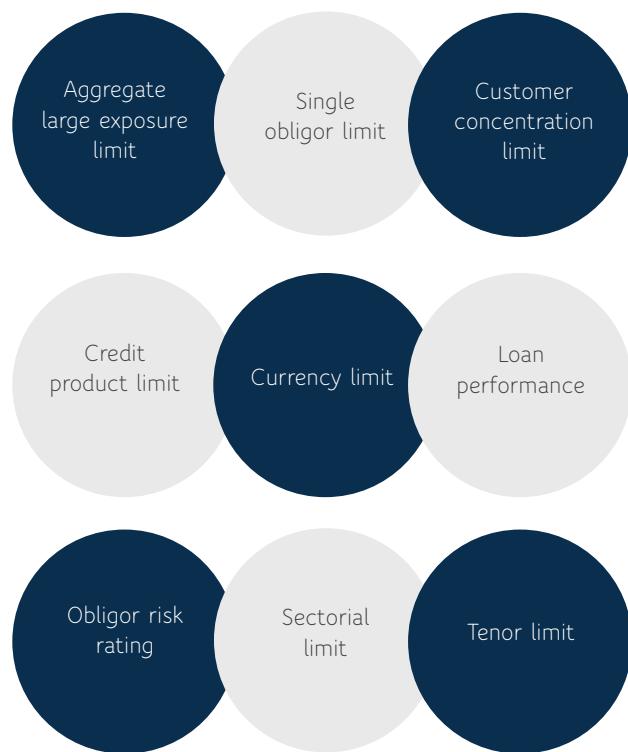
FBNQuest Merchant Bank defines credit risk as a counterparty failing to meet the agreed-upon terms of any lending contracts with the Bank. Credit risk occurs when the Bank's funds are extended, committed, invested, or otherwise exposed due to actual or implied contractual arrangements. Given its lending and other associated activities, the Bank has emphasised effectively managing its credit risk exposure. The credit risk strategy defines the following elements at a minimum:

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

The credit risk strategy is central to identifying, measuring, monitoring and controlling credit risk and is thus reviewed periodically (at least annually). Treasury and Corporate Banking are the Bank's risk-asset-creating units. They are required to implement all credit policies and procedures in line with the approval limits granted by the Board. These business units are responsible for the quality and performance of their risk asset portfolio and for monitoring and controlling all credit risks. Internal audit undertakes regular business unit audits, while the Risk Management and Control group carries out regular credit quality reviews.

The nature of our business and our products bring inherent risks in financial markets, credit, operations and information security. The extent of our exposure to these risks drives our regulatory capital requirements. The business model we have adopted means that the risks listed are very important to us, and it is critical that they are effectively and properly managed.

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





PRINCIPAL RISKS

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

Board Credit Committee (BCC)

The Board has delegated credit risk management responsibility to the BCC. Executive Management, through the Management Credit and Underwriting Committee (MCUC), is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies for the Bank, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the executive committee by the BCC or Board of Directors as appropriate;
- Reviewing and assessing credit risk in all credit exposures before committing to customers. Renewals and reviews of facilities are subject to the same review process;
- Developing and maintaining the Bank's criteria for categorising exposures and focusing Management on the attendant risks. The Risk Asset Acceptance Criteria (RAAC) and Credit Risk Policy criteria cover exposures to banks and related regulated institutions, large-quoted corporates, large conglomerates and multinationals. The responsibility for approving RAAC and Credit Policy lies with the BCC; and
- Reviewing compliance with exposure and concentration limits and promotion of best practices throughout the Bank in the management of credit risk. The Bank's Credit Risk Principles and Policies were also revised in 2022.

FBNQuest Merchant Bank recognises that loan assets constitute a significant portion of its assets. Thus, the Bank strives to proactively protect and continually improve the health of its loan portfolio. It reviews all applications, eliminates potentially problematic loans at the loan application and assessment stage and constantly monitors existing loan portfolios for early warning signs.

The credit rating of the counterparty is fundamental to final credit decisions. The Bank adopts a robust credit rating system based on global best practices in determining obligor and facility risks, thus enabling it to maintain its risk asset quality at the desired level. The Bank assigns credit ratings to all credit requests. These ratings are based on the Obligor Risk Rating (ORR), calculated based on the financial and non-financial information of the potential borrower. The ORR measures the obligor's probability of default (PD) over a defined timeline, usually 12 months.

The Bank's operational measurements for credit risk conform to the impairment allowances required under the International Financial Reporting Standards (IFRS). IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement

on how changing economic factors affect ECLs, which will be determined on a probability-weighted basis.

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. Assessing the credit risk in a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratio and default correlations between counterparties.

FBNQuest Merchant Bank has developed models to quantify credit risk. These rating and scoring models are used for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances at a counterparty level, the Bank considers two components:

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

The models are regularly assessed to ensure that they are robust compared to actual performance and are tweaked to improve efficiency. The Risk Management department manages credit risk exposures for debt instruments using the Bank's rating tools, complemented by external rating agencies such as Agusto & Co., Fitch, Standard & Poor's, or their equivalents.

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

The industry or sector limits are derived from a rigorous analysis of the risks inherent in the industry or economic sector, recommended by the MCUC and approved by the Board. The Bank also limits the risk assets portfolio by the various maturity periods (maturity buckets). The maturity limits are a reflection of the risk appetite and liquidity profile of the Bank. During the year, limits may be reviewed and revised (outright removal, reduction or increase) to align with the Bank's prevailing macro- and microeconomic expectations.

FBNQuest Merchant Bank also sets internal credit approval limits in the credit process. The Bank's strategic focus and the stated risk appetite guide approval decisions and other limits established by the Board or regulatory authorities. The Bank ensures that each credit reviewed and granted is based on the strength of the borrower's repayment capacity, as measured by its cash flow. It also ensures its risk assets are well-secured, providing an alternative for exiting the exposure. The Bank has clearly

PRINCIPAL RISKS

defined guidelines and processes for the acceptance, evaluation, inspection and management of collateral pledged against credit facilities, which aligns with the Credit Risk Policy.

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

Impairment and Provisioning Policies

Impaired risk assets and securities are risk assets and securities for which the Bank has determined that it will likely be unable to collect all or part of the principal and interest contractually due. FBNQuest Merchant Bank classifies its risk assets and securities portfolio as follows:

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

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

Environmental and Social Risks

The Bank recognises that the context in which its business decisions are made is characterised by growing challenges related to population growth, urban migration, poverty, destruction of biodiversity and the ecosystem, pressure on food and other natural resources, security, climate change, lack of energy and poor infrastructure.

Client's business activities funded by the Bank can negatively impact the environment or local communities where these clients operate. The Bank's Environmental and Social Risk Policy seeks to ensure that the Bank is not actively enabling entities, individuals or activities that negatively impact local communities or the environment.

Liquidity and Market Risks

The Bank's activities expose it to liquidity and market risks, and it has clearly defined policies, procedures and documented practices for mitigating these risk exposures. The section below provides an overview of the Bank's management process for the trading and banking book elements.

The trading book consists of assets actively traded by the Bank. These assets are limited to fixed income securities. The Bank uses the following processes to manage this class of risk:

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

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

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

Liquidity Risk Management

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

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



PRINCIPAL RISKS

- Modelled deposit behavioural analysis;
- Liquidity stress testing; and
- Scenario analysis.

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

Settlement Risks

The Bank's activities may give rise to risk during transactions and trade settlements. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Risk Mitigation and Management Actions

The Bank mitigates the risk for certain transactions by conducting settlements through a settlement clearing house to ensure that a trade is settled only when both parties have fulfilled their contractual obligations.

Operational Risks

FBNQuest Merchant Bank defines operational risk as direct or indirect loss arising from inadequate and/or failed internal processes, people, systems, or external events. This definition requires reviewing and monitoring all strategies and initiatives deployed in the Bank's people management, process improvements and engineering, technology investment and deployment, and managing all regulatory responsibilities and response to external threats.

Risk Management and Control takes an enterprise-wide view in monitoring strategic and reputational risk by implementing the following tools, practices and methodologies to ensure a holistic framework is implemented.

Risk Incident Reporting

The risk register is an internally developed, web-based risk incident reporting system. It is deployed through the FBNQuest Merchant Bank intranet to log operational risk incidents Bank-wide. All staff members are encouraged to report operational risk incidents within their workspaces, whether or not they resulted in actual losses. As a result, the Bank has collated operational risk event data over the years. Information gathered is used to support the identification of risk concentrations, make process improvements and strengthen controls.

Risk Mapping and Assessment

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

An internally developed, web-based system has also been implemented for conducting risk assessments on customers in line with existing Know-Your-Customer (KYC) and Anti-Money Laundering (AML) regulations. The risk rating of customers determines the internal processes and approaches to be adopted in managing those relationships. Customers can be rated high, medium, or low. Based on CBN regulations, the system is also used to keep a log of customers who fall into the category of politically exposed persons (PEP).

Business Continuity Management

To ensure the resilience of FBNQuest Merchant Bank's business to any disruptive eventuality, the Bank has a robust Business Continuity Management (BCM) Policy, which assures timely resumption of its business, with minimal financial losses or reputational damage and the continuity of service to its customers, vendors and regulators.

The Bank has a warm contingency site outside its premises, and various degrees of tests are carried out monthly, quarterly and annually to ensure that recovery benchmarks and targets are achieved. The tests also ensure that the various teams know their roles and responsibilities. The BCM Policy is reviewed annually and, when necessary, in line with changes in business, operational and regulatory requirements.

Compliance Department

The Bank has a separate department responsible for monitoring compliance with relevant regulations, circulars, directives and approved policies. Compliance management involves close monitoring of KYC compliance by the Bank, escalation of audit non-conformances, complaints management and observance of the Bank's zero-tolerance culture for regulatory breaches. It also entails an oversight role for monitoring adherence to regulatory guidelines and global best practices continually.

PRINCIPAL RISKS

Operational Risk Reporting

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

Operational Risk Management Governance Structure

The Board oversees the Bank's operational risk function through the BRMC. It ensures that the Operational Risk Policy is robust and provides a framework for the Bank's operational risk profile and limits. It also determines the adequacy and completeness of the Bank's risk detection and measurement systems, assesses the adequacy of risk mitigants, reviews and approves contingency plans for specific risks and lays down the principles on how operational risk incidents are to be identified, assessed, controlled, monitored and measured.

The BRMC reviews operational risk reports quarterly. The RMC monitors operational risk activities and approves key decisions before presenting to the Board. It ensures the implementation of the guiding operational risk framework Bank-wide. It ensures all departments in the Bank are fully aware of the risks embedded in respective process flows and business activities. All process owners are responsible for the day-to-day management of operational risks prevalent in the Bank's respective units, departments and groups. The internal audit function conducts independent reviews of the implementation of operational risk policies and procedures Bank-wide.

Internal Control

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

These internal control principles were adopted to ensure that assets are protected, financial information is reliable, errors and frauds are prevented and the Bank complies with internal and external laws, directives and policies. It is the most widely accepted international framework used to evaluate the existence and functionality of control principles, covering five components:



Policies and Guidelines

The internal control framework is supported by the Bank's ERM framework, which outlines the roles and responsibilities of the Directors, Management and staff of the Bank, as well as by risk and control self-assessments, which map specific risks to control mitigants and process manuals. These outline procedures for identifying, managing and documenting relevant processes and sub-processes. The control function of FBNQuest Merchant Bank focuses on the following strategic priorities for improving the efficiency of internal control:

- Control Awareness and Engagement: Engagement between various business units, particularly the operations teams, during which control issues and adherence to policy and procedures are discussed exhaustively to successfully strengthen awareness of internal control and the responsibility of frontline staff in risk management;
- Process efficiencies and reduction of vulnerabilities in operational processes by engaging the business to reduce the number of processing touchpoints and avenues for human intervention in processes; and
- Periodic reporting to the Risk Management Committee and Executive Leadership Committee on control failures and the actions taken to address such failures.



COMPLIANCE RISKS

Overview

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or reputational damage the Bank may suffer due to its failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to its financial activities.

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

Compliance Objectives

The objectives of the Compliance function are to:

- Implement sound procedures for monitoring company-wide statutory returns through the appropriate use of the institution's resources while still being consistent with the institution's goals and objectives;
- Ensure new and changed regulatory requirements are identified and reflected in the Bank's processes where appropriate;
- Ensure the Bank and its employees comply with regulatory requirements, internal and external policies and procedures, as well as relevant international developments, practices and trends;
- Establish standards and implement procedures to ensure that the compliance programmes throughout the Bank are effective and efficient in identifying, preventing, detecting and correcting non-compliance with applicable rules and regulations; and
- Facilitate the formation and enhancement of a compliance culture in the Bank.

Implement Sound Procedures

New Regulatory Requirements

Comply with Regulatory Requirements

Effectiveness & Efficiency

Compliance Culture

Compliance Objectives

Compliance Risk Management Strategy

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

- Compliance shall be a component of the Bank's culture, starting at the top and with the Board of Directors and Executive Management leading by example. It shall be viewed as an integral part of the Bank's business activities and concerns every employee of the Bank.
- FBNQuest Merchant Bank shall hold itself up to high standards when carrying on its business and always strive to observe the spirit and uphold the letter of the law. Failure to consider the impact of its actions on its shareholders, clients, employees and the markets may result in significant adverse publicity and reputational damage, even if no law has been broken.
- Good compliance risk management builds trust and protects the Bank's brand.
- Identifying compliance risk, its assessment and appropriate risk response shall be elements to consider in any due diligence process, as compliance is an integral part of the Bank's business activities.
- The Bank shall promote an appropriate compliance culture, including desired ethical behaviour. The Compliance function

shall assist with entrenching a compliance culture in the Bank. This includes promoting a culture that engenders awareness and recognition of the value of compliance risk identification, assessment, management, monitoring and reporting as part of daily activities.

Scope of the Compliance Function

The scope of the activities of the Compliance function, which is carried out in conjunction with Senior Management, the Risk Management group and all other divisions, departments and units of the Bank, covers:

- Promotion of a compliance culture across all levels of the Bank through empowerment programmes, education, training and development.
- Reports to Senior Management and the Board: Submit monthly and quarterly reports on AML/CFT measures and other compliance issues to Senior Management and the Board, respectively. These reports provide the Board and Senior Management with information to enable them to evaluate the Bank's compliance with its regulatory obligations and provide appropriate feedback. The reports also ensure that Directors and Senior Management are kept abreast of current trends and developments in the financial industry, particularly in compliance and AML and CFT risk management.

COMPLIANCE RISKS

- **Know-Your-Customer (KYC) Procedures:** The foundation for onboarding a customer in FBNQuest Merchant Bank entails a duly completed account opening form and collecting identification and other relevant information and documents. Customer Due Diligence (CDD) is conducted prior to establishing any banking relationship with a customer. This includes identity and address verification and ascertaining the source of income and wealth of the customer. Enhanced Due Diligence (EDD) is conducted on high-risk customers, including PEP, with the approval of Senior Management and Compliance required before the commencement of banking relationships with such high-risk customers.

As part of KYC and CDD procedures in the Bank, identification documents are requested and obtained to confirm the beneficial owners of a business and the organisation's control and structure. Due to their perceived risk and compliance with regulatory requirements, the Bank takes requisite and regulatory measures when embarking on relationships with Designated Non-Financial Businesses and Professionals (DNFBPs).

FBNQuest Merchant Bank has made it mandatory for customers to acquire a Bank Verification Number (BVN) prior to onboarding and transacting on their accounts and before they can access loans and purchase foreign exchange. This is a regulatory requirement from the Central Bank of Nigeria.

- **Transaction Monitoring:** All transactions are monitored manually and through automation. The former is executed by all staff members, who regularly search for red flags when reviewing customers' transactions, while automated transaction monitoring is a function of the Compliance Unit. All staff members know that suspicious activities and transactions should immediately be referred to the Compliance Unit.

The SWIFT transaction monitoring sanctions screen and SoftAML solutions have been utilised to properly monitor transactions passing through the Bank's systems. Both AML tools have been fully deployed in the Bank, providing insight into how transactions are monitored and investigated.

- **Transaction Reporting:** Regulatory and statutory requirements necessitate certain reports and returns to be made to regulatory bodies. In Nigeria, the Nigerian Financial Intelligence Unit (NFIU) is the agency responsible for receiving the following core transaction-based reports:

- Currency Transaction Report (CTR);
- Foreign Transaction Report (FTR); and
- Suspicious Transaction Report (STR).

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

- **Relationship with Regulators and Law Enforcement Agencies:** FBNQuest Merchant Bank understands that part of its corporate and social role is cooperating with law enforcement agencies in the fight against financial crime. To this end, the Bank maintains a cordial and supportive relationship with all regulatory and law enforcement agencies, promptly complies with all directives pursuant to the law and provides information to all regulators and other relevant agencies when requested.
- **Sanctions Compliance Management:** As a policy, FBNQuest Merchant Bank does not enter into any relationship with sanctioned individuals or entities. All employees, as applicable to their functions, are required to screen names of individuals and organisations who have or plan to enter a business relationship with the Bank or plan to carry out a transaction with or through the Bank against the Bank's internal watch-list and the Bank-deployed Thomson Reuters sanction screening application (World-Check One).

Both lists contain the names of individuals and entities who have been blacklisted by various sanctioning bodies. Sanction screening is done at account opening and on a real-time basis for all SWIFT transactions. As part of the Bank's policy, employees are required to refrain from any relationship and/or transaction when their searches yield a true or positive match and follow the escalation procedure.

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

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



COMPLIANCE RISKS

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

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

- **AML/CFT and Compliance training:** The Bank places a high value on training its employees. Training sessions are conducted to ensure employees are familiar with AML/CFT laws, KYC principles and other information on compliance/corporate governance. An annual compliance training session is a minimum mandatory requirement for all members of staff, including Senior Management and Directors, and is done via e-learning or face-to-face. Ad hoc training on current national and international issues is also provided.
- **AML/CFT Audits:** The internal audit of the AML/CFT function is conducted annually to ensure an ever-evolving, fit-for-use Compliance function. The audit aims to test and ensure the effectiveness of the AML/CFT measures put in place by the Bank.

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

- **Record Retention:** Customer identification documents are retained throughout the life of the account and for a minimum of five years after the cessation of the banking relationship, as required by the Act. The Bank's record retention policy is in line with the regulatory requirements.
- **Subsidiaries:** In compliance with regulatory requirements, FBNQuest Merchant Bank ensures that its subsidiaries' AML/CFT provisions are consistent with the Bank's framework based on global best practices. These measures are applied so that the respective subsidiary's local laws and regulations are adhered to. However, when there are discrepancies, the stricter will always apply.

Greater collaboration has been fostered and control measures have been adopted based on the current international best practices. This ensures the Bank's subsidiaries maintain the highest AML/CFT control standards.



Financial Statements



COMPANY INFORMATION

Directors:

Bello Maccido	Chairman
Kayode Akinkugbe	Managing Director/CEO
Taiwo Okeowo	Deputy Managing Director
Akinlolu Osinbajo, SAN	Non-Executive Director
Nnamdi Okonkwo*	Non-Executive Director *Appointed with effect from 10 May 2022
Oluyele Delano, SAN	Non-Executive Director-Independent
Oyinkansade Adewale, FCA	Non-Executive Director-Independent
Babatunde Odunayo, FCA	Non-Executive Director - Retired with effect from 14 December 2022

Registered office:

16 Keffi Street

Ikoyi,

Lagos.

Bankers:

Central Bank of Nigeria
First Bank of Nigeria Limited
Guaranty Trust Bank Limited
Sterling Bank Limited
FirstBank UK Limited
Bank of Beirut (UK) Limited
FCMB UK Limited
Access Bank Limited

RC Number

264978

Tax Identification Number

00166797-0001

Solicitors

Nike Onyeobuchi Omeye & Co.

71A Lafajji, Dolphin Estate

Ikoyi, Lagos

Rudy Ezeani & Co.

2A Lalupo Close, off Keffi street

Ikoyi, Lagos

Bola Olotu & Co.

58 Gaborone Street

Zone 2, Wuse, Abuja

Auditor

KPMG Professional Services

KPMG Towers

Bishop Aboyade Cole Street

Victoria Island

Lagos

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report on the affairs of FBNQuest Merchant Bank Limited ("the Bank") together with the audited consolidated financial statements and the auditor's report for the year ended 31 December 2022.

(a) Legal form

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

In August 2017, the Bank acquired 100% interest in 2 entities (FBNQuest Securities Limited and FBNQuest Asset Management Limited) and incorporated FBNQuest Funding SPV on 28th March 2018 to form the FBNQuest Merchant Bank Group.

(b) Principal activities

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

(c) Operating results

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

	Group		Bank	
	2022 ₦'000	2021 ₦'000	2022 ₦'000	2021 ₦'000
Gross earnings	28,159,378	23,869,470	24,811,851	18,462,096
Profit before minimum tax and tax expense	5,212,480	2,480,374	3,007,335	729,075
Minimum tax	(169,024)	-	(169,024)	-
Profit after minimum tax	5,043,456	2,480,374	2,838,311	729,075
Income tax expense	(1,158,703)	(921,461)	(37,999)	(77,379)
Profit for the year	3,884,753	1,558,913	2,800,312	651,696

(d) Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 426 (2) of the Companies and Allied Matters Act (CAMA 2020) of Nigeria, paid an interim dividend of ₦1,376,385,983 (2021: ₦506,578,452) from the profits of the year ended 31 December 2022.

(e) Directors

The Directors of the Company who held office during the year were as follows:

Bello Maccido	Chairman
Kayode Akinkugbe	Managing Director/CEO
Taiwo Okeowo	Deputy Managing Director
Akinlolu Osinbajo, SAN	Non-Executive Director
Babatunde Odunayo, FCA	Non-Executive Director (Retired 14 December 2022)
Nnamdi Okonkwo	Non-Executive Director (Appointed 10 May 2022)
Oluwale Delano, SAN	Non-Executive Director -Independent
Oyinkansade Adewale, FCA	Non-Executive Director -Independent



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

(f) Directors shareholding

The Directors do not have any direct and in direct interest in the issued share capital of the Bank (2021: Nil) as recorded in the register of Directors' shareholding and/or as notified by the Directors for the purposes of section 301 of the Companies and Allied Matters Act 2020.

(g) Directors' interests in contracts

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

(h) Property and equipment and Intangible Assets

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

(i) Shareholding analysis

The shareholding pattern of the Bank as at 31 December 2022 (based on the issued and fully paid shares) is as stated below:

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

(j) Substantial interest in shares:

According to the register of members as at 31 December 2022, two shareholders hold the issued share capital of the Bank:

Shareholder	Number of Shares held	Percentage of Shareholding %
Seye Kosoko	1	0
FBNHoldings	4,301,576,999	100
	4,301,577,000	100

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

(k) Customer complaints

In compliance with the Central Bank of Nigeria (CBN) Circular referenced FPR/DIR/CIR/GEN/01/020, the Bank established a Customer Helpdesk to handle all customers' complaints. During the year, the Bank received one (1) customer complaint. The complaint received had been resolved as at 31 December 2022 hence no complaint was reported to CBN.

(l) Donations and charitable gifts

The Group made contributions to charitable and non-political organisations amounting to ₦28.26 mn (2021: ₦352.33 mn) during the year.

Donations to other organisations and individuals:

	Group		Bank	
	2022 ₦'000	2021 ₦'000	2022 ₦'000	2021 ₦'000
Sponsorship of Annual Bankers Dinner	3,000	5,000	3,000	5,000
Contribution to Financial Literacy and Public Enlightenment approved at 359th Bankers Committee meeting	9,954	-	9,954	-
FMDQ Private Markets transaction sponsorship	806	-	806	-
Sponsorship of Indian Cultural Association	2,000	-	2,000	-
Sponsorship of Healthy Heart Foundation	500	-	500	-
Sponsorship of 2022 WISCAR Annual Leadership and Mentorship Programme	1,000	-	1,000	-
Support to Rotary Foundation	1,000	-	1,000	-
Support to Enterprise NGR	7,500	-	7,500	-
Sponsorship for Businessday Banking	1,000	-	1,000	-
Sponsorship for Association of Professional Women Bankers (APWB) Symposium	1,000	-	1,000	-
Sponsorship of 6th Annual Financial Markets Conference for FMDA	500	-	500	-
Contribution to Police Equipment Fund	-	250,000	-	250,000
Renovation of police stations damaged during EndSARS protest	-	77,828	-	77,828
Sponsorship of Banking and Finance Annual Conference	-	5,000	-	5,000
Bankers Dinner Charitable Endowment	-	7,000	-	7,000
Enlightenment Campaign for Bankers	-	5,500	-	5,500
Total	28,261	350,328	28,261	350,328



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

(m) Events after the reporting period

There have been no significant events that have post-balance sheet adjustment effect, after the year ended 31 December 2022 (Note 47).

(n) Human resources

Health, safety and welfare at work

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

(o) Employment of disabled persons

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

(p) Employee consultation and training

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

(q) Auditors

The Auditors, Messrs. KPMG Professional Services were appointed on 5 January 2021 as auditors of the Group in accordance with Section 401 (1) of the Companies and Allied Matters Act (CAMA) 2020. Messrs. KPMG Professional Services have indicated their willingness to continue in office as auditors to the Company having satisfied the relevant corporate governance rules on their tenure in office. In accordance with Section 401 (2) of the Companies and Allied Matters Act (CAMA) 2020, therefore, the auditors will be re-appointed at the next General Meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Tolulope Adetugbo
FRC/2017/NBA/00000016157
Company Secretary
16 Keffi Street Ikoyi
Lagos.
21 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

SIGNED ON BEHALF OF THE DIRECTORS BY:



Bello Maccido
(Chairman)
FRC/2013/CISN/00000002366
21 March 2023



Kayode Akinkugbe
(Managing Director/CEO)
FRC/2013/IODN/00000003063
21 March 2023



REPORT OF THE BOARD AUDIT COMMITTEE

FOR THE YEAR ENDED 31 DECEMBER 2022

To the members of FBNQUEST MERCHANT BANK LIMITED:

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act, the members of the Board Audit Committee of FBNQUEST Merchant Bank Limited hereby report on the financial statements for the year ended 31 December 2022 as follows:

- (a) We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act, and acknowledge the co-operation of management and staff in the conduct of these responsibilities.
- (b) We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2022 are satisfactory and reinforce the Bank's internal control systems.
- (c) We have deliberated on the findings of the external auditors, who have confirmed that necessary cooperation was received from management in the course of the audit and are satisfied with management's responses thereon and with the effectiveness of the Group's system of accounting and internal control.

Oyinkansade Adewale, FCA
Chairman, Board Audit Committee
FRC/2013/ICAN/00000001775
21 March 2023

Other members of the Board Audit Committee are:

Nnamdi Okonkwo
Babatunde Odunayo, FCA (Retired on 14 December 2022)
Yele Delano, SAN

STATEMENT OF CORPORATE RESPONSIBILITY FOR FINANCIAL REPORTS

FOR THE YEAR ENDED 31 DECEMBER 2022

The Chief Executive Officer and the Chief Financial Officer of FBNQuest Merchant Bank Limited have reviewed the audited financial statements and accept responsibility for the financial and other information within the financial statements.

The following certifications and disclosures regarding the true and fair view of the financial statements as well as the effectiveness of the Internal Controls established within the Bank are hereby provided below:

Financial Information

- (a) The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.
- (b) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for the year ended 31 December 2022.

Effective Internal Controls

- (a) Effective internal controls have been designed to ensure that material information relating to the Bank are made known by the relevant staff, particularly during the period in which the audited financial statement report is being prepared.
- (b) The effectiveness of the Bank's Internal controls have been evaluated within 90 days prior to 31st December 2022.
- (c) The Bank's Internal Controls are effective as at 31st December 2022.

Disclosures

- (a) There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data. Furthermore, there were no identified material weaknesses in the Bank's Internal Control systems.
- (b) There were no fraud events involving Senior Management or other employees who have a significant role in the Bank's Internal control.
- (c) There were no significant changes in internal controls or in other factors that could significantly affect internal controls.



Olamide Adeosun
(Chief Financial Officer)
FRC/2020/001/00000022332
21 March 2023



Kayode Akinkugbe
(Managing Director/CEO)
FRC/2013/ODN/00000003063
21 March 2023



INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022



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

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

To the Shareholders of FBNQuest Merchant Bank Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

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

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

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

Basis for Opinion

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

Key Audit Matters

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

The key audit matter applies to both the audit of the consolidated and separate financial statements.

KPMG Professional Services, a partnership registered in Nigeria and a member form of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Registered in Nigeria No BN 986925

Partners:

Adegoke A. Oyelami	Bolante S. Afolabi	Kabir O. Okunlola	Olufemi A. Babem	Tolulope A. Odukale
Adetola P. Adeyemi	Boluwaji D. Apanpa	Lawrence C. Amadi	Olumide O. Olayinka	Uzochukwu N. Obienu
Adewale K. Ajayi	Chibuzor N. Anyanechi	Martins I. Arogie	Olusegun A. Sowande	Uzondinma G. Nwankwo
Ajibola O. Olomola	Chineme B. Nwigbo	Mohammed M. Adamu	Olutoyin I. Ogunlowo	Victor U. Onyenkpwa
Akinwale O. Alao	Dunni D. Okegbemile	Nneka C. Eluma	Oluwafemi O. Awotoye	Williams I. Erimona
Akinyemi Ashade	Elijah O. Oladunmoye	Oguntayo I. Ogungbenro	Olabimpe S. Afolabi	
Ayobami L. Salami	Goodluck C. Obi	Oluwatoyin A. Gbagi		
Ayodele A. Soyinka	Ibitomo M. Adepoju	Oladimeji I. Salaudeen	Oseme J. Obaloje	

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022



Impairment of loans and advances to customers

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

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

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

Our audit procedures in these areas included the following:

- We evaluated the design and implementation; and tested the operating effectiveness of key controls over the impairment determination process for loans and advances, this includes controls such as management review of loan performance and loan impairment.
- We assessed the accuracy of the quantitative criteria used in staging, this involved checking the loan parameters and contractual repayments to customer account statements. The loan parameters and repayment information were thereafter used to re-compute the days past due criteria used in allocating loans into stages.
- We assessed the accuracy of the Exposure at Default, by checking the loan parameters and contractual repayments to customer account statements
- We were assisted by our Financial Risk Management specialist to test the key assumptions for the data input into the ECL model used by the Group and the accuracy of impairment allowance and the following:
 - challenged the reasonableness of the Group's ECL methodology for estimating ECL for stages 1, 2 and 3 which includes recovery rate derived based on historical risk group migration and migration of balances among risk stages to determine the loss given default (LGD) and the probability of default (PD) respectively;
 - assessed the appropriateness of the approach and significant assumptions for determining the Probability of Default (PD) and Loss Given Default (LGD) used by the Group in its ECL calculation by ensuring the data applied from external sources are in line with the generally available data and assessing whether the Group's methodology is in line with the standard's requirement;
 - performed substantive procedures to test the reasonableness of the approach adopted by the Group to factor forward looking information, this includes, assessing the reasonability of the approach adopted to factor in forward looking information into the PD estimates and performing regression analysis of the non-performing loan ratios against macroeconomic variables;
 - re-performed the calculations of impairment allowance for loans and advances using the Group's impairment model and validating key inputs and assumptions including expected future cash flows, discount rates, valuations of collateral held where relevant and the weightings applied to scenario outcomes to ensure compliance with the relevant accounting standard.

The Group's accounting policy on disclosure on judgements and estimates and relevant financial risk disclosures are shown in Notes 4.1 and 5 respectively.

Other Information

The Directors are responsible for the other information. The other information comprises Corporate Information, Directors' Report, Statement of Directors' Responsibilities, Report of the Board Audit Committee, Corporate Responsibility for Financial Reports and Other National Disclosures, but does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any



INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2022



form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011 the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, and for such internal control as the directors determine is necessary to enable the preparation of the 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 and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Bank or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022



Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Report on Other Legal and Regulatory Requirements

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

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books.
- iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

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

- i. The Bank and Group were not in contravention of the Banks and other Financial Institutions Act during the year ended 31 December 2022 and did not pay any penalties.
- ii. Related party transactions and balances are disclosed in note 43 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Signed:

Osême Obaloje FRC/2013/ICAN/00000004803
For: KPMG Professional Services Chartered Accountants
26 April 2023 Lagos, Nigeria





CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Interest Income calculated using the effective interest method	7	13,995,967	7,912,638	13,452,940	7,661,543
Other interest income	7.1	3,639,760	3,031,186	3,533,373	2,923,473
Interest expense	8	(13,999,402)	(9,312,511)	(14,013,719)	(9,334,305)
Net interest income		3,636,325	1,631,312	2,972,594	1,250,711
Impairment charge on financial and non-financial Assets	9	(1,173,097)	(524,720)	(1,068,268)	(621,919)
Net interest income after impairment charge for credit losses		2,463,228	1,106,592	1,904,326	628,792
Fee and commission income	10	11,354,670	8,931,915	4,526,687	3,768,504
Net gains/(loss) on foreign exchange	11	408,771	24,072	185,810	(77,000)
Net gains on financial assets at FVTPL	12	1,984,906	3,667,852	1,356,173	2,930,952
Other operating income	13	415,064	301,808	1,756,868	1,254,624
Operating income		16,626,639	14,032,238	9,729,864	8,505,872
Personnel expenses	15	(5,002,278)	(5,120,004)	(3,266,564)	(3,610,753)
Depreciation of property, plant and equipment	28	(376,903)	(294,171)	(327,836)	(260,335)
Depreciation of right of use assets	30	(24,795)	(109,572)	(24,795)	(109,572)
Amortisation of intangible assets	29	(61,453)	(173,557)	(47,946)	(150,827)
Other operating expenses	14	(5,948,730)	(5,854,562)	(3,055,389)	(3,645,310)
Operating expenses		(11,414,159)	(11,551,865)	(6,722,529)	(7,776,797)
Profit before minimum tax and income tax expense		5,212,480	2,480,374	3,007,335	729,075
Minimum tax	16	(169,024)	-	(169,024)	-
Profit after minimum tax		5,043,456	2,480,374	2,838,311	729,075
Income tax expense		(1,158,703)	(921,461)	(37,999)	(77,379)
Profit for the year		3,884,753	1,558,913	2,800,312	651,696
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net fair value losses on financial assets at FVOCI					
-Net change Loss on investments in debt instruments measured at FVOCI	40	(524,349)	(925,367)	(404,040)	(958,956)
Other comprehensive loss for the year		(524,349)	(925,367)	(404,040)	(958,956)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		3,360,403	633,546	2,396,272	(307,260)
Profit attributable to					
Holders of ordinary shares of the Bank		3,884,753	1,558,913	2,800,312	651,696
Total Comprehensive income attributable to					
Holders of ordinary shares of the Bank		3,360,403	633,546	2,396,272	(307,260)
Basic/diluted earnings per share (kobo)	17	90	36	65	15

The accompanying notes are an integral part of the consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2022

Note	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
ASSETS				
Cash and balances with Central Bank of Nigeria	18	59,278,402	38,118,584	59,278,402
Due from other banks	19	57,578,008	14,905,839	51,267,315
Financial assets at fair value through profit or loss	21	2,989,826	6,154,032	2,171,362
Loans and advances to customers	25	106,451,557	76,689,597	106,314,871
Investment securities:				
- Fair value through OCI	22	27,786,257	43,601,118	26,060,515
- Amortised cost	23	1,595,551	-	1,253,377
Pledged assets	24	24,048,685	12,593,933	24,048,685
Derivative financial assets	37	197,969	361,693	197,969
Other assets	26	9,821,901	5,355,113	8,342,968
Investment in subsidiaries	27	-	-	1,321,958
Property and equipment	28	2,501,635	1,539,216	2,378,312
Intangible assets	29	375,326	337,833	132,219
Right-of-use assets	30	21,778	50,763	21,778
Deferred tax asset	31	9,313,862	9,362,532	9,113,548
Total assets		301,960,756	209,070,252	291,903,280
				202,563,025
LIABILITIES				
Due to banks	32	43,579,818	9,837,048	43,579,818
Due to customers	33	133,365,930	119,432,839	132,506,325
Current income tax liability	16b	1,415,586	922,057	236,910
Borrowings	34	47,552,044	13,233,425	47,552,044
Other liabilities	35	37,090,570	28,496,201	34,023,371
Lease liabilities	36	22,658	35,968	22,658
Derivative financial liabilities	37	192,296	354,877	192,296
Total liabilities		263,218,902	172,312,415	258,113,422
				169,793,054
EQUITY				
Share capital	38	4,301,577	4,301,577	4,301,577
Share premium	39	3,904,731	3,904,731	3,904,731
Retained earnings	39	18,331,164	16,028,094	13,446,659
Statutory reserve	39	9,128,791	8,708,745	9,128,791
Credit risk reserve	39	2,434,151	2,648,901	2,434,151
Fair value reserve	40	614,843	1,139,192	573,949
General reserve	39	26,598	26,598	-
Total equity		38,741,854	36,757,837	33,789,858
				32,769,971
Total equity and liabilities		301,960,756	209,070,252	291,903,280
				202,562,025

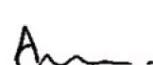
The accompanying notes are an integral part of the consolidated and separate financial statements. The consolidated and separate financial statements were approved by the Board of Directors on 21 March, 2023 and signed on its behalf by:



Bello Maccido
Chairman
FRC/2013/CISN/00000002366



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



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



CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGE IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	Share capital ₦'000	Share premium ₦'000	Fair Value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Credit risk reserve ₦'000	General reserve ₦'000	Total equity ₦'000
Balance at 1 January 2022	4,301,577	3,904,731	1,139,192	16,028,092	8,708,744	2,648,901	26,598	36,757,836
Profit for the year	-	-	-	3,884,753	-	-	-	3,884,753
Other comprehensive income								
Fair value movement on financial asset through FVOCI	-	-	(524,349)	-	-	-	-	(524,349)
Total comprehensive income	-	-	(524,349)	3,884,753	-	-	-	3,360,403
Transfers during the year	-	-	-	(205,296)	420,047	(214,751)	-	-
Contributions and distributions								
Dividend paid	-	-	-	(1,376,386)	-	-	-	(1,376,386)
At 31 December 2022	4,301,577	3,904,731	614,843	18,331,164	9,128,791	2,434,151	26,598	38,741,854

Group	Share capital ₦'000	Share premium ₦'000	Fair Value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Credit risk reserve ₦'000	General reserve ₦'000	Equity equity ₦'000
Balance at 1 January 2021	4,301,577	3,904,731	2,064,559	15,587,647	8,610,990	2,134,767	26,598	36,630,868
Profit for the year	-	-	-	1,558,913	-	-	-	1,558,913
Other comprehensive income								
Fair value movement on financial asset through FVOCI	-	-	(925,367)	-	-	-	-	(925,367)
Total comprehensive income	-	-	(925,367)	1,558,913	-	-	-	633,546
Transfers during the year	-	-	(611,889)	97,754	514,134	-	-	-
Contributions and distributions								
Dividend declared			(506,578)	-	-	-	-	(506,578)
At 31 December 2021	4,301,577	3,904,731	1,139,192	16,028,092	8,708,744	2,648,901	26,598	36,757,836

The accompanying notes are an integral part of the consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

Bank	Share capital ₦'000	Share premium ₦'000	Fair Value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Credit risk reserve ₦'000	Total equity ₦'000
Balance at 1 January 2022	4,301,577	3,904,731	977,989	12,228,028	8,708,744	2,648,901	32,769,971
Profit for the year	-	-	-	2,800,312	-	-	2,800,312
Other comprehensive income							
Fair value movement on financial asset through FVOCI	-	-	(404,040)	-	-	-	(404,040)
Total comprehensive income	-	-	(404,040)	2,800,312	-	-	2,396,273
Transfers during the year	-	-	-	(205,296)	420,047	(214,751)	-
Contributions and distributions							
Dividend declared	-	-	-	(1,376,386)	-	-	(1,376,386)
At 31 December 2022	4,301,577	3,904,731	573,949	13,446,659	9,128,791	2,434,151	33,789,858

Bank	Share capital ₦'000	Share premium ₦'000	Fair Value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Credit risk reserve ₦'000	Total equity ₦'000
Balance at 1 January 2021	4,301,577	3,904,731	1,936,945	12,694,799	8,610,990	2,134,767	33,583,809
Profit for the year	-	-	-	651,696	-	-	651,696
Other comprehensive income							-
Fair value movement on financial asset through FVOCI	-	-	(958,956)	-	-	-	(958,956)
Total comprehensive income	-	-	(958,956)	651,696	-	-	(307,260)
Transfers during the year	-	-	-	(611,889)	97,754	514,134	-
Contributions and distributions							
Dividend declared				(506,578)	-	-	(506,578)
At 31 December 2021	4,301,577	3,904,731	977,989	12,228,028	8,708,744	2,648,901	32,769,970

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



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

Note	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Operating activities				
Cash generated used in operations	41	(142,662)	(2,000,033)	(3,797,065)
Interest received	7	17,635,727	10,943,823	16,986,313
Interest paid	8	(9,803,304)	(7,777,363)	(9,817,621)
Income tax paid	16(b)	(785,529)	(670,051)	(47,492)
Net cash generated from operating activities		6,904,231	496,375	3,324,135
				1,277,894
Investing activities				
Net proceeds/(outflow) on redemption/acquisition of investment securities		14,267,478	(32,008,696)	14,328,433
Purchase of property and equipment	28	(1,357,680)	(549,777)	(1,294,005)
Additions to right-of-use assets	41	(4,930)	(18,441)	(4,930)
Proceeds from sale of property and equipment	41	17,379	85,155	17,379
Purchase of intangible assets	29	(98,678)	(294,585)	(58,058)
Net cash generated used in investing activities		12,823,567	(32,786,345)	12,988,819
				(32,978,426)
Financing activities				
Interest paid on borrowings		(4,196,098)	(1,535,148)	(4,196,098)
Proceeds from Borrowing		27,129,603	(2,163)	27,129,603
Net cash generated used in financing activities		22,933,504	(1,537,311)	22,933,505
				(1,537,311)
Increase/(decrease) in cash and cash equivalents		42,661,302	(33,827,281)	39,246,459
				(33,237,843)
Cash and cash equivalents at beginning of year		14,905,838	48,810,120	12,009,988
Effect of exchange rate fluctuations on cash held		185,810	(77,000)	185,810
Cash and cash equivalents at the end of the year	19	57,752,950	14,905,839	51,442,257
				12,009,988

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 General information

Reporting entity

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

The principal activities of the Group are the provision of treasury management services, trading in and holding of Federal Government of Nigeria (FGN) bonds and other money market activities, dealing in and provision of foreign exchange services, financial consultancy and advisory services, acting as issuing house or otherwise managing, arranging or coordinating the issuance of securities, portfolio management and provision of finance and credit facilities to non-retail customers.

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

16 Keffi Street
Ikoyi
Lagos

2 Basis of measurement

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

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

3.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Nigerian Naira (₦), which is the Bank's functional currency and the Group's presentation currency. All amounts have been rounded to the nearest thousand, except when otherwise indicated.

3.2 Use of estimates and judgements

In preparing these annual financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The preparation of financial statements requires the Directors to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Critical accounting estimates and judgments have been included in note 6.

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

4.1 New standards, interpretations and amendments to existing standards that are not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group and Bank have not yet adopted the new and amended standards in preparing these consolidated financial statements. The following new and amended standards are not expected to have a significant impact on the Group's consolidated and separate financial statements.

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- IFRS 17: Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2.
- Definition of Accounting Estimate - Amendment to IAS 8.
- Deferred Tax related to assets and liabilities arising from a single transaction - Amendment to IAS 12.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

4.2 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis.

Statement of compliance with international Financial reporting Standards

These consolidated financial statements have been prepared in accordance with IFRS accounting standards and in the manner required by Companies and Allied Matters Act of Nigeria.

The consolidated financial statements were authorised by the Bank's board of directors on 21 March 2023.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

4.3 Measurement of fair values

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

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

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

Significant valuation issues are reported to the Bank Audit Committee.

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

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

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

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

Significant accounting policies

4.4 Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Business combinations

Business combinations are accounted for using the acquisition method.

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

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

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

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

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

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

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

(c) Disposal of subsidiaries

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(d) Transactions eliminated on consolidation

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

4.5 Foreign currency

Foreign currency transactions

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

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

4.6 Interest income and interest expense

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

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

4.7 Fees and commissions income and expenses

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

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

4.8 Net trading and foreign exchange income

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

4.9 Dividend income

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

4.10 Income Tax

a. Income Tax

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

b. Current tax

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

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

c. Deferred tax

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

4.11 Cash and bank balances

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

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

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

4.12 Trading assets

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

Trading assets are measured at fair value with changes in fair value recognised as part of net gain on financial asset at fair value through profit or loss in the income statement.

4.13 Derivative financial instruments

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

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

4.14 Property and equipment

(a) Recognition and measurement

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

(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

(d) De-recognition

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

4.15 Intangible assets

(a) Goodwill

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

Subsequent measurement

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

(b) Software

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

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

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

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

4.16 Impairment of non-financial assets

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

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

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

4.17 Repossessed collateral

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



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4.18 Deposits and debt securities issued

Deposits and debt securities in issue are the Group's source of debt funding. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits are measured at amortised cost using effective interest rate.

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

4.19 Provisions

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

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

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

4.20 Financial guarantee contracts

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

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

4.21 Employee benefits

Short-term employee benefits

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

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

Post-employment benefits

Defined contribution plans

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

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

Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

4.22 Share capital and reserves

(a) Share issue costs

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

(b) Dividend on ordinary shares

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

4.23 Earnings per share

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

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

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4.24 Fiduciary activities

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

4.25 Stock of consumables

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

4.26 IFRS 9: Financial instruments

a. Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

b. Business model assessment

The Group determines the business model as the level that best reflects how portfolios of financial assets are managed to achieve the Group's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

- how the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;
- the significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
- historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.

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

- Hold-to-Collect (HTC): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.
- Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.
- Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

c. SPPI assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.



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d. Investment securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities were comprised of available-for-sale securities and held-to-maturity securities.

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with our policy for allowance for credit losses, as described below. Interest income, including the amortisation of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognised on amortised cost securities are recorded in allowance for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a net gain/(loss) on Investment securities in Net trading and foreign exchange income.

Debt securities carried at FVOCI are measured at fair value with unrealised gains and losses arising from changes in fair value included in fair value reserve. Impairment gains and losses are included in allowance for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net gain/(loss) on Investment securities in net trading and foreign exchange income.

Equity securities carried at FVOCI are measured at fair value. Unrealised gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realised. Dividends from FVOCI equity securities are recognised in other operating income.

The Group accounts for all securities using settlement date accounting and changes in fair value between the trade date and settlement date are reflected in income for securities measured at FVTPL, and changes in the fair value of securities measured at FVOCI between the trade and settlement dates are recorded in OCI except for changes in foreign exchange rates on debt securities, which are recorded in net trading and foreign exchange income.

e. Fair value option

A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising related gains and losses on a different basis (an "accounting mismatch"). The fair value option can be elected for financial liabilities if: (i) the election eliminates an accounting mismatch; (ii) the financial liability is part of a portfolio that is managed on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) there is an embedded derivative in the financial or non-financial host contract and the derivative is not closely related to the host contract. These instruments cannot be reclassified out of the FVTPL category while they are held or issued.

Financial assets designated as FVTPL are recorded at fair value and any unrealised gains or losses arising due to changes in fair value are included in net trading and foreign exchange income, depending on our business purpose for holding the financial asset.

Financial liabilities designated as FVTPL are recorded at fair value and fair value changes attributable to changes in our own credit risk are recorded in OCI. Own credit risk amounts recognised in OCI are not reclassified subsequently to net income. The remaining fair value changes not attributable to changes in our own credit risk are recorded in Other operating income, depending on our business purpose for holding the financial liability. Upon initial recognition, if we determine that presenting the effects of own credit risk changes in OCI would create or enlarge an accounting mismatch in net income, the full fair value change in our debt designated as at FVTPL is recognised in net income. To make that determination, we assess whether we expect that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. Such an expectation is based on an economic relationship between the characteristics of the liability and the characteristics of the other financial instrument.

The determination is made at initial recognition and is not reassessed. To determine the fair value adjustments on our debt instruments designated as at FVTPL, we calculate the present value of the instruments based on the contractual cash flows over the term of the arrangement by using our effective funding rate at the beginning and end of the period.

Financial assets are reclassified when and only when the business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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f. Loans

Loans are debt instruments recognised initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognised in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate. Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognised as interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognised as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.

Impairment losses on loans are recognised at each balance sheet date in accordance with the three-stage impairment model outlined below.

g. Allowance for credit losses

An allowance for credit losses (ECL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts, debt securities and accrued interest receivable. These are carried at amortised cost and presented net of ECL on the Consolidated Statement of Financial Position. ECL on loans is presented in allowance for credit losses - loans and advances. ECL on debt securities measured at FVOCI is presented in fair value reserve in equity.

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ECL is separately calculated and included in other liabilities.

We measure the ECL at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition:

1. Performing financial assets:

Stage 1 - From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

Stage 2 - Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

2. Impaired financial assets

Stage 3 - When a financial asset is considered to be credit-impaired, a loss allowance is recognised equal to credit losses expected over the remaining lifetime of the asset. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The ECL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period. For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ECL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in Provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ECL.

The ECL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ECL, including movements between the three stages and the application of forward looking information.

The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

h. Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.



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An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

i. Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life.

An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

j. Use of forward looking information

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

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in our expected credit loss models include GDP growth rate, interbank FX rates, inflation rate, crude oil prices and population growth rate.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities. Our assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

k. Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is multifactor and has three main categories:

- Primary Indicators: this incorporates a quantitative element;
- Secondary Indicators (qualitative element); and
- 'Backstop' indicators.

i. Primary Indicators: The quantitative element is the primary indicator of significant increases in credit risk, with the qualitative element playing a secondary role. The quantitative element is calculated based on:

- a. the change in lifetime PDs by comparing:
 - the remaining lifetime PD as at the reporting date; with
 - the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.
 - PD multiple and PD delta shall be considered based on the portfolio buckets. Justification shall also be provided for the use of either approach when applied.

b. Movement along the rating grades:

- the rating as at the reporting date; with
- the rating that was assigned at the time of initial recognition of the exposure.

The following shall indicate a significant increase in credit risk:

- For investment grade - Two rating grade movement within investment grade and one grade out of investment grade.
- For speculative grade - One rating grade movement.

ii. Secondary Indicators: In general, qualitative factors that are indicative of an increase in credit risk are reflected in PD models on a timely basis and thus are included in the quantitative assessment and not in a separate qualitative assessment. However, if it is not possible to include all current information about such qualitative factors in the quantitative assessment, they are considered separately in a qualitative assessment as to whether there has been a significant increase in credit risk. If there are qualitative factors that indicate an increase in credit risk that have not been included in the calculation of PDs used in the quantitative assessment, the bank recalibrates the PD or otherwise adjusts its estimate when calculating ECLs.

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Regardless however, the bank shall consider the following as evidence of significant increase in credit risk:

- Putting the loan on watch list status;
- Classification of the exposure by any of the licensed private credit bureau or the credit risk management system;
- Deterioration of relevant credit risk drivers for an individual obligor (or pool of obligors);
- Expectations of forbearance or restructuring due to financial difficulties;
- Evidence that full repayment of principal or interest without realisation of collateral is unlikely, regardless of the number of days past due; and
- Deterioration of credit worthiness due to factors other than those listed above.

iii 'Backstop' Indicators: Instruments which are more than 30 days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption shall be applied unless the bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

The following shall be considered as exception:

1. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.
2. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% shall be considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset shall not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired. This is in line with Central Bank of Nigeria (CBN) IFRS 9 guidelines.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

I. Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place

- The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held).
- The obligor is past due more than 90 days on any material credit obligation to the bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.
- Interest payments equal to 90 days or more have been capitalised, rescheduled, rolled over into a new loan (except where facilities have been reclassified).

The elements to be taken as indications of unlikelihood to pay include:

- The Bank sells the credit obligation at a material credit-related economic loss.
- The Bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The Bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the banking group.

The following shall be considered as exception:

- a. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 150 days.
- b. In the case of specialised loans, default shall be defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). This is consistent with CBN guidelines on IFRS 9. In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialised loans to which this shall be applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans.
- c. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due shall be considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.
- d. Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.



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m. Credit-impaired financial assets (Stage 3)

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ECL.

Following impairment, interest income is recognised on the unwinding of the discount from the initial recognition of impairment. ECL for credit-impaired loans in Stage 3 are established at the borrower level, where losses related to impaired loans are identified on individually significant loans, or collectively assessed and determined through the use of portfolio-based rates, without reference to particular loans.

n. Individually assessed loans (Stage 3)

When individually significant loans are identified as impaired, we reduce the carrying value of the loans to their estimated realisable value by recording an individually assessed ECL to cover identified credit losses. The individually assessed ECL reflects the expected amount of principal and interest calculated under the terms of the original loan agreement that will not be recovered, and the impact of time delays in collecting principal and/or interest (time value of money). The estimated realisable value for each individually significant loan is the present value of expected future cash flows discounted using the original effective interest rate for each loan.

When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, the estimated realisable amount may be determined using observable market prices for comparable loans, the fair value of collateral underlying the loans, and other reasonable and supported methods based on management judgment.

Individually-assessed allowances are established in consideration of a range of possible outcomes, which may include macroeconomic or non-macroeconomic scenarios, to the extent relevant to the circumstances of the specific borrower being assessed. Assumptions used in estimating expected future cash flows reflect current and expected future economic conditions and are generally consistent with those used in Stage 1 and Stage 2 measurement.

Significant judgment is required in assessing evidence of credit-impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. Changes in the amount expected to be recovered would have a direct impact on the Provision for credit losses and may result in a change in the ECL.

o. Write-off of loans

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realisation of collateral. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write off may be earlier.

p. Modifications

The credit risk of a financial asset will not necessarily decrease merely as a result of a modification of the contractual cash flows. If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, the Bank shall assess whether there has been a significant increase in the credit risk of the financial by comparing:

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

A modification shall however lead to derecognition of existing loan and recognition of a new loan i.e. substantial modification if:

- the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

The following shall be applicable to modified financial assets:

- The modification of a distressed asset shall be treated as an originated credit-impaired asset requiring recognition of life-time ECL after modification.
- The cumulative changes in lifetime expected credit losses since initial recognition shall be recognised as a loss allowance for purchase or originated credit-impaired financial asset at the reporting date.
- The general impairment model does not apply to purchased or originated credit-impaired assets.

The following situations (qualitative) may however not lead to a derecognition of the loan:

- Change in interest rate arising from a change in MPR which is the benchmark rate that drives borrowing rates in Nigeria;
- Change in financial asset's tenor (increase or decrease);
- Change in installment amount to higher or lower amount;
- Change in the annuity repayment pattern, for example, from monthly to quarterly, half-yearly or yearly; and
- Change in the applicable financial asset fee.

Modification gain or loss shall be included as part of allowance for credit loss for each financial year.

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q. Classification and measurement of financial liabilities

The Group recognises financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Group classifies its financial liabilities as measured at amortised cost, except for:

- i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Group's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Group's credit risk are also presented in profit or loss.
- ii. Financial guarantee contracts and commitments. Borrowings and subordinated liabilities are included as part of financial liabilities measured at amortised cost.

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.

r. Embedded derivatives

As stated in Note 3.13, when derivatives are embedded in other financial instruments or host contracts, such combinations are known as hybrid instruments. Some of the cash flows of a hybrid instrument vary in a way similar to a stand-alone derivative. If the host contract is a financial asset within the scope of IFRS 9, the classification and measurement criteria are applied to the entire hybrid instrument as described in the section on classification and measurement of financial assets. If the host contract is a financial liability or an asset that is not within the scope of IFRS 9, embedded derivatives are separately recognised if the economic characteristics and risks of the embedded derivative are not clearly and closely related to the host contract, unless an election has been made to elect the fair value option. The host contract is accounted for in accordance with the relevant standards.

When derivatives are used in trading activities, the realised and unrealised gains and losses on these derivatives are recognised in net trading and foreign exchange income. Derivatives with positive fair values are presented as derivative assets and derivatives with negative fair values are reported as derivative liabilities. Valuation adjustments are included in the fair value of derivative assets and derivative liabilities. Premiums paid and premiums received are part of derivative assets and derivative liabilities, respectively.

4.27 IFRS 16: Leases

Leases

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

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

In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group primarily leases buildings for use as office space and car parks. Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. The lease terms range from 1 year to 5 years. On renewal of a lease, the terms may be renegotiated. The lease agreements do not impose any covenants, however, leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Until the 2018 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.



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Lease liabilities

At the commencement date of a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by FBNQuest Merchant Bank under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects FBNQuest Merchant Bank exercising that option.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by FBNQuest Merchant Bank and makes adjustments specific to the lease.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset where applicable.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising of the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

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

Short-term leases and leases of low-value assets

Short-term leases are those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that have values less than ₦50,000 when new, e.g., small IT equipment and small items of office furniture, and depends on the nature of the asset. Lease payments on short-term leases and leases of low-value assets would be recognised as expenses in profit or loss on a straight-line basis over the lease term. The Group has no short-term or low value leases as at the reporting date.

Extension and termination options

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

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4.28 Classification of financial assets and liabilities

The Bank's financial instruments are categorised as stated below:

Group	Financial assets			Financial liabilities	
	FVTPL ₦'000	FVOCI ₦'000	Amortised cost ₦'000	FVTPL ₦'000	Amortised cost ₦'000
31 December 2022					
Cash and balances with Central Bank of Nigeria	-	-	59,278,402	-	-
Due from other banks	-	-	57,578,008	-	-
Financial assets at FVTPL	2,989,826	-	-	-	-
Financial assets at FVOCI	-	27,786,257	-	-	-
Amortised cost	-	-	1,595,551	-	-
Pledged assets	-	24,048,685	-	-	-
Loans and advances to customers	-	-	106,451,557	-	-
Other assets	-	-	8,129,079	-	-
Due to banks	-	-	-	-	43,579,818
Due to customers	-	-	-	-	133,365,930
Corporate bond issued	-	-	-	-	47,552,044
Other liabilities	-	-	-	-	33,426,551
	2,989,826	51,834,942	233,032,597		- 257,924,343

Bank	Financial assets			Financial liabilities	
	FVTPL ₦'000	FVOCI ₦'000	Amortised cost ₦'000	FVTPL ₦'000	Amortised cost ₦'000
31 December 2022					
Cash and balances with Central Bank of Nigeria	-	-	59,278,402	-	-
Due from other banks	-	-	51,267,315	-	-
Financial assets at FVTPL	2,171,362	-	-	-	-
Financial assets at FVOCI	-	26,060,515	-	-	-
Amortised cost	-	-	1,253,377	-	-
Pledged assets	-	24,048,685	-	-	-
Loans and advances to customers	-	-	106,314,872	-	-
Other assets	-	-	6,696,211	-	-
Due to banks	-	-	-	-	43,579,818
Due to customers	-	-	-	-	132,506,325
Corporate bond issued	-	-	-	-	47,552,044
Other liabilities	-	-	-	-	32,466,762
	2,171,362	50,109,200	224,810,177		- 256,104,949

4.3 Financial risk management report

4.3a Financial risk factors

The Bank's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), liquidity and credit risk.

The financial statements as at 31 December 2022 do not include all financial risk management information and disclosures required in the annual financial statements.



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4.3b Market risk

Market risk is the risk that changes in market prices – e.g. interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimising the return on risk.

4.3c Foreign exchange risk

The bank is exposed to foreign exchange risks due to fluctuations in foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk at 31 December 2022. Included in the table are the bank's financial instruments at carrying amounts, categorised by currency.

Group	31 December 2022					
	Carrying amount ₦'000	Naira ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Total ₦'000
Financial assets						
Cash and balances with Central Bank of Nigeria	59,278,402	59,278,402	-	-	-	59,278,402
Due from other banks	57,578,008	25,380,465	31,636,252	138,206	423,085	57,578,008
Loans and advances to customers	106,451,558	73,902,281	31,795,082	-	754,195	106,451,558
Financial assets at FVTPL	2,989,826	2,810,018	179,808	-	-	2,989,826
Investment securities						
- Fair value through OCI	27,786,257	24,375,302	3,410,955	-	-	27,786,257
- Amortised cost	1,595,551	1,595,551	-	-	-	1,595,551
Pledged assets	24,048,685	24,048,685	-	-	-	24,048,685
Other assets	8,129,078	5,722,913	2,406,021	137	7	8,129,078
Derivative assets	197,969	197,969	-	-	-	197,969
	288,055,334	217,311,586	69,428,118	138,343	1,177,287	288,055,334
Financial liabilities						
Due to banks	43,579,818	27,443,192	16,130,659	279	5,688	43,579,818
Due to customers	133,365,930	111,103,110	22,102,495	137,751	22,574	133,365,930
Borrowings	47,552,044	47,552,044	-	-	-	47,552,044
Other liabilities	33,443,080	5,427,026	27,203,246	-	812,808	33,443,080
Derivative liabilities	192,296	192,296	-	-	-	192,296
	258,133,167	191,717,667	65,436,400	138,030	841,070	258,133,168
Commitments and guarantees						
- Performance bonds and guarantees	3,833,174	3,833,131	43	-	-	3,833,174
- Letters of credits	9,316,883	-	9,316,883	-	-	9,316,883
	13,150,057	3,833,131	9,316,926	-	-	13,150,057

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Bank	31 December 2022						Total ₦'000
	Carrying amount ₦'000	Naira ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000		
Financial assets							
Cash and balances with Central Bank of Nigeria	59,278,402	59,278,402	-	-	-	-	59,278,402
Due from other banks	51,267,315	19,069,772	31,636,252	138,206	423,085	51,267,315	
Loans and advances to customers	106,314,872	73,765,595	31,795,082	-	754,195	106,314,872	
Financial assets at FVTPL	2,171,362	1,991,554	179,808	-	-	2,171,362	
Investment securities				-	-	-	
- Fair value through OCI	26,060,515	22,649,561	3,410,955	-	-	26,060,516	
- Amortised cost	1,253,377	1,253,377	-	-	-	1,253,377	
Pledged assets	24,048,685	24,048,685	-	-	-	24,048,685	
Other assets	6,696,210	4,290,045	2,406,021	137	7	6,696,211	
Derivative assets	197,969	197,969	-	-	-	197,969	
	277,288,706	206,544,960	69,428,118	138,343	1,177,287	277,288,708	
Financial liabilities							
Due to banks	43,579,818	27,443,191	16,130,659	279	5,688	43,579,818	
Due to customers	132,506,325	110,243,504	22,102,495	137,751	22,574	132,506,325	
Borrowings	47,552,044	47,552,044	-	-	-	47,552,044	
Other liabilities	32,483,290	4,467,236	27,203,246	-	812,808	32,483,291	
Derivative liabilities	192,296	192,296	-	-	-	192,296	
	256,313,773	189,898,271	65,436,400	138,030	841,070	256,313,773	
Commitments and guarantees							
- Performance bonds and guarantees	3,833,174	3,833,131	43	-	-	3,833,174	
- Letters of credits	9,316,883	-	9,316,883	-	-	9,316,883	
	13,150,057	3,833,131	9,316,926	-	-	13,150,057	



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Group	Carrying amount ₦'000	31 December 2021				
		Naira ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Total ₦'000
Financial assets						
Cash and balances with Central Bank of Nigeria	38,118,584	38,118,584	-	-	-	38,118,584
Due from other banks	14,905,839	3,722,055	11,137,864	9,790	36,129	14,905,839
Loans and advances to customers	76,689,597	47,515,706	29,017,903	-	155,988	76,689,597
Financial assets at FVTPL	6,154,032	5,966,787	187,245	-	-	6,154,032
Investment securities	-	-	-	-	-	-
- Fair value through OCI	43,601,118	42,461,121	1,139,997	-	-	43,601,118
- Amortised cost	-	-	-	-	-	-
Pledged assets - FVOCI	12,593,933	12,593,933	-	-	-	12,593,933
Other assets	3,561,976	3,545,042	16,934	-	-	3,561,976
Derivative assets	361,693	361,693	-	-	-	361,693
	195,986,771	154,284,920	41,499,943	9,790	192,118	195,986,771
Financial liabilities						
Due to banks	9,837,048	7,928,918	1,908,130	-	-	9,837,048
Due to customers	119,432,839	96,306,799	23,115,572	9,618	850	119,432,839
Corporate bonds issued	13,233,425	13,233,425	-	-	-	13,233,425
Other liabilities	26,026,448	10,647,275	15,190,527	-	188,645	26,026,448
Derivative liabilities	354,877	354,877	-	-	-	354,877
	168,884,636	128,471,294	40,214,229	9,618	189,495	168,884,636
Commitments and guarantees						
- Performance bonds and guarantees	8,850,578	2,909,645	5,940,933	-	-	8,850,578
- Letters of credits	20,072,576	-	19,605,059	-	467,517	20,072,576
	28,923,154	2,909,645	25,545,992	-	467,517	28,923,154

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Bank	31 December 2021					
	Carrying amount ₦'000	Naira ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Total ₦'000
Financial assets						
Cash and balances with Central Bank of Nigeria	38,118,585	38,118,585	-	-	-	38,118,585
Due from other banks	12,006,567	822,783	11,137,864	9,790	36,129	12,006,567
Loans and advances to customers	76,589,248	47,415,357	29,017,903	-	155,988	76,589,248
Financial assets at FVTPL	4,788,062	4,600,817	187,245	-	-	4,788,062
Investment securities				-	-	-
- Fair value through OCI	41,810,273	40,670,276	1,139,997	-	-	41,810,273
- Amortised cost	-	-	-	-	-	-
Pledged assets - FVOCI	12,593,933	12,593,933	-	-	-	12,593,933
Other assets	2,854,342	2,837,409	16,934	-	-	2,854,342
Derivative assets	361,693	361,693	-	-	-	361,693
	189,122,704	147,420,852	41,499,943	9,790	192,118	189,122,704
Financial liabilities						
Due to banks	9,837,048	7,928,917	1,908,130	-	-	9,837,047
Due to customers	119,777,398	96,651,358	23,115,572	9,618	850	119,777,398
Corporate bonds issued	13,233,425	13,233,425	-	-	-	13,233,425
Other liabilities	25,186,412	9,807,240	15,190,527	-	188,645	25,186,412
Derivative liabilities	354,877	354,877	-	-	-	354,877
	168,389,160	127,975,817	40,214,229	9,618	189,495	168,389,159
Commitments and guarantees						
- Performance bonds and guarantees	8,850,578	2,909,645	5,940,933	-	-	8,850,578
- Letters of credits	20,072,576	-	19,605,059	-	467,517	20,072,576
	28,923,154	2,909,645	25,545,992	-	467,517	28,923,154



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4.3d Foreign exchange risk sensitivity analysis

As shown in the table above, the bank is primarily exposed to changes in NGN/US\$ exchange rates.

The following table details the bank's sensitivity to a 10% increase and decrease in Naira against the US dollar. Management believes that a 10% movement in either direction is reasonably possible on the Bank's portfolio. The sensitivity analyses below include outstanding US dollar denominated financial assets and liabilities. A positive number indicates an increase in profit where Naira weakens by 10% against the US dollar. For a 10% strengthening of Naira against the US dollar, there would be an equal and opposite impact on profit.

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Impact on profit				
NGN/US\$ exchange rate - increase 10%	367,894	21,665	167,229	(69,300)
NGN/US\$ exchange rate - decrease 10%	(367,894)	(21,665)	(167,229)	69,300

Fair value measurement of financial instruments

a. Financial instruments not measured at fair value

Group	31 December 2022		31 December 2021	
	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Financial assets				
Cash and balances with Central Bank of Nigeria	59,278,402	59,278,402	38,118,584	38,118,584
Due from other banks	57,578,008	57,578,008	14,905,839	14,905,839
Investment securities:				
-Amortised cost	1,595,551	1,595,551	-	-
Loans and advances to customers	106,451,557	106,451,557	76,689,597	76,689,597
Other assets	8,129,078	8,129,078	3,561,976	3,561,976
	233,032,596	233,032,596	133,275,996	133,275,996
Financial liabilities				
Due to banks	43,579,818	43,579,818	9,837,048	9,837,048
Due to customers	133,365,930	133,365,930	119,432,839	119,432,839
Borrowings	47,552,044	47,552,044	13,233,425	13,233,425
Other liabilities	33,443,080	33,443,080	26,026,448	26,026,448
	257,940,871	257,940,871	168,529,759	168,529,759

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS
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a. Financial instruments not measured at fair value

Bank	31 December 2022		31 December 2021	
	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Financial assets				
Cash and balances with Central Bank of Nigeria	59,278,402	59,278,402	38,118,585	38,118,585
Due from other banks	51,267,315	51,267,315	12,006,567	12,006,567
Investment securities:				
-Amortised cost	1,253,377	1,253,377	-	-
Loans and advances to customers	106,314,871	106,314,871	76,589,248	76,589,248
Other assets	6,696,210	6,696,210	2,854,342	2,854,342
	224,810,175	224,810,175	129,568,743	129,568,743
Financial liabilities				
Due to customers	132,506,325	132,506,325	119,777,398	119,777,398
Borrowings	47,552,044	47,552,044	13,233,425	13,233,425
Other liabilities	30,375,881	30,375,881	24,006,205	24,006,205
	254,014,068	254,014,068	166,854,075	166,854,075

- i Cash and balances with Central Bank of Nigeria (CBN) include cash and deposits with the CBN. The carrying amount of the balances with the CBN is a reasonable approximation of the fair value, which is the amount receivable on demand.
- ii Due from other banks include balances with other banks within and outside Nigeria, and short-term placements. The carrying amount of the balance is a reasonable approximation of the fair value, which is the amount receivable on demand.
- iii Investment securities at amortised cost includes treasury bills and commercial papers. The carrying amount is a reasonable approximation of the fair value.
- iv Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows, expected to be received. Expected cash flows are discounted using the effective interest rate to determine fair value as there is no active market.
- v Carrying amounts of other assets are a reasonable expectation of their fair values which are payable on demand.
- vi The estimated fair value of balances due to other banks is the amount repayable on demand as at 31 December 2022.
- vii The estimated fair value of deposits from customers is the amount repayable on demand as at 31 December 2022.
- viii Carrying amounts of other liabilities are a reasonable expectation of their fair values which are payable on demand.



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

b. Fair value hierarchy - financial instruments not measured at fair value

Group	31 December 2022				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
31 December 2022					
Financial assets					
Cash and balances with Central Bank of Nigeria	-	59,278,402	-	59,278,402	59,278,402
Due from other banks	-	-	57,578,008	57,578,008	57,578,008
Loans and advances to customers	-	-	106,451,557	106,451,557	106,451,557
Investment securities					
- Amortised cost	-	-	1,595,551	1,595,551	1,595,551
Other assets	-	-	8,129,079	8,129,079	8,129,079
	-	59,278,402	173,754,194	233,032,596	233,032,596
Financial liabilities					
Due to banks	-	-	43,579,818	43,579,818	43,579,818
Due to customers	-	-	133,365,930	133,365,930	133,365,930
Borrowings	-	47,552,044	-	47,552,044	47,552,044
Other liabilities	-	-	33,443,080	33,443,080	33,443,080
	-	47,552,044	210,388,827	257,940,871	257,940,871

Fair value hierarchy - financial instruments not measured at fair value

Bank	31 December 2022				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
31 December 2022					
Financial assets					
Cash and balances with Central Bank of Nigeria	-	59,278,402	-	59,278,402	59,278,402
Due from other banks	-	-	51,267,315	51,267,315	51,267,315
Loans and advances to customers	-	-	106,314,871	106,314,871	106,314,871
Investment securities					
- Amortised cost	-	-	1,253,377	1,253,377	1,253,377
Other assets	-	-	6,696,211	6,696,211	6,696,210
	-	59,278,402	165,531,774	224,810,176	224,810,175
Financial liabilities					
Due to banks	-	-	43,579,818	43,579,818	43,579,818
Due to customers	-	-	132,506,325	132,506,325	132,506,325
Borrowings	-	47,552,044	-	47,552,044	47,552,044
Other liabilities	-	-	32,483,290	32,483,290	32,483,290
	-	47,552,044	208,569,433	256,121,477	256,121,477

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Group	31 December 2021				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	-	38,118,584	-	38,118,584	38,118,584
Due from other banks	-	-	14,905,839	14,905,839	14,905,839
Loans and advances to customers	-	-	76,689,597	76,689,597	76,689,597
Investment securities					
- Amortised cost	-	-	-	-	-
Other assets	-	-	3,561,976	3,561,976	3,561,976
	-	38,118,584	95,157,411	133,275,996	133,275,996
Financial liabilities					
Due to banks	-	-	9,837,047	9,837,047	9,837,048
Due to customers	-	-	119,432,839	119,432,839	119,432,839
Corporate bonds issued	-	13,233,425	-	13,233,425	13,233,425
Other liabilities	-	-	26,026,448	26,026,448	26,026,448
	-	13,233,425	155,296,334	168,529,758	168,529,759
Bank					
Bank	31 December 2021				
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total fair value ₦'000	Carrying amount ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	-	38,118,585	-	38,118,585	38,118,585
Due from other banks	-	-	12,006,567	12,006,567	12,006,567
Loans and advances to customers	-	-	76,589,248	76,589,248	76,589,248
Investment securities					
- Amortised cost	-	-	-	-	-
Other assets	-	-	2,854,342	2,854,342	2,854,342
	-	38,118,585	91,450,158	129,568,743	129,568,743
Financial liabilities					
Due to banks	-	-	9,837,047	9,837,047	9,837,048
Due to customers	-	-	119,777,398	119,777,398	119,777,398
Corporate bonds issued	-	13,233,425	-	13,233,425	13,233,425
Other liabilities	-	-	25,186,412	25,186,412	25,186,412
	-	13,233,425	154,800,857	168,034,282	168,034,282



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

Financial instruments measured at fair value.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1

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

Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no movements within levels during the year.

This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

Financial instruments in this category relates to unlisted instruments and since quoted market prices are not available, the fair values are estimated based on valuation techniques such as market approach (EV/EBITDA and EV/Revenue) where the adjusted price/earnings multiple of comparable companies is utilised.

Description of valuation methodology and inputs of unquoted equities:

The steps involved in estimating the fair value of the company's unquoted equity investments are as follows:

Step 1: The most appropriate valuation methodology was selected to value each of the unquoted equity investment.

Step 2: Comparative multiples were sourced from S & P Capital IQ based on available comparable companies in Sub-Saharan Africa and Emerging Asia and an average multiple was computed.

Step 3: The enterprise value was derived by multiplying the average multiple to the relevant financial metric.

Step 4: Equity value of the firm was derived by deducting the value of the debt of the company and adding the closing cash balance.

Step 5: A lack of illiquidity discount of 19.2% for equity stake below 24% and 15.7% for equity stake above 24% was applied to the equity value.

Step 6: The equity value was derived by multiplying the company's equity value by FBN Merchant Bank equity stake.

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Fair value hierarchy - financial instruments measured at fair value

Group	31 December 2022			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	21	-	-	21
- Federal Government of Nigeria bonds	2,017,835	-	-	2,017,835
- Corporate bonds	153,506	-	-	153,506
- Listed equities	25,560	-	-	25,560
Derivative assets		197,969		197,969
Liabilities				
Financial liabilities at FVTPL:				
- Derivative liability	-	192,296	-	192,296
Investment securities at FVOCI:				
- Treasury bills	15,115,505	-	-	15,115,505
- Pledged treasury bills and bonds	24,048,685	-	-	24,048,685
- Federal Government of Nigeria bonds	5,154,335	-	-	5,154,335
- Corporate bonds	5,423,909	-	-	5,423,909
- Listed equities	122,084	-	-	122,084
- Unlisted equities	-	-	1,970,424	1,970,424

Fair value hierarchy - financial instruments measured at fair value

Bank	31 December 2022			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	21	-	-	21
- Federal Government of Nigeria bonds	2,017,835	-	-	2,017,835
- Corporate bonds	153,506	-	-	153,506
Derivative assets	-	197,969	-	197,969
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative liability	-	192,296	-	192,296
Investment securities at FVOCI:				
- Treasury bills	15,115,505	-	-	15,115,505
- Pledged treasury bills and bonds	24,048,685	-	-	24,048,685
- Federal Government of Nigeria bonds	5,154,335	-	-	5,154,335
- Corporate bonds	4,155,717	-	-	4,155,717
- Unlisted equities	-	-	1,634,958	1,634,958



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

Fair value hierarchy - financial instruments measured at fair value

Group	31 December 2021			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	1,510,555	-	-	1,510,555
- Federal Government of Nigeria bonds	3,086,727	-	-	3,086,727
- Corporate bonds	190,780	-	-	190,780
- Listed equities	69,979	-	-	69,979
Derivative assets	-	361,693	-	361,693
Liabilities				
Financial liabilities at FVTPL:				
- Derivative liability	-	354,877	-	354,877
Investment securities at FVOCI:				
- Treasury bills	30,398,780	-	-	30,398,780
- Pledged treasury bills and bonds	12,593,933	-	-	12,593,933
- Federal Government of Nigeria bonds	6,004,408	-	-	6,004,408
- Corporate bonds	5,093,421	-	-	5,093,421
- Listed equities	144,962	-	-	144,962
- Unlisted equities	-	-	959,547	1,959,547

Fair value hierarchy - financial instruments measured at fair value

Bank	31 December 2021			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	1,510,555	-	-	1,510,555
- Federal Government of Nigeria bonds	3,086,727	-	-	3,086,727
- Corporate bonds	190,780	-	-	190,780
Derivative assets	-	361,693	-	-
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative liability	-	354,877	-	354,877
Investment securities at FVOCI:				
- Treasury bills	30,398,780	-	-	30,398,780
- Pledged treasury bills and bonds	12,593,933	-	-	12,593,933
- Federal Government of Nigeria bonds	6,004,408	-	-	6,004,408
- Corporate bonds	3,772,126	-	-	3,772,126
- Promissory notes	-	-	-	-
- Unlisted equities	-	-	1,634,959	1,634,959
Derivative assets	-	-	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the bank is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily investments that are quoted on the Nigerian Exchange (NGX) and Financial Market Dealers Quotation (FMDQ) Plc and on Bloomberg trading platforms which are classified as fair value through profit or loss (FVTPL) or Fair value through OCI.

(b) Financial instruments in level 2

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include market approach using comparable company analysis and precedent transaction analysis. Assumptions and inputs used in the valuation techniques include market multiples of comparable publicly traded companies, country risk discount, size discount, minority discount and marketability discount.

	31 December 2022			
	Group		Bank	
	Unlisted equities ₦'000	Total ₦'000	Unlisted equities ₦'000	Total ₦'000
Opening balance	1,959,547	1,959,547	1,634,959	1,634,959
Gain/(Losses) recognised in the other comprehensive income (OCI)	10,878	10,878	(1)	(1)
Acquisition	-	-	-	-
Closing balance	1,970,424	1,970,424	1,634,958	1,634,958
Total gain or losses for the period included in OCI for assets held at the end of the reporting period	10,878	10,878	(1)	(1)

	31 December 2021			
	Group		Bank	
	Unlisted equities ₦'000	Total ₦'000	Unlisted equities ₦'000	Total ₦'000
Opening balance	1,956,221	1,956,221	1,322,584	1,322,584
Gain/(Losses) recognised in the other comprehensive income (OCI)	3,325	3,325	312,374	312,374
Acquisition	-	-	-	-
Closing balance	1,959,547	1,959,547	1,634,959	1,634,959
Total gain or losses for the period included in OCI for assets held at the end of the reporting period	3,325	3,325	312,374	312,374



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

Level 3 fair value measurements

i. Unobservable inputs used in measuring fair value

Type of Financial Instrument	Fair values at 31 December 2022	Fair values at 31 December 2021	Valuation technique	Significant unobservable input
Unquoted equity investment	1,970,424	1,959,547	Market Valuation Approach	- Illiquidity discount - Price earning multiples

The fair value of FBN Merchant Group's unquoted investment in FMDQ OTC, NIBSS and CSCS were estimated using a market valuation approach. We applied a Price to Earnings multiple using comparable companies in SSA and Middle East based on the following criteria:

- Industry Classification of Funds Transfer, Clearance & Exchange services and Securities & Commodity Exchanges; and
- Geographical focus of Sub-Saharan Africa and Middle East.

An illiquidity discount for non-marketability of FMDQ OTC and NIBSS shares of 19.2% was applied. The 14.9% non-marketability discount is based on a survey by PwC (used for FBN Funds' unquoted investments).

Unquoted equity investments held at fair value through OCI relates to investment in Financial Markets Dealers Quotation (FMDQ), investment in Nigeria Inter-bank Settlement System (NIBSS) and Central System and Clearing System (CSCS). The markets where these securities could be traded are not readily ascertained hence the classification within level 3 of the fair value hierarchy.

The bank has no current plans of disposing these securities.

ii. The effect of unobservable inputs on fair value measurements

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects.

The lowest and highest values if the price earning multiples decrease or increase by 5% respectively			
	Lowest value	Highest value	Actual value
FMDQ	1,546,809	1,709,631	1,632,877
NIBSS	5,527	6,109	2,081

4.4 Exposure to Market Risks – Trading Portfolios

The principal tools used to measure and control market risk exposure within the Group's trading portfolios are the position and loss limits. Specific limits have been set on overall position, individual security and losses to prevent undue exposure. Risk Management and Control Group ensures that these limits and triggers are adhered to by the Group.

The Group traded in the following financial instruments in the course of the year:

- Treasury Bills
- Bonds (Spot and Repo transactions)
- Money market products
- Foreign exchange products

4.4a Exposure to Interest Rate Risks – Non-Trading Portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk in the non-trading portfolios of the Group is managed principally through the monitoring of Earnings-At-Risk (EAR) and interest rate gaps, as well as carrying out scenario analysis. The Asset and Liability Committee (ALCO) is the body charged with monitoring exposures to interest rate risks and is assisted by the Risk Management and Control Group.

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

The Group also performs regular stress tests on its trading and non-trading portfolios. In performing this, the Group ensures there are quantitative criteria in building the scenarios. The Group determines the effect of changes in interest rates on interest income; volatility in prices on trading income; and changes in funding sources and uses on the Group's liquidity. The key potential risks the Group was exposed to from these instruments were price risk, basis risk and risk to net margins. However, all potential risk exposures in the course of the year were successfully mitigated as mentioned above. Interest rate movements affect reported equity in the following ways:

- Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- Fair value reserves arising from changes in the fair value of available-for-sale financial instruments reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by the Treasury Group, which uses investment securities and inter-group takings to manage the overall position arising from the Group's non-trading activities.



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

The tables below summarise the Group's interest rate gap positions on all portfolios:

Group	31 December 2022			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	59,278,402	-	-	59,278,402
Due from other banks	57,578,008	-	23,190,469	34,387,539
Loans and advances to customers	106,451,557	-	106,451,557	-
Financial assets at FVTPL	2,989,826	-	2,964,266	25,560
Investment securities:				
- Fair value through OCI	27,786,257	-	25,693,749	2,092,508
- Amortised cost	1,595,551	-	1,595,551	-
Pledged assets - Fair Value through OCI	24,048,685	-	24,048,685	-
Other assets	8,129,078	-	-	8,129,078
Derivatives assets	197,969	-	-	197,969
	288,055,333	-	183,944,276	104,111,057
Financial liabilities:				
Due to banks	43,579,818	-	39,052,959	4,526,859
Due to customers	133,365,930	-	133,365,930	-
Borrowings	47,552,044	-	47,552,044	-
Other liabilities	33,443,080	-	34,318,721	-875,641
Derivative liabilities	192,296	-	-	192,296
	258,133,167	-	254,289,654	3,843,514

Bank	31 December 2022			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	59,278,402	-	-	59,278,402
Due from other banks	51,267,315	-	18,256,328	33,010,987
Loans and advances to customers	106,314,871	-	106,314,871	-
Financial assets at FVTPL	2,171,362	-	2,171,362	-
Investment securities:				
- Fair value through OCI	26,060,515	-	24,425,557	1,634,958
- Amortised cost	1,253,377	-	1,253,377	-
Pledged assets - Fair Value through OCI	24,048,685	-	24,048,685	-
Other assets	6,696,210	-	-	6,696,210
Derivatives assets	197,969	-	-	197,969
	277,288,706	-	176,470,180	100,818,526
Financial liabilities:				
Due to banks	43,579,818	-	39,052,959	4,526,859
Deposit from customers	132,506,325	-	132,506,325	-
Corporate bonds issued	47,552,044	-	47,552,044	-
Other liabilities	32,483,290	-	34,318,721	(1,835,431)
Derivative liabilities	192,296	-	-	192,296
	256,313,773	-	253,430,049	2,883,724

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FOR THE YEAR ENDED 31 DECEMBER 2022

Group	31 December 2021			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	38,118,584	-	-	38,118,584
Due from other banks	14,905,839	-	2,335,886	12,569,953
Loans and advances to customers	76,689,597	-	76,689,597	-
Financial assets at FVTPL	6,154,032	-	6,084,053	69,979
Investment securities:				
- Fair value through OCI	43,601,118	-	41,496,609	2,104,509
- Amortised cost	-	-	-	-
Pledged assets - Fair Value through OCI	12,593,933	-	12,593,933	-
Other assets	3,561,976	-	-	3,561,976
Deposit with Nigeria Stock exchange	-	-	-	-
Derivatives assets	361,693	-	-	361,693
	195,986,771	-	139,200,077	56,786,694
Financial liabilities:				
Due to banks	9,837,048	-	7,343,198	2,493,850
Deposit from customers	119,432,839	-	119,432,839	-
Corporate bonds issued	13,233,425	-	13,233,425	-
Other liabilities	26,026,448	-	7,189,016	18,837,432
Derivative liabilities	354,877	-	-	354,877
	168,884,636	-	147,198,478	21,686,158
Bank	31 December 2021			
	Carrying amount ₦'000	Variable interest-bearing ₦'000	Fixed interest-bearing ₦'000	Non-interest bearing ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	38,118,585	-	-	38,118,585
Due from other banks	12,006,567	-	-	12,006,567
Loans and advances to customers	76,589,248	-	76,589,248	-
Financial assets at FVTPL	4,788,062	-	4,788,062	-
Investment securities:				
- Fair value through OCI	41,810,273	-	40,487,689	1,322,584
- Amortised cost	-	-	-	-
Pledged assets - Fair Value through OCI	12,593,933	-	12,593,933	-
Other assets	2,854,342	-	-	2,854,342
Deposit with Nigeria Stock exchange	-			
Derivatives assets	361,693	-	-	361,693
	189,122,704	-	134,458,932	54,663,772
Financial liabilities:				
Due to banks	9,837,048	-	7,343,198	2,493,850
Deposit from customers	119,777,398	-	119,777,398	-
Corporate bonds issued	13,233,425	-	13,233,425	-
Other liabilities	25,186,412	-	7,189,016	17,997,396
Derivative liabilities	354,877	-	-	354,877
	168,389,160	-	147,543,037	20,846,123



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

Exposure to Market Risk – Trading Portfolio

The principal tools used to measure and control market risk exposure within the Group's trading portfolios are the position and loss limits. Specific limits have been set on overall position, individual security and losses to prevent undue exposure. Risk Management and Control Group ensures that these limits and triggers are adhered to by the Group.

The Group traded in the following financial instruments in the course of the year:

- Treasury Bills
- Bonds (Spot and Repo transactions)
- Money market products
- Foreign exchange products

4.4b Bond Price Sensitivity

The Group carried out the following in determining sensitivity of its profit to fluctuations in market prices of bonds:

- A reasonably possible change was determined from one year daily fluctuation in bond prices which indicates that significant proportion of changes in price falls within the range of $\pm \text{₦}1$.
- The chosen reasonable change in market prices was then applied to the Group's bond trading portfolio as at end of the period.

As at 31 December 2022, the Group had ₦2.17bn in its trading position (2021: ₦3.27bn). If the price of instruments designated as financial assets held at fair value through profit or loss increased or decreased by 100 basis points with all variables held constant, the impact on potential profit or loss would be as shown in the table below:

12 months to 31 December 2022			
	Group	Bank	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000
Increase	21,713	15,199	21,713
Decrease	(21,713)	(15,199)	(21,713)

12 months to 31 December 2021			
	Group	Bank	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000
Increase	32,775	22,943	32,775
Decrease	(32,775)	(22,943)	(32,775)

4.4c Treasury Bills Discount Rate Sensitivity

The Group carried out the following in determining sensitivity of its profit to fluctuations in market discount rates of treasury bills:

- Daily market discount rates were obtained and trended for the different maturities of treasury bills in issue as at the reporting date.
- A reasonably possible change was determined from one year daily fluctuation in discount rates of treasury bills. The exercise indicates that a significant proportion of changes in discount rates falls in the range of $+/- 100$ basis points.
- A ± 100 basis points fluctuation in market discount rates was applied to the Group's treasury bills trading portfolio as at end of the period to determine the impact on its profit or loss position.

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

As at 31 December 2022, if discount rates on treasury bills increased or reduced by 100 basis points with all other variables held constant, the potential profit or loss would be as shown below;

	12 months to 31 December 2022		12 months to 31 December 2021	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	0	0	15,106	10,574
Decrease	(0)	(0)	(15,106)	(10,574)

Financial Instruments held through other comprehensive income (OCI)

The Group carried out the following in determining the sensitivity of its financial instruments position to fluctuations in market yields of financial instruments fair valued through OCI:

- Daily bond prices and treasury bills discount rates within the period were obtained, to determine actual volatility levels recorded.
- ±100 basis point and ± 300 basis point changes in market yields of bonds and treasury bills respectively were applied to the Group's holdings in bonds and treasury bills as at end of the period to determine the impact on the Group's Other Comprehensive Income (OCI) position.

Bonds held through OCI

Group	12 months to 31 December 2022		12 months to 31 December 2021	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	110,424	77,297	145,418	101,792
Decrease	(110,424)	(77,297)	(145,418)	(101,792)

Treasury Bills held through OCI

Group	12 months to 31 December 2022		12 months to 31 December 2021	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	387,000	270,900	395,488	276,841
Decrease	(387,000)	(270,900)	(395,488)	(276,841)

Bonds held through OCI

Bank	12 months to 31 December 2022		12 months to 31 December 2021	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	97,743	68,420	132,205	92,543
Decrease	(97,743)	(68,420)	(132,205)	(92,543)

Treasury Bills held through OCI

Bank	12 months to 31 December 2022		12 months to 31 December 2021	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	387,000	270,900	395,488	276,841
Decrease	(387,000)	(270,900)	(395,488)	(276,841)



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

4.4d Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the Group's operations and investments.

4.4e Management of Liquidity Risk

A brief overview of the Group's liquidity management processes includes the following:

- Maintenance of minimum levels of liquid and marketable securities above the regulatory requirement of 20%. The Group has set for itself more conservative in-house limits above this regulatory requirement to which it adheres.
- Monitoring of its historical cash flows to ascertain in/outflow trends. The Group also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Group.
- Regular measurement and monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits.
- Monitoring of deposit concentration, and ensuring diversification of its funding sources.
- Use of a Management authorisation process for purchases of financial instrument held as other comprehensive income and held at amortised cost (AC) portfolios.
- Maturity gap analysis.
- Maintaining a contingency funding plan with committed funding lines established with specific financial institution(s).

The Group's Asset and Liability Committee (ALCO) is charged with the responsibility of managing the Group's liquidity position. This position is monitored daily, while stress tests covering a variety of scenarios are regularly conducted. All liquidity risk management policies and procedures are subject to review and approval by Board.

A key measure used by the Group in controlling its liquidity risk is the ratio of liquid assets to deposits liabilities. Details of the Group's ratio of net liquid assets to deposit liabilities were as follows:

	Dec 2022	Dec 2021
At end of period	24.73%	42.41%
Average for the period	32.63%	43.52%
Maximum for the period	42.44%	59.76%
Minimum for the period	20.94%	16.71%

The regulatory benchmark given by CBN for merchant Banks during the year was 20% and the Group was well above this threshold throughout the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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4.4f Contractual maturity of financial assets and liabilities

The following tables show the undiscounted cash flows on the Group's financial statement assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial assets and liabilities.

Group	Carrying amount ₦'000	31 December 2022					
		Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	
Financial assets							
Cash and balances with CBN	59,278,402	59,278,402					
Due from other banks	57,578,008	57,578,008					
Loans and advances to customers	106,451,557	106,451,557	66,364,870	8,869,377	4,974,248	17,492,989	8,750,072
Financial assets at FVTPL	2,989,826	6,273,701	821,028	348,102	695,272	815,675	3,593,624
Investment securities		-					
- Fair value through OCI	27,786,257	37,485,619	9,329,625	8,133,997	1,372,331	3,305,940	15,343,726
- Amortised cost	1,595,551	1,595,551	-	1,595,551	-	-	-
Pledged assets	24,048,685	26,235,906	32,361	14,982,717	9,130,156	130,156	1,960,517
Other assets	9,821,901	9,821,901	9,821,901	-	-	-	-
	197,969	197,969	197,969	-	-	-	-
	289,748,156	304,918,614	203,424,165	33,929,743	16,172,007	21,744,760	29,647,938
Financial liabilities							
Due to banks	43,579,818	43,976,480	43,976,480	-	-	-	-
Due to customers	133,365,930	133,365,930	127,489,551	5,876,378	-	-	-
Borrowings	47,552,044	52,995,040	18,199,065	23,293,236	1,001,370	1,000,000	9,501,370
Other liabilities	37,090,570	37,090,569	37,090,569	-	-	-	-
Derivative liabilities	192,296	192,296	192,296	-	-	-	-
	261,780,657	267,620,315	226,947,961	29,169,614	1,001,370	1,000,000	9,501,370
Liquidity gap	27,967,499	37,298,299	(23,523,796)	4,760,129	15,170,637	20,744,760	20,146,568



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Bank	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Cash and balances with CBN	59,278,402	59,278,402					
Due from other banks	51,267,315	51,267,315					
Loans and advances to customers	106,314,871	106,314,871	66,296,527	8,869,377	4,905,905	17,492,989	8,750,072
Financial assets at FVTPL	2,171,362	5,455,237	2,564	348,102	695,272	815,675	3,593,624
Investment securities	-						
- Fair value through OCI	26,060,515	35,759,877	9,329,625	6,865,805	1,372,331	3,305,940	14,886,776
- Amortised cost	1,253,377	1,253,377	-	1,253,377	-	-	-
Pledged assets	24,048,685	24,048,685	24,048,685	-	-	-	-
Other assets	8,342,968	8,342,968	8,342,968	-	-	-	-
Derivative assets	197,969	197,969	197,969	-	-	-	-
	278,935,464	291,918,701	218,764,056	17,333,661	6,973,508	21,614,604	27,229,872
Financial liabilities							
Due to banks	43,579,818	44,044,062	43,976,480	-	-	-	-
Due to customers	132,506,325	132,506,325	126,629,947	5,876,378	-	-	-
Borrowings	47,552,044	52,995,040	18,199,065	23,293,236	1,001,370	1,000,000	9,501,370
Other liabilities	34,023,371	34,023,371	34,023,371	-	-	-	-
Derivative liabilities	192,296	192,296	192,296	-	-	-	-
	257,853,854	263,761,095	223,088,741	29,169,614	1,001,370	1,000,000	9,501,369,86
Liquidity gap	21,081,610	28,157,606	(4,324,685)	(11,832,953)	5,972,139	20,614,604	17,728,502

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Group	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	31 December 2021		Over 5 years ₦'000
					1 year and 3 years ₦'000	3 years and 5 years ₦'000	
Financial assets							
Cash and balances with CBN	38,118,584	38,118,584		38,118,584	-	-	-
Due from other banks	14,905,839	14,905,839		14,905,839	-	-	-
Loans and advances to customers	76,689,597	76,689,597		28,084,433	13,840,531	8,753,242	13,960,372
Financial assets at FVTPL	6,154,032	6,154,032		1,469,605	1,579,041	53,206	338,657
Investment securities	-						2,713,523
- Fair value through OCI	43,601,118	43,601,118		7,278,431	24,150,456	500	35,39,175
- Amortised cost	-	-		-	-	-	-
Pledged assets - FVOCI	12,593,933	12,593,933		12,593,933	-	-	-
Other assets	5,355,113	5,355,113		5,355,113	-	-	-
Derivative assets	361,693	361,693		361,693	-	-	-
	197,779,909	197,779,909		108,167,631	39,570,028	8,806,948	17,838,204
Financial liabilities							
Due to banks	9,837,048	9,837,048		9,837,048	-	-	-
Due to customers	119,432,839	119,432,839		112,510,058	6,922,781	-	-
Corporate bond issued	13,233,425	13,233,425		0	5,233,425	-	8,000,000
Other liabilities	28,496,201	28,496,201		7795,306	20,700,895	-	-
Derivative liabilities	354,877	354,877		354,877	-	-	-
	171,354,390	171,354,390		130,497,289	32,857,101	-	8,000,000
Liquidity gap	26,425,519	26,425,519	(22,329,658)	6,712,927	8,806,948	17,838,204	15,397,098



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Bank	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
31 December 2021							
Financial assets							
Cash and balances with CBN	38,118,585	38,118,585		38,118,585			
Due from other banks	12,006,567	12,006,567		12,006,567			
Loans and advances to customers	76,589,248	76,589,248		27,984,085	13,840,531	8,753,242	13,960,372
Financial assets at FVTPL	4,788,062	4,788,062		1,502,429	1,579,041	53,206	338,657
Investment securities	-	-					
- Fair value through OCI	41,810,273	41,810,273		5,487,586	24,150,456	500	35,39,175
- Amortised cost	-	-		-	-	-	-
Pledged assets - FVOCI	12,593,933	12,593,933		12,593,933	-	-	-
Other assets	4,361,595	4,361,595		4,361,595	-	-	-
Derivative assets	361,693	361,693		361,693	-	-	-
	190,629,956	190,629,956		102,416,472	39,570,028	8,806,948	17,838,204
							21,998,303
Financial liabilities							
Due to bank	9,837,048	9,837,048		9,837,048	-	-	-
Due to customers	119,777,398	119,777,398		112,854,617	6,922,781	-	-
Corporate bond issued	13,233,425	13,233,425	0	5,233,425	-	-	8,000,000
Other liabilities	26,475,958	26,475,958		7,804,254	18,671,705	-	-
Derivative financial liabilities	354,877	354,877		354,877	-	-	-
	169,678,706	169,678,706		130,850,796	30,827,911	-	8,000,000
Liquidity gap	20,951,250	20,951,249	(28,434,324)	8,742,118	8,806,948	17,838,204	13,998,303

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Repricing maturities take into account the fact that terms of the underlying financial assets or liabilities of the Group can be varied, which in turn affects its liquidity exposure. The table below indicates the earliest time the Group can vary the terms of the underlying financial asset or liabilities and analyses the Group's interest rate risk exposure on assets and liabilities included at carrying amount and categorised by the earlier of the contractual re-pricing or maturity dates.

Group	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	31 December 2022 90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Due from other banks	57,578,008	57,578,008					
Loans and advances to customers	106,451,557	66,364,870	8,869,377	4,974,249	17,492,989	8,750,072	
Financial assets at FVTPL	2,989,826	2,989,826	-	21	48,631	155,225	2,785,948
Investment securities							
- Fair value through OCI	27,786,257	27,786,257	10,768,107	6,074,783	2,052,450	2,465,642	6,425,274
- Amortised cost	1,595,551	1,595,551	-	1,595,551	-	-	-
Pledged assets	24,048,685	24,048,685	24,048,685	-	-	-	-
Derivative assets	197,969	197,969	197,969	-	-	-	-
	220,647,854	220,647,853	158,957,640	16,539,733	7,075,331	20,113,856	17,961,294
Financial liabilities							
Due to banks	43,579,818	43,579,818	43,579,818	-	-	-	-
Deposit from customers	133,365,930	133,365,930	127,524,594	5,841,335	-	-	-
Borrowings	47,552,044	47,552,044	17,993,265	21,558,779	-	-	8,000,000
Other liabilities	37,090,570	37,090,570	37,090,570	-	-	-	-
Derivative liabilities	192,296	192,296	192,296	-	-	-	-
	214,228,613	261,837,543	226,437,428	27,400,114	-	-	-
Repricing gap	6,419,241	(41,189,690)	(67,479,788)	(10,860,382)	7,075,331	20,113,856	17,961,294

4.4g Repricing period of financial assets and liabilities



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Bank	Carrying amount ₦'000	31 December 2022				
		Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000
Financial assets						
Due from other banks	51,267,315	51,267,315				
Loans and advances to customers	106,314,871	106,314,871	66,296,527	8,869,377	4,905,906	17,492,989
Financial assets at FVTPL	2,171,362	2,171,362	-	21	43,033	155,225
Investment securities						
- Fair value through OCI	26,060,515	26,060,515	9,042,367	6,074,783	2,052,450	2,465,642
- Amortised cost	1,253,377	1,253,377	-	1,253,377	-	-
Pledged assets	24,048,685	24,048,685	24,048,685	-	-	-
Derivative assets	197,969	197,969	197,969	-	-	-
	211,314,094	211,314,095	150,852,863	16,197,559	7,001,390	20,113,855
						17,148,428
Financial liabilities						
Due to banks	43,579,818	43,579,818	43,579,818	-	-	-
Deposit from customers	132,506,325	132,506,325	126,6664,990	5,841,335	-	-
Corporate bond issued	47,552,044	47,552,044	17,993,265	21,558,779	-	8,000,000
Other liabilities	34,023,371	34,023,371	34,023,371	-	-	-
Derivative liabilities	192,296	192,296	192,296	-	-	-
	257,853,854	257,853,854	222,453,740	27,400,114	-	8,000,000
Repricing gap	(46,539,759)	(46,539,760)	(71,600,877)	(11,202,556)	7,001,390	20,113,855
						9,148,428

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Group	Carrying amount ₦'000	Total ₦'000	31 December 2021 Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets							
Due from other banks	14,905,839	14,905,839	14,905,839	-	-	-	-
Loans and advances to customers	76,689,597	76,689,597	28,084,433	13,840,531	8,753,242	13,960,372	12,051,018
Financial assets at FVTPL	6,154,032	6,154,032	1,469,605	1,579,041	53,206	338,657	2,713,523
Investment securities	192,296	192,296	-	-	-	-	-
- Fair value through OCI	43,601,118	43,601,118	7,278,431	24,150,456	500	3,539,175	8,632,556
- Amortised cost	-	-	-	-	-	-	-
Pledged assets - FVOCI	12,593,933	12,593,933	12,593,933	-	-	-	-
Derivative assets	361,693	361,693	361,693	-	-	-	-
	154,306,211	154,498,507	64,886,229	39,570,028	8,806,948	17,838,204	23,397,098
Financial liabilities							
Due to bank	9,837,048	9,837,048	9,837,048	-	-	-	-
Deposit from customers	119,432,839	119,432,839	112,510,058	6,922,781	-	-	-
Corporate bond issued	13,233,425	13,233,425	-	5,233,425	-	-	8,000,000
Other liabilities	28,496,201	28,496,201	7,795,306	20,700,895	-	-	-
Derivative financial liabilities	354,877	354,877	354,877	-	-	-	-
	171,354,390	171,354,390	130,497,289	32,857,101	-	-	-
Repricing gap	(17,048,178)	(16,855,883)	(65,611,060)	6,712,927	8,806,948	17,838,204	23,397,098



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Bank				31 December 2021				
	Carrying amount ₦'000	Total ₦'000		Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year and 3 years ₦'000	3 years and 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Due from other banks	12,006,567	12,006,567		12,006,567	-	-	-	-
Loans and advances to customers	76,589,248	76,589,248		27,984,085	13,840,531	8,753,242	13,960,372	12,051,018
Financial assets at FVTPL	4,788,062	4,788,062		1,502,429	1,579,041	53,206	338,657	1,314,729
Investment securities	-							
- Fair value through OCI	41,810,273	41,810,273		5,487,586	24,150,456	500	3,539,175	8,632,556
- Amortised cost	-	-		-	-	-	-	-
Pledged assets - FVOCI	12,593,933	12,593,933		12,593,933	-	-	-	-
Derivative assets	361,693	361,693		361,693	-	-	-	-
	148,149,776	148,149,776		59,936,292	39,570,028	8,806,948	17,838,204	21,998,303
Financial liabilities								
Due to Bank	9,837,048	9,837,048		9,837,048	-	-	-	-
Deposit from customers	119,777,398	119,777,398		112,854,617	6,922,781	-	-	-
Corporate bond issued	13,233,425	13,233,425		-	5,233,425	-	-	8,000,000
Other liabilities	26,475,958	26,475,958		7,804,254	18,671,705	-	-	-
Derivative financial liabilities	354,877	354,877		354,877	-	-	-	-
	169,678,706	169,678,706		130,850,796	30,827,911	-	-	-
Repricing gap	(21,528,930)	(21,528,930)	(70,914,503)	8,742,118	8,806,948	17,838,204	21,998,303	

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5.0 Credit risk

The Group defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Group or otherwise to perform as agreed. Credit risk arises anytime the Group's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.

The Group's specific credit risk objectives, as contained in the Risk Assets Acceptance Criteria (RAAC) and Credit Risk Policy, are:

- maintenance of an efficient risk assets portfolio;
- adequately diversify the Group's risk assets and minimise concentration risk;
- institutionalisation of sound credit culture in the Group; and
- achieve consistent and continuous income stream for the Group.

The risk assets creating units - Fixed Income and Currency Trading Division and Corporate Grouping Division - are required to implement all credit policies and procedures in line with the approval limits granted by the Board. The business units are responsible for the quality and performance of their risk assets portfolio and for monitoring and controlling all credit risks in their portfolio. Internal Audit undertakes regular audits of business units, while the Risk Management and Control Group carries out regular credit quality reviews.

The Group continues to focus attention on intrinsic and concentration risks inherent in its business to manage the Group's portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: limits per obligor, industry/sector and maturity bucket. Sector and maturity limits reflect the risk appetite of the Group. Credit risks arising on trading securities is managed independently, but reported as a component of market risk exposure.

5.1a Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee. Management Credit & Underwriting Committee (MCUC), is responsible for oversight of the Bank's credit risk, including:

- formulating credit policies for the Group, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Executive Committee and the Board Credit Committee/Board of Directors as appropriate;
- reviewing and assessing credit risk in all credit exposures prior to making commitment to customers. Renewals and reviews of facilities are subject to the same review process;
- developing and maintaining the Bank's criteria for categorising exposures, and to focus management on the attendant risks. The criteria as contained in the Risk Assets Acceptance Criteria (RAAC) and Credit Risk Policy takes care of exposures to Banks and related regulated institutions, and large quoted corporates, conglomerates and multinationals. The responsibility for approving and reviewing the Risk Assets Acceptance Criteria and Credit Risk Policy lies with the Board Credit Committee; and
- reviewing compliance of with exposure and concentration limits, and promotion of best practices throughout the Group in the management of credit risk.

5.1b Credit risk measurement

The Group undertakes lending activities after careful analysis of the borrowers' general character, capacity to repay, cash flow, credit history, organisational/management quality, financial condition, market position, business operations, industry and other factors. The Group acknowledges that there are diverse intrinsic risks inherent in the vagaries of its business segments and, as a result, applies different parameters to adequately dimension the risks in each business segments.

The Bank currently adopts Moody's Analyst risk rating model for its assessment of obligor risk rating and Bank's rating grades as defined by its Risk Assets Acceptance Criteria (RAAC) deals with all credit risk counterparties, covering all the Bank's credit exposure to corporate, commercial, conglomerates and multinationals. It however excludes Banks and other financial institutions regulated by Central Bank of Nigeria (CBN). Obligor rating in the Group is handled by Relationship Managers with further review by Risk Management and Control before it goes through the approval process.



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The relationship between the Group's category rating system and the Moody's rating system is shown below:

Moody's rating	Category	Description	Characteristics
AAA	A	Excellent- Very Low Credit Risk	<ul style="list-style-type: none"> - Highest investment quality - Lowest expectation of default risk - Exceptionally strong capacity for timely payment of financial commitments - Capacity is highly unlikely to be adversely affected by unforeseeable events - Top multinationals / corporations - Strong equity and assets - Good track record - Strong cash flows
AA+	B	Good Credit Risk Quality	<ul style="list-style-type: none"> - Very good investment quality - Very low expectation of default risk - Very strong capacity for timely payment of financial commitments - Capacity is not significantly vulnerable to unforeseeable events - Typically large corporates in stable industries and with significant market share - Very strong balance sheets with high liquid assets
AA			
A-			
A+	C	Above Average Credit Risk Quality	<ul style="list-style-type: none"> - Above Average quality - Low expectation of default risk. - Capacity for timely payment of financial commitments is considered adequate - Adverse changes in circumstances and in economic conditions is more likely to impair capacity for payment - Typically in stable industries - Strong debt repayment capacity and coverage - Good asset quality and liquidity position - Very good management
A			
A-			
BBB+	D	Average Credit Risk Quality	<ul style="list-style-type: none"> - Average credit quality - Possibility of default risk developing, particularly as the result of adverse economic changes over time - Category is acceptable as business or financial alternatives may be available to allow financial commitments to be met - Good character of owner - Good management but depth may be an issue - Typically good companies in cyclical industries
BB+			
BB-			
BB+	E	Below Average Credit Risk	<ul style="list-style-type: none"> - Below average risk quality - High probability of partial loss - Financial condition is weak but obligations are still being met as and when they fall due - Adverse changes in the environment will increase risk significantly - Very weak credit fundamentals which make full debt repayment in serious doubt - Bleak economic prospects - Lack of capacity to repay unsecured debt
BB			
BB-			

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The Group's operational measurements for credit risk are in conformity with the impairment allowances required under the applicable reporting standard - IFRS 9, and are based on losses that are expected at the date of the statement of financial position, that is the expected credit losses (ECL).

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the probability of defaults cashflow projections and collaterals pledged by counterparties.

The Group has developed ECL models to support the quantification of the credit risk. The model is in use for all key credit portfolios and form the basis for measuring impairment. In measuring credit risk of loan and advances at a counterparty level, the Group considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'Exposure At Default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'Loss Given Default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

5.2 Risk limit control and mitigation policies

FBNQuest Merchant Banking Group applies limits to control credit risk concentration and ensure proper diversification of its risk assets portfolio. The Group maintains limits for individual obligors, sectors and maturities/tenors.

The Group's internal single obligor limit which is set at a maximum of 35% of the its shareholders' funds (SHF), is within the stipulated regulatory single obligor limit currently prescribed at 50% of the Group's shareholders' funds. Although the Group is guided by its internal single obligor rating regulatory limit, it also applies additional parameters internally in determining the suitable limits that a single borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players, financial analysis, etc.

The Group, based on guidelines set by the regulators, imposes industry/economic sector limits to guide against concentration risk. The industry/sector limits are arrived at after rigorous analysis of the risks inherent in the industry or economic sector. The limits are usually recommended by the Risk Management and Control Group and approved by the Board.

The Group also imposes limits on the maturity buckets of the risk assets portfolio. The maturity bucket limits are a reflection of the risk appetite and liquidity profile of the Group. During the year, limits can be reviewed and realigned (outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events.

FBNQuest Merchant Bank also sets internal credit approval limits in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities. The current risk assets approval limits are as follows:

Approving Authority	Approval Limit
Board of Directors	No Limit but subject to regulatory limit
Board Credit Committee (BCC)	<ol style="list-style-type: none"> To note all non cash-collateralised credit facilities up to ₦1.5bn approved by the Management Credit & Underwriting Committee (MCUC). To approve all non cash-collateralised credit facilities of between ₦1.5bn and ₦6.5bn. To approve all non cash-collateralised credit facilities above ₦6.5bn. Such approvals are to be subsequently presented to the full Board for ratification.
Management Credit & Underwriting Committee (MCUC)	<ol style="list-style-type: none"> To approve all non cash-collateralised credit facilities up to ₦1.5bn. To approve all cash-collateralised limits.



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

The Bank ensures that each credit is reviewed and granted based on the strength of the borrowers' repayment capacity, measured by its cash flow. However, the Group also ensures its risk assets are well secured as a second way out strategy. The policies that guide collateral for facilities are embedded within the Bank's Credit Risk Policy.

FBNQuest Merchant Bank maintains placement lines for its Bank counterparties and other financial institutions regulated by the Central Bank of Nigeria (CBN). The lines cover the settlement risks inherent in the Bank's activities with these counterparties. The limits are arrived at after conducting fundamental analysis of the counterparties, presentation of findings to, and approval by the Board. The lines are implemented by the Fixed Income and Currency Trading group and monitored by the Risk Management and Control Group. Intergroup placement limits are also guided by the regulatory single obligor limit, which currently is 50% of the Bank's shareholders' funds.

Economic variable assumptions

The most significant period-end assumption used for the ECL estimate as at 31 December 2022 and 31 December 2021 were Exchange Rate, Inflation, GDP, and Crude Oil Price.

31 December 2022		2023	2024
Exchange Rate (USD/NGN)	EIU	456.40	481.90
	Eurometer	460.57	501.71
Inflation (%)	Fitch solution	475.00	512.50
	EIU	15.10%	12.40%
Crude Oil Price (USD)	IMF	17.30%	12.60%
	Fitch solution	17.10%	13.00%
GDP (%)	Eurometer	16.49%	12.99%
	EIA Energy	83.10	77.57
Crude Oil Price (USD)	World Bank	92.00	80.00
	Fitch solutions	100.00	88.00
GDP (%)	EIU	2.80%	3.30%
	IMF	3.00%	2.90%
GDP (%)	Fitch Solutions	2.50%	3.90%
	World Bank	3.20%	3.20%

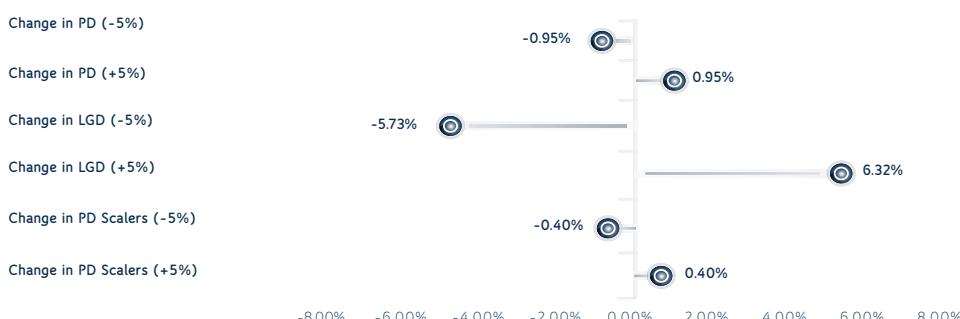
The forecasts for inflation and GDP form the basis for factoring forward looking information into the ECL.

Sensitivity analysis

The sensitivity analysis assesses the ECL sensitivity to changes in key assumptions used in the computations. The ECL is recalculated per assumption change and each recalculated ECL is then compared to the base ECL in order to quantify the impact of the assumption change. In carrying out the sensitivity analysis, the following parameters were used to assess the impact on ECL:

- FLI Scalars of the Bank's Loans and Off-Balance Sheet exposure;
- Loss Given Default of the Bank's portfolio;
- Probability of default of the Bank's portfolio

Please see below, the sensitivity analysis when increasing and decreasing by 5% on each of the parameters above;



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Sensitivity analysis on ECL parameters

The above chart shows that the ECL estimates vary in sensitivity to changes in PD, LGD and FLI Scalars with the LGD being the most sensitive to change, and the FLI Scalars being the least sensitive.

5.3 Maximum exposure to credit risk

The Group's credit risk exposures relating to on-balance sheet assets are as follows:

Classification	Maximum exposure			
	Group 31 December 2022 ₦'000	Group 31 December 2021 ₦'000	Bank 31 December 2022 ₦'000	Bank 31 December 2021 ₦'000
Financial assets:				
Cash and balances with Central Bank of Nigeria	59,278,402	38,118,584	59,278,402	38,118,585
Due from other banks	57,578,008	14,905,839	51,267,315	12,006,567
Loans and advances to customers	106,451,557	76,689,597	106,314,871	76,589,248
Financial assets at FVTPL	2,989,826	6,154,032	2,171,362	4,788,062
Investment securities				
- Fair value through OCI	27,786,257	43,601,118	26,060,515	41,810,273
- Amortised cost	1,595,551	-	1,253,377.00	-
Pledged assets - Fair value through OCI	24,048,685	12,593,933	24,048,685	12,593,933
Other assets	9,821,901	5,355,113	8,342,968	4,361,595
Derivative financial assets	197,969	361,693	197,969	361,693
	289,748,156	197,779,909	278,935,464	190,629,956
Loans exposure to total exposure	51.57%	52.15%	54.35%	54.74%
Debt securities exposure to total exposure	15.68%	33.83%	15.07%	33.30%
Other exposures to total exposure	32.75%	14.02%	30.58%	11.96%

Commitments and guarantees	Maximum exposure			
	Group 31 December 2022 ₦'000	Group 31 December 2021 ₦'000	Bank 31 December 2022 ₦'000	Bank 31 December 2021 ₦'000
Performance bonds and guarantees	3,833,174	8,850,578	3,833,174	8,850,578
Letters of credits	9,316,883	20,072,576	9,316,883	20,072,576
Total commitments and guarantees	13,150,057	28,923,154	13,150,057	28,923,154

Balances included in other assets above are those subject to credit risks. Items not subject to credit risk have been excluded. The table above shows a worse-case scenario of credit risk exposures to the Group at 31 December 2022 and 31 December 2021 without taking into consideration any of the collateral held or other credit enhancements attached, if any. The exposures set out above are based on gross amounts as reported in the statement of financial position.

As shown above, 51.57% of the Group's total maximum exposures are derived from loans exposure (2021: 54.35%), while 15.68% of the Group's total maximum exposures represents exposures to debt securities (2021: 15.07%). The directors are confident in their ability to continue to control exposure to credit risk which can result from both its risk assets portfolio and debt securities.

5.4 Credit risk concentration

IFRS 7 requires disclosures about concentrations of risk. Concentration of risk arises from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. This information has been provided along geographical areas and economic sectors.



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5.5 Geographical concentration of risks of financial assets with credit risk exposure

The following table breaks down the Group's credit exposure (without taking into account any collateral held or other credit support), as categorised by geographical region as at the reporting date. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

Group	31 December 2022		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	59,278,402	-	59,278,402
Due from other banks	26,654,140	30,923,869	57,578,008
Loans and advances to customers	106,451,557	-	106,451,557
Financial assets at FVTPL	2,989,826	-	2,989,826
Investment securities:			
- Fair value through OCI	27,786,257	-	27,786,257
- Amortised cost	1,595,551	-	1,595,551
Pledged assets - FVOCI	24,048,685	-	24,048,685
Other assets	9,821,901	-	9,821,901
Derivative assets	197,969	-	197,969
	258,824,288	30,923,869	289,748,156
Commitments and guarantees			
Performance bonds and guarantees	3,833,174	-	3,833,174
Letters of credits	9,316,883	-	9,316,883
Total commitments and guarantees	13,150,057	-	13,150,057

Bank	31 December 2022		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	59,278,402	-	59,278,402
Due from other banks	20,343,447	30,923,868	51,267,315
Loans and advances to customers	106,314,871	-	106,314,871
Financial assets at FVTPL	2,171,362	-	2,171,362
Investment securities:			
- Fair value through OCI	26,060,515	-	26,060,515
- Amortised cost	1,253,377	-	1,253,377
Pledged assets - FVOCI	24,048,685	-	24,048,685
Other assets	8,342,968	-	8,342,968
Derivative assets	197,969	-	197,969
	248,011,596	30,923,868	278,935,464
Commitments and guarantees			
Performance bonds and guarantees	3,833,174	-	3,833,174
Letters of credits	9,316,883	-	9,316,883
Total commitments and guarantees	13,150,057	-	13,150,057

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Group	31 December 2021		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	38,118,584	-	38,118,584
Due from other banks	8,487,473	6,418,366	14,905,839
Loans and advances to customers	76,689,597	-	76,689,597
Financial assets at FVTPL	6,154,032	-	6,154,032
Investment securities:			
- Fair value through OCI	43,601,118	-	43,601,118
- Amortised cost	-	-	-
Pledged assets - FVOCI	12,593,933	-	12,593,933
Other assets	5,355,113	-	5,355,113
Derivative assets	361,693	-	361,693
	191,361,543	6,418,366	197,779,909
Commitments and guarantees			
Performance bonds and guarantees	8,850,578	-	8,850,578
Letters of credits	20,072,576	-	20,072,576
Total commitments and guarantees	28,923,154	-	28,923,154
Bank	31 December 2021		
	Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	38,118,585	-	38,118,585
Due from other banks	5,590,818	6,415,750	12,006,567
Loans and advances to customers	76,589,248	-	76,589,248
Financial assets at FVTPL	4,788,062	-	4,788,062
Investment securities:			
- Fair value through OCI	41,810,273	-	41,810,273
- Amortised cost	-	-	-
Pledged assets - FVOCI	12,593,933	-	12,593,933
Other assets	4,361,595	-	4,361,595
Derivative assets	361,693	-	361,693
	184,214,206	6,415,750	190,629,956
Commitments and guarantees			
Performance bonds and guarantees	8,850,578	-	8,850,578
Letters of credits	20,072,576	-	20,072,576
Total commitments and guarantees	28,923,154	-	28,923,154



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The Group's credit risk exposures at carrying amounts (without taking into account any collateral held or other credit support, if any), to the various industries or sectors of the Nigerian economy as follows:

Group	31 December 2022 Classification									
	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport & Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	59,278,402	-	-	-	-	59,278,402
Due from other banks	-	-	-	57,578,008	-	-	-	-	-	57,578,008
Loans and advances to customers	9,821,201	3,667,814	2,317,418	2,585,621	-	30,062,560	1,874,774	38,048,538	18,073,631	106,451,557
Financial assets at fair value through profit or loss	-	-	-	-	2,989,826	-	-	-	-	2,989,826
Investment securities- Fair value through OCI	-	-	-	1,970,424	20,391,924	-	-	-	-	5,423,909
Investment securities- Amortised cost	-	-	-	-	1,595,551	-	-	-	-	1,595,551
Pledged assets	-	-	-	-	24,048,685	-	-	-	-	24,048,685
Other assets	-	-	-	-	-	-	-	-	9,821,901	9,821,901
	9,821,201	3,667,814	2,317,418	62,134,053	108,304,388	30,062,560	1,874,774	38,048,538	33,319,442	289,550,187
Commitments and guarantees										
- Performance bonds and guarantees									3,833,174	3,833,174
- Letters of credits								128,758	7,507,206	1,680,919
								-	-	9,316,883
								128,758	11,340,380	1,680,919
								-	-	13,150,057

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Bank	31 December 2022 Classification							Total ₦'000		
	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport & Storage ₦'000	Manufacturing ₦'000	Others ₦'000	
Cash and balances with Central Bank of Nigeria	-	-	-	-	59,278,402	-	-	-	-	59,278,402
Due from other banks	-	-	-	51,267,315	-	-	-	-	-	51,267,315
Loans and advances to customers	9,821,201	3,667,814	2,317,418	2,585,621	-	30,062,560	1874,774	38,048,538	17,936,945	106,314,872
Financial assets at fair value through profit or loss	-	-	-	-	2,171,362	-	-	-	-	2,171,362
Investment securities- Fair value through OCI	-	-	1,634,958	20,269,840	-	-	-	-	4,155,717	26,060,515
Investment securities- Amortized cost	-	-	-	-	1,253,377	-	-	-	-	1,253,377
Pledged assets	-	-	-	-	24,048,685	-	-	-	-	24,048,685
Other assets	-	-	-	-	-	-	-	-	8,342,968	8,342,968
	9,849,202	3,667,814	2,317,418	55,487,894	107,021,666	30,062,560	1,874,774	38,048,538	30,435,631	278,737,496
Commitments and guarantees										
- Performance bonds and guarantees	-	-	-	-	-	-	-	3,833,174	3,833,174	
- Letters of credits	-	-	-	-	-	128,758	7,507,206	1,680,919	9,316,883	
	-	-	-	-	-	128,758	11,340,380	1,680,919	13,150,057	



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Group	31 December 2021 Classification									
	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport & Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	38,118,584	-	-	-	-	38,118,584
Due from other banks	-	-	-	14,905,839	-	-	-	-	-	14,905,839
Loans and advances to customers	2,916,371	7,756,547	2,793,729	2,491,348	-	23,936,340	1,001,691	25,805,044	9,988,527	76,689,597
Financial assets at fair value through profit or loss	-	-	-	-	6,154,032	-	-	-	-	6,154,032
Investment securities- Fair value through OCI	-	-	1,959,547	36,548,150	-	-	-	5,093,421	43,601,118	
Investment securities- Amortised cost	-	-	-	-	-	-	-	-	-	
Pledged assets	-	-	-	12,593,933	-	-	-	-	12,593,933	
Other assets	-	-	-	-	-	-	-	5,355,113	5,355,113	
	2,916,371	7,756,547	2,793,729	19,356,733	93,414,700	23,936,340	1,001,691	25,805,044	20,437,061	197,418,216
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Commitments and guarantees										
- Performance bonds and guarantees					5,940,933		2,804,845	104,800	8,850,578	
- Letters of credits	125,503	125,503	-	-	982,176	15,846,476	3,118,419	20,072,576		
	125,503	125,503	-	-	982,176	18,651,321	3,223,219	28,923,154		

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Bank	31 December 2021 Classification						Transport & Storage	Manufacturing	Others ₦'000	Total ₦'000
	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000				
Cash and balances with Central Bank of Nigeria	-	-	-	-	38,118,585	-	-	-	-	38,118,585
Due from other banks	-	-	-	12,006,567	-	-	-	-	-	12,006,567
Loans and advances to customers	2,916,371	7,756,547	2,793,729	2,491,348	-	23,936,340	1,001,691	25,805,044	9,888,178	76,589,248
Financial assets at fair value through profit or loss	-	-	-	-	4,788,062	-	-	-	-	4,788,062
Investment securities - Fair value through OCI	-	-	1,634,958,69	36,403,188	-	-	-	-	3,772,126	41,810,273
Investment securities - Amortised cost	-	-	-	-	-	-	-	-	-	-
Pledged assets	-	-	-	12,593,933	-	-	-	-	-	12,593,933
Other assets	2,916,371	7,756,547	2,793,729	16,132,874	91,903,768	23,936,340	1,001,691	25,805,044	18,021,899	190,268,263
<hr/>										
Commitments and guarantees										
- Performance bonds and guarantees	-	-	-	-	5,940,933	-	2,804,845	104,800	8,850,578	
- Letters of credits	125,503	-	-	-	-	98,2176	15,846,476	3,118,419	20,072,576	
	125,503	-	-	-	-	5,940,933	982,176	18,651,321	3,223,219	28,923,154



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5.6a Credit quality of financial assets using staging classification / internal rating

The credit quality of the financial assets of the Group have been assessed by reference to the staging policy adopted by the Group as follows:

Group	31 December 2022					
Classification	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000
Stages						
Stage 1	9,821,201	3,667,814	2,317,418	2,585,621	—	30,062,560
Stage 2	—	—	—	—	—	—
Stage 3	—	—	—	—	—	191,918
	9,821,201	3,667,814	2,317,418	2,585,621	—	30,062,560
					1,939,892	38,048,539
						18,008,512
						106,451,557

Bank	31 December 2022					
Classification	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000
Stages						
Stage 1	9,821,201	3,667,814	2,317,418	2,585,621	—	30,062,560
Stage 2	—	—	—	—	—	—
Stage 3	—	—	—	—	—	191,918
	9,821,201	3,667,814	2,317,418	2,585,621	—	30,062,560
					1,874,773	38,048,539
						17,936,943
						106,314,871

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Group	31 December 2021									
	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport & Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	2,923,017	7,765,119	2,811,255	2,497,114	-	24,028,344	906,558	21,793,142	9,955,249	72,679,799
Stage 2	-	-	-	-	-	-	-	-	4,387,672	4,387,672
Stage 3	-	1,262,507	-	-	-	-	207,831	-	90,925	1,561,263
	2,923,017	9,027,626	2,811,255	2,497,114	-	24,028,344	1,114,389	26,180,814	10,046,174	78,628,734

Bank	31 December 2021									
	Agriculture ₦'000	Construction & Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport & Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	2,923,017	7,765,119	2,811,255	2,497,114	-	24,028,344	906,558	21,793,142	9,854,902	72,579,451
Stage 2	-	-	-	-	-	-	-	-	4,387,672	4,387,672
Stage 3	-	1,262,507	-	-	-	-	207,831	-	90,925	1,561,263
	2,923,017	9,027,626	2,811,255	2,497,114	-	24,028,344	1,114,389	26,180,814	9,945,827	78,528,387



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5.7a IFRS 9: Expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information.

Expected credit losses are discounted to the reporting period date using the effective interest rates.

5.7b Measurement of expected credit losses

The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate. The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is multifactor and has three main categories:

- **Stage 1** – Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, the Bank recognise a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.
- **Stage 2** – Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Bank measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the effective interest rate (EIR) multiplied by the gross carrying amount.
- **Stage 3** – Credit impaired. For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment.

5.7c Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is multifactor and has three main categories:

- quantitative element, a quantitative comparison of PD at the reporting date and PD at initial recognition;
- qualitative elements; and
- 'backstop' indicators.

For individually significant exposures such as corporate and commercial risk assets, the assessment is driven by the internal credit rating of the exposure and a combination of forward-looking information that is specific to the individual borrower and forward-looking information on the macro economy, commercial sector (to the extent such information has not been already reflected in the rating process). For other exposures, significant increases in credit risk is made on a collective basis that incorporates all relevant credit information, including forward-looking macroeconomic information. For this purpose, the Bank groups its exposures on the basis of shared credit risk characteristics.

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations, if any).

Write-off policy: the Bank writes off a risk asset or security balance (and any related allowances for impairment losses) when it determines that the risk assets or securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the full exposure. All write-offs are approved by the Board.

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5.7d Categorisation of loans and advances to customers

The table below analyses the Bank's loans and advances to customers based on the categorisation of the loans and the allowances taken on them.

	31 December 2022					
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Stage 1	-	748,955	102,532,961	-	-	103,281,916
Stage 2	-	-	4,379,009	-	-	4,379,009
Stage 3	76,462	-	1,463,315	-	-	1,539,777
Gross	76,462	748,955	108,375,285	-	-	109,200,702
Less allowances for impairment						
Stage 1	-	3,587	258,237	-	-	261,824
Stage 2	-	-	1,276,148	-	-	1,276,148
Stage 3	20,847	-	1,327,012	-	-	1,347,859
Total allowance	20,847	3,587	2,861,397	-	-	2,885,831
Net loans and advances	55,615	745,368	105,513,888	-	-	106,314,871
	31 December 2021					
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Stage 1	-	673,306	71,410,566	495,580	-	72,579,451
Stage 2	-	-	4,387,672	-	-	4,387,672
Stage 3	90,925	-	1,470,338	-	-	1,561,263
Gross	90,925	673,306	77,268,576	495,580	-	78,528,387
Less allowances for impairment						
Stage 1	-	1,800	181,098	4,520	-	187,419
Stage 2	-	-	359,065	-	-	359,065
Stage 3	17,450	-	1,375,205	-	-	1,392,655
Total allowance	17,450	1,800	1,915,368	4,520	-	1,939,138
Net loans and advances	73,475	671,505	75,353,208	491,059	-	76,589,248



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5.8 Credit quality

The Group manages the credit quality of loans and advances using the Moody's Analyst risk rating model for its assessment of obligor risk rating and Bank's internal rating grades as defined by its Risk Assets Acceptance Criteria (RAAC) policy. It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates a focused management of the applicable risks and the comparison of credit exposures across all lines of business and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly.

i). Credit quality of loans and advances to customers classified by Internal Rating Grade

The credit quality of loans and advances that were in Stage 1 can be assessed by reference to the internal rating system adopted by the Bank as follows:

Internal rating grades	31 December 2022					
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
A	-	-	-	-	-	-
B	-	-	28,588,095	-	-	28,588,095
C	-	710,283	38,333,565	-	-	39,043,849
D	-	-	24,084,629	-	-	24,084,629
E	-	-	11,303,519	-	-	11,303,519
	-	710,283	102,309,808	-	-	103,020,092

Internal rating grades	31 December 2021					
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
A	-	-	-	-	-	-
B	-	-	508,917	495,580	-	1,004,497
C	-	673,306	18,803,009	-	-	19,476,315
D	-	-	28,944,013	-	-	28,944,013
E	-	-	23,154,627	-	-	23,154,627
	-	673,306	71,410,566	495,580	-	72,579,451

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5.8a Loans and advances to customers classified as Stage 2

The breakdown of the gross amount of individually impaired loans and advances classified as Stage 2, along with the fair value of related collateral held by the Bank as security, are as follows:

	31 December 2022				
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000
Gross loans	-	-	4,379,009	-	-
Impairment	-	-	(1,276,148)	-	-
Net amount	-	-	3,102,861	-	-
FV of collateral	-	-	2,465,800	-	-
Amount of under collateralisation	-	-	-	-	-

	31 December 2021				
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000
Gross loans	-	-	4,387,672	-	-
Impairment	-	-	(359,065)	-	-
Net amount	-	-	4,028,607	-	-
FV of collateral	-	-	2,305,523	-	-
Amount of under collateralisation	-	-	-	-	-

5.8b Loans and advances to customers classified as Stage 3

The breakdown of the gross amount of individually impaired loans and advances classified as Stage 3, along with the fair value of related collateral held by the Bank as security, are as follows:

	31 December 2022				
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000
Gross loans	76,462	-	1,463,315	-	-
Impairment	(20,847)	-	(1,327,012)	-	-
Net amount	55,615	-	136,303	-	-
FV of collateral	157,742	-	5,219,250	-	-
Amount of under collateralisation	-	-	-	-	-

	31 December 2021				
	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000
Gross loans	90,925	-	1,470,338	-	-
Impairment	(17,450)	-	(1,375,205)	-	-
Net amount	73,475	-	95,133	-	-
FV of collateral	157,742	-	5,219,250	-	-
Amount of under collateralisation	-	-	-	-	-



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5.9 Sensitivity of exposure at default to changes in loan loss impairment

Exposure at default (EAD) constitutes the total exposure amount that is subject to provisioning process and it includes EAD for on-balance sheet and off-balance sheet exposures according to IFRS 9. The latter exposure is weighted by CCF (the credit conversion factor). EAD is divided into current EAD and lifetime EAD.

a). Sensitivity of exposure at default - probability at default (PD)

As at 31 December 2022 if the probability of default increased or decreased by 10%, with all other variables (exposure at default and loss given default) held constant, the impact on impairment charge, which ultimately affects profit before tax and exposure at default, would have been as set out in the tables below:

	31 December 2022 ₦'000		31 December 2021 ₦'000	
	Pre-tax	Post-tax	Pre-tax	Post-tax
Increase	(162,332)	(113,633)	(167,413)	(117,189)
Decrease	162,332	113,633	167,413	117,189

Credit collateral

The Bank ensures that every risk asset is reviewed and granted based on the strength of the borrowers' cash flow. However, the Bank also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Bank's collateral policy. All collateral offered must have the following attributes:

- there must be good legal title;
- the title must be easy to transfer;
- it should be easy and relatively cheap to value;
- the value should be appreciating or at least stable;
- the security must be easy to sell.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- cash;
- treasury Bills/Bonds;
- charges over financial instruments such as debt securities and equities;
- bank guarantees; and
- mortgages over landed properties;

In order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

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Summary of collaterals held against loans and advances to customers

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers is shown below:

Group	31 December 2022	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,463,315	219,250
Stage 2	4,379,009	2,465,800
Stage 1	102,532,961	371,721,535
	108,375,285	374,406,585

Bank	31 December 2022	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,463,315	219,250
Stage 2	4,379,009	2,465,800
Stage 1	102,532,961	371,721,535
	108,375,285	374,406,585

Type of collateral	31 December 2022		
	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000
Cash/treasury bills	2,831,518	-	-
Mortgage property	15,261,475	-	-
Asset debentures	348,569,042	2,465,800	-
Asset financed	3,907,000	-	219,250
Insurance & Receivables	1,152,500	-	-
	371,721,535	2,465,800	219,250



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Group	31 December 2022	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,670,279	5,376,992
Stage 2	4,387,672	2,305,523.00
Stage 1	72,579,451	103,458,766
	78,637,403	111,141,281

Bank	31 December 2022	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,561,263	5,376,992
Stage 2	4,387,672	2,305,523
Stage 1	72,579,451	103,458,766
	78,528,387	111,141,281

31 December 2021			
Type of collateral	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000
Cash/Treasury bills	3,905,069	-	-
Government guarantee	-	-	5,000,000
Bank guarantee	5,800,000	-	-
Mortgage property	13,996,021	-	157,742
Asset debentures	75,774,179	2,305,523	-
Asset financed	-	-	219,250
Corporate guarantee	3,983,497.80	-	-
	103,458,766	2,305,523	5,376,992

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Investment securities

The table below shows analysis of investment securities into the different classifications:

	31 December 2022			
	Investment securities (Fair value through OCI) ₦'000	Investment securities (Amortised cost) ₦'000	Investment securities Financial assets at FVTPL ₦'000	Total ₦'000
Federal government bonds	5,154,335	-	2,017,835	7,172,170
Corporate bonds	5,423,909	-	153,506	5,577,415
Treasury bills	15,115,505	-	21	15,115,526
Others	-	-	818,463	818,463
Pledged assets	24,048,685	-	-	24,048,685
	49,742,434	-	2,989,825	52,732,259

	31 December 2021			
	Investment securities (Fair value through OCI) ₦'000	Investment securities (Amortised cost) ₦'000	Investment securities Financial assets at FVTPL ₦'000	Total ₦'000
Federal government bonds	6,004,408	-	3,086,727	9,091,136
Corporate bonds	5,093,421	-	190,780	5,284,201
Treasury bills	30,398,780	-	1,510,555	31,909,334
Others	-	-	1,365,971	1,365,971
Pledged assets	12,593,933	-	-	12,593,933
	54,090,542	-	6,154,033	60,244,575

The Group's investment in risk-free Government securities constitutes 87.51% of debt instruments portfolio (31 December 2021: 84.32%). Investment in corporate bond accounts for 10.97% (31 December 2021: 8.59%).

5.10 Settlement risk

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

For certain types of transactions the Bank mitigates this risk by conducting settlements through a settlement clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.



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5.11 Capital management

The Bank's objectives in managing capital are: (i) to comply with the capital requirements set by the Central Bank of Nigeria; (ii) to safeguard the group's ability to continue as a going concern; and (iii) to maintain an optimal capital structure suitable for the group's business strategy.

The Bank is directly supervised by its regulator, the Central Bank of Nigeria (CBN), who sets and monitors capital requirements for the group. In 2015, CBN revised the Capital Adequacy Ratio (CAR) reporting template and existing guidance notes on regulatory capital, credit risk, market risk and operational risk disclosure requirement for Basel II implementation in the Industry. The Apex Bank directed all Nigerian Banks and Banking groups to re-compute capital adequacy ratio in line with the revised guidance notes. To this end, the Bank's Capital Adequacy Ratio (CAR) under Basel II has been re-computed in accordance to the new guidelines.

The CBN specifies approaches for quantifying the risk weighted assets for credit, market and operational risk for the purpose of determining regulatory capital. In compliance with CBN, the Bank adopted the **Standardized Approach** (SA) in determining capital charge for credit risk and market risk while capital charge for operational risk was determined using the Basic Indicator Approach (BIA).

The Bank's policy is to maintain a strong capital base so as to maintain investor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the year.

5.11a Capital adequacy ratio

The capital adequacy ratio, which is the quotient of the capital base of the Bank's risk weighted asset base, has been computed using the Basel II implementation guidelines provided by the Central Bank of Nigeria (CBN). In accordance with extant Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

CAR is measured as:

$$\text{Total regulatory capital} \over (\text{Credit Risk Weighted Assets} + \text{Market Risk Weighted Assets} + \text{Operational Risk Weighted Assets})$$

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital includes ordinary share capital, share premium, retained earnings and statutory reserves. Intangible assets and deferred tax asset were also deducted from Tier 1 capital for capital adequacy purposes.

Tier 2 capital comprises fair value reserves.

The Bank complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the period.

The Bank throughout the review period, operated above its targeted capitalization range and well over the CBN mandated regulatory minimum of 11% for Merchant Banks. As at 31 December 2022, the Bank's capital adequacy ratio was 16.18% (31 December 2021: 19.46%).

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The following table shows the composition of regulatory capital and risk weighted assets for the Bank:

Capital adequacy ratio (Bank)

	31 December 2022 ₦'000	31 December 2021 ₦'000
Tier 1 capital		
Share capital	4,301,577	4,301,577
Share premium	3,904,731	3,904,731
Retained earnings	13,446,659	12,228,029
Statutory reserve	9,128,791	8,708,745
Tier 1 capital before regulatory deduction	30,781,758	29,143,081
Regulatory deductions		
Deferred tax asset	9,113,548	9,113,548
Other intangible assets	132,219	122,107
Total regulatory deduction	(9,245,767)	(9,235,655)
Tier 1 capital after regulatory deductions	21,535,991	19,907,427
Other deductions		
Investment in subsidiaries	1,321,958	1,216,129
Eligible tier 1 Capital	20,214,033	18,691,298
Tier 2 capital		
Subordinated debt	8,020,446	8,020,548
Fair value reserves	573,949	977,989
Total tier 2 capital	8,594,395	8,998,537
Eligible tier 2 capital	7,178,664	6,635,809
Total eligible capital	27,392,697	25,327,107
Risk-weighted assets		
Credit risk	145,120,488	106,102,780
Operational risk	20,147,272	20,129,730
Market risk	4,036,333	3,899,886
Total risk-weighted assets	169,304,092	130,132,396
Capital adequacy ratio	16.18%	19.46%
Tier 1 capital ratio	11.94%	14.36%



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6 Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below.

These disclosures supplement the commentary on financial risk management (see notes 4 and 5).

(a) Key sources of estimation uncertainty

i. Measurement of the expected credit loss allowance

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Details of the inputs, assumptions and estimation methodologies used in measuring ECL are described in note 3.26.(ii) which also sets out the sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL; Significant assumptions include the Probability of default (PD), Loss given default (LGD) and Discount rate;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- establishing groups of financial assets for the purposes of measuring ECL.

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date

The main difference between Stage 1 and Stage 2 expected credit losses for performing financial assets is the respective calculation horizon. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument. An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. Expected credit losses are discounted to the reporting period date using the effective interest rate.

ii. Measurement of the fair value of financial instruments with significant observable inputs

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy. Further disclosures on the Group's valuation methodology have been made on note 4.3(d). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

iii. Recognition and recoverability of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future taxable profits based on expected revenues for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 31.

(b) Critical accounting judgments in applying the Group's accounting policies

Critical accounting judgments made in applying the Group's accounting policies include:

i. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models.

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The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The Bank makes estimates and assumptions concerning the future. The fair value of securities not quoted in an active market may be determined by the Bank using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. The Bank would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Bank may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see the Group's accounting policy on valuation of financial instruments in note 3.

ii. Establishing the criteria for determining whether credit risk on a financial asset has significantly increased since initial recognition

Allowances for credit losses are calculated on debt instruments measured at amortised cost and fair value through OCI. In estimating credit losses, the Group considers the character and capacity of the obligor, the probability that an obligor or counterparty will default over a given period (probability of default -PD), the portion of the loan expected to be irrecoverable at the time of loan default (loss given default - LGD) and expected amount that is outstanding at the point of default.

iii. Determination of exchange rate used for translation

The Group translates and records its foreign currency transactions and balances based on the exchange rate at which the future cash flows represented by the transactions or balances could have been settled, if those cash flows had occurred at the reporting date. The Nigerian Autonomous Foreign Exchange (NAFEX) rate has been used for the translation of foreign currency balances as this remains the main source of foreign currencies for the Bank's transactions.



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

7 Interest income

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Loans and advances to customers at amortised cost	12,744,064	7,247,232	12,733,471	7,238,698
Due from other banks	1,118,058	567,389	587,152	324,828
Investment securities at amortised cost	133,845	98,017	132,317	98,017
	13,995,967	7,912,638	13,452,940	7,661,543

The interest income for the group amounting to ₦13.9bn (2021:₦7.9bn) and for Bank amounting to ₦13.4bn (2021:₦7.6bn) are calculated using the effective interest method.

7.1 Other interest income

- Fair value through other comprehensive income	3,604,076	2,794,911	3,497,688	2,687,199
- Fair value through profit or Loss	35,685	236,275	35,685	236,275
	3,639,760	3,031,186	3,533,373	2,923,473

8 Interest expense

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Due to banks	1,413,877	1,780,341	1,413,877	1,780,341
Deposits	8,387,906	5,994,148	8,402,223	6,015,941
Borrowings	4,196,098	1,535,148	4,196,098	1,535,148
Lease liabilities	1,521	2,875	1,521	2,875
	13,999,402	9,312,511	14,013,719	9,334,305

9 Impairment charge

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Impairment (charge) / write-back on risk assets				
Net impairment charge on loans and advances (note 24)	(950,504)	(485,182)	(950,504)	(485,182)
Impairment writeback/(charge) on off-balance sheet (note 36.1)	82,762	(89,489)	82,762	(89,489)
Impairment charge on placements	(165,904)	-	(165,904)	-
Impairment charge on current accounts	(5,800)	(3,793)	(5,800)	(3,793)
Impairment charge on debt securities	(28,448)	(118,812)	(28,448)	(118,812)
Net impairment charge on risk assets	(1,067,894)	(697,276)	(1,067,894)	(697,276)
Impairment on non-financial assets				
Impairment writeback/(charge) on investment in subsidiaries (note 26)	-	-	104,829	(97,200)
Impairment (charge)/writeback on other (financial & non-financial) assets	(105,203)	172,557	(105,203)	172,557
Net impairment charge on other (financial & non-financial) assets	(105,203)	172,557	(374)	75,357
	(1,173,097)	(524,720)	(1,068,268)	(621,919)

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10 Fees and commission income

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Credit-related fees	582,925	994,677	582,925	994,677
Brokerage and structuring fees	3,776,614	2,568,690	3,597,770	2,326,299
Letters of credit commissions and fees	161,848	327,239	161,848	327,239
Other fees and commissions	209,611	120,289	184,144	120,289
Fund management fees	6,623,672	4,921,021	-	-
Net Fee and Commission	11,354,670	8,931,915	4,526,687	3,768,504

11 Net gains on foreign exchange

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Gain/(Loss) on foreign currency translation	408,771	24,072	185,810	(77,000)
	408,771	24,072	185,810	(77,000)

Net gains/(losses) includes net gains and losses from spot, futures and forward contracts.

12 Net gains on financial assets at FVTPL

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Trading gain	550,683	1,550,317	550,683	830,529
Unrealised gain	1,434,223	2,117,534	805,490	2,100,423
	1,984,906	3,667,852	1,356,173	2,930,952

13 Other operating income

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Sundry income	399,645	294,262	350,571	154,624
Dividend Income	15,419	7,546	1,406,297	1,100,000
	415,064	301,808	1,756,868	1,254,624

Sundry income includes gains on disposal of fixed assets, fees from early termination of deposits and bad debts recovered.



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14 Other operating expenses

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Auditors' remuneration (note 14.1)	90,895	79,022	70,950	60,000
Directors' emoluments (note 45)	304,441	129,990	304,441	129,990
Administration and general expenses	1,526,810	1,069,086	488,686	418,384
Insurance	543,191	406,468	493,174	382,357
Rent and rates	95,496	90,316	34,196	67,866
Travelling	69,170	23,654	24,433	16,988
Donations	28,261	350,328	28,261	350,328
Corporate development	311,168	264,203	123,776	126,826
Periodicals and subscriptions	149,857	283,593	149,785	185,897
Consultancy	657,023	571,176	347,277	387,573
Training	111,392	194,056	86,672	194,056
Communication and postage expenses	62,922	84,181	49,631	57,672
Bank charges	297,616	239,294	282,570	235,426
Repairs and maintenance	149,094	24,018	7,624	12,182
Regulatory expenses (note 46)	400	279,000	400	279,000
Shared service cost	1,102,749	952,414	-	-
Other operating expenses	448,245	813,761	563,513	740,764
	5,948,730	5,854,562	3,055,389	3,645,310

14.1 Auditor's remuneration represents fees for the interim and final audits of the Group and Bank for the year ended 31 December 2022. The Bank also paid the auditors professional fees for audit related and non-audit services. These services, in the Bank's opinion, did not impair the independence and objectivity of the external auditor.

Non-audit services provided during the year are stated below

Name of firm	Services rendered	Amount
KPMG Professional Services	NDIC Deposit Certification	2,000,000

14.2 The Group paid a total of 36.44mn (Bank: 30.05mn) as contribution to Industrial Training Fund (ITF) in 2022.

15 Personnel expenses

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Wages and salaries	4,802,596	4,863,160	3,066,882	3,380,331
Pension costs:				
- Defined contribution plans to PFAs	199,682	256,844	199,682	230,422
	5,002,278	5,120,004	3,266,564	3,610,753

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16 Taxation

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
i Minimum tax				
Minimum tax	169,024	-	169,024	-
ii Current tax				
Corporate tax	1,109,950	815,670	-	38,339
Education tax	-	29,890	-	29,890
Police Trust levy	194	36	151	36
NASENI levy	9,712	1,823	7,569	1,823
Information technology levy	38,848	7,291	30,278	7,291
	1,158,703	854,710	37,999	77,379
Originating and reversing temporary difference	-	66,751	-	-
Income tax expenses	1,158,703	921,461	37,999	77,379
Total tax expense	1,327,727	921,461	207,023	77,379

Reconciliation of effective tax rate

	Group 31 December 2022 ₦'000		Group 31 December 2021 ₦'000		Bank 31 December 2022 ₦'000		Bank 31 December 2021 ₦'000	
	%	%		%		%		%
Profit before income tax	5,212,480		2,480,374		3,007,335		729,075	
Income tax using the domestic corporation tax rate	1,563,744	30%	744,112	30%	902,201	30%	218,723	30%
Corporate tax	169,024	3%		0%	169,024	6%	38,339	5%
Technology tax	38,848	1%	7,291	0%	30,278	1%	7,291	1%
Education tax	-	0%	29,890	1%	-	0%	29,890	4%
NASENI levy	9,712	0%	1,823	0%	7,569	0%	1,823	0%
Police Trust Fund levy	194	0%	36	0%	151	0%	36	0%
Prior year overprovision	-	0%	(208,462)	(8%)	-	0%	(159,558)	(22%)
Income not subjected to tax	(10,154,116)	(195%)	(3,824,628)	(154%)	(10,602,522)	(353%)	(4,230,561)	(580%)
Expenses not deductible for tax purposes	9,700,321	186%	4,171,397	168%	9,700,321	323%	4,171,397	572%
Total tax expense	1,327,727	25%	921,461	37%	207,023	7%	77,379	11%



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

16b Current income tax liabilities

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
At 1 January	922,057	945,860	77,379	259,193
Prior year over provision	-	(208,462)	-	(159,558)
Payments made during the year	(834,199)	(670,051)	(47,492)	(99,636)
Current year's provision	1,327,727	854,710	207,023	77,379
At 31 December	1,415,585	922,057	236,910	77,379

17 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Profit attributable to equity holders	3,884,753	1,558,913	2,800,312	651,696
Weighted average number of ordinary shares in issue (in '000s)	4,301,577	4,301,577	4,301,577	4,301,577
Basic earnings per share (expressed in Kobo per share)	90	36	65	15

(b) Diluted

The Bank does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders of the parent (31 December 2021: Nil).

18 Cash and balances with Central Bank of Nigeria

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Mandatory reserve deposits with Central Bank of Nigeria	59,278,957	38,118,957	59,278,957	38,118,957
Less 12 months ECL	(555)	(372)	(555)	(372)
	59,278,402	38,118,585	59,278,402	38,118,585

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

19 Due from other banks

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Current account balances with banks within Nigeria	3,638,613	6,155,009	2,262,061	5,594,238
Current account balances with banks outside Nigeria	30,923,869	6,418,366	30,923,868	6,415,750
Placements with financial institutions within Nigeria	23,190,469	2,335,886	18,256,328	-
	57,752,950	14,909,260	51,442,257	12,009,988
Less 12 months ECL	(174,942)	(3,421)	(174,942)	(3,421)
	57,578,008	14,905,839	51,267,315	12,006,567
Current	57,578,008	14,905,839	51,267,315	12,006,567

20 Cash and cash equivalents

Cash and cash equivalents for purposes of the cash flow statements comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities less than three months. Excluded from loans and advances to banks are cash collateral balance.

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Due from other banks with original maturities less than 3 months	57,752,950	14,905,838	51,442,257	12,009,988
	57,752,950	14,905,838	51,442,257	12,009,988

21 Financial assets At FVTPL

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Federal Government of Nigeria (FGN) bonds	2,017,835	3,086,727	2,017,835	3,086,727
Corporate bonds	153,506	190,780	153,506	190,780
Treasury bills	21	1,510,555	21	1,510,555
Unlisted equity investments	792,903	1,295,992	-	-
Listed equity investments	25,560	69,979	-	-
	2,989,826	6,154,032	2,171,362	4,788,063
Current	21	1,510,555	21	1,510,555
Non-current	2,989,805	4,643,477	2,171,341	3,277,507
	2,989,826	6,154,032	2,171,362	4,788,063



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22 Investments securities

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Fair value through OCI				
Debt securities				
Treasury bills	15,115,505	30,398,780	15,115,505	30,398,780
Federal Government of Nigeria Bonds	5,154,335	6,004,408	5,154,335	6,004,408
Corporate Bonds	5,423,909	5,093,421	4,155,717	3,772,126
	25,693,749	41,496,609	24,425,557	40,175,314
Equity securities at FVOCI				
Listed equity investments	122,084	144,962	-	-
Unlisted equity investments	1,970,424	1,959,547	1,634,958	1,634,958
	2,092,508	2,104,509	1,634,958	1,634,958
Total investments securities	27,786,257	43,601,118	26,060,515	41,810,272

The Group has designated as FVOCI, the following unquoted equities with a level 3 fair value hierarchy. Please refer to Note 4.3 for other disclosures and sensitivity analysis on the key unobservable inputs :

- Nigeria Inter-Bank Settlement System Plc
- FMDQ OTC Securities Exchange

The Group chose this measurement basis because the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Current	15,115,505	30,398,780	15,115,505	30,398,780
Non-current	12,670,752	13,202,338	10,945,010	11,411,492
	27,786,257	43,601,118	26,060,515	41,810,272

23 Debt securities at amortised cost

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Commercial papers	1,625,691	-	1,283,517	-
Less: ECL allowance	(30,140)	-	(30,140)	-
Total	1,595,551	-	1,253,377	-
Current	1,595,551	-	1,253,377	-

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24 Pledged assets

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Treasury bills	23,584,485	9,150,000	23,584,485	9,150,000
Federal Government of Nigeria Bonds	464,200	3,443,933	464,200	3,443,933
	24,048,685	12,593,933	24,048,685	12,593,933

Federal Government of Nigeria Bonds and Treasury bills are pledged to other financial institutions as collateral for inter-bank takings and FX transactions. All pledged assets have been classified at FVOCI.

Current	23,584,485	9,150,000	23,584,485	9,150,000
Non-current	464,200	3,443,933	464,200	3,443,933
	24,048,685	12,593,933	24,048,685	12,593,933

25 Loans and advances to customers

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Loans and advances to customers	108,375,285	77,866,869	108,375,285	77,866,869
Staff loans	962,103	761,866	825,417	661,517
Gross loans	109,337,387	78,628,735	109,200,702	78,528,387
Loans and advances to customers	(258,236)	(185,619)	(258,236)	(185,619)
Staff loans	(3,587)	(1,800)	(3,587)	(1,800)
Impairment on 12-month ECL (a)	(261,824)	(187,419)	(261,824)	(187,419)
Loans and advances to customers	(1,276,148)	(359,065)	(1,276,148)	(359,065)
Staff loans	-	-	-	-
Impairment on Lifetime ECL not credit impaired (b)	(1,276,148)	(359,065)	(1,276,148)	(359,065)
Loans and advances to customers	(1,327,011)	(1,375,205)	(1,327,011)	(1,375,205)
Staff loans	(20,847)	(17,450)	(20,847)	(17,450)
Impairment on Lifetime ECL credit impaired (c)	(1,347,858)	(1,392,655)	(1,347,858)	(1,392,655)
Loans and advances to customers	(2,861,396)	(1,919,888)	(2,861,396)	(1,919,888)
Staff loans	(24,434)	(19,250)	(24,434)	(19,250)
ECL impairment allowance (a+b+c)	(2,885,830)	(1,939,138)	(2,885,830)	(1,939,138)
Loans and advances to customers	105,513,888	75,946,981	105,513,888	75,946,981
Staff loans	937,669	742,616	800,983	642,268
Net carrying amount	106,451,557	76,689,597	106,314,871	76,589,248



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Group 2022

	Total 31 December 2022			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2022	187,419	359,065	1,392,655	1,939,138
Derecognised	-	-	(3,812)	(3,812)
Impairment recognised during the year	74,405	917,084	(40,984)	950,504
Transfer to off-balance sheet impairment allowance	-	-	-	-
Balance at 31 December 2022	261,824	1,276,148	1,347,858	2,885,830

	Loans to customers 31 December 2022			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2022	185,619	359,065	1,375,205	1,919,888
Derecognised	-	-	(3,812)	(3,812)
Impairment recognised during the year	72,618	917,084	(44,381)	945,320
Transfer to off-balance sheet impairment allowance	-	-	-	-
Balance at 31 December 2022	258,236	1,276,148	1,327,011	2,861,396

	Staff loans 31 December 2022			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2022	1,800	-	17,450	19,250
Derecognised	-	-	-	-
Impairment recognised during the year	1,787	-	3,397	5,184
Balance at 31 December 2022	3,587	-	20,847	24,434

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Bank 2022

	Total 31 December 2022			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2022	187,419	359,065	1,392,655	1,939,138
Derecognised	-	-	(3,812)	(3,812)
Impairment recognised during the year	74,405	917,084	(40,984)	950,504
Transfer to off-balance sheet impairment allowance	-	-	-	-
Transfer between stages			-	-
Balance at 31 December 2022	261,824	1,276,148	1,347,858	2,885,830

	Loans to customers 31 December 2022			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2022	185,619	359,065	1,375,205	1,919,888
Derecognised	-	-	(3,812)	(3,812)
Impairment recognised during the year	72,618	917,084	(44,381)	945,320
Transfer to off-balance sheet impairment	-	-	-	-
Balance at 31 December 2022	258,236	1,276,148	1,327,011	2,861,396

	Staff loans 31 December 2022			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2022	1,800	-	17,450	19,250
Derecognised	-	-	-	-
Impairment recognised during the year	1,787	-	3,397	5,184
Balance at 31 December 2022	3,587	-	20,847	24,434



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Group 2021

	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	130,855	-	1,341,147	1,472,002
Derecognised	-	-	(8,247)	(8,247)
Impairment recognised during the year	66,363	359,065	59,754	485,182
Transfer to off-balance sheet impairment allowance	(9,799)	-	-	(9,799)
Transfer between stages	-	-	-	-
Balance at 31 December 2021	187,419	359,065	1,392,655	1,939,138

Loans to customers
31 December 2021

	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	129,429	-	1,315,655	1,445,084
Derecognised	-	-	-	-
Impairment recognised during the year	65,989	359,065	59,550	484,603
Transfer to off-balance sheet impairment allowance	(9,799)	-	-	(9,799)
Balance at 31 December 2021	185,619	359,065	1,375,205	1,919,888

Staff loans
31 December 2021

	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	1,427	-	25,492	26,918
Derecognised	-	-	(8,246.55)	(8,247)
Impairment recognised during the year	374	-	204	578
Balance at 31 December 2021	1,800	-	17,450	19,249

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Bank 2021

	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	130,855	-	1,341,147	1,472,002
Derecognised	-	-	(8,247)	(8,247)
Impairment recognised during the year	66,363	359,065	59,754	485,182
Transfer between stages	(9,799)	-	-	(9,799)
Balance at 31 December 2021	187,419	359,065	1,392,655	1,939,138

Loans to customers
31 December 2021

	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	129,429	-	1,315,655	1,445,084
Derecognised	-	-	-	-
Impairment recognised during the year	65,989	359,065	59,550	484,603
Transfer between stages	(9,799)	-	-	(9,799)
Balance at 31 December 2021	185,619	359,065	1,375,205	1,919,888

Staff loans
31 December 2021

	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2021	1,427	-	25,492	26,918
Derecognised	-	-	(8,246.55)	(8,247)
Impairment recognised during the year	374	-	204	578
Balance at 31 December 2021	1,800	-	17,450	19,250



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26 Other assets

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Other Financial assets:				
Fees receivables	7,111,561	2,835,260	4,391,113	1,342,594
AGSMEIS Investment fund	960,730	928,146	960,730	928,146
Dividends receivable	-	-	1,406,000	1,100,000
Intercompany receivables	617,174	23,384	617,174	139,956
Other receivables	325,106	391,340	191,287	77,062
	9,014,571	4,178,131	7,566,304	3,587,758
Less allowances for impairment of other financial assets	(885,492)	(755,742)	(870,093)	(733,415)
	8,129,079	3,422,389	6,696,211	2,854,342
Non-financial assets:				
Withholding tax receivable	1,518,742	1,508,609	1,518,742	1,292,480
Prepayments	744,883	994,918	690,559	777,314
	2,263,626	2,503,527	2,209,301	2,069,794
Less allowances for impairment non-financial assets	(570,802)	(570,802)	(562,543)	(562,543)
	1,692,824	1,932,725	1,646,758	1,507,251
	9,821,902	5,355,114	8,342,969	4,361,593
Current	8,861,172	4,426,969	7,382,239	3,433,447
Non-current	960,730	928,146	960,730	928,146
	9,821,902	5,355,115	8,342,969	4,361,593
Allowance for impairment on financial assets				
Balance at 1 January	755,742	819,737	733,415	819,737
Receivables written-off	-	(31,026)	-	(53,353)
Additional/(writeback) impairment	129,751	(32,970)	136,678	(32,970)
Balance at 31 December	885,492	755,742	870,093	733,415
Allowance for impairment on non-financial assets				
Balance at 1 January	570,802	710,389	562,543	702,130
Additional impairment	-	-	-	-
Write-back of impairment	-	(139,587)	-	(139,587)
Balance at 31 December	570,802	570,802	562,543	562,543

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27 Investment in subsidiaries

	Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000
Investment in FBNQuest Securities Limited	1,448,100	1,448,100
Investment in FBNQuest Assets Management Limited	289,006	289,006
Investment in FBNQ MB Funding SPV PLC (see note 34.1)	1,000	1,000
	1,738,106	1,738,106
Less allowances for impairment	(416,148)	(520,977)
	1,321,958	1,217,129
Allowance for impairment on investment in subsidiaries		
Balance at 1 January	(520,977)	(423,777)
Write back/(Impairment charge)	104,829	(97,200)
	(416,148)	(520,977)

The Bank owns 100% shareholding of each of the subsidiaries.

27.1 Group entities

Set out below are the Group's subsidiaries. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held is equal to the voting rights held by the Group. The country of incorporation is also their principal place of business.

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in a liquidation scenario, this restriction would be limited to its level of investment in the entity.

	Group	
	31 December 2022 ₦'000	31 December 2021 ₦'000
FBNQuest Securities Limited	1,031,952	927,123
FBNQuest Asset Management Limited	289,006	289,006
FBNQ MB Funding SPV PLC (see note 34.1)	1,000	1,000
	1,321,958	1,217,129

The Group consolidates its subsidiary undertakings. The nature of the business of all the subsidiaries involves the provision of asset management services and the subsidiaries are incorporated in Nigeria.



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27.2 The summarised financial information of the subsidiaries is as follows

i Condensed statements of comprehensive income for the year ended

	FBNQSPV		FBNQAM		FBNQSEC	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Operating income	819,141	818,965	7,843,041	6,113,371	618,757	415,795
Total operating expenses	(819,141)	(818,965)	(5,641,422)	(3,267,314)	(510,402)	(410,552)
Profit before income tax	-	-	2,201,619	2,846,057	108,355	5,243
Income tax expense	-	-	(1,118,362)	(841,171)	(2,342)	(2,911)
Profit for the year	-	-	1,083,256	2,004,886	106,012	2,332

ii Condensed statements of financial position as at 31 December 2021

	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Assets						
Cash and cash equivalents	-	-	4,700,571	2,499,133	1,664,356	1,139,535
Staff Loans			134,139		2,547	
Prepayments	-	-	52,573	212,859	1,752	4,744
Financial assets:						
Fair value through profit and loss	-	-	792,903	1,295,992	25,560	69,979
Fair value through other comprehensive income	-	-	1,238,164	1,281,938	30,028	508,908
Amortised cost	-	-	342,174	310,129	457,550	101,902
Property and equipment	-	-	118,779	101,560	4,544	8,134
Intangible assets	-	-	241,314	210,163	1,793	5,563
Other assets	13,226,016	13,234,425	3,210,432	1,680,804	198,916	
Deferred tax assets	-	-	-	-	399,563	399,563
	13,226,016	13,234,425	10,831,048	7,592,577	2,786,609	2,238,327
Financed by:						
Accruals and other liabilities	13,225,016	13,233,425	4,003,567	2,195,967	1,746,160	1,309,852
Customer deposits						
Current tax liabilities	-	-	1,177,563	841,768	1,113	2,910
Deferred tax liabilities	-	-	199,249	150,579	-	-
Total equity	1,000	1,000	5,450,669	4,404,263	1,039,336	925,565
	13,226,016	13,234,425	10,831,048	7,592,577	2,786,609	2,238,327

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	Freehold Building ₦'000	Land ₦'000	Motor Vehicle ₦'000	Leasehold Improvement ₦'000	Furniture Fittings ₦'000	Office Equipment ₦'000	Computer Equipment ₦'000	Work in Progress ₦'000	Total ₦'000
Cost									
Balance at 1 January 2022	675,355	200,000	1,477,344	107,313	125,693	74,897	892,385	5,039	3,558,026
Addition during the period	-	-	284,350	-	-	1,843	11,605	1,059,883	1,357,680
Disposals during the period	-	-	(27,600)	-	-	-	(1,881)	(5,038)	(34,519)
Reclassifications	-	-	15,000	-	-	-	(15,000)	-	-
Balance as at 31 December 2022	675,355	200,000	1,749,094	107,313	125,693	76,739	887,109	1,059,884	4,881,187
Cost									
Balance at 1 January 2021	675,355	200,000	1,182,749	104,228	125,628	75,274	662,497	97,400	3,123,311
Addition during the period	-	-	313,250	3,085	65	159	228,180	5,038	549,777
Disposals during the period	-	-	(68,155)	-	-	(537)	(2,463)	(43,728)	(114,882)
Reclassifications	-	-	49,500	-	-	-	4,171	(53,671)	-
Balance as at 31 December 2021	675,355	200,000	1,477,344	107,313	125,693	74,897	892,385	5,039	3,558,026
Accumulated depreciation									
Balance at 1 January 2022	164,665	-	929,577	87,908	116,771	63,706	656,179	-	2,018,806
Charge for period	17,507	-	244,785	14,517	6,657	7,173	86,264	-	376,903
Disposals during the period	-	-	(16,213)	-	-	(927)	-	-	(17,140)
Reclassifications	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	182,172	-	1,158,149	102,425	123,429	70,879	741,515	-	2,378,570
Accumulated depreciation									
Balance at 1 January 2021	147,158	-	783,158	66,651	107,006	56,434	613,967	-	1,774,374
Charge for period	17,507	-	193,866	21,257	9,765	7,788	43,988	-	294,171
Disposals during the period	-	-	(47,447)	-	-	(515)	(1,775)	-	(49,737)
Reclassifications	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	164,665	-	929,577	87,908	116,771	63,706	656,179	-	2,018,808
Carrying Amount									
Balance at 1 January 2021	528,197	200,000	399,591	37,577	18,622	18,840	48,530	97,400	1,348,757
Balance as at 31 December 2021	510,690	200,000	547,767	19,405	8,922	11,190	236,207	5,039	1,539,218
Balance as at 31 December 2022	493,183	200,000	590,945	4,888	2,264	5,860	145,594	1,059,884	2,502,617



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	Freehold Building ₦'000	Land ₦'000	Motor Vehicle ₦'000	Leasehold Improvement ₦'000	Furniture Fittings ₦'000	Office Equipment ₦'000	Computer Equipment ₦'000	Work in Progress ₦'000	Total ₦'000
Cost									
Balance as at 1 January 2022	675,355	200,000	1,279,583	107,313	124,350	73,239	870,128	5,038	3,335,006
Addition during the period	-	-	266,350	-	-	1,843	11,605	1,014,207	1,294,005
Disposals during the period	-	-	(27,600)	-	-	-	(1,881)	(5,038)	(34,519)
Reclassifications	-	-	15,000	-	-	-	(15,000)	-	-
Balance as at 31 December 2022	675,355	200,000	1,533,333	107,313	124,350	75,082	864,851	1,014,207	4,594,492
Cost									
Balance as at 1 January 2021	675,355	200,000	1,063,836	104,228	124,350	73,617	648,780	97,400	2,987,565
Addition during the year	-	-	231,000	3,085	-	159	219,640	5,038	458,922
Disposals during the year	-	-	(64,753)	-	-	(537)	(2,463)	(43,728)	(111,481)
Reclassifications	-	-	49,500	-	-	-	4,171	(53,671)	-
Balance as at 31 December 2021	675,355	200,000	1,279,583	107,313	124,350	73,239	870,128	5,038	3,335,006
Accumulated depreciation									
Balance as at 1 January 2022	164,665	-	827,284	87,908	116,104	62,291	647,232	-	1,905,484
Charge for period	17,507	-	201,207	13,207	5,657	6,973	83,284	-	327,836
Disposals during the period	-	-	(16,213)	-	-	(927)	-	-	(17,140)
Reclassifications	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	182,172	-	1,012,279	101,115	121,761	69,264	729,590	-	2,216,179
Accumulated depreciation									
Balance as at 1 January 2021	147,158	-	704,901	66,651	106,586	55,383	611,326	-	1,692,004
Charge for year	17,507	-	166,431	21,257	9,519	7,445	38,177	-	260,335
Disposals during the year	-	-	(44,048)	-	-	(537)	(2,270)	-	(46,855)
Reclassifications	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	164,665	-	827,284	87,908	116,104	62,291	647,232	-	1,905,483
Carrying Amount									
Balance as at 1 January 2021	528,197	200,000	358,936	37,577	17,764	18,234	37,454	97,400	1,295,561
Balance as at 31 December 2021	510,690	200,000	452,299	19,405	8,245	10,948	222,896	5,038	1,429,522
Balance as at 31 December 2022	493,183	200,000	521,054	6,198	2,589	5,818	135,261	1,014,207	2,378,312

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29 Intangible assets (Group)

	Computer Software ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
Balance as at 1 January 2022	3,744,143	226,924	3,971,067
Additions for the year	9,291	89,387	98,678
Disposals	-	-	-
Write-offs	-	-	-
Balance as at 31 December 2022	3,753,434	316,311	4,069,745
Cost			
Balance as at 1 January 2021	3,812,207	24,334	3,836,541
Additions for the year	67,661	226,924	294,585
Disposals	-	(1,973)	(1,973)
Write-offs	(135,725)	(22,361)	(158,086)
Balance as at 31 December 2021	3,744,143	226,924	3,971,067
Amortisation			
Balance as at 1 January 2022	3,633,235	-	3,633,235
Charge for Year	60,808	-	60,808
Write-offs	-	-	-
Balance as at 31 December 2022	3,694,043	-	3,694,043
Amortisation			
Balance as at 1 January 2021	3,617,763	-	3,617,763
Charge for Year	173,557	-	173,557
Write-offs	(158,084)	-	(158,084)
Balance as at 31 December 2021	3,633,235	-	3,633,235
Carrying Amount			
Balance as at 1 January 2021	194,445	24,334	218,779
Balance as at 31 December 2021	110,908	226,924	337,832
Balance as at 31 December 2022	59,391	316,311	375,702

Intangible assets represents the Group's IT core applications and other auxilliary IT software.



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29 Intangible assets (Bank)

	Computer Software ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
Balance as at 1 January 2022	3,483,638	28,252	3,511,889
Additions for the year	9,291	48,767	58,058
Disposals	-	-	-
Transfers	-	-	-
Balance as at 31 December 2022	3,492,929	77,019	3,569,947
Cost			
Balance as at 1 January 2021	3,434,481	1,973	3,436,454
Additions for the year	49,157	28,252	77,409
Disposals	-	(1,973)	(1,973)
Transfers	-	-	-
Balance as at 31 December 2021	3,483,638	28,252	3,511,889
Amortisation			
Balance as at 1 January 2022	3,389,782	-	3,389,782
Charge for Year	47,946	-	47,946
Disposals during the year	-	-	-
Balance as at 31 December 2022	3,437,728	-	3,437,728
Amortisation			
Balance as at 1 January 2021	3,238,955	-	3,238,955
Charge for Year	150,827	-	150,827
Disposals during the year	-	-	-
Balance as at 31 December 2021	3,389,782	-	3,389,783
Carrying amount			
Balance as at 1 January 2021	195,526	1,973	197,499
Balance as at 31 December 2021	93,855	28,252	122,107
Balance as at 31 December 2022	55,201	77,019	132,219

Intangible assets comprise of the Bank's IT core applications and other auxilliary IT software.

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30 Right-of-use assets

	Group 31 December 2022 ₦'000	Group 31 December 2021 ₦'000	Bank 31 December 2022 ₦'000	Bank 31 December 2021 ₦'000
Cost				
Balance as at 1 January	160,335	240,723	160,335	240,723
Additions	-	18,441	-	18,441
Reversals due to lease modifications	(113,983)	(98,829)	(113,983)	(98,829)
Balance as at 31 December	46,352	160,335	46,352	160,335
Depreciation				
Balance as at 1 January	109,572	183,837	109,572	183,837
Depreciation for the year	24,795	109,572	24,795	109,572
Reversals due to lease modifications	(109,793)	(183,837)	(109,793)	(183,837)
Balance as at 31 December	24,574	109,572	24,574	109,572
Carrying amount as at 31 December	21,778	50,763	21,778	50,763

31 Deferred tax assets

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2021: 30%).

Deferred income tax assets and liabilities are attributable to the following items:

	Group 31 December 2022 ₦'000	Group 31 December 2021 ₦'000	Bank 31 December 2022 ₦'000	Bank 31 December 2021 ₦'000
Deferred tax liabilities				
Property, plant and equipments and intangible assets	-	-	-	-
Deferred tax assets				
Tax loss carry forward	(9,313,862)	(9,362,532)	(9,113,548)	(9,113,548)
Net	(9,313,862)	(9,362,532)	(9,113,548)	(9,113,548)



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The Deferred tax asset is to be recovered after more than 12 months

Movements in temporary differences during the period:

Group	1 January 2022 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2022 ₦'000
Tax losses	9,202,542	(48,670)	-	9,153,872
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	-	-	(69,361)
Impairment charge	174,151	-	-	174,151
Property and equipment and intangible assets	(606,541)	-	-	(606,541)
Tax loss carry forward	13,454	-	-	13,454
	9,362,532	(48,670)	-	9,313,862

Bank	1 January 2022 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2022 ₦'000
Tax losses	8,953,558	-	-	8,953,558
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	-	-	(69,361)
Impairment charge	174,151	-	-	174,151
Property and equipment and intangible assets	(606,541)	-	-	(606,541)
Tax loss carry forward	13,454	-	-	13,454
	9,113,548	-	-	9,113,548

Group	1 January 2021 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2021 ₦'000
Tax losses	9,269,293	(66,751)	-	9,202,542
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	-	-	(69,361)
Impairment charge	174,151	-	-	174,151
Property and equipment and intangible assets	(606,541)	-	-	(606,541)
Tax loss carry forward	13,454	-	-	13,454
	9,429,283	(66,751)	-	9,362,532

Bank	1 January 2021 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2021 ₦'000
Tax losses	8,953,558	-	-	8,953,558
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	-	-	(69,361)
Impairment charge	174,151	-	-	174,151
Property and equipment and intangible assets	(606,541)	-	-	(606,541)
Tax loss carry forward	13,454	-	-	13,454
	9,113,548	-	-	9,113,548

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable. Based on management assessment, the recognised deferred tax asset is estimated to be recoverable against the probable future tax profits.

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32 Due to banks

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Tenored interbank deposits	19,529,246	1,908,130	19,529,246	1,908,130
Open buy back - Treasury bills	19,523,712	5,435,068	19,523,712	5,435,068
Current balances due to banks	4,526,859	2,493,850	4,526,859	2,493,850
	43,579,818	9,837,048	43,579,818	9,837,049
Current	43,579,818	9,837,048	43,579,818	9,837,049
Non-current	-	-	-	-
	43,579,818	9,837,048	43,579,818	9,837,049

The tenored interbank takings are short-term in nature with maturity ranging between 30 and 90 days. The rates for the naira takings range from 9% to 17% while that of USD takings range from 4.5% to 7.7%.

33 Due to customers

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Call deposits	3,037,427	8,511,987	2,177,823	8,127,469
Tenored deposits	130,328,503	110,920,851	130,328,502	111,649,929
	133,365,930	119,432,839	132,506,325	119,777,398
Current	133,365,930	119,432,839	132,506,325	119,777,398
	133,365,930	119,432,839	132,506,325	119,777,398

Due to customers include only financial instruments classified as liabilities at amortised cost.

34 Borrowings

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Corporate bonds issued (see note (i) below)	13,233,323	13,233,425	13,233,323	13,233,425
Commercial paper (see note (ii) below)	34,318,721	7,189,016	34,318,721	7,189,016
	47,552,044	20,422,441	47,552,044	20,422,441



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(i) Corporate bonds Issued: This represents series 1 and 2 fixed rate unsecured bonds of ₦5bn (series 1) and ₦8bn (series 2) with tenors of 3 years and 10 years and with interest rates of 10.5% and 6.25% and maturing on 5 February 2023 and 16 December 2030 respectively payable semi-annually in arrears. Subject to any purchase and cancellation early redemption, the bonds shall be redeemed on redemption date at 100% of their nominal amount. The bonds were raised through FBNQ MB Funding SPV Plc which was established for the sole purpose of issuing bonds or debt instruments to fund the Bank's working capital, enhance liquidity and capital base. The SPV is 99% owned by the Bank and has been consolidated in these financial statements.

Current	233,323	233,425	233,323	233,425
Non-current	13,000,000	13,000,000	13,000,000	13,000,000
	13,233,323	13,233,425	13,233,323	13,233,425

Series number	Amount	Tenor (years)	Interest rate	Maturity date
Series 1	5,000,000	3	10.5	February 5, 2023
Series 2	8,000,000	10	6.25	December 16, 2030

(ii) Commercial Paper: This represents the amortised cost of the Bank's unsecured Commercial Papers (CP) which were still in issue as at 31 December 2022, under its ₦100 bn Commercial Paper Issuance Programme. Subject to any purchase and cancellation early redemption, the commercial papers shall be redeemed on redemption date at 100% of their nominal amount.

35 Other liabilities

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Financial liabilities:				
Trade related liabilities (i)	27,366,221	15,100,245	27,273,022	15,100,246
Accounts payable	4,680,090	3,131,319	3,817,354	2,292,283
Dividend payable	1,380,240	506,578	1,376,386	506,578
	33,426,551	18,738,143	32,466,762	17,899,107
Non financial liabilities:				
Accrued liabilities	3,647,490	2,469,753	1,540,081	1,289,546
Impairment allowance - Off-balance sheet (note 35.1)	16,526	99,288	16,526	99,288
	37,090,568	21,307,185	34,023,369	19,287,942
Current	37,090,568	21,307,185	34,023,369	19,287,942
Non-current	-	-	-	-
	37,090,568	21,307,185	34,023,369	19,287,942

(i) This represents the Naira value of foreign currencies liabilities due to correspondent banks and customers on letter of credit transactions.

35.1 Movement in impairment allowance on Bank guarantees

As at 1 January	99,288	9,799	99,288	9,799
Additional impairment charge during the year (note 9)	(82,762)	89,489	(82,762)	89,489
At 31 December	16,526	99,288	16,526	99,288

The balance above relates to impairment on both Bank guarantees and letters of credit.

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36 Lease liabilities

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
As at 1 January	35,968	25,100	35,968	25,100
Additions	-	7,993	-	7,993
Reversals due to lease modifications	(14,831)	-	(14,831)	-
Interest charge for the year	1,521	2,875	1,521	2,875
Lease liabilities as at 31 December	22,658	35,968	22,658	35,968

37 Derivative financial instruments

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Derivative assets				
Instrument type: Forwards	197,834	353,531	197,834	353,531
Instrument type: OTC FX futures	135	8,162	135	8,162
The movement in derivative asset is as follows:				
Balance, beginning of the year	361,693	417,669	361,693	417,669
Fair value of derivatives acquired in the year	197,969	361,693	197,969	361,693
Fair value of derivatives derecognised in the year	(361,693)	(417,669)	(361,693)	(417,669)
Balance, end of the year	197,969	361,693	197,969	361,693
Derivative liabilities				
Instrument type: Forwards	(192,203)	(346,716)	(192,203)	(346,716)
Instrument type: OTC FX futures	(93)	(8,162)	(93)	(8,162)
The movement in derivatives liability is as follows:				
Balance, beginning of the year	(354,877)	(383,526)	(354,877)	(383,526)
Fair value of derivatives acquired in the year	(192,296)	(354,877)	(192,296)	(354,877)
Fair value of derivatives derecognised in the year	354,877	383,526	354,877	383,526
Balance, end of the year	(192,296)	(354,877)	(192,296)	(354,877)



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	Group			
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
	Notional value	Fair value	Notional value	Fair value
Derivative assets				
Instrument type: Forwards	6,823,797	197,834	4,829,141	353,531
Instrument type: OTC FX futures	17,295	135	424,110	8,162
Derivative liabilities				
Instrument type: Forwards	(6,823,797)	(192,203)	(4,829,141)	(346,716)
Instrument type: OTC FX futures	(17,295)	(93)	(424,110)	(8,162)
Bank				
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
	Notional value	Fair value	Notional value	Fair value
Derivative assets				
Instrument type: Forwards	6,823,797	197,834	4,829,141	353,531
Instrument type: OTC FX futures	17,295	135	424,110	8,162
Derivative liabilities				
Instrument type: Forwards	(6,823,797)	(192,203)	(4,829,141)	(346,716)
Instrument type: OTC FX futures	(17,295)	(93)	(424,110)	(8,162)

38 Share capital

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
(i) Authorised				
4.301577 billion ordinary shares of ₦1 each	4,301,577	4,500,000	4,301,577	4,500,000
(ii) Issued and fully paid				
4.301577 billion ordinary shares of ₦1 each	4,301,577	4,301,577	4,301,577	4,301,577

(iii) At the Annual General Meeting of the Bank held on May 11, 2022, it was resolved that pursuant to the provisions of the Companies & Allied Matters Act, 2020 and the Companies Regulation, 2021, the Bank be, and is hereby authorised to cancel the 198,422,999 unissued shares (the "Unissued Shares") in the share capital of the Bank. Following the cancellation of the Unissued Shares, the Issued Share Capital of the Bank shall be ₦4,301,577,001 (Four Billion, Three Hundred and One Million, Five Hundred and Seventy-Seven Thousand, and One Naira) divided into 4,301,577,001 ordinary shares of ₦1.00 each. All documents required to update the Bank's share capital records has been filed at the Corporate Affairs Commission.

39 Share premium and reserves

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

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

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

Statutory reserve: 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.

Credit risk reserve: Non-distributable regulatory reserve for the excess between the impairment reserve on loans and advances determined using the prudential guidelines issued by the Central Bank of Nigeria over the impairment reserves calculated under IFRS.

General reserve: This comprise of reserves attributable to the acquisition of the subsidiaries and non-distributable to shareholders.

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40 Fair value reserve

The fair value reserve shows the effects of the fair value measurement of financial instruments classified as FVOCI. Gains or losses are not recognised in the income statement until the asset has been sold or impaired.

Below is the movement in fair value reserves:

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
FVOCI				
At beginning of the period	1,139,193	2,064,560	977,989	1,936,945
Fair value movement during the period (unrealised net (loss)/gain)	(524,349)	(925,367)	(404,040)	(958,956)
Transfers				
At end of the period	614,844	1,139,193	573,949	977,989

The gains/(loss) on fair value through other comprehensive income (FVOCI) are recognised at gross amount as they are tax exempt.

41 Notes to cash flow statement

Reconciliation of profit before tax to cash generated from operations

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Profit before income tax	5,212,480	2,480,374	3,007,335	729,075
Adjustments for:				
- Depreciation for PPE (note 28)	376,903	294,171	327,836	260,335
- Depreciation right-of-use of assets (note 30)	24,795	109,572	24,795	109,572
- Amortisation of intangible assets (note 29)	60,808	173,557	47,946	150,827
- Dividend declared	(1,380,240)		(1,376,386)	
- Reversal of right-of-use assets	(4,190)	85,008	(4,190)	85,008
- Gain on disposal of property and equipment	-	(20,010)	-	(20,010)
- Impairment charge for credit and other losses (note 9)	1,173,097	524,720	1,068,268	621,919
- Net gains from financial assets at FVTPL (note 11a)	(1,984,906)	(3,667,852)	(1,356,173)	(2,930,952)
- Net (gain)/loss on derivative financial instruments (note 37)	(5,673)	(6,815)	(5,673)	(6,815)
- Unrealised foreign exchange gain on revaluation (note 11)	(408,771)	(24,072)	(185,810)	77,000
- Net interest income	(3,636,325)	(1,631,312)	(2,972,594)	(1,250,711)
	(572,023)	(1,682,660)	(1,424,646)	(2,174,751)
Changes in working capital :				
- Due from other banks (note 41.i)	-	10,812,652	-	10,226,635
- Restricted deposit (note 41.ii)	(21,159,817)	(1,251,104)	(21,159,817)	(1,251,104)
- Loans and advances to customers (note 41.iii)	(30,734,820)	(21,377,371)	(30,629,991)	(21,377,371)
- Loans and advances to staff (note 41.iv)	(200,237)	(90,146)	(163,900)	(89,287)
- Financial assets held for trading (note 41.v)	5,149,112	(4,243,232)	3,972,874	(3,408,148)
- Pledged assets (note 41.vi)	(11,454,752)	4,148,267	(11,454,752)	4,148,267
- Other assets (note 41.vii)	(4,466,788)	1,272,282	(3,981,376)	903,463
- Due to banks (note 41.viii)	33,742,770	(18,638,884)	33,742,769	(18,638,883)
- Due to customers (note 41.ix)	13,933,091	19,296,269	12,728,927	19,639,573
- Other liabilities (note 41.x)	15,620,803	9,753,892	14,572,848	10,613,278
Cash generated from operations	(142,661)	(2,000,035)	(3,797,064)	(1,408,328)



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i Due from other banks				
Balance as at January 1	14,909,260	25,718,491	12,006,567	22,233,202
Movement during the year	42,843,690	(10,809,231)	39,260,748	(10,226,635)
Closing balance	57,752,950	14,909,260	51,267,315	12,006,567
ii Restricted Deposits				
Balance as at January 1	38,118,957	39,370,061	38,118,585	39,370,061
Movement during the year	21,159,445	(1,251,104)	21,159,817	(1,251,104)
Closing balance	59,278,402	38,118,957	59,278,402	38,118,957
iii Loans and Advances to customers				
Balance as at January 1	75,927,731	54,550,360	75,927,731	54,550,360
Movement during the year	30,734,820	21,377,371	30,629,991	21,377,371
Impairment	(1,173,097)		(1,068,268)	
Closing balance	105,489,454	75,927,731	105,489,454	75,927,731
iv Loans and advances to staff				
Balance as at January 1	761,866	671,720	661,517	572,231
Movement during the year	200,237	90,146	163,900	89,287
Closing balance	962,103	761,866	825,417	661,517
v Financial assets held for trading				
Balance as at January 1	6,154,032	1,910,800	4,788,063	1,379,915
Movement during the year	(5,149,112)	4,243,232	(3,972,874)	3,408,148
Net gains on financial assets at FVTPL	(1,984,906)		(1,356,173)	
Closing balance	2,989,826	6,154,032	2,171,362	4,788,063
vi Pledged assets				
Balance as at January 1	12,593,933	16,742,200	12,593,933	16,742,200
Movement during the period	11,454,752	(4,148,267)	11,454,752	(4,148,267)
Closing balance	24,048,685	12,593,933	24,048,685	12,593,933
vii Other assets				
Balance as at January 1	5,355,114	6,627,396	4,361,593	5,265,056
Movement during the period	4,466,788	(1,272,282)	3,981,376	(903,463)
Closing balance	9,821,902	5,355,114	8,342,969	4,361,593
viii Due to Banks				
Balance as at January 1	9,837,048	28,475,932	9,837,049	28,475,932
Movement during the period	33,742,770	(18,638,884)	33,742,769	(18,638,883)
Closing balance	43,579,818	9,837,048	43,579,818	9,837,049
ix Due to Customers				
Balance as at January 1	119,432,839	100,136,570	119,777,398	100,137,825
Movement during the period	13,933,091	19,296,269	12,728,927	19,639,573
Closing balance	133,365,930	119,432,839	132,506,325	119,777,398
x Other liabilities				
Balance as at January 1	21,307,185	18,643,022	19,287,942	15,764,392
Movement during the period	15,783,385	2,664,164	14,735,429	3,523,550
Movement in derivative liabilities	(162,581)		(162,581)	
Closing balance	37,090,570	21,307,185	34,023,371	19,287,942

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xi Gain on disposal of PPE				
Cost of PPE disposed of	34,519	114,882	34,519	111,481
Accumulated depreciation of PPE disposed of	(17,140)	(49,737)	(17,140)	(46,855)
	17,379	65,146	17,379	64,626
Gain on disposal of PPE	-	20,010	-	20,010
Proceeds	17,379	85,155	17,379	84,635
xii Right-of-use Asset				
Balance as at January 1	50,763	56,886	50,763	56,886
Reversal of right-of-use asset	4,190	85,008	4,190	85,008
Depreciation of right-of-use asset	(24,795)	(109,572)	(24,795)	(109,572)
Movement in lease liability	(13,310)		(13,310)	
Closing balance	(21,778)	(50,763)	(21,778)	(50,763)
	(4,930)	(18,441)	(4,930)	(18,441)

42 Contingent liabilities and commitments

Litigation

The Bank, in the ordinary course of business, is currently involved in four cases as a defendant and one case as a claimant. However, in one of the cases, the Bank is joined as a necessary party and thus has no contingent liability. The total amount claimed against the Bank in two of the cases is estimated at ₦60.7mn, while in the other cases, the Bank is counter-claiming for the total sum of ₦2bn (the Claimant has no monetary claims against the Bank in one of the cases). However, the solicitors of the Bank are of the view that the probable liability which may arise from the cases pending against the Bank is not likely to exceed ₦13mn (which sum has been paid into the account of the High Court). The Directors believe that based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the bank's financial position. Contingent liability that may arise from the cases is estimated at nil (31 December 2021: nil).

Contingent liabilities and commitments

In common with other banks, the Group conducts business involving transaction-related bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and Commitments typically comprise guarantees and letters of credit.

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Performance bonds and guarantees	3,833,174	8,850,578	3,833,174	8,850,578
Letters of credit	9,316,883	20,072,576	9,316,883	20,072,576
	13,150,057	28,923,154	13,150,057	28,923,154

Capital Commitments

At the end of the year, the Group and Bank had no capital commitments (31 December 2021: nil).



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

43 Group subsidiaries and related party transactions

43.1 Parent:

The Bank is controlled by FBN Holdings Plc incorporated in Nigeria, which owns 99.9% of the ordinary shares.

A number of transactions were entered into with related parties in the normal course of business. These include loans and deposits.

The volumes of related-party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

Subsidiaries

FBNQuest Asset Management Limited

The Company provides discretionary and non-discretionary investment management services to institutional and private investors. Commissions and fees earned in respect of trust and management activities performed are included in profit or loss. Assets managed and funds administered on behalf of third parties include:

	31 December 2022 ₦'000	31 December 2021 ₦'000
FBN Balanced Fund	4,888,654	4,139,663
FBN Fixed Income Fund	62,909,817	38,069,204
FBN Money Market Fund	149,672,269	155,636,513
FBN Smart Beta Fund	360,410	357,394
FBN Nigeria Eurobond Fund	13,108,460	8,425,959
FBN Halal Fund	7,096,084	5,178,773
FBN Specialized Dollar Fund	4,319,829	-
Discretionary Portfolio Managed Service	246,542,503	198,284,435
	488,898,025	410,091,941

43.2 Loans and advances to related parties

The Bank granted credit facilities to other companies which have common directorship with the Bank. The rate and terms agreed are comparable to other facilities being held in the bank's portfolio. The Bank did not have any related party loans as at 31 December 2022

43.3 Deposits from related parties

	Entities controlled by the parent ₦'000	Key management personnel ₦'000
Year ended 31 December 2022		
Deposit from customers		
Deposits at 1 January	1,734,683	138,334
Movement during the year	3,279,640	(125,187)
	5,014,323	13,147
Due to banks	10,832,288	-
Deposits at 31 December	15,846,610	13,147
Interest expenses on deposits	459,432	-
 Year ended 31 December 2021		
Deposit from customers		
Deposits at 1 January	11,078,979	57,238
Movement during the year	(9,344,297)	81,097
	1,734,683	138,334
Due to banks	-	-
Deposits at 31 December	1,734,683	138,334
Interest expenses on deposits	161,116	-

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43.4 Other transactions and balances with related parties

Year ended 31 December 2022	Relationship	Nature of transaction	31 December 2022 ₦'000	31 December 2021 ₦'000
FBNQuest Capital Group	Controlled by Parent	Interest expense	151,009	38,168
FBNQuest Asset Management	Subsidiary	Interest expense	2,673	-
FBNQuest Securities	Subsidiary	Interest expense	20,444	21,793
FBNQuest Trustees	Controlled by Parent	Interest expense	24,677	19,555
First Bank Limited Group	Controlled by Parent	Interest expense	236,135	44,476
FBN Holding	Parent	Interest expense	24,493	37,124
FBNQuest Securities	Subsidiary	Deposit liabilities	133,767	729,079
FBNQuest Asset Management	Subsidiary	Deposit liabilities	82,319	10,317
First Bank Limited Group	Controlled by Parent	Deposit liabilities	8,802,154	11,958,217
FBNQuest Capital Group	Controlled by Parent	Deposit liabilities	4,293,892	879,290
FBNQuest Trustees	Controlled by Parent	Deposit liabilities	504,346	117
FBN Holding	Parent	Deposit liabilities	2,030,133	3,254
FBNQuest Capital Group	Controlled by Parent	Other receivables	13,894	7,841
FBNQuest Asset Management	Subsidiary	Other receivables	536,342	92,041
FBNQuest Asset Management	Subsidiary	Dividend receivable	1,406,000	1,100,000
FBNQuest Securities	Subsidiary	Other receivables	42,398	34,819
FBNQuest Trustees	Controlled by Parent	Other receivables	17,484	3,238
FBNQuest Funds	Controlled by Parent	Other receivables	7,056	2,017

43.5 Key management compensation

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Salaries and other short-term employee benefits	364,132	449,569	238,693	298,782
Defined contribution costs	28,776	52,986	17,702	33,153
	392,908	502,555	256,394	331,935

The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank and the senior management. Close members of family are those family members who may be expected to influence, or be influenced by those individuals in their dealings with FBNQ Merchant Limited.



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

44 Employees

The number of persons employed by the Bank as at end of the year is as follows:

	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Employees	110	66	44	60%	40%

Gender Analysis of Board and Management 2021	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Board	7	6	1	86%	14%
Top Management (AGM to GM)	15	8	7	53%	47%
	22	14	8	64%	36%

Gender Analysis of Board and Management 2021	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Assistant General Manager	6	4	2	67%	33%
Deputy General Manager	6	2	4	33%	67%
General Manager	3	2	1	67%	33%
Deputy Managing Director	1	1	0	100%	0%
Managing Director	1	1	0	100%	0%
Non-Executive Directors	5	4	1	80%	20%
	22	14	8	64%	36%

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

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Wages and salaries	4,802,596	4,413,591	3,066,882	3,081,549
Other pension costs	199,682	203,858	199,682	197,269
	5,002,278	4,617,449	3,266,564	3,278,818

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

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
₦350,001 - ₦600,000	-	-	-	-
₦600,001 - ₦700,000	-	-	-	-
₦700,001 - ₦1,150,000	-	-	-	-
₦1,150,001 - ₦1,600,000	-	-	-	-
₦1,600,001 - ₦2,100,000	-	-	-	-
₦2,100,001 - ₦2,500,000	-	1	-	1
₦2,500,001 - ₦3,500,000	-	-	-	-
₦3,500,001 - ₦5,500,000	5	5	4	17
₦5,500,001 - ₦10,500,000	42	70	25	62
₦10,500,001 and above	98	102	79	60
	145	178	108	140

In accordance with the provisions of the Pensions Reform Act 2014, the Bank commenced a contributory pension scheme in January 2005. In this regard, the Bank contributes 10% of the employees' basic salary, housing and transport allowances while the employees contribute 8%. The contribution paid by the Bank during the year was ₦199.6mn (2021:₦230.4mn).

45 Directors' emoluments

Remuneration paid to the Bank's directors was:

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Fees and sitting allowances	224,788	129,990	224,788	129,990
Other director expenses	79,654	-	79,654	-
	304,441	129,990	304,441	129,990

Fees and other emoluments disclosed above include amounts paid to:

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Chairman	31,504	24,569	31,504	24,569
Highest paid non-executive director	31,504	24,569	31,504	24,569



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

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

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
₦5,000,001 and above	5	7	5	7
	5	7	5	7

46 Compliance with regulatory bodies

The Bank contravened certain regulatory requirements and policies in the financial year ended 31 December 2022.

Contraventions	Penalties ₦'000
1 FMDQ: Fine for late filling of Commercial Paper documentation	400
	400

47 Subsequent events

There are no other events subsequent to the financial position date which require adjustment to or disclosure in, these financial statements.

48 Dividend

	Group		Bank	
	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000
Opening	506,578	506,578	506,578	506,578
Interim dividend declared	1,380,240	-	1,376,386	-
Dividend paid	(506,578)	-	(506,578)	-
Closing payable	1,380,240	506,578	1,376,386	506,578

STATEMENT OF PRUDENTIAL ADJUSTMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

	31 December 2022 ₦'000	31 December 2021 ₦'000
Prudential guidelines provision:		
As at 1 January		
- Loans and advances (specific and general provisions)	3,888,097	2,703,585
- Other known losses (OKL)	2,761,579	2,881,436
	6,649,676	5,585,021
Charge/(write-back) for the period:		
- Loans and advances (specific and general provisions)	(449,618)	1,184,512
- Other known losses (OKL)	68,291	-119,858
	(381,327)	1,064,655
As at 31 December		
- Loans and advances (specific and general provisions)	3,438,479	3,888,097
- Other known losses (OKL)	2,829,870	2,761,579
	6,268,349	6,649,676
IFRS impairment provisions:		
- Allowance for impairment (loans, contingents, current accounts and debt securities)	1,985,415	2,183,841
- Other impairment (other assets and subsidiaries)	1,848,784	1,816,934
	3,834,199	4,000,775
Required credit risk reserve at end of the year	2,434,150	2,648,901
Balance at beginning of the year	2,648,901	2,134,767
(Reversal)/addition to credit risk reserve	(214,751)	514,134
Balance at end of the year	2,434,150	2,648,901

***Credit risk reserves:** Provisioning is made in accordance with the Prudential Guidelines for Deposit Money Banks in Nigeria issued by the Central Bank of Nigeria for each account that is deemed not performing (specific) in accordance with the following terms; (1) 90 days but less than 180 days (10%); (2) 180 days but less than 360 days (50%) and over 360 days (100%). In addition, a minimum of 2% general provision is made on all risk assets which are deemed performing and have not been specifically provided for. The excess of the impairment under the Prudential Guidelines over the impairment under IFRS has been designated to a non-distributable reserve in line with the regulatory requirements of the Central Bank of Nigeria.



STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	31 December 2022 ₦'000	%	31 December 2021 ₦'000	%
Gross earnings	31,799,138	298	23,869,471	292
Interest expense	(13,999,402)	(131)	(9,312,511)	(114)
	17,799,736		14,556,959	
Impairment loss on financial assets	(1,173,097)	(11)	(524,720)	(6)
	16,626,639		14,032,240	
Bought in materials and services	(5,948,729)	(56)	(5,854,562)	(72)
Value added	10,677,911	100	8,177,678	100
Distribution of value added				
To government:				
Taxes	169,024	2	-	-
To employees:				
Salaries and benefits	5,002,278	53	5,120,004	71
The future:				
For replacement of fixed assets/intangible assets				
Depreciation & amortisation	463,151	5	577,300	8
To augment reserves	3,884,753	41	1,558,913	21
	9,519,207	100	7,256,217	100

This statement shows the distribution of wealth created by the Group during the period.

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2022

Bank	31 December 2022 ₦'000	%	31 December 2021 ₦'000	%
Gross earnings	24,811,850	372	18,462,096	380
Interest expense	(14,013,719)	(210)	(9,334,305)	(192)
	10,798,132		9,127,790	
Impairment loss on financial assets	(1,068,268)	(16)	(621,919)	(13)
	9,729,864		8,505,871	
Bought in materials and services	(3,055,390)	(46)	(3,645,311)	(75)
Value added	6,674,474	100	4,860,561	100
Distribution of value added				
To government:				
Taxes	169,024	3	-	-
To employees:				
Salaries and benefits	3,266,564	49	3,610,753	74
The future:				
For replacement of fixed assets/intangible assets (depreciation & amortisation)	400,576	6	520,733	11
To augment reserves	2,800,312	43	651,696	15
	6,636,475	100	4,783,182	100

This statement shows the distribution of wealth created by the Bank during the period.



FIVE-YEAR FINANCIAL SUMMARY- GROUP

FOR THE YEAR ENDED 31 DECEMBER 2022

Group	31 Dec 2022 ₦'000	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
<i>Statement of financial position</i>					
ASSETS					
Cash and balances with Central Bank of Nigeria	59,278,402	38,118,584	43,690,655	8,302,033	4,653,015
Loans and advances to banks	57,578,008	14,905,839	25,718,491	7,377,521	17,337,847
Loans and advances to customers	106,451,557	76,689,597	55,699,015	46,448,173	35,413,635
Financial assets-Fair value through profit or loss	2,989,826	6,154,032	1,910,800	2,902,292	1,876,368
Investment securities:					
- Fair value through OCI	27,786,257	43,601,118	29,041,247	16,684,696	33,668,763
- Amortised cost	1,595,551	-	7,583,938	2,914,249	1,275,653
- Loans and receivable/Held to maturity	-	-	-	-	-
Pledged assets	24,048,685	12,593,933	16,742,200	39,382,677	21,099,602
Derivative financial assets	197,969	361,693	417,669	474,757	219,954
Other assets	9,821,901	5,355,113	6,627,396	8,469,156	5,977,171
Investment in subsidiaries	-	-	-	-	-
Deposit with Nigerian Stock Exchange	-	-	1,150	1,150	1,150
Property and equipment	2,501,635	1,539,216	1,348,756	1,388,451	1,759,451
Intangible assets	375,326	337,833	218,778	863,136	1,900,356
Right-of-use assets	21,778	50,763	56,886	175,208	-
Deferred tax assets	9,313,862	9,362,532	9,429,283	9,426,538	9,322,285
TOTAL ASSETS	301,960,757	209,070,252	198,486,264	144,810,037	134,505,250
LIABILITIES					
Due to banks	43,579,818	9,837,048	28,475,932	27,648,648	8,003,945
Due to customers	133,365,930	119,432,839	100,136,570	75,675,570	90,858,472
Current income tax liability	1,415,586	922,057	945,860	766,671	716,309
Corporate bonds issued	47,552,044	13,233,425	13,235,587	-	-
Other liabilities	37,090,570	28,496,201	18,652,820	10,090,784	10,073,642
Lease liabilities	22,658	35,968	25,100	115,233	-
Derivative financial instrument	192,296	354,877	383,526	469,389	219,954
Deferred tax liability	-	-	-	-	-
TOTAL LIABILITIES	263,218,902	172,312,415	161,855,395	114,766,295	109,872,322
NET ASSETS	38,741,855	36,757,837	36,630,869	30,043,742	24,632,928
CAPITAL AND RESERVES					
Share capital	4,301,577	4,301,577	4,301,577	4,301,577	4,301,577
Share premium	3,904,731	3,904,731	3,904,731	3,904,731	3,904,731
Retained earnings	18,331,164	16,028,094	15,587,647	13,293,789	10,596,377
Statutory reserve	9,128,791	8,708,745	8,610,990	7,878,900	7,482,866
Credit risk reserve	2,434,151	2,648,901	2,134,767	920,039	420,430
Fair value reserve	614,843	1,139,192	2,064,559	(281,892)	(2,099,651)
General reserve	26,598	26,598	26,598	26,598	26,598
SHAREHOLDERS' FUNDS	38,741,854	36,757,837	36,630,869	30,043,742	24,632,928

FIVE-YEAR FINANCIAL SUMMARY – GROUP
FOR THE YEAR ENDED 31 DECEMBER 2022

	31 Dec 2022 ₦'000	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
Income statement					
Operating income	16,626,639	14,032,238	17,374,906	13,993,193	12,989,988
Operating expenses	(11,414,159)	(11,551,865)	(10,749,545)	(9,843,248)	(10,188,908)
Profit before tax	5,212,480	2,480,373	6,625,361	4,149,945	2,801,080
Tax	(1,327,727)	(921,461)	(884,686)	(556,888)	(483,400)
Profit after tax	3,884,753	1,558,912	5,740,675	3,593,057	2,317,680
Earnings per share - basic (kobo)	90	36	133	61	48



FIVE-YEAR FINANCIAL SUMMARY-BANK

FOR THE YEAR ENDED 31 DECEMBER 2022

Bank	31 Dec 2022 ₦'000	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
<i>Statement of financial position</i>					
ASSETS					
Cash and balances with Central Bank of Nigeria	59,278,402	38,118,585	43,690,655	8,302,033	4,653,015
Loans and advances to banks	51,267,315	12,006,567	22,233,202	4,238,237	14,221,127
Loans and advances to customers	106,314,871	76,589,248	55,599,526	46,390,453	35,342,825
Financial assets held for trading	2,171,362	4,788,062	1,379,915	2,517,162	1,302,217
Investment securities:					
- Fair value through OCI	26,060,515	41,810,273	26,986,180	16,026,386	33,592,365
- Available-for-sale	-	-	-	-	-
- Amortised cost	1,253,377	-	7,583,938	2,914,249	1,275,653
- Loans and receivable/Held to maturity	-	-	-	-	-
Pledged assets	24,048,685	12,593,933	16,742,200	39,382,677	21,099,601
Derivative financial assets	197,969	361,693	417,669	474,757	219,954
Other assets	8,342,968	4,361,595	5,265,056	8,517,527	6,151,414
Investment in subsidiaries	1,321,958	1,216,129	1,313,329	1,313,329	1,381,773
Deposit with Nigerian Stock Exchange	-	-	-	-	-
Property and equipment	2,378,312	1,429,522	1,295,560	1,325,752	1,683,237
Intangible assets	132,219	122,107	197,499	810,031	1,758,235
Right-of-use assets	21,778	50,763	56,886	175,208	-
Deferred tax assets	9,113,548	9,113,548	9,113,548	9,113,548	9,113,548
TOTAL ASSETS	291,903,280	202,562,025	191,875,163	141,501,349	131,794,965
LIABILITIES					
Due to banks	43,579,818	9,837,048	28,475,932	27,648,648	8,003,945
Due to customers	132,506,325	119,777,398	100,137,825	76,021,448	90,977,369
Current income tax liability	236,910	77,379	259,193	183,602	212,353
Corporate bonds issued	47,552,044	13,233,425	13,235,587	-	-
Other liabilities	34,023,371	26,475,958	15,774,191	9,112,503	8,841,694
Lease liabilities	22,658	35,968	25,100	115,233	-
Derivative financial instrument	192,296	354,877	383,526	469,389	219,954
Deferred tax liability	-	-	-	-	-
TOTAL LIABILITIES	258,113,422	169,792,054	158,291,354	113,550,823	108,255,315
NET ASSETS	33,789,858	32,769,971	33,583,809	27,950,526	23,539,650
CAPITAL AND RESERVES					
Share capital	4,301,577	4,301,577	4,301,577	4,301,577	4,301,577
Share premium	3,904,731	3,904,731	3,904,731	3,904,731	3,904,731
Retained earnings	13,446,659	12,228,029	12,694,799	11,261,008	9,516,426
Statutory reserve	9,128,791	8,708,745	8,610,990	7,878,900	7,482,866
Credit risk reserve	2,434,151	2,648,901	2,134,767	920,039	420,430
Fair value reserve	573,949	977,989	1,936,945	(315,729)	(2,086,380)
SHAREHOLDERS' FUNDS	33,789,858	32,769,971	33,583,809	27,950,526	23,539,650

FIVE-YEAR FINANCIAL SUMMARY-BANK
FOR THE YEAR ENDED 31 DECEMBER 2022

	31 Dec 2022 ₦'000	31 Dec 2021 ₦'000	31 Dec 2020 ₦'000	31 Dec 2019 ₦'000	31 Dec 2018 ₦'000
<i>Income statement</i>					
Operating income	9,729,864	8,505,872	12,751,112	9,899,353	9,598,185
Operating expenses	(6,722,529)	(7,776,797)	(7,662,718)	(7,119,476)	(7,328,073)
Profit before tax	3,007,335	729,075	5,088,394	2,779,877	2,270,112
Tax	(207,023)	(77,379)	(207,784)	(139,651)	(212,100)
Profit after tax	2,800,312	651,696	4,880,610	2,640,226	2,058,012
Earnings per share - basic (kobo)	65	15	113	61	48



ABBREVIATIONS

AFEX	AFEX Commodities Exchange Limited	IB	Investment Banking
ALCO	Asset and Liability Committee	ICT	Information and Communications Technology
ALP	Akindelano Legal Practitioners	IFRS	International Financial Reporting Standards
AML	Anti-Money Laundering	IMF	International Monetary Fund
AMP	Advanced Management Program	INED	Independent Non-Executive Directors
AUM	Assets Under Management	ISMS	Information Security Management System
BAC	Board Audit Committee	ISSC	Information Security Steering Committee
BCC	Board Credit Committee	IT	Information Technology
BCM	Business Continuity Management	ITSC	Information Technology Steering Committee
BFC	Bills for Collection	KYC	Know Your Customer
BGC	Board Governance/HR Committee	LC	Letters of Credit
BRMC	Board Risk Management Committee	LCY	Local Currency
BVN	Bank Verification Number	LGD	Loss Given Default
CBN	Central Bank of Nigeria	MBAM	Merchant Banking and Asset Management
CCI	Certificate of Capital Importation	MCI Arb	Member of the Chartered Institute of Arbitrators
CDD	Customer Due Diligence	MCIC	Management Credit and Investment Committee
CEO	Chief Executive Officer	MCUC	Management Credit and Underwriting Committee
CFA	Chartered Financial Analyst	NASD	National Association of Securities Dealers OTC Securities Exchange
CFP	Contingency Funding Plan	NCP	National Council on Privatisation
CFT	Countering the Financing of Terrorism	NDDC	Niger Delta Development Commission
CIBN	Chartered Institute of Bankers of Nigeria	NDIC	Nigerian Deposit Insurance Corporation
CO2	Carbon Dioxide	NFIU	Nigerian Financial Intelligence Unit
COBIT	Control Objectives for Information and Related Technologies	NGX	Nigerian Exchange Limited
COO	Chief Operating Officer	NIM	Net Income Margin
COSO	Committee of Sponsoring Organisations of the Treadway Commission	NPAC	New Product Approval Committee
CR&S	Corporate Social Responsibility	NSPB	Nigerian Sustainable Banking Principles
CRO	Chief Risk Officer	NXP	Export Processing
CRR	Collateral Risk Rating	ORR	Obligor Risk Rating
CSCS	Central Securities Clearing System	PBT	Profit Before Tax
CTR	Currency Transaction Report	PD	Probability of Default
DMO	Debt Management Office	PDMM	Primary Dealer and Market Maker
EAD	Exposure At Default	PEP	Politically Exposed Persons
EAP	Employee Assistance Programme	PFA	Pension Fund Administrators
ECL	Expected Credit Loss	PPP	Public-private partnerships
EDD	Enhanced Due Diligence	PWC	PricewaterhouseCoopers
EoD	End of Day	RAAC	Risk Asset and Acceptance Criteria
ERM	Enterprise-wide Risk Management	RMC	Risk Management Committee
ESG	Environmental, Social and Governance	ROAE	Return on average equity
FATF	Financial Action Task Force	SEC	Securities and Exchange Commission
FBNH	FBN Holdings Plc	SME	Small and Medium Enterprise
FBNQ MB	FBNQuest Merchant Bank	SOE	State of Enterprise
FCA	Fellow of the Institute of Chartered Accountants	SOP	Standard Operating Procedures
FCY	Foreign Currency	SRO	Self-Regulatory Organisations
FICT	Fixed Income, Currencies and Treasury	STR	Suspicious Transaction Report
FMCG	Fast Moving Consumer Goods	TBills	Treasury Bills
FTR	Foreign Transaction Report	TOGAF	The Open Group Architecture Framework
GMD	Group Managing Director	UBA	United Bank of Africa
HNWI	High Net Worth Individuals	USAID	United States Agency for International Development
		WIMBIZ	Women in Management, Business and Public service
		WISCAR	Women in Successful Careers

CONTACT INFORMATION

GROUP	BUSINESS ADDRESS	TELEPHONE NUMBERS
FBN Holdings Plc	Samuel Asabia House, 35 Marina, Lagos State, Nigeria	+234 1 448 5500, +234 708 062 5000
FBNQUEST MERCHANT BANK GROUP		
FBNQuest Merchant Bank Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos State, Nigeria	+ 234 1 270 2290-2
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt, Rivers State, Nigeria	+234 812 993 4624
	18 Mediterranean Street, Imani Estate, Maitama, FCT Abuja, Nigeria	+234 812 993 4620
FBNQuest Asset Management Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos State, Nigeria	+234 1 270 2290-2
FBNQuest Securities Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos State, Nigeria	+234 1 270 2290-2
FBNQUEST CAPITAL GROUP		
FBNQuest Capital Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos State, Nigeria	+234 1 279 8300
FBNQuest Funds Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos State, Nigeria	+234 1 270 2290-2
FBNQUEST TRUSTEES		
FBNQuest Trustees Limited	16 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos State, Nigeria	+234 1 270 2290-2
	FirstBank Building (3rd Floor), 22/24, Aba Road, Port Harcourt, Rivers State, Nigeria	+234 812 993 4624
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FBNQuest Merchant Bank Limited

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