FBNQuest

Empowering Futures

FBNQuest Merchant Bank Limited

Annual Report and Accounts 2023

PREMIUM BOARD LISTED

In this Report

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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 2023 to the corresponding 12 months of 2022. The statements of financial position compare the closing balances as at 31 December 2023 with those of 31 December 2022. 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 '₦mn', '₦bn' and '₦tn' represent millions, billions and trillions of Naira respectively.

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

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 at 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 Guinea Limited
- FirstBank Gambia Limited
- FirstBank Sierra Leone Limited
- FBNBank Senegal Limited
- First Bank Ghana Limited
- First Pension Custodian Nigeria Limited
- First Nominees Nigeria Limited

MERCHANT BANKING

FBNQuest Merchant Bank Limited

- FBNQuest Asset Management Limited
- FBNQuest Securities Limited

CAPITAL MARKETS

FBNQuest Capital Limited

- FBNQuest Funds Limited

TRUSTEESHIP

FBNQuest Trustees Limited

INSURANCE BROKERAGE

FBN Insurance Brokers Limited

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

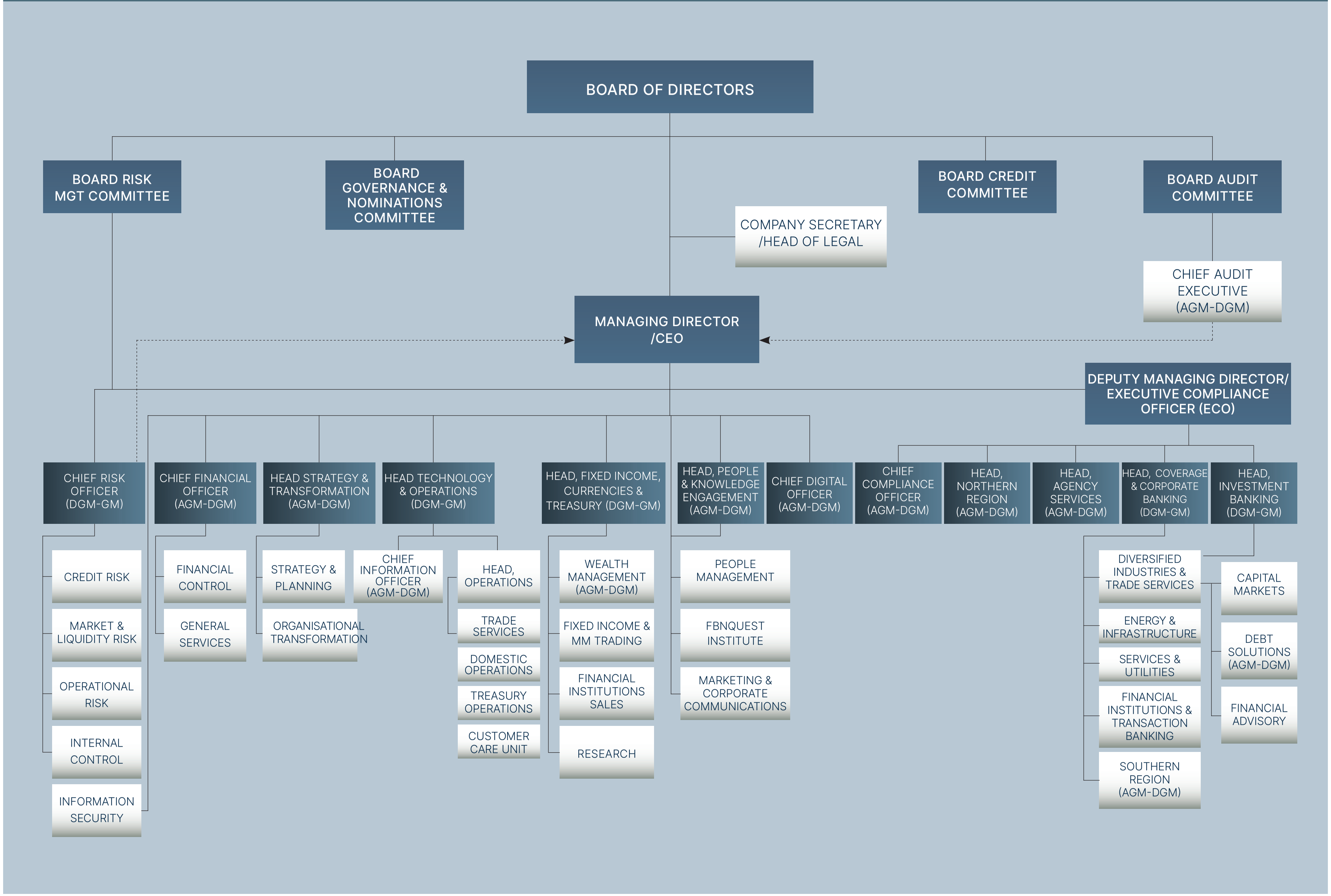
The business segment includes the domestic and international offices offering commercial banking services in 10 countries.

The Group is committed to providing innovative banking and investment solutions for our diverse customer base, which comprises governments, financial and non-financial institutions, and high-net-worth individuals.

The Group creates value for our shareholders by offering investment banking services, wealth and fund management services, asset administration and securities trading.

The 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

2023: ₦11.20bn
2022: ₦9.63bn
▲ 16.3%

The year-on-year growth in operating income is mainly driven by the 51.5% growth in non-interest income moderated by the 39% drop in net interest income and the 110.6% growth in impairment charges. The growth in non-interest income was largely due to the growth in FX revaluation gains, the 35.3% growth in fees and commission income and the 61.3% growth in net trading gains in the year. The drop in net interest income was mainly driven by the increase in average cost of funds while the growth in impairment charges was due to impairment on debt securities in the year.

OPERATING EXPENSE

2023: ₦7.11bn
2022: ₦6.62bn
▲ 7.4%

Operating expenses increased by 7.4% year-on-year mainly due to the impact of inflation and the devaluation of the Naira leading to a 16.9% increase in other operating costs and 17.5% increase in depreciation and amortisation driven by additional asset acquisition during the year. Implementation of cost optimisation initiatives moderated the impact of inflation and led to the drop in personnel expenses in the year.

PROFIT BEFORE TAX

2023: ₦4.09bn
2022: ₦3.01bn
▲ 36.0%

The year-on-year growth in profit before tax was mainly driven by the 16.3% growth in operating income in the year which was mainly driven by growth in non-interest income moderated by the 7.4% year-on-year increase in operating expenses which was mainly driven by the impact of inflation and the devaluation of the Naira.

COST-TO-INCOME RATIO

2023: 63.5%
2022: 68.8%
▼ -5.3pp

The cost-to-income (CIR) ratio of the bank improved year-on-year by 5.3pp due to the growth in operating income and the simultaneous increase in operating costs in 2023.

Performance Highlights (Non-Financial)

Talent Management

- Launched the FBNQuest Leadership Development Programme to build personal and professional leadership competencies across all levels of responsibility.
- Delivered the Graduate Trainee programme with 19 new hires for the Bank.
- Drove employee recognition within teams for increased engagement.
- Implemented a salary increase for staff to incentivise them towards delivering maximum value to the organisation.
- Delivered short-term palliatives to employees to cushion the effect of the fuel subsidy removal and subsequently implemented a more holistic salary increase.

Performance Management

- Implemented the quarterly performance check-in for all employees across all levels to further drive the importance of continuous performance feedback.
- Reviewed and enhanced the performance management process to improve goal setting and consequence management.

Rewards and Recognition

- Celebrated 18 employees who reached milestone years across the organisation.
- Entrenched the Qudos platform into the recognition programme and recognised ten exceptional employees throughout the year.
- Deployed the Employee Recognition Programme during the year.

Awards and Recognitions

As a Group, we are committed to empowering futures by nurturing talent, redefining customer service, and delivering innovative financial solutions to our diverse clients.

Infrastructure & Project Finance House of the Year:
BUSINESSDAY BANKS AND OTHER FINANCIAL INSTITUTIONS (BAFI)

The Award was presented to FBNQuest Merchant Bank for its expertise in providing intelligent financing solutions to clients in the Investment Banking Industry.

Gold Certification:
GREAT PLACE TO WORK

The Gold Certification demonstrates FBNQuest Merchant Bank's dedication to upholding exceptional workplace ethics, culture and values.

Gold Certification

Best in Promoting People Leadership Practices:
GREAT PLACE TO WORK

FBNQuest Merchant Bank won the Award for its dedication to fostering a conducive and inclusive environment for all employees.

Best in Delivering Impactful Organisational Values:
GREAT PLACE TO WORK

FBNQuest Merchant Bank was recognised for its steadfast dedication to providing a supportive and enabling work environment where employees can thrive, excel and develop.

Best Commercial Paper House:
ASSOCIATION OF ISSUING HOUSES OF NIGERIA (AIHN) - 2022 Capital Market Awards

The Award recognises FBNQuest Merchant Bank's role and contribution as the deal arranger for the highest total value transactions.

Highest Value of Commercial Paper (single issues + series):
FMDQ GOLD AWARD – QUOTATIONS ON FMDQ EXCHANGE

The Award was presented to FBNQuest Merchant Bank for its remarkable performance as an arranger for the highest-value commercial papers.

Awards and Recognitions

Best Asset Manager, Nigeria:
EMEA FINANCE BANKING AWARD

FBNQuest Asset Management received recognition for the strong performance of its mutual funds over the past year, including all public funds and bespoke portfolios. This demonstrates the exceptional quality of its services and products.

Best Asset Manager

Best in Delivering Impactful Organisational Values:
GREAT PLACE TO WORK

The Award recognises FBNQuest Asset Management's unrelenting commitment to fostering a positive and supportive work environment in which employees thrive and develop.

Gold Certification:
GREAT PLACE TO WORK

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

Gold Certification

Best Broker, Nigeria:
EMEA FINANCE AFRICAN BANKING

FBNQuest Securities was recognised for its outstanding performance in its stockbroking activities.

Best Broker in Nigeria 2023

Strategic Report

Chairman's Statement

Distinguished Ladies and Gentlemen,

It is my pleasure to present to you the Annual Report and Financial Statements of the FBNQuest Merchant Bank Group ("Group") for the financial year ended 31 December 2023.

Global & Domestic Overview

The combination of supply chain disruptions in both energy and food markets caused by the Russia-Ukraine fall-out, as well as the extraordinary tightening of global monetary conditions to combat elevated inflation, stalled global growth in 2023. Emerging economies displayed varying degrees of economic resilience. However, rising interest rates, heightened spreads and continued currency rate pressures all contributed to acute financial squeeze in countries within sub-Saharan Africa.

Nigeria witnessed a dynamic business landscape with the ushering in of a new government which exhibited a preference for market driven macros. The new government immediately removed petrol and foreign exchange subsidies, resulting in a shift in market dynamics and a volatile foreign exchange market given the issues with demand and supply deficit.

Despite these challenges posed by global economic uncertainties and local market fluctuations, I am proud to report that FBNQuest Merchant Bank has navigated through the complexities with resilience and determination.

Financial Performance

I am pleased to inform shareholders that gross earnings for the Bank improved by 43.1% year-on-year to ₦35.5bn (Group: ₦48.0bn). Despite the headwinds in the operating environment, the Bank posted Profit Before Tax (PBT) of ₦4.09bn which represented an improvement by 36% year-on-year. The total PBT for the Group was N9.98bn, which represented an increase of 91.5% year-on-year.

The Bank continued to maintain strong liquidity and capital buffers with Liquidity Ratio of 23.3% (2023: 24.3%) and a Capital Adequacy Ratio of 15.2% (2023: 16.2%).

Mallam Bello Maccido
Chairman
FBNQuest Merchant Bank Limited

Chairman's Statement

Interim Dividend

The Bank remains committed to providing robust and sustainable returns to shareholders. Based on the performance of the Bank following an audit of the nine months' financial statements ending 30 September 2023, the Directors declared an interim dividend of N1.01bn, being 30% of audited Profit After Tax for the period. This sum has been paid to shareholders following the receipt of CBN's approval.

Governance

The Board has continued to ensure that its governance structures conform with international best practices, the provisions of the Nigerian Corporate Governance Code, the CBN Corporate Governance Guidelines, 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 continued its practice of conducting an independent assessment of the Board. The 2023 Board Evaluation Report confirmed that the Board and Management of the Bank give preference to leading corporate governance practices. A copy of the Board appraisal report conducted by PricewaterhouseCoopers (PwC) in respect of the 2023 financial year will be presented to shareholders at the 9th Annual General Meeting.

In 2023, members of the Board participated in several strategic training sessions specifically organized for Directors in diverse areas, including risk management, corporate strategy, cybersecurity, AML/CFT and Sustainability. Regular and periodic corporate governance returns were also filed to ensure accountability in line with the provisions of relevant regulations.

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. The asset management business achieved remarkable milestones, hitting above N600bn in Assets under Management at the end of December 2023. The equities business also posted growth in PBT by 182% year-on-year.

Board Composition and Committees

In line with our commitment to sustainable succession planning, Afolabi Olorode was appointed as Executive Director, Wholesale Banking following the retirement of Kayode Akinkugbe as Managing Director and Taiwo Okeowo as Deputy Managing Director after a meritorious tenure of eight years each. Please join me in wishing both Kayode Akinkugbe and Taiwo Okeowo success in their future endeavours.

The Central Bank of Nigeria has approved Afolabi Olorode's appointment and he would be presented for shareholder approval at the 2024 Annual General Meeting.

During the 2023 financial year, the Board was supported by four Board Committees, some of whose memberships were rotated as necessary to ensure balanced and adequate representation in line with leading governance practices. Whilst 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.

Outlook

As we reflect on the wins of 2023, we remain resolute in our quest to build an enduring franchise and enhance shareholder value whilst adhering to solid corporate governance and innovative risk management practices.

Notwithstanding the uncertainties and moderate growth forecasts, we approach 2024 with great optimism and confidence that the Bank will achieve its objectives for 2024, acting on the diligent and purposeful implementation of the strategies for long-term growth that have been outlined by the Board and Management.

Conclusion and Acknowledgements

I would like to thank all our stakeholders, and specifically, the Bank's shareholders, whose tremendous support has helped the Bank to consistently deliver value and retain customer confidence and loyalty. I would also like to acknowledge the collective efforts of staff whose diverse talents and dedication contributed immensely to the performance in 2023.

I am pleased to inform shareholders that gross earnings for the Bank improved by 43.1% year-on-year to ₦35.5bn (Group: ₦48.0bn).

I also appreciate our loyal customers for their steadfast trust and loyalty to the franchise, which has been integral to our success.

Finally, I extend my appreciation to members of the Board and Management, whose vision and exemplary leadership have ensured a consistent growth trajectory for the Bank. I look forward to a successful and rewarding financial year in 2024.

Mallam Bello Maccido
Chairman
FBNQuest Merchant Bank Limited

> “The year 2024 has started positively for our business, and we are committed to achieving improved results for all our stakeholders as we continue to drive the business towards being the undisputed leader in the merchant banking industry.”

Afolabi Olorode

Ag. Managing Director
FBNQuest Merchant Bank Limited

Managing Director's Review

We anticipated that our 2023 business environment would be challenging

Emerging from 2022, we anticipated that our 2023 business environment would be challenging, particularly with the uncertainty of an election year. These concerns were heightened by the escalated political tensions across Africa following the coups in Niger and Gabon.

However, the relatively peaceful elections in Nigeria and the seamless handover to the new government in May ushered in some stability in the political landscape. President Bola Ahmed Tinubu immediately got to work as his administration announced key policy changes, including removing fuel subsidies and unifying foreign exchange (FX) rates.

Implementing these policies in close succession had significant implications for our economy. Inflation levels surged to 28.9%, the highest in over two decades, eroding the value of the Naira and significantly impacting the cost of living. Despite this, many banks saw their FX-denominated investments boosted by the Naira devaluation, which made the financial services sector one of the best-performing in 2023.

On the regulatory front, the Apex Bank updated the Code of Corporate Governance, strengthening standards and revising the requirements for Board membership and oversight to enhance supervision across the industry.

Liquidity issues and rising yields continued to make the operating environment difficult. Despite reducing merchant banks' Cash Reserve Requirement (CRR) to 10% in July 2023, refunds were not implemented until 2024, which had significant implications for market liquidity. Despite the challenges, our determination, dedication, and perseverance led to a commendable performance in 2023.

Financial Performance

The Merchant Bank recorded a 36% year-on-year growth in profit-before-tax to close at ₦4.08bn. The performance was underpinned by a 43% increase in gross earnings, moderated by a 6% increase in operating expenses due to the high inflationary environment and depreciating Naira.

Rising costs of funds and increasing regulatory charges led to a contraction in net interest income year-on-year. However, this was offset by growth in non-interest income, which represented 87% of net revenues and grew by 52% year-on-year. FX revaluation gains also contributed to the increase in non-interest income in the year.

The Corporate and Investment Banking division contributed the largest share of our gross revenues, 70%, as the business remained top of mind for clients and secured several mandates in Capital Markets and the Oil and Gas sector. Fixed Income, Currencies and Treasury delivered 27% of our revenues, impacted by lower yields on investments and increased funding costs.

"Despite the challenges, our determination, dedication, and perseverance led to a commendable performance in 2023. The Merchant Bank recorded a 36% year-on-year growth in profit before tax to close at ₦4.08bn."

Awards

The market continued to recognise and celebrate our success across the Bank with various awards in 2023.

Award	Awarding Organisation
Banks and Other Financial Institutions Award 2022 • FBNQuest Merchant Bank Limited - Infrastructure and Project Finance House of the Year	Business Day
FMDQ Gold Awards • Most Active Issuing House for Commercial Papers	FMDQ
The Great Place to Work Survey 2023 FBNQuest Merchant Bank Limited • Gold Certification • 2nd Best Place to Work in Nigeria • Best in Promoting People Leadership Practices • Best in Delivering Impactful Organisational Values	Great Place to Work

Business Updates

Leadership:

With the retirement of our long-standing executives, Kayode Akinkugbe, our Managing Director, and Taiwo Okeowo, our Deputy Managing Director, we ended 2023 under new leadership. Following the CBN's approval, I took on the role of Acting Managing Director.

We appreciate Kayode Akinkugbe and Taiwo Okeowo's successful leadership of the group, from the acquisition of Kakawa Discount House to the transition of our business from FBN Capital Limited to the FBNQuest Group of companies. Their years of service, leadership, and remarkable contributions positioned FBNQuest Merchant Bank as a respected force in the financial services industry.

Strategic Pillars:

In line with our strategic priorities, we made progress on our 2023 pillars as follows:

- **People:** We successfully prioritised our People Agenda, launching several wellness and employee bonding initiatives. Consequently, Great Place to Work honoured the Bank with four prestigious awards, including the title of the 2nd Best Great Place to Work in Nigeria in the Medium-Sized Companies category.

  The rising cost of living necessitated a salary adjustment, demonstrating our unwavering commitment to ensuring competitive compensation for our staff and attracting and retaining top talent.

  We also relocated to our new office location at 2 Broad Street, Lagos Island, after completing extensive renovation works to enhance the site and implement sustainable measures to ensure a safer and longer-lasting environment for all.

- **Technology:** We improved our Corporate Internet Banking platform to enhance our clients' banking experiences. We also collaborated with FirstBank to offer more transaction channels to clients, leveraging the Bank’s branch network and payment platforms. Our pursuit of greater efficiency led us to automate some of our processes further, ensuring a seamless operational workflow throughout our business.

- **Partnerships:** We continued to pursue internal and external opportunities to accelerate client growth and generate incremental revenues for the Bank. Working with our business partners, we successfully originated new business and met our partnership revenue target for the year.

Acting Managing Director's Review

2024 Outlook

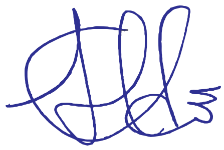
2024 is a pivotal year for the Bank as we proceed under new leadership for the first time in over a decade. It is also the final year of our current strategy plan, and we will be articulating a new strategy to guide our ambitions over the coming years.

The macroeconomic landscape has intensified, with FX rates up about 60% year to date (YTD). Inflation has reached new highs of 33.69%, driven by rising food prices, and is expected to rise further due to increased energy costs. The recent organised labour strikes and exit of top manufacturers from Nigeria demonstrate the extent of the rising cost of living for the general population and business, simultaneously signalling additional pressures on the general price level as increases in the minimum wage are expected across the country. In response, the CBN has sustained its hawkish stance on rates, hiking the MPR to 26.25% and increasing CRR to 14% for merchant banks. In a welcome development, the regulator reduced the Loan-to-Deposit Ratio (LDR) from 65% to 50% to reduce inflationary pressures.

While these developments have made the first half of the year challenging, we are optimistic that the key economic indicators will improve towards the end of the year. The Ministry of Finance recently announced its plans to stabilise the economy by targeting critical economic issues, the exchange rate, fiscal policy and interventions in the agricultural sector to improve food security. The improved macro economy would induce improved liquidity within the operating environment and lower funding costs. Consequently, we expect more significant opportunities for our business and are well-positioned to take advantage of them as they emerge. The revised recapitalisation requirements for banks will also be a key focus for our business as we explore strategies to shore up our capital ahead of the 31 March 2026 deadline.

I look forward to delivering a stronger performance this year for the Bank. Indeed, our YTD performance demonstrates this, as we have taken advantage of improved liquidity to do business and improve our key performance ratios.

I want to thank our clients and shareholders for their ongoing support and confidence in our ability to deliver value. I also want to thank our staff for their dedication and focus on generating solid revenues and efficiently optimising our resources despite facing several challenges and uncertainties. The year 2024 has started positively for our business, and we are committed to achieving improved results for all our stakeholders as we continue to drive the business towards being the undisputed leader in the merchant banking industry.



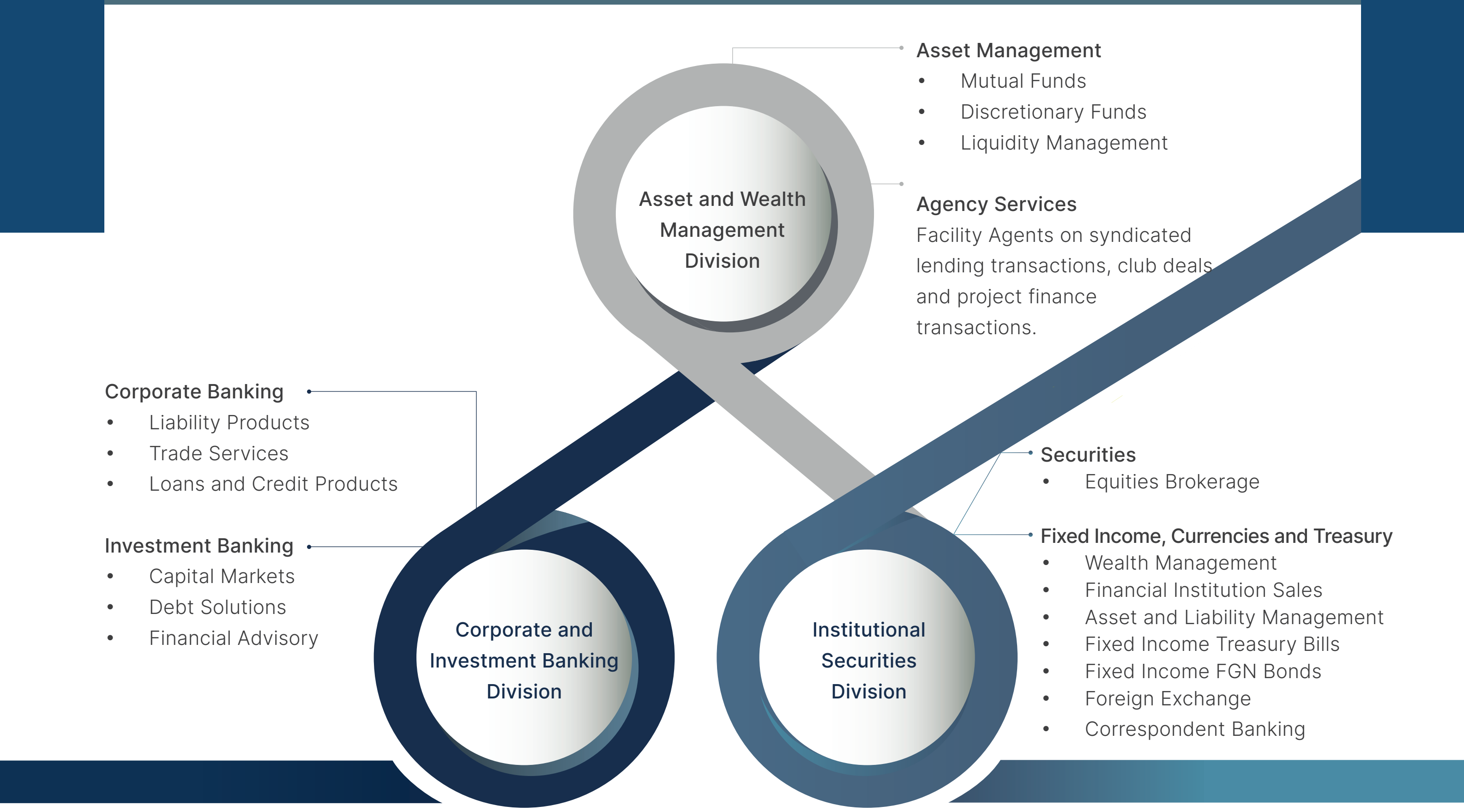
Afolabi Olorode
Ag. Managing Director
FBNQuest Merchant Bank Limited

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 comprising 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 Divisions



Our Clients: Large or mid-tier corporates, governments, institutional investors, ultra-high-net-worth individuals, high-net-worth individuals, family offices, affluent and retail clients.

Our Locations: Lagos, Port Harcourt and Abuja.

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.

Business Model

Our business is constantly adapting to the changing operating environment as we strive to become the preferred wealth manager 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 the best execution sales and trading services.

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 and Correspondent Banking

The Trade Services and Correspondent Banking 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 and Corporate Banking Group 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 - Asset Management and Securities

- **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.
- **Mutual Funds and Private Portfolios Unit:** 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.
- **Structured Notes:** Responsible for 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 all bank accounts managed by the AM business, the execution of End of Day processes and the 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 lodgements, changes of name/address, account opening (CSCS/NASD) and processing of IPO/Right issue/FGN savings bond.

C. Domestic Operations

The department 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.

Operational Review

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 values positive customer interactions and focuses on understanding and improving customer journeys, delivering excellent service at every interaction, and enhancing customer satisfaction across all touchpoints. It oversees the 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 organisation internally. Its duties are:
  - ➢ Account opening;
  - ➢ Management of customer database;
  - ➢ Issuance of operative account withdrawal booklets/cheque books;
  - ➢ Referencing operative accounts;
  - ➢ Signature verification;
  - ➢ E-banking administration;
  - ➢ Managing Corporate Internet Banking (CIB) enquiries; and
  - ➢ Regulatory reporting.
- **Customer Care:** Provides accurate information on the Bank's products and services and resolves customers' complaints while maintaining confidentiality. This team includes the front desk officers. The unit provides services to customers through the following channels.
  - ➢ Walk-ins
  - ➢ Email
  - ➢ Website
  - ➢ Telephone
  - ➢ Social media platforms
- Contact Centre: They undertake the following functions:
  - ➢ Handling and resolving customer enquiries, requests and complaints;
  - ➢ Upselling and cross-selling the company's products and services;
  - ➢ Tracking and ensuring all pending issues are consistently followed up, resolved, or escalated to the respective relationship manager or back-office function; and
  - ➢ Logging of all customer interactions.

General Services:

In 2023, the General Services department dedicated its efforts to creating a conducive, eco-friendly environment and improving vendor management processes for employees, clients and vendors of the organisation. These were accomplished as follows:

- Delivered the Bank's renovated head office located at No 2, Broad Street Lagos, providing an improved working environment for the Merchant Bank businesses.
- Implemented an optimal power management solution in the Bank's Head Office in Lagos to reduce the Bank's power costs and carbon footprint.
- Launched the Vendor Management Portal to enhance procurement activities and ensure vendor records collected are safer, complete and up to date.

Focus for 2024

In 2024, our focus will be centred on maintaining a culture of cost optimisation and a sustainable office environment that will engender improved stakeholder experiences.

Some of the activities to aid our areas of focus are:

- Improve facility management service to maintain and provide safe, cost-effective facilities that enhance operational efficiency, reduce costs, and improve customer satisfaction.
- Develop and deliver cost savings initiatives.
- Implement power management solutions in the Bank's branch situated in Abuja to support our objective to reduce the Bank's carbon footprint.
- Drive strategic vendor management and procurement initiatives to further aid cost optimisation without negatively impacting service delivery.
- Commence electronic archiving to enhance document management towards achieving a more sustainable environment.
- Host the biennial Vendor Retreat to improve collaboration, cross-selling, cost savings, service delivery and relationship management with our vendors.
- Automate identified processes to enhance service delivery.

Information Technology

Olugbenga Babatunde
Head, Information Technology
FBNQuest Merchant Bank Limited

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
- Optimal Application Availability
- Digital and Automation Agenda
- Advanced Data Analytics Capability
- Global Best Practice Adoption

Optimal Infrastructure Availability

The team continued the infrastructure refresh programme, which resulted in increased capacity and availability and simultaneously strengthened the security of our information assets and network.

Digital and Automation Agenda

Key initiatives delivered included improved API security, successful integration between Bloomberg and Finacle Treasury, upgrades on payment platforms, improved collaboration technologies and compliance with regulatory requirements to improve customer experience and increase customer service offerings.

Optimal Application Availability

Critical Application upgrades were delivered across payment and corporate platforms to improve customer experience and security posture while ensuring regulatory compliance. In addition, the team improved the business continuity failover exercise to ascertain business continuity/disaster recovery readiness.

Global Best Practice Adoption

Institutionalising IT Service Management capabilities by attaining ISO 20000 Certification will continue to define the effective deployment of Technology in alignment with business goals, and provide a secure and scalable foundation for delivering FBNQuest service expectations.

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.

Divisional Operating Review

Investment Banking

Afolabi Olorode
Head, Investment Banking
FBNQuest Merchant Bank Limited

Introduction

Capital Markets (Debt and Equity), Debt Solutions, 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. Therefore, 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. This is underpinned by quick deal turnaround, execution, unique structuring, and distribution capabilities which has helped it maintain its position among the top three players in Nigeria. The Team has developed strong relationships with strategic liquidity providers, ranging from domestic, regional, and international banks to other specialised debt, mezzanine, and equity funds, while demonstrating 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 players in Nigeria across each of the business verticals. 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 product offerings.

Capital Markets

- Government and Subnational Bonds
- Corporate Bonds
- High Yield Bonds
- Convertible Bonds
- Ratings Advisory
- Asset-backed Securities
- Sukuk
- Commercial Papers
- Securitisation
- Infrastructure Funds
- Initial Public Offer
- Rights Issue

Debt Solutions

- Project and Infrastructure Advisory (green and brownfield)
- Debt Structuring and Arranging
- Global Facility Coordination
- Debt Restructuring and Refinancing
- Technical and Financial Modelling Bank Services
- Bookrunner and Documentation Bank Services
- Leverage and Acquisition Financing
- Reserve-Based Lending
- Public-Private Partnerships Advisory and Pre-Bid Debt Advisory
- Loan Syndications
- Project Risk Assessment and Advisory
- Bankability Assessment and Project Advisory

Financial Advisory

- Mergers and Acquisition Advisory (buy-side and sell-side)
- Restructuring and Recapitalisations
- Carve-outs, Spin-offs and Split offs
- Private Equity Sourcing (structuring, advising, and arranging)
- Privatisation Advisory
- General Corporate Finance Advisory

"Therefore, the IB Team assists customers in the public and private sectors with structuring, financial advisory, debt and equity arranging services."

Coverage and Corporate Banking

Afolabi Olorode
Head, Coverage and Corporate Banking
FBNQuest Merchant Bank Limited

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 industry verticals with a focus on deepening client engagement, executing thought leadership initiatives, deal origination and selling across multiple business segments while maintaining relationships with relevant players.

The verticals mirror the active industries in Nigeria, namely:

Diversified Industries

- Manufacturing/Fast-Moving Consumer Goods
- Pharmaceuticals
- Metals and Fabrication
- Agriculture and Agribusiness

Energy and Infrastructure

- Oil & Gas Upstream
- Oil & Gas Midstream
- Oil & Gas Downstream
- Oil & Gas Services
- Gas Infrastructure and Processing
- Real Estate

Services and Utilities

- Telecoms, Media and Technology
- Transport and Logistics
- Education
- Power
- Hospitality
- Healthcare

Public Sector

- Federal Government
- Sub-Nationals
- Ministries, Agencies and Parastatals

Financial Institutions

- Banks
- Insurance Companies
- Microfinance, Pension Fund Administrators, and Asset Managers

> **The coverage Team provides a one-stop contact point for managing the Bank's client relationships and originating opportunities to deliver value for them.**

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:

Credit Products

- Asset-backed Facilities
- Loans (Overdrafts, Term and Time Loans)
- Project Financing
- Bonds and Guarantees
- Receivables Financing
- Lease Financing

Trade Products

- Letters of Credit
- Bills for Collection
- Invisible Payments (Form A)
- Certificate of Capital Importation
- Export Processing

Liability

- Fixed Deposits
- Domiciliary Accounts
- Current Accounts

Key Developments

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 provided forward discounting solutions to its customers to settle outstanding offshore obligations promptly. The combination of the FX supply deficit and the pending settlements of the FX backlogs caused volatility in Nigeria's FX market. This has resulted in the re-emergence of the premium between the official and parallel market rates. The newly appointed leadership at the CBN is actively addressing the backlog of foreign exchange. Although we do not anticipate an immediate recovery in capital inflows, we expect these measures to gradually yield results in the medium term.

Hike in Monetary Policy Rate:
To control the inflationary pressure, CBN gradually increased the MPR from 16.5% to 18.75% up until July 2023. 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 disruptions and heightened inflation rates. In managing the impact of increased prices, several 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.

Inflation:

- **Removal of Fuel Subsidy:** The new administration's decision to deregulate the price of petrol (PMS) and eliminate trading restrictions on the FX market resulted in a significant depreciation of the Naira and partly contributed to the recent surge in the country's headline inflation.

- **The Red Sea Crisis:** Around 30% of the world's container shipping traffic passes through the Red Sea, a key shipping route for oil and gas tankers, as well as bulk shipping. The Red Sea crisis and the mounting geopolitical tensions in the Middle East are forcing vessels into longer and more costly journeys around Africa. The attacks by Houthis rebels on ships have prompted shipping firms to re-navigate their vessels away from the Suez Canal (a major East-West shipping route), redirecting more than USD200bn worth of trade flows since mid-November 2023. The effect of the longer vessel voyages is increased freight costs for import and export clients.

Fixed-Income Currencies and Treasury

Ramat Babah
Head, Fixed Income Currencies and Treasury
FBNQuest Merchant Bank Limited

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 six sub-units: Asset and Liability Management, Fixed Income FGN Bonds, Fixed Income Treasury Bills, Foreign Exchange, 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 risks 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 (PDMM) in the Federal Government of Nigerian Bonds, the Fixed Income 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 appointed by the CBN, the Fixed Income Treasury Bills Unit ensures the Bank meets its money market dealer (MMD) obligations, as stipulated by the CBN. It actively participates in auctions conducted by the CBN, serving as a first point of contact for primary treasury bills issue.

The unit is also responsible for trading in the secondary market on behalf of the Bank and its customers, providing relevant information and advice to help them 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.

Our main focus is the optimal management of the consolidated funds of the Bank and ensuring its profitability within acceptable levels of risk.

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 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.

We cross-sell products across all FBNQuest Entities, including our Local and Foreign Currency Premium deposits products, FBN Securities-Backed products, other Fixed income securities (Treasury bills, FGN bonds, corporate bonds and Eurobonds) as well as our FBN Easy Retirement Package, a retirement investment plan for generational transfer of wealth. 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. We are located along the major geographical lines covering Lagos, Abuja, 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 papers 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 by applying the team's strong fundamental qualitative 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 (CIS) and outsourced mandates for bespoke investment programmes.

Key Offerings

Mutual Funds

The CIS offers 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 investors have actively sought portfolio exposure to them and have benefited from their collective power. This segment remains a core solution for our diverse client base as it democratises access to markets for a broad range of the population. The mutual funds are regulated by the Nigerian Securities and Exchange Commission (SEC).

- The FBN Money Market Fund is the second largest in Nigeria and performed strongly in 2023, outperforming its benchmark. It closed with a yield of 12.51% at the end of December 2023.
- The FBN Halal Fund, our ethical investment solution, is the second largest in Nigeria and performed strongly versus its benchmark and peers in 2023. The Fund returned 12.84% in the year.
- The FBN Bond Fund closed 2023 as the second largest bond fund in the asset management industry, with the best return compared to its peers. The total return of 12.11% in the year also outperformed its index.
- The FBN Specialized Dollar Fund is the first specialised USD fund in Nigeria, offering exposure to non-Nigerian USD instruments. The Fund returned 10.30% to investors in 2023 and was the best-performing Fund in its category.
- The FBN Dollar Fund is our alternative USD solution for investors who wish for Nigerian Dollar-denominated fixed income exposure only. Having returned 6.99% in 2023, the Fund outperformed its benchmark.
- The FBN Balanced Fund remained the largest balanced Fund in Nigeria in 2023. It outperformed its benchmark in 2023, returning 46.07% by the end of the year to investors.

> 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.

Subsidiary Operating Review

- The FBN Smart Beta Equity Fund is our equity solution, offering clients access to the equity market via a quantitative-based, passively managed fund. It closed the year with a strong return of 63.75%, markedly outperforming its benchmark and demonstrating the importance of equity markets as a potential source of alpha and protection from inflation for investors.

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. Furthermore, we note that a growing number of high net worth Individuals (HNI) are using this vehicle to consolidate and manage their wealth. In addition to tailor-made portfolios, clients can access active performance monitoring with specialised and differentiated investment reporting.

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. These solutions are available to our institutional and HNI customer base, allowing them to access superior returns.

Key Opportunities

The Nigerian economy remains one of the largest investment management markets in the Sub-Saharan region, especially with the evolution of the domestic financial landscape, improved technology, and enhanced regulation. This is in addition to the growth of an astute investor base that has united to create a more developed Asset Management industry and financial market.

The evolution of the Asset Management industry is evidenced by the exponential growth of the Assets Under Management (AUM) of SEC-regulated offerings from ₦153.53bn at the end of 2013 to ₦2.24tn at the end of 2023. In 2023, the Nigerian Asset Management industry saw AUM for SEC-registered funds grow by 47.48% from 2022 on the back of higher yields in the fixed-income market, strong performance of the equity market, capital preservation strategies, and opportunities to compensate for the real negative rate of return by hedging against Naira depreciation.

Against this backdrop, Money Market Mutual Funds (+43.42%), Equity Funds (+51.52%), and Dollar Funds (+126.43%) delivered stellar performance year-on-year. The growth in the Dollar Funds AUM was also boosted by the devaluation of the Naira within the year. As investors continue to search for investment options for capital growth and preservation, we expect the listing of new funds, especially asset-backed funds such as commodities and infrastructure, to become the order of the day in 2024.

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.

Strategies and Outlook for 2024

Like much of the financial services industry, the Asset Management industry in Nigeria faced significant macroeconomic and market volatility in 2023 due to new economic reforms. Rising inflation will continue to challenge the economy, and we expect that the Central Bank will continue in its hawkish stance and raise the Monetary Policy Rate (MPR) further to curb inflationary pressures. As such, investors will look for higher-yielding investment opportunities, such as alternatives and opportunities to hedge against a depreciating Naira to protect their portfolio value.

Our Assets under Management (AuM) are projected to grow by 32% in 2024; driven by factors such as technological advancements, market depth, increasing investor awareness, and a more favourable macroeconomic environment in the second half of the year. While challenges remain, the industry's growth will have a positive impact on the Nigerian economy and contribute to the nation's financial stability and development.

FBNQuest Asset Management has retained its position as the 'Best Asset Manager' in Nigeria - as recognised for the sixth year in a row in the 2023 Africa Banking Awards organised by EMEA Finance - a testament to the outstanding quality of service and products delivered by the firm. In 2024, we will seek to expand our product offerings to include our infrastructure fund, our first publicly registered alternatives-based solution, as well as other US dollar-denominated and fixed-income investment opportunities.

In addition to the diverse range of investment products we offer, our primary focus will be on consistently delivering exceptional performance to our clients. We will achieve this by integrating advanced technology into our operations, ensuring a smooth and efficient end-to-end service for our valued customers.

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 ranked 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 more than 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 is registered 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 for both equities and debt. With a strong client base, FBNQuest Securities Limited distributes public offerings on behalf of issuers domestically and internationally.

> FBNQuest Securities Limited remained well-positioned to offer best-in-class execution services to clients amid the mixed market pattern. It intensified the coverage of both domestic and offshore clients, with a focus on enhanced cross-selling opportunities within and beyond the FBNHoldings Group.

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.

Strategy and Outlook

The challenging economic environment persisted in 2023, driven by adverse global headwinds arising from the sustained Ukraine-Russian war. In addition, rising inflation and high interest rate environments, as most Central Banks tried to curtail the situation, led to poor demand for stocks as yields on fixed income securities were more attractive. Concerns also emerged of banking system weakness following the collapse of some banks in the US and UK. This latter development was, however, thankfully quickly managed and resolved by the regulators, thereby preventing negative runs and the attendant adverse ripple effect in the global economy. Late escalation of tension in the Middle East arising from the Israel-Hamas war as the year ended, also remained a major cause of concern.

On the domestic front, the equities market experienced a tale of two halves, with initial investor apathy dominating in the earlier months as, in addition to global macroeconomic challenges, uncertainties around the outcomes of the 2023 general elections became a major consideration for most. Foreign Portfolio Investors (FPIs) also largely remained on the sidelines as funds repatriation remained challenging for them due to the lingering FX scarcity issues in the country. The situation improved following the conclusion of the general elections and major policy pronouncements by the new president post-inauguration in May, particularly the announcement of the removal of subsidy on petroleum products and the introduction of a liberalised FX regime via harmonisation of the FX markets. The market responded with euphoria and rallied to record levels as investors took positions in sectors perceived as beneficiaries of these policies (particularly banking and energy counters). Local investors also anticipated further upsides from the possible return of FPIs to the Nigerian market, which could stimulate further market demand. However, as FX supply continued to be a constraint, the FPIs remained on the sidelines, and domestic investors continued to dominate the market with participation levels at 88.52% as of December 2023 (cf. 83.68% in December 2022) versus 11.48% for offshore investors (cf. 16.32% in December 2022). The market index consequently crossed an all time high level threshold of above 70,000 points to close at 74,773.77 points for the year, with a +45.9% year-on-year gain for the full year December 2023 (vs +19.98% year-on-year gain full year December 2022).

The Nigerian Exchange consequently emerged as the 7th best performing index in the world in absolute terms. The market turnover also improved by 53% to ₦1.79tn versus ₦1.17tn in 2022, having been boosted by several strategic block trades by major investors. The market also saw a few new listings during the year, albeit there were also some delistings as the harsh economic environment continued to take a toll on performance.

The FBNQuest Securities Team, consisting of experienced and focused personnel, remained well positioned to offer best-in-class execution services to clients amid the mixed market pattern. It intensified the coverage of both domestic and offshore clients, with a focus on enhanced cross-selling opportunities within and beyond the FBNHoldings Group. The Team was also well-positioned to take advantage of market opportunities for proprietary purposes. The Company thus emerged 7th on the NGX league table for the year with a market share of 3.78%.

In 2024, we anticipate sustained local domination of the market and increased activities in the primary market space as more companies may approach the market for fresh capital raises. We also anticipate new listings, such as Dangote Petrochemicals, as well as the likely listing of some government-owned enterprises. The positive impact of the various government reform policies may gradually begin to emerge and may attract the much-needed Foreign Direct Investments (FDIs) and FPIs to the Nigerian market later in the year.

We will continue to leverage our corporate brand and expertise, market relationships and coverage network to ensure we are top of mind as stockbrokers to these primary market issues. We will actively participate in their distribution and sales processes whilst ensuring the delivery of bespoke services and good returns to all stakeholders.

Corporate Responsibility & Sustainability

Empowering Our People

Our people agenda remained on the front burner as we continued to implement initiatives to foster a positive work environment and drive continuous employee satisfaction. In 2023, among our key achievements, we successfully implemented the Graduate Trainee Programme (GTP) and the Leadership Development Programme (LDP) to deliver a wide range of personal and professional competencies for new and existing employees and improve their delivery capacity.

Employee Engagement and Development

At the start of the year, we set out to create an optimal employee experience by improving all employee touchpoints. The People Management Team delivered a series of programmes and initiatives to improve our retention strategy, attract and recruit the right fit for the organisation and support employees in developing their competency levels. We also made adequate support structures and benefits available to employees given the rising cost of living in the outgone year. The Managing Director and Senior Management held town hall meetings to provide a platform for employees to interact with the Leadership Team.

Given the Bank's hybrid work model, online, on-site, and on-the-job training initiatives were implemented for employees in line with the continuous growth and development policy. Mandatory/regulatory training sessions were conducted for all employees. The Bank leveraged its digital e-learning platform in conjunction with on-site learning interventions and achieved a comprehensive learning coverage of over 85% of employees in function-specific areas, including outsourced employees, by the end of the year. The Bank also partnered with the Chartered Institute of Bankers of Nigeria (CIBN) & Association of Chartered Certified Accountants (ACCA) to support employee professional development.

FBNQuest Merchant Bank continues to demonstrate its commitment to building a culture that encourages career development and growth through mentoring across all levels, targeted career development and coaching across all grades. 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.

Our Quest Women's Network (QWN) successfully organised events to further strengthen the core ideals and objectives of supporting women and women in leadership across the organisation.

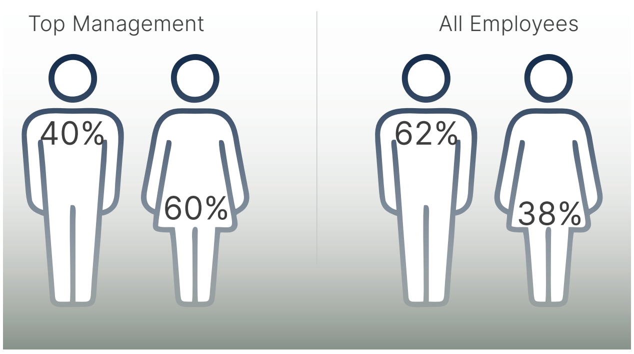
Health, Safety and Welfare

The Bank regularly reviews and tests the strict health and safety rules and practices that govern the work environment. Fire prevention and firefighting equipments are installed at strategic locations throughout the Bank's premises. Employees and their immediate family members benefit from top-rated private medical facilities under the Bank's health insurance scheme. The company's health insurance provides coverage for gym membership and periodic visits to wellness centres to promote and facilitate a healthy lifestyle.

The Bank provides professional support to boost the emotional health and wellbeing of employees through the FBNQuest Employee Assistance Programme (EAP) in partnership with a reputable EAP service provider. Counselling and therapeutic interventions under the programme are open to employees and their spouses. Throughout the year, the Bank implemented various wellness initiatives, including webinars on health and emotional wellness and comprehensive annual medical check-ups, FBNQuest E.P.I.C Walk, Thursday @ 5 - a team bonding and fitness initiative and the 2023 Health Week initiative also held at different times, featuring health talks, communication materials with essential health tips and other activities to encourage healthy living.

In compliance with the Pension Reform Act, the Bank runs a contributory pension plan and has a Group Life and Personal Accident Insurance in place for employees. It also contributes to the Employees' Compensation Fund as required by the NSITF Act.

Gender Distribution (%)



Our Social Commitment

We consider ourselves stewards of our world, directing our sustainability efforts towards resolving environmental, social and ethical issues that pose obstacles to 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

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:

Workplace
We believe that the work environment must be equitable, efficient and healthy. In line with this, we have developed several policies and initiatives designed to meet the requirements of organisational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, community involvement and development.

Corporate Governance
We have established a system of policies and processes, which are laid out for directing, administering and controlling the Group's governance structure at all levels of operations.

Marketplace
Our marketplace focuses on partners and clients, raising awareness of CR&S and encouraging their involvement in key initiatives.

Compliance
We comply with various international and local regulatory requirements, including Nigerian Sustainable Banking Principles, applicable local laws and National legislation ISO 26000, Guidance Standard on Social Responsibility and IFC Performance, and World Bank EHS Standards.

Environment
We prioritise environmental sustainability in all our locations in line with global best practices.

Community
Value is added, and contributions are made to the wellbeing of our communities and society through financial literacy outreaches and other value-adding initiatives.

Our 2023 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, one high-impact and sustainable project was 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.

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 and Port Harcourt, with 548 students reached. Thirteen employees volunteered to teach the curriculum that was shared.

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 aimed 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.

World Savings Day: World Savings Day is observed annually across the globe on 31 October. To commemorate the day, FBNQuest visited four schools across the nation, based in Lagos, Abuja and Port Harcourt, and impacted 383 students. The goal was to increase public awareness of the importance of savings for modern economies and individuals. The main topics taught focused on the importance of savings in the global economy and how every depositor contributes to its development.

USAID Youth-Powered Ecosystem to Advance Urban Adolescent Health (YPE4AH) - FBNQuest also participated in the financial literacy formal training session organised by the USAID Youth-Powered Ecosystem to Advance Urban Adolescent Health (YPE4AH) to teach the youths at the Araromi Youth Hub, Lagos how to invest, save and be financially savvy. A total of 13 youths were impacted.

Nimbus Aid Project: The Nimbus Aid Project's objective was empowering small businesses, specifically those led by women, through advertising grants that would increase their visibility and facilitate growth. As a result of this project, we were able to positively impact 20 women-led businesses by providing them with advertising and marketing support to enhance their brand credibility and visibility. Our goal was to promote economic growth and contribute to a more inclusive business environment.

The EPIC Walk: The EPIC Walk was delivered by FBNQuest in partnership with Teach for Nigeria (TFN), an NGO that provides educational support to underprivileged children. The Walk brought together FBNQuest employees who embarked on a walk to raise awareness and advocate for the challenges faced by children in marginalised communities. This collective effort aimed to garner support for expanding access to quality education for children. Through the walk, a total of ₦1,094,500 was raised. The funds raised have directly supported 33 students in Teach For Nigeria schools, guaranteeing that these students acquire the education, skills, and assistance needed for their success, both at their present level and as they progress.

Capacity Building for Female Employees: As part of our women's economic empowerment initiatives, female employees were sponsored to attend the 2023 Women in Management, Business and Public Service (WIMBIZ) annual conference. Female employees were also sponsored to attend the Association of Professional Women Bankers (APWB) annual conference and networking event. Employees also participated as speakers at the sessions organised to empower and promote female development in celebration of International Women's Month. We know that collaboration, knowledge-sharing and mentorship are integral to the growth and success of women in the workplace and relaunched the Quest Women's Network (QWN) to support our female employees. By bringing together the diverse group of women at FBNQuest, we aim to provide an environment where they can learn, grow, and thrive personally and professionally.

Employee Engagement and Development: Professional support was provided to boost employees' emotional health and well-being through the FBNQuest Employee Assistance Programme (EAP) in partnership with Grey Insights (a reputable EAP service provider). Counselling and therapeutic Interventions under the programme were open to employees and their spouses, and various wellness initiatives were organised for employees.

Breast Cancer and Mental Health Awareness Series: We successfully ran a Breast Cancer Awareness campaign and organised a Breast Cancer and Mental Health web event to raise awareness of the disease. An online session to discuss Breast Cancer and Mental Health was also organised.

Governance

Introduction

Mallam Bello Maccido
Chairman
FBNQuest Merchant Bank Limited

The Board comprises eight Directors as at the end of January 2023. (Dr Akpofure joined 11 January 2023), however, by 31 December 2023, the number of Directors reduced to five. All five Directors were Non Executive Directors. The three retirements (one Independent Non Executive Directors and two Executive Directors) accounts for the reduction in the number of Directors. Oluyele Delano, SAN, an Independent Non-Executive Director retired from the Board effective 31 March 2023, following the expiration of his eight-year tenure, while Kayode Akinkugbe and Taiwo Okeowo, both Executive Directors, retired from the Board effective 8 December 2023. An Executive Director, Afolabi Olorode, was appointed effective 5 January 2024.

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 Committee, in line with corporate governance best practices. Only Non-Executive Directors sit on the Board Governance and Nominations Committee (formerly 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 meeting's agenda. 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 Nominations 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 acknowledge the Board's success in maintaining a diverse and experienced membership, dedication to the Bank's growth 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.

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.

Leadership - Board of Directors










FBNQuest Merchant Bank Board of Directors:

Mallam Bello Maccido
Chairman

Afolabi Olorode
Ag. Managing Director
Appointed 5 January 2024

Kayode Akinkugbe
Managing Director
Retired 8 December 2023

Taiwo Okeowo
Deputy Managing Director
Retired 8 December 2023

Oluyele Delano, SAN
Independent Non-Executive Director
Retired 31 March 2023

Akinlolu Osinbajo, SAN
Non-Executive Director

Oyinkansade Adewale
Independent Non-Executive Director

Nnamdi Okonkwo
Non-Executive Director

Dr Irene Ubiawhe-Akpofure
Non-Executive Director

Tolulope Adetugbo
Company Secretary

Leadership - Management Committee

FBNQuest Merchant Bank Management Committee:

Afolabi Olorode
Ag. Managing Director
Appointed 5 January 2024

Kayode Akinkugbe
Managing Director
Retired 8 December 2023

Taiwo Okeowo
Deputy Managing Director
Retired 8 December 2023

Patrick Mgbenwelu
Head, Investment Banking and Operations
Retired effective 1 March, 2023

Ike Onyia
Managing Director
FBNQuest Asset Management Limited

Awele Ajibola
Chief Risk Officer

Olamide Adeosun
Chief Financial Officer

Leadership

Bello Maccido
Chairman

Knowledge and Skills

Bello Maccido has over 36 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 nine years and six months 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

Knowledge and Skills

Afolabi Olorode is a versatile and accomplished banker and a business leader with experience in corporate & investment banking, private equity, treasury, project & trade finance. His professional experience cuts across various sectors and jurisdictions, having worked in Agusto & Co., Frontier Capital, KPMG Nigeria and Renaissance Capital before joining FBN Capital in January 2012 and FBNQuest Merchant Bank in January 2017.

Afolabi holds a Bachelor's degree in Estate Management from the University of Lagos and an MSc in Corporate & International Finance from Durham Business School, United Kingdom. He is a Fellow of the Institute of Chartered Accountants, Sponsored Officer of the Securities and Exchange Commission (SEC) and Member of the Institute of Directors (IOD). Afolabi has taken leadership and executive education courses at Columbia Business School, INSEAD, Harvard Business School, Wharton Executive Education, and Lagos Business School, among others.

Afolabi was appointed as an Executive Director effective 5 January 2024.

Experience

- Acting Managing Director, FBNQuest Merchant Bank Limited
- Non-Executive Director, FBNQuest Securities Limited
- Non-Executive Director, FBNQuest Trustees Limited

Afolabi Olorode
Ag. Managing Director
Appointed effective 5 January 2024

Knowledge and Skills

Kayode Akinkugbe is the Managing Director and Chief Executive Officer of FBNQuest Merchant Bank Limited. He has over 29 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 retired from the Board effective 8 December 2023.

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

Kayode Akinkugbe
Managing Director
Retired effective 8 December 2023

Taiwo Okeowo
Deputy Managing Director
Retired effective 8 December 2023

Knowledge and Skills

Taiwo Okeowo is a seasoned professional with over 35 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 the 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 retired from the Board effective 8 December 2023.

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

Oluleye 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). He was elevated to the Inner Bar in 2006, 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, retired from the Board effective 31 March 2023.

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

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 33 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 experiences 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 Nevara, Barcelona, Spain and Kellogs 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

Akinlolu Osinbajo, SAN
Non-Executive Director

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 a Joint Managing Partner at Abdulai Taiwo & Co Solicitors, a firm internationally acknowledged for its expertise on transactional matters relating to Nigeria.

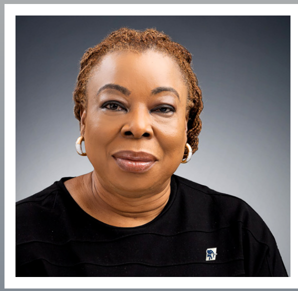
He previously served as a member of the Nigerian Bar Association Special Task Force on Multidisciplinary Practices and Incursions into the Legal Profession. He was also a member of the Civil Service and Judicial Matters Work Group of the transition committee of the Governor-elect of Ogun State in 2003.

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 seven years and four 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



Oyinkansade Adewale
Independent Non-Executive Director

Knowledge and Skills

Oyinkansade Adewale is a senior finance executive with over 39 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 N5bn to N25bn 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 five years and two 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

Dr Irene-Ubiawhe Akpofure

Non-Executive Director

Knowledge and Skills

Dr Irene Ubiawhe-Akpofure is a Non-Executive Director of FBNQuest Merchant Bank. Being a seasoned HR, Business Transformation & Change Professional with over 20 years of experience in both the public and private sector, Dr Ubiawhe-Akpofure is also the Founder/CEO of Yvonne Lewis Limited, a leading recruitment and training service provider with offices located in the United Kingdom and Delta State, Nigeria.

Throughout her successful career, Dr Ubiawhe-Akpofure served as Housing Officer at GFS Platform Borehamwood, Hertfordshire, United Kingdom, where she provided high-level educational support to women with social needs. She also served as a Service Manager at London & Quadrant Housing Trust, London, United Kingdom, where, in her leadership position, she contributed to the strategic service development and delivery of the Company.

Dr Ubiawhe-Akpofure holds a PhD in International Business Management from the International School of Management (ISM) Paris, France, a Master's degree in Human Resource Development from the University of Greenwich, United Kingdom, and a BSc Hons in Health from the University of Greenwich, United Kingdom. She is also a Member of the Institute of Directors, the Recruitment and Employment Confederation and the Chartered Management Institute.

Experience

- Non-Executive Director, FBNQuest Merchant Bank Limited
- Founder/CEO, Yvonne Lewis Limited
- Member, Institute of Directors
- Member, Recruitment and Employment Confederation
- Member, Chartered Management Institute

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. 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.

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.

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.

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.

Effectiveness

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.

Attendance at Board Meetings held in 2023

Members	03 February	21 March	17 May	28 July	09 November	10 December	14 December	27 December
Mallam Bello Maccido	✓	✓	✓	✓	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓	✓	R	R	R
Taiwo Okeowo	✓	✓	✓	✓	✓	R	R	R
Oyinkansade Adewale	✓	✓	✓	✓	✓	✓	✓	✓
Irene Ubiawhe-Akpofure	✓	✓	✓	✓	✓	✓	✓	✓
Akinlolu Osinbajo	✓	✓	✓	✓	✓	✓	✓	✓
Nnamdi Okonkwo	✓	✓	✓	✓	✓	✓	✓	✓
Yele Delano	✓	✓	R	R	R	R	R	R

✓ : Yes, N: No, R: Retired

Board Focus Areas for 2023

Based on the updated 2020–2024 strategic planning cycle, the Board focused on revenue growth and operational expense reduction in 2023 while maintaining strict compliance with corporate governance codes and regulatory frameworks.

Board Changes in 2023

Oluyele Delano, SAN, an Independent Non-Executive Director, retired from the Board effective 31 March 2023, following the expiration of his 8-year tenure, while Kayode Akinkugbe and Taiwo Okeowo, both Executive Directors, retired from the Board effective 08 December 2023. An Executive Director, Afolabi Olorode, was appointed effective 05 January 2024.

Re-election of Directors

Mallam Bello Maccido and Akin Osinbajo, SAN, retired by rotation and being eligible, presented themselves for re-election and were re-elected at the Annual General Meeting of the Company on 17 May 2023.

Board Activities

The Board met eight times during the year, surpassing the minimum requirements for quarterly board meetings. In November 2023, 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 2023 financial year, the Board complied significantly with the provisions of the NCCG and CBN Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks in Nigeria issued on 13 July 2023 ("CBN Guidelines"). 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 2023 financial year due to cost optimisation efforts. In accordance with the CBN Guidelines, 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 Guidelines (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.

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 2023, the Bank's five-member Board included two women and three men, putting the ratio of women at 40%; the Board has made it a priority to increase the number of female members. In partial compliance with the CBN Guidelines, one of the Bank's five Non-Executive Directors is designated an Independent Non-Executive Director (INED).

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 the 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.

Effectiveness

Induction and Training

Upon appointment to the Board and to Board Committees, all Directors receive an induction tailored to meet their requirements. The induction is arranged by the Company Secretary and includes meetings with Senior Management and key external directors to assist Directors in acquiring a 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.

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

Tenure of Directors

The CBN Guidelines specify 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 12 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 the 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 Nominations Committee (formerly Board Governance and Human Resources Committee) all contribute to the effectiveness of the FBNQuest Merchant Bank Board. Non-Executive Directors chair the Board Risk Management and Governance and Nominations Committees, while an Independent Non-Executive Director chaired the Board Audit and Credit Committees. Each Committee is governed by a charter approved by the Board.

Board Audit Committee (BAC)

Oyinkansade Adewale chaired the BAC. The Board's strategic and oversight functions in financial reporting and internal and external audits are all driven by the BAC.

Financial Reporting

The BAC ensures that the 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;
- Evaluate 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 considers 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

- Review 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

Board Audit Committee

Members

- Oyinkansade Adewale – Chairperson
- Oluyele Delano (Retired from the BAC 31 March 2023)
- Nnamdi Okonkwo
- Dr Irene Ubiawhe-Akpofure (Joined the BAC 27 April 2023)

Attendance at BAC Meetings in 2023

Members	30 January	10 February	16 March	03 May	21 July	23 October
Oyinkansade Adewale	✓	✓	✓	✓	✓	✓
Irene Ubiawhe-Akpofure	NYA	NYA	NYA	✓	✓	✓
Nnamdi Okonkwo	✓	✓	✓	✓	✓	✓
Yele Delano	✓	✓	✓	R	R	R

✓ : Yes, N: No, R: Retired, NYA: Not yet Appointed

Board Credit Committee (BCC)

Members

- Oyinkansade Adewale – Chairperson
- Akin Osinbajo, SAN
- Afolabi Olorode (Joined the BCC 05 January 2024)
- Kayode Akinkugbe (Retired from the BCC 08 December 2023)
- Taiwo Okeowo (Retired from the BCC 08 December 2023)

Attendance at BCC Meetings in 2023

Members	18 January	27 April	19 July	18 October
Oyinkansade Adewale	✓	✓	✓	✓
Akinlolu Osinbajo	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓
Taiwo Okeowo	✓	✓	✓	✓

✓ : Yes, N: No, R: Retired, NYA: Not yet Appointed

The BCC was chaired by Oyinkansade Adewale. 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.

Board Governance and Nominations Committee (BGNC)

Members

- Akin Osinbajo, SAN – Chairman
- Oluyele Delano, SAN (Retired from the BGNC 31 March 2023)
- Nnamdi Okonkwo
- Oyinkansade Adewale (Joined the BGNC 27 April 2023)
- Dr Irene Ubiawhe-Akpofure (Joined the BGNC 27 April 2023)

Attendance at BGNC Meetings in 2023

Members	30 January	16 March	21 July	16 October	23 October
Akinlolu Osinbajo, SAN	✓	✓	✓	✓	✓
Oyinkansade Adewale	NYA	NYA	✓	✓	✓
Nnamdi Okonkwo	✓	✓	✓	✓	✓
Yele Delano	✓	✓	R	R	R
Irene Ubiawhe-Akpofure	NYA	NYA	✓	✓	✓

✓ : Yes, N: No, R: Retired, NYA: Not yet Appointed

Board Governance and Nominations Committee (BGNC) (formally Board Governance and Human Resources Committee)

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

- Identifying, approving and recommending individuals qualified to become members of the Board to the Board of Directors;
- Considering and making recommendations on the appointment of 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 BGNC is composed of only Non-Executive Directors.

The membership, meetings, duties, responsibilities and operations of the BGNC shall be subject to the provisions of the BGNC Charter, as approved by the Board. Matters shall be referred to the BGNC from the resolutions of the Management Committee or other matters, as the Board shall refer to the BGNC for consideration. The BGNC shall make recommendations to the Board for adoption and approval.

Effectiveness

Board Risk Management Committee (BRMC)

Members

- Akin Osinbajo, SAN – Chairman
- Oyinkansade Adewale
- Oluyele Delano, SAN (Retired from the BRMC 08 December 2023)
- Kayode Akinkugbe (Retired from the BRMC 08 December 2023)
- Afolabi Olorode (Joined the BRMC 05 January 2024)

Attendance at BRMC Meetings in 2023

Members	31 January	28 April	18 July	19 October
Akinlolu Osinbajo, SAN	✓	✓	✓	✓
Oyinkansade Adewale	✓	✓	✓	✓
Kayode Akinkugbe	✓	✓	✓	✓

✓ : Yes, N: No, R: Retired

Board Risk Management Committee (BRMC)

The BRMC was chaired by Akin Osinbajo, SAN.
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 if mission-critical threats arise.

2. **Internal Control Efficiency**

This involves evaluating the following:

- 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.

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.

Management Committees

Managing the Bank's day-to-day operations is the responsibility of the Management Committee appointed by the Board of Directors. The Management Committee is the Bank's highest decision-making organ. All decisions made by the Management Committee are subject only to the directives and/or parameters set by the Board of Directors.

This retains oversight over the Management Committee and is authorised to review or approve all Management Committee decisions as it sees fit.

The Management 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 Management 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)

Effectiveness

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 reviewing 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
- 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 during 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 2023 were ₦515,954,000.00 broken down as follows:

Fees and sitting allowances	158,162,000.00
Executive compensation	259,321,000.00
Other Director expenses	98,471,000.00
Total	**515,954,000.00**

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 to the business where they work and 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 Procedure

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, knowing that even the most stringent controls cannot guarantee complete protection against fraud, impropriety, and other irregularities, the Bank has provided for the investigation of allegations of suspected improper activities, instituted an adequate disciplinary process where necessary and provided for the escalating of findings to relevant agencies if required. The Bank enforces adherence to the Whistleblowing process, recognising 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. It is however acknowledged that they may be unsure whether to raise concerns or 'blow the whistle' on wrongdoing, for fear of 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, 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 responsibility for implementing the Whistleblowing Policy in the Bank lies 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/wp-content/uploads/2023/06/FBNQuest-Merchant-Bank-Limited-Whistle-Blowing-Policy-2023-1.pdf

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.

The Bank had a whistleblowing incident in 2023, which was deemed spurious after its investigation.

pwc

Report on the Outcome of the Board and Corporate Governance Evaluation Exercise

for the year ended 31 December 2023

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 Principle 14.1 and 15.1 of the Nigerian Code of Corporate Governance ("NCCG") 2018 and the relevant recommended principles of CBN Corporate Governance Guideline for Commercial, Merchant, Non-Interest and Payment Service Banks 2023 ("the CBN Guidelines") for the period ended 31st December 2023.

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 16th February 2024.

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:

- Board leadership through its constituted committees;
- Board oversight of Human Capital; and
- Board oversight of financial & non-financial reporting, risk management and compliance.

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

Yours faithfully,

Wura Olowofoyeku

Wura Olowofoyeku
Partner
FRC/2017/PRO/ICAN/004/00000016809
for: PricewaterhouseCoopers Chartered Accountants

Risk Review

Chief Risk Officer's Report

The global economy continues to witness cyclical patterns. The ongoing Russia-Ukraine conflict, disruptions caused by the COVID-19 pandemic and the recent Israel-Palestine war have had severe consequences for global supply chains, particularly in the agriculture and energy sectors.

These disruptions have resulted in a significant decline in commodity prices and international trade. The sustained high crude oil prices, averaging US$78 per barrel, continue to put pressure prices on import-dependent countries like Nigeria. Nigeria's peculiar macroeconomic and microeconomic realities, including Naira devaluation, 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 2023, noting the opportunities resulting from appropriate risk management.

At FBNQuest Merchant Bank, we aim to become a world-class Investment Bank implementing effective risk management practices, and we are committed to creating long-term value for our stakeholders.

The Bank faces various risks with varying degrees of unpredictability. Some of the most significant threats to the Bank include credit, compliance, information security, liquidity, market, operational, strategy, and reputational risks.

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.

> **At FBNQuest Merchant Bank, we aim to become a world-class Investment Bank implementing effective risk management practices, and we are committed to creating long-term value for our stakeholders.**

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.

The Bank implemented various risk awareness sessions, training, management standards and procedures 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)
- 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)
- 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:

Risk Management

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 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 CRO' 's recommendation;
- 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 their risk management functions;
- 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.

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

- Establish appropriate guidelines for Management, including a clear, zero-tolerance policy for all unethical behaviour;
- 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;
- Review all reports from regulators and auditors, as well as internal reports, and 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
- 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

- Outline an appropriate framework to manage Anti-Money Laundering (AML) and Combat Financing of Terrorism (CFT);
- Ensure the policy meets 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;
- Ensure that staff are trained in AML/CFT and always sustain high ethical and professional standards in its operations;
- Ensure that the highest standards of AML/CFT compliance are always adhered to and
- 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.

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 executes the Bank's business strategy.

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 view 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 (ICTSC)

This Management Committee is responsible for initiating and implementing the Bank's ICT infrastructure. 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), which is responsible for providing strategic direction for information and cybersecurity governance. It also provides governance for 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.

New Product Approval Committee

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.

ELCO Audit 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 during its normal operations:

Credit Risks
These are the existing or principal risks 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.

Compliance Risks
These are the exposures 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
These are the effects 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
These are the risks 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.

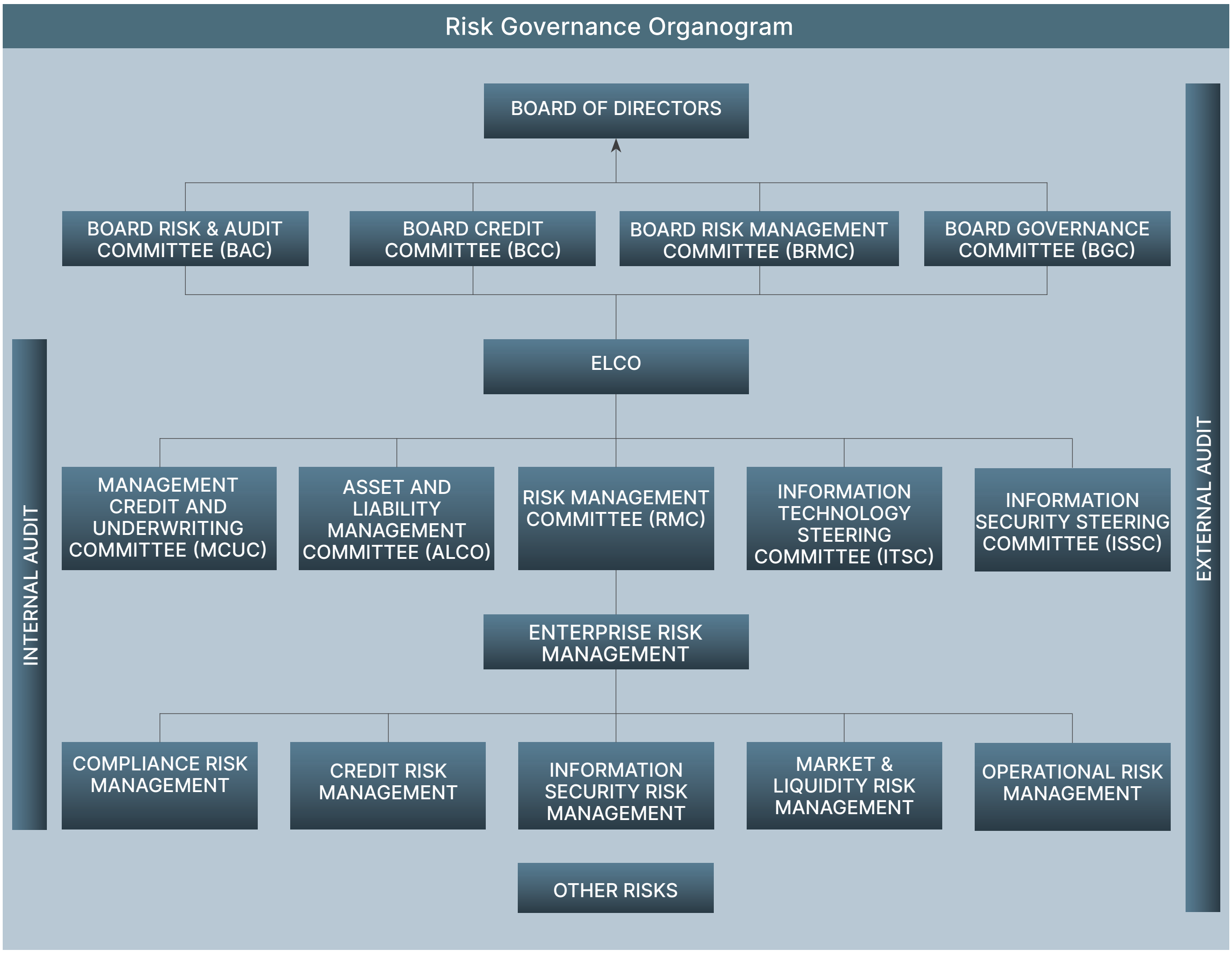
Operational Risks
These are the current and future risks to earnings and capital posed by insufficient or faulty internal processes, people, systems, or external factors.

However, legal, reputational and strategic risks are also 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 Bank's Contingency Funding Plan (CFP) provides a framework for handling liquidity and funding crises, through emergency market access that enables the Bank to successfully manage the crisis and ensure quick recovery.



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 its mission statement while being guided by the following standards:

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

We have a strong risk culture and adhere to industry best practices at FBNQuest Merchant Bank. 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

Information and Cyber Security Risks

Many businesses are still plagued by cyber-threats and cyber-attacks that can jeopardise their existence or cause 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. 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.

Cyber Security Management

The Bank implemented information and cyber security strategies, frameworks, policies, and other relevant controls commensurate to the risks associated with its information assets (hardware, software, documents, backup media, etc) to ensure cyber resilience and safeguard its 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.

Information and Cyber Risk Management

Awareness and Monitoring

The Bank continuously assesses and monitors its strategies to safeguard the confidentiality, availability, and integrity of its information assets. Identified key risks are promptly communicated to relevant stakeholders. External consultants and specialists periodically review, assess, and audit the Bank's IT infrastructure to ensure the safety and security of information assets. Controls are diligently implemented and monitored by the appropriate parties as necessary.

Regulatory Risks

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:

- 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 is 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.

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 risks listed hold significant importance to us and inform the business model we have adopted. It is imperative that these risks are managed effectively and properly.

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. The Bank has placed significant emphasis on effectively managing its credit risk exposure, considering its lending and other associated activities. 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 present inherent risks in financial markets, credit, operations and information security. The extent of our exposure to these risks drives our regulatory capital requirements.

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:

- Aggregate large exposure limit
- Single obligor limit
- Customer concentration limit
- Credit product limit
- Currency limit
- Loan performance
- Obligor risk rating
- Sectorial limit
- Tenor limit

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

Principal Risks

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 the 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 advocating best practices throughout the Bank in credit risk management. The Bank's Credit Risk Principles and Policies were further revised in 2023.

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 using 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. The Bank considers two components when assessing the credit risk associated with loans and advances:

- 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 reflect the risk appetite and liquidity profile of the Bank. These limits may be reviewed and revised (outright removal, reduction or increase) during the year 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 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, are implemented by the Treasury group and are 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.
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 within each 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 responsible for effectively managing the Bank's liquidity. 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;
- Modelled deposit behavioural analysis;
- Liquidity stress testing; and
- Scenario analysis.

FBNQuest Merchant Bank monitors its liquidity position 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 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. This assures the 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.

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 the 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 theactions taken to address such failures.

Compliance Risks

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.

Overview

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.

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.

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 that various sanctioning bodies have blacklisted. 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.

- **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 confirm the effectiveness of the Bank's AML/CFT measures.

  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.

The Bank fosters increased collaboration and adopts control measures based on current international best practices. This ensures its subsidiaries maintain the highest AML/CFT control standards.

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:

I. 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;
II. Ensure new and changed regulatory requirements are identified and reflected in the Bank's processes where appropriate;
III. 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;
IV. 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
V. Facilitate the formation and enhancement of a compliance culture in the Bank.

Compliance Risk Management Strategy

The following strategies 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.

Compliance Risks

- 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 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.

- **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.

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- **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:
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  - 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 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.

- **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

Corporate Information

Directors	
Mr. Bello Maccido	Chairman
Mr. Afolabi Olorode, FCA	Acting Managing Director (Appointed 5 January 2024)
Mr. Akinlolu Osinbajo, SAN	Non-Executive Director
Mrs. Oyinkansade Adewale, FCA	Non-Executive Director - Independent
Mr. Nnamdi Okonkwo	Non-Executive Director
Dr. Irene Ubiawhe-Akpofure	Non-Executive Director (Appointed 11 January 2023)
Mr. Olueleye Delano	Non-Executive Director - Independent (Retired March 31 2023)
Mr. Kayode Akinkugbe	Managing Director/CEO (Retired December 8 2023)
Mr. Taiwo Okeowo	Deputy Managing Director (Retired December 8 2023)
Registered office	
	2 Broad Street
	Lagos Island
	Lagos.
Bankers	
	Central Bank of Nigeria
	First Bank of Nigeria Plc
	Guaranty Trust Bank Plc
	Sterling Bank Plc
	FBN UK Limited
	Bank of Beirut (UK) Ltd
	FCMB UK Ltd
	Access Bank Plc
	UBA America
	ABSA Bank Ltd
	BACB Plc
	Standard Chartered Bank Nigeria Ltd
	ODDO BHF
RC Number	
	264978
Tax Identification Number	
	00166797-0001
Solicitors	
	Nike Onyebuchi Omeye & Co.
	71A Lafiaji, 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

The Directors present their report on the affairs of FBNQuest Merchant Bank Limited ("the Bank") and its subsidiaries together with the audited consolidated financial statements and the auditor's report for the year ended 31 December 2023.

(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. Its Central Bank of Nigeria (CBN) license for merchant banking was obtained in May 2015, while merchant banking operations commenced on November 2, 2015.

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

(b) Principal activities

The principal activities of the Bank are portfolio management and provision of finance and credit facilities to non-retail customers, 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.

(c) Operating results

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

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Gross earnings	**47,937,219**	31,799,138	**35,504,216**	24,811,851
Profit before minimum tax and tax expense	**10,718,191**	5,212,480	**4,089,547**	3,007,335
Minimum tax	**(177,037)**	(169,024)	**(177,037)**	(169,024)
Profit after minimum tax	**10,541,154**	5,043,456	**3,912,510**	2,838,311
Income tax expense	**(3,336,081)**	(1,158,703)	**(501,188)**	(37,999)
Profit after tax	**7,205,073**	3,884,753	**3,411,323**	2,800,312

(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 dividend of ₦1,376,385,983 from the retained earnings account as of December 31, 2022. The Board has declared an interim and final dividend of ₦1.006b (2022: ₦1.376b) from the retained earnings account as at 31 December, 2023.

Directors' Report

(e) **Directors**

The Directors of the Company who held office during the year and up until date are as follows:

Mr. Bello Maccido	Chairman
Mr. Kayode Akinkugbe	Managing Director/CEO (Retired 8th December 2023)
Mr. Taiwo Okeowo	Deputy Managing Director (Retired 8th December 2023)
Mr. Akinlolu Osinbajo, SAN	Non-Executive Director
Mrs. Oyinkansade Adewale, FCA	Non-Executive Director -Independent
Mr. Oluyele Delano, SAN	Non-Executive Director -Independent (Retired 31st March 2023)
Mr. Nnamdi Okonkwo	Non-Executive Director
Dr. Irene Ubiawhe-Akpofure	Non-Executive Director (Appointed 11th January 2023)
Mr Aafolabi Olorode	Acting Managing Director (Appointed 5th January 2024)

(f) **Directors' shareholding**

The Directors do not have any direct and indirect interest in the issued share capital of the Bank (2022: 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 (2022: Nil).

(h) **Property and equipment and Intangible assets**

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

(i) **Shareholding analysis**

The shareholding pattern of the Bank as at 31 December 2023 (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	0	1	0
101,000,000- 2,000,000,000	1	100	4,301,576,999	100
	2	100	4,301,577,000	100

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	0	1	0
101,000,000- 2,000,000,000	1	100	4,301,576,999	100
	2	100	4,301,577,000	100

Directors' Report

(j) Substantial interest in shares:

According to the register of members as at 31 December 2023, two shareholders hold the issued share capital of the Bank:

Shareholder	Number of Shares held	Percentage of Shareholding %
Adewale Arogundade	1	0
FBN Holdings	4,301,576,999	100
	4,301,577,000	100

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

Share Range	Number of Shares held	Percentage of Shareholding %
Seye Kosoko	1	0
FBN Holdings	4,301,576,999	100
	4,301,577,000	100

(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 Nil customer complaint. No complaint was reported to CBN (2022: Nil).

(l) Donations and charitable gifts

The Group and Bank made contributions to charitable and non-political organisations amounting to ₦9.45 million (2022: ₦28.26 million) and ₦5.3 million (2022: ₦28.26million) respectively during the year.

Directors' Report

Donations to other organizations and individuals:

	Group		Bank	
	2023 ₦'000	2022 ₦'000	2023 ₦'000	2022 ₦'000
Sponsorship of The Chartered Institute of Bankers of Nigeria (CIBN) - Lagos Bankers' Night	**300**	-	**300**	-
Sponsorship of 2023 Nigerian Cup Ikoyi Golf Tournament (26th Edition)	**2,000**	-	**1,000**	-
Sponsorship of Accounting and Entrepreneurship for Students by the Accounting students of UNILAG.	**300**	-	**-**	-
Sponsorship of Indian Cultural Association	**-**	2,000	**-**	2,000
Sponsorship of Institute of Internal Auditors 2023 Hybrid Conference	**500**	-	**-**	-
Sponsorship of Healthy Heart Foundation	**-**	500		500
Sponsorship of 6th African International Conference on Islamic Finance	**1,200**	-	**-**	-
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 Association of Professional Women Bankers (APWB) Symposium	**-**	1,000	**-**	1,000
Sponsorship of 6th Annual Financial Markets Conference for FMDA	**-**	500	**-**	500
Sponsorship of WIMBIZ	**870**	-	**720**	-
Sponsorship for Businessday Banking	**-**	1,000	**-**	1,000
Sponsorship of Nigeria Diaspora Investment Summit	**1,000**	-	**-**	-
Sponsorship of Investiture of the 16th President of the Chartered Institute of Taxation of Nigeria (CITN)	**280**	-	**280**	-
Sponsorship of Nimbus Media Limited Women Empowerment Initiative	**1,500**	-	**1,500**	-
Sponsorship of Annual Bankers Dinner	**-**	3,000	**-**	3,000
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 for Businessday Bank's & Other Financial Institutions Awards (BFIA)	**1,500**	-	**1,500**	-
Total	**9,450**	28,260	**5,300**	28,260

(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, 2023 (Note 47).

Directors' Report

(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.

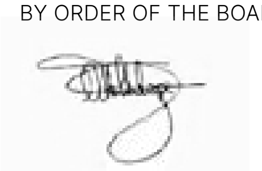
(p) Employee consultation and training

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 5th 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
2 Broad Street
Lagos.
19 March 2024

Statement of Directors' Responsibilities

for the year ended 31 December 2023

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 Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting standard") and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, Financial Reporting Council (FRC) of Nigeria (Amendment) Act, 2023, 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 consolidated and separate 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
19 March 2024

Afolabi Olorode
Acting Managing Director
FRC/2023/PRO/ICAN/002/572771
19 March 2024

Report of the Board Audit Committee

for the year ended 31 December 2023

To the members of FBNQUEST MERCHANT BANK LIMITED:

In accordance with the provisions of Section 404 (7) of the Companies and Allied Matters Act, the members of the Board Audit Committee of FBNQuest Merchant Bank Limited hereby report on the consolidated and separate financial statements for the year ended 31 December 2023 as follows:

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

(b) We are of the opinion that the accounting and reporting policies of the Group and 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 2023 are satisfactory and reinforce the Group and 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.

Mrs. Oyinkansade Adewale, FCA
Chairman, Board Audit Committee
FRC/2013/ICAN/00000001775
19 March 2024

Other members of the Board Audit Committee are:
Mr. Nnamdi Okonkwo
Mr. Oluyele Delano, SAN (Retired with effect from 31 March 2023)
Dr. Irene Ubiawhe-Akpofure (Appointed with effect from 11 January 2023)

Corporate Responsibility for Financial Reporting

for the year ended 31 December 2023

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

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

Financial Information

(a) The audited consolidated and separate financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.

(b) The audited consolidated and separate financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank and the Group as at and for the year ended 31 December 2023.

Effective Internal Controls

(a) Effective internal controls have been designed to ensure that material information relating to the Bank and Group are made known by the relevant staff, particularly during the year in which the audited consolidated and separate financial statement report is being prepared.

(b) The effectiveness of the Bank and Group's Internal controls have been evaluated within 90 days prior to 31 December 2023

(c) The Bank and Group's Internal Controls are effective as at 31 December 2023.

Disclosures

(a) There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank and Group's ability to record, process, summarize and report financial data. Furthermore, there were no identified material weaknesses in the Bank and Group'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	**Afolabi Olorode**
Chief Financial Officer	Acting Managing Director
FRC/2020/001/00000022332	FRC/2023/PRO/ICAN/002/572771
19 March 2024	19 March 2024

Independent Auditor's Report

for the year ended 31 December 2023

KPMG Professional Services
KPMG Tower
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Victoria Island
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Lagos

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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 2023;
- 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 material accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Expected Credit Loss (ECL) allowance on loans and advances to customers

The ECL allowance on loans and advances to customers is considered to be of most significance in the audit due to the high level of subjectivity, judgement, and assumptions applied by management in determining the amount to be recognized as loss allowance on the loans and advances to customers.

The Group uses an ECL model to determine the loss allowance for loans and advances to customer. The ECL model requires the application of judgments, assumptions and certain financial indices estimated from historical data obtained within and outside the Group as input into the model.

The loss allowance on the loans and advances is the output of the model and key judgments and assumptions include the following:

- Definition of default adopted by the Group;
- Determination of the criteria for assessing the significant increase in credit risk (SICR);
- Incorporation of forward-looking information based on the economic scenarios within the model;
- Determination of the 12-month and lifetime probability of default (PD) used in the ECL model;
- Credit conversion factor (CCF) applied in modelling the exposure at default (EAD) for undrawn commitments; and
- Estimation of the Loss Given Default (LGD) based on collateral values and other cash flows.

Our audit procedures in these areas included the following:

- We evaluated the design and implementation of key controls over the impairment assessment process such as:
    - The Board Credit Committee's review and monitoring of the performance of loans and advances to customers;
    - Group 's review of the model assumptions and inputs; and the resultant ECL allowance arising from the model.
- We assessed the Group's default definition and other qualitative default indicators by evaluating the requirements of the relevant accounting standards.
- We evaluated the appropriateness of the Group's determination of SICR, defaults and the resultant classification of loans and advances to customers into stages on a sample basis by inspecting customer files for the terms of the loans and account statements for due and unpaid obligations.
- For loans and advances to customers that have shown a significant increase in credit risk, we assessed the level of past due obligations and qualitative factors such as available industry information about the obligors to determine whether the Group should make an estimate based on the losses expected to result from default events within a year or defined default events over the life of the facilities.
- Assisted by our Financial Risk Management (FRM) specialists, we evaluated the appropriateness of the key data and assumptions used in the ECL model of the Group. Our procedures in this regard included the following:

Independent Auditor's Report
for the year ended 31 December 2023

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- We challenged the appropriateness and reasonableness of the Group's ECL methodology by considering whether it reflects unbiased and probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money, reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;
- For forward-looking assumptions comprising the Prime lending rate and Gross Domestic Product index used, we corroborated the Group's assumptions using publicly available information from external sources and assessed for appropriateness in the Group's circumstances;
- We agreed the CCF applied in modelling the EAD for undrawn commitments by evaluating the Group's computation for compliance with the portfolio segmentation;
- For PD used in the ECL calculation, we inspected the model used for its calculation and evaluated the completeness and accuracy of the data used for default and non-default categories for corporate and retail loans;
- We evaluated the calculation of the LGD used by the Group in the ECL calculations, including the appropriateness of the use of collateral, by recomputing the LGD, cashflow validation, and assessing the haircuts applied on the recoverability of collateral considering the current economic conditions. On a sample basis, we challenged the valuation of collaterals applied in the ECL computations by evaluating the competence of the valuers;
- We independently re-performed the calculation of ECL allowance for loans and advances to customers using the Group's impairment model and inspected key inputs.

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

The Group's accounting policy on disclosure on judgements and estimates and relevant financial risk disclosures are shown in Notes 6 and Notes 4 and 5 respectively.

Other Information

The Directors are responsible for the other information. The other information comprises the Corporate information, Directors' report, Statement of directors' responsibilities, Report of the board audit committee, Corporate responsibility for financial reporting and Other National Disclosures, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

Independent Auditor's Report
for the year ended 31 December 2023

KPMG

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee and 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 Audit Committee and 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 and proper returns adequate for the purposes of our audit have been received from branches not visited by us.

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 and returns.

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

i. The Bank and Group paid penalties in respect of contravention of the Banks and Other Financial Institutions Act of Nigeria and CBN Circulars during the year ended 31 December 2023. Details of penalties paid are disclosed in Note 46 to the consolidated and separate financial statements.

ii. Related party transactions and balances are disclosed in Note 43 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Obaloje

Oseme J. Obaloje, FCA
FRC/2013/PRO/ICAN/004/00000004803
For: KPMG Professional Services
Chartered Accountants
7 May 2024
Lagos, Nigeria

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2023

	Note	Group		Bank	
		31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Interest Income calculated using the effective interest method	7	**24,241,760**	17,600,042	**23,391,397**	16,950,628
Other interest income	7	**255,970**	35,685	**255,970**	35,685
Interest expense	8	**(21,685,503)**	(13,999,402)	**(21,835,114)**	(14,013,719)
Net interest income		**2,812,227**	3,636,325	**1,812,253**	2,972,594
Net impairment charge on financial assets	9	**(2,625,910)**	(1,173,097)	**(2,470,624)**	(1,173,097)
Net interest income after impairment charge for credit losses		**186,317**	2,463,228	**(658,371)**	1,799,497
Fee and commission income	10	**14,367,752**	11,354,670	**6,126,188**	4,526,687
Net gains on foreign exchange	11	**4,313,196**	408,771	**1,442,874**	185,810
Net gains on financial assets at FVTPL	12	**3,684,019**	1,984,906	**2,187,481**	1,356,173
Other operating income	13	**1,074,522**	415,064	**2,100,306**	1,756,868
Operating income		**23,625,806**	16,626,639	**11,198,478**	9,625,035
Personnel expenses	15	**(5,493,141)**	(5,002,278)	**(3,189,498)**	(3,266,564)
Depreciation of property, plant and equipment	28	**(460,684)**	(376,903)	**(405,077)**	(327,836)
Depreciation of right of use assets	30	**(21,778)**	(24,795)	**(21,778)**	(24,795)
Amortisation of intangible assets	29	**(54,773)**	(61,453)	**(43,714)**	(47,946)
Other operating expenses	14	**(6,877,239)**	(5,948,730)	**(3,448,864)**	(2,950,559)
Operating expenses		**(12,907,615)**	(11,414,159)	**(7,108,931)**	(6,617,700)
Profit before minimum tax and income tax expense		**10,718,191**	5,212,480	**4,089,547**	3,007,335
Minimum tax	16	**(177,037)**	(169,024)	**(177,037)**	(169,024)
Profit before income tax		**10,541,154**	5,043,456	**3,912,510**	2,838,311
Income tax expense	16	**(3,336,081)**	(1,158,703)	**(501,188)**	(37,999)
Profit for the year		**7,205,073**	3,884,753	**3,411,322**	2,800,312

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2023

Other comprehensive income:

	Note	Group 31 December 2023 ₦'000	Group 31 December 2022 ₦'000	Bank 31 December 2023 ₦'000	Bank 31 December 2022 ₦'000
Items that may be reclassified subsequently to profit or loss					
Net fair value losses on financial assets at FVOCI					
- Net loss on investments in debt instruments measured at FVOCI	40	**(3,281,211)**	(524,349)	**(3,436,468)**	(404,040)
Other comprehensive loss for the year		**(3,281,211)**	(524,349)	**(3,436,468)**	(404,040)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		**3,923,862**	3,360,404	**(25,146)**	2,396,272
Profit attributable to					
Holders of ordinary shares of the Bank		**7,205,073**	3,884,753	**3,411,322**	2,800,312
Total comprehensive income/(loss) attributable to					
Holders of ordinary shares of the Bank		**3,923,862**	3,360,404	**(25,146)**	2,396,272
Basic/diluted earnings per share (kobo)		**167**	90	**79**	65

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

Consolidated and Separate Statements of Financial Position

as at 31 December 2023

	Note	Group 31 December 2023 ₦'000	Group 31 December 2022 ₦'000	Bank 31 December 2023 ₦'000	Bank 31 December 2022 ₦'000
ASSETS					
Cash and balances with Central Bank of Nigeria	18	73,953,341	59,278,402	73,953,341	59,278,402
Due from other banks	19	45,577,090	57,578,008	36,554,864	51,267,315
Financial assets at fair value through profit or loss	21	7,527,010	2,989,826	4,327,012	2,171,362
Loans and advances to customers	25	105,978,501	106,451,558	105,801,493	106,314,872
Investment securities:					
- Fair value through OCI	22	65,465,326	27,786,257	62,677,050	26,060,515
- Amortised cost	23	1,589,137	1,595,551	-	1,253,377
Pledged assets	24	40,600,000	24,048,685	40,600,000	24,048,685
Derivative financial assets	37	-	197,969	-	197,969
Other assets	26	9,066,346	9,821,901	9,904,970	8,342,968
Investment in subsidiaries	27	-	-	1,518,248	1,321,958
Property and equipment	28	3,114,924	2,501,635	2,985,618	2,378,312
Intangible assets	29	164,609	375,326	92,436	132,219
Right of use assets	30	-	21,778	-	21,778
Deferred tax asset	31	9,455,145	9,313,861	9,113,548	9,113,548
Total assets		362,491,429	301,960,757	347,528,580	291,903,280
LIABILITIES					
Due to Banks	32	50,032,222	43,579,818	50,032,222	43,579,818
Due to Customers	33	217,626,347	133,365,930	219,068,654	132,506,325
Current tax liabilities	16b	2,791,474	1,415,586	560,366	236,910
Borrowings	34	24,764,457	47,552,044	24,764,457	47,552,044
Other liabilities	35	24,795,998	37,090,570	20,344,245	34,023,371
Lease liabilities	36	-	22,658	-	22,658
Derivative financial liabilities	37	-	192,296	-	192,296
Deferred tax liabilities	31	821,290	-	-	-
Total liabilities		320,831,788	263,218,902	314,769,944	258,113,422
EQUITY					
Share capital	38	4,301,577	4,301,577	4,301,577	4,301,577
Share premium	39	3,904,731	3,904,731	3,904,731	3,904,731
Retained earnings	39	24,493,680	18,331,164	15,815,424	13,446,659
Statutory reserve	39	9,640,489	9,128,791	9,640,489	9,128,791
Regulatory risk reserve	39	1,958,934	2,434,151	1,958,934	2,434,151
Fair value reserve	40	(2,666,368)	614,843	(2,862,519)	573,949
General reserve	39	26,598	26,598	-	-
Total equity		41,659,641	38,741,855	32,758,636	33,789,858
Total equity and liabilities		362,491,429	301,960,757	347,528,580	291,903,280

The consolidated and separate financial statements were approved by the Board of Directors on 19 March, 2024 and signed on its behalf by:

Bello Maccido	Afolabi Olorode	Olamide Adeosun
Chairman	Acting Managing Director	Chief Financial Officer
FRC/2013/CISN/00000002366	FRC/2023/PRO/ICAN/002/572771	FRC/2020/001/00000022332

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

Consolidated and Separate Statements of Changes in Equity

for the year ended 31 December 2023

Group	Share capital ₦'000	Share premium ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Regulatory risk reserve ₦'000	General reserve ₦'000	Total equity ₦'000
Balance at 1 January 2023	4,301,577	3,904,731	614,843	18,331,164	9,128,791	2,434,151	26,598	38,741,855
Profit for the year	-	-	-	7,205,073	-	-	-	7,205,073
Other comprehensive loss								
Fair value movement on financial assets through FVOCI	-	-	(3,281,211)	-	-	-	-	(3,281,211)
Total comprehensive income	-	-	(3,281,211)	7,205,073	-	-	-	3,923,862
Transactions with equity owners								
Dividend Declared (See Note 35)	-	-	-	(1,006,076)	-	-	-	(1,006,076)
	-	-	-	(1,006,076)	-	-	-	(1,006,076)
Transfers during the year	-	-	-	(36,481)	511,698	(475,217)	-	-
At 31 December 2023	4,301,577	3,904,731	(2,666,368)	24,493,680	9,640,489	1,958,934	26,598	41,659,641

Group	Share capital ₦'000	Share premium ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Regulatory risk reserve ₦'000	General reserve ₦'000	Total equity ₦'000
Balance at 1 January 2022	4,301,577	3,904,731	1,139,192	16,028,094	8,708,744	2,648,901	26,598	36,757,837
Profit for the year	-	-	-	3,884,753	-	-	-	3,884,753
Other comprehensive loss								
Fair value movement on financial asset through FVOCI	-	-	(524,349)	-	-	-	-	(524,349)
Total comprehensive income	-	-	(524,349)	3,884,753	-	-	-	3,360,404
Transactions with equity owners								
Dividend declared (See Note 35)	-	-	-	(1,376,386)	-	-	-	(1,376,386)
	-	-	-	(1,376,386)	-	-	-	(1,376,386)
Transfers during the year	-	-	-	(205,297)	420,047	(214,750)	-	-
At 31 December 2022	4,301,577	3,904,731	614,843	18,331,164	9,128,791	2,434,151	26,598	38,741,855

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

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2023

Bank	Share capital ₦'000	Share premium ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Regulatory risk reserve ₦'000	Total equity ₦'000
Balance at 1 January 2023	4,301,577	3,904,731	573,949	13,446,659	9,128,791	2,434,151	33,789,858
Profit for the year	-	-	-	3,411,322	-	-	3,411,322
Other comprehensive loss							
Fair value movement on financial assets through FVOCI	-	-	(3,436,468)	-	-	-	(3,436,468)
Total comprehensive loss	-	-	(3,436,468)	3,411,322	-	-	(25,146)
Transactions with equity owners							
Dividend declared (See Note 35)	-	-	-	(1,006,076)	-	-	(1,006,076)
	-	-	-	(1,006,076)	-	-	(1,006,076)
Transfers during the year	-	-	-	(36,481)	511,698	(475,217)	-
At 31 December 2023	4,301,577	3,904,731	(2,862,519)	15,815,424	9,640,489	1,958,934	32,758,636

Bank	Share capital ₦'000	Share premium ₦'000	Fair value reserve ₦'000	Retained earnings ₦'000	Statutory reserves ₦'000	Regulatory 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	32,769,970
							-
Profit for the year	-	-	-	2,800,312	-	-	2,800,312
							-
Other comprehensive loss							-
Fair value movement on financial asset through FVOCI	-	-	(404,040)	-	-	-	(404,040)
Total comprehensive income	-	-	(404,040)	2,800,312	-	-	2,396,272
Transactions with equity owners							
Dividend declared (See Note 35)	-	-	-	(1,376,386)	-	-	(1,376,386)
	-	-	-	(1,376,386)	-	-	(1,376,386)
Transfers during the year	-	-	-	(205,297)	420,047	(214,750)	-
At 31 December 2022	4,301,577	3,904,731	573,949	13,446,659	9,128,791	2,434,151	33,789,858

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

Consolidated and Separate Statements of Cashflow

for the year ended 31 December 2023

	Note	Group 31 December 2023 ₦'000	Group 31 December 2022 ₦'000	Bank 31 December 2023 ₦'000	Bank 31 December 2022 ₦'000
Operating activities					
Cash generated used in operations	41	**47,680,366**	(1,313,016)	**46,386,114**	(4,336,551)
Interest received	41(xiv)	**21,313,465**	16,152,742	**20,639,907**	15,618,946
Interest paid	41(xv)	**(14,146,720)**	(8,206,063)	**(14,296,331)**	(8,220,380)
Income tax paid	16(b)	**(347,445)**	(11,494)	**(276,080)**	(9,152)
Net cash generated from operating activities		**54,499,666**	6,622,169	**52,453,610**	3,052,862
Investing activities					
Proceeds from sale of investment securities	41(xiii(b))	**38,432,637**	58,345,807	**39,686,357**	57,969,640
Purchase of investment securities	41(xiii(a))	**(80,136,509)**	(43,914,395)	**(79,236,509)**	(43,390,222)
Additons to Right of Use assets	41(xii)	**-**	(6,451)	**-**	(6,451)
Purchase of property and equipment	41	**(1,397,032)**	(1,357,680)	**(1,335,443)**	(1,294,005)
Proceeds from sale of property and equipment	41(xi)	**95,349**	17,379	**95,349**	17,379
Purchase of intangible asset	29	**(69,849)**	(98,678)	**(3,931)**	(58,058)
Net cash (used in)/generated from investing activities		**(43,075,404)**	12,985,982	**(40,794,177)**	13,238,284
Financing activities					
Interest paid on borrowings	41(xvii)	**(3,745,794)**	(2,563,009)	**(3,745,794)**	(2,563,009)
Proceeds from borrowings	41(xvi)	**51,152,473**	32,899,547	**51,152,473**	32,899,547
Redemption of borrowings	41(xvi)	**(75,248,150)**	(7,403,033)	**(75,248,150)**	(7,403,033)
Net cash (used in)/generated from financing activities		**(27,841,471)**	22,933,505	**(27,841,471)**	22,933,505
(Decrease)/increase in cash and cash equivalents		**(16,417,209)**	42,541,656	**(16,182,038)**	39,224,651
Cash and cash equivalents at beginning of year		**57,752,950**	14,905,838	**51,442,257**	12,009,988
Effect of exchange rate fluctuations on cash held		**4,313,196**	185,810	**1,442,874**	185,810
Cash and cash equivalents at the end of the year	20	**45,648,937**	57,633,304	**36,703,093**	51,420,449

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

Notes to the Consolidated and Separate Financial Statements
for the year ended 31 December 2023

1 General information

Reporting entity

These are the consolidated and separate 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 Bank are portfolio management and provision of finance and credit facilities to non-retail customers, 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.

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:

2 Broad Street, Lagos Island, Lagos.

Statement of Compliance

The consolidated and separate financial statements of the Group and Bank have been prepared in accordance with Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, CBN Guidelines and circulars. Additional information required by national regulations is included where appropriate.

The accounting policies adopted are consistent with those of the previous financial period.

The consolidated and separate financial statements of the Group and Bank for the year ended 31 December 2023 were approved for issue by the Board of Directors on March 19, 2024.

2 Basis of measurement

These consolidated and separate 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 instruments measured at fair value through other comprehensive income.

3.1 Functional and presentation currency

Items included in the consolidated and separate 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 consolidated and separate financial statements, management has made judgements and estimates about the future that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in Note 6.

Notes to the Consolidated and Separate Financial Statements
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3.3 Changes in material accounting policies

a Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to !AS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences -e.g. leases. For leases, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 January 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised.

b Material accounting policy information

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

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

Management reviewed the accounting policies and made updates to the information disclosed from Note 4.4 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

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 2024 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.

i. Lease Liability in a Sale and Leaseback-Amendments to IFRS 16.

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

The amendments confirm the following.

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

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.

4.2 Basis of Accounting

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. They were authorised for issue by the Bank's Board of Directors on 19 March 2024.

The consolidated financial statements are prepared on a going concern basis, as management is satisfied that the Group has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projections of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Group.

Details of the Group's accounting policies, including changes thereto, are included in Note 4.4 - 4.27.

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 Risk 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 hierachy in which the valuations should be classified.

Significant valuation issues are reported to the Bank's Board 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 hierachy based on the inputs used in the valuation techniques as follows.

- **Level 1:** inputs that are 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 hierachy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierachy as the lowest level input that is significant to the entire measurement.

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

Material accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments did not result in any changes to the accounting policies.

4.4 Basis of consolidation

(a) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Non-controlling interest (NCI)

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

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. 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

i Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising from translation are generally recognised in profit or loss and presented within finance costs.

ii 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.

4.6 Interest income and interest expense

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL

The calculation of the effective interest rate includes transaction costs and fees and points 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 financial liability.

ii. Amortised cost and gross carrying amount

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

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortised cost;
- Interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost;
- Interest expense on lease liabilities.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group''s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income. Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income and from other financial instruments at FVTPL.

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.

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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 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 assesssed 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. Minimum tax

Total amount of tax payable under Company Income Tax Act is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

The minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss. The minimum tax is determined based on the sum of 0.5% of gross earnings.

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax

d. 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.

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:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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 consolidated and separate 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 assets 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 reporting date. 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 measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

(b) Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(c) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

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

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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.

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

(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 at the date of de-recognition) 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 expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(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.

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).

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 and debt securities in issue 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.

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.

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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.

(c) Fair value reserve

The fair value reserve comprises:

- The cumulative net change in the fair value of equity securities designated at FVOCI; and
- The cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified. This amount is adjusted by the amount of loss allowance.

(d) Statutory reserve

This reserve is in compliance with the Prudential Guidelines for commercial, merchant and non-interest banks that mandates that every bank shall maintain a reserve fund appropriated out of its net profits for each year (after due provision made for taxation) and before any dividend is declared. The amount to be transferred to this reserve funds is equal to 15% of the net profit because the reserve fund is in excess of the bank's paid up capital as stipulated by the guideline.

(e) Regulatory risk reserve

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

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

A more accelerated provision may be done using the subjective criteria. A general provision is taken on all risk assets that are not specifically provisioned, including facilities with Covid-19 and other related restructuring.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from Retained Earnings and included in a non-distributable reserve "Statutory credit reserve". Where the IFRS 9 impairment is greater, no appropriation is made and the amount of the IFRS 9 impairment is recognised in income statement.

Following an examination, the regulator may also require more amounts be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to statutory risk reserve.

(f) General reserve

This comprises reserves attributable to the acquisition of the subsidiaries and non-distributable to 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.

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 Financial instruments

a. (i) Recognition and initial measurement

Loans and advance, trade receivables, deposits and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; 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:

- It is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets (see Note 37). 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 makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

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- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

c. SPPI assessment

Instruments held within a hold to collect or hold to collect and sell 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 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.

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 of credit losses, as described below (See Note 22 & 23). Interest income, including the amortization of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognized 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 unrealized 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. Unrealized gains and losses arising from changes in fair value are recorded in fair value reserve and not subsequently reclassified to profit or loss when realized. Dividends from FVOCI equity securities are recognized 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. 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 recognizing 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 unrealized 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 recognized 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 recognized 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 occured during the period.

f. Loans and advances to customers

Loans and advances are debt instruments recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 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 – Provisions.

The Group measures loss allowances at an amount equal to lifetime ECL except for the following, for which they are measured as 12-month ECL

- Debt investment securities that are determined to hae low credit risk at the reporting date, and

- Other financial instruments on which credit risk has not increased significantky sincer their initial recognition

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the lobally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instrument

12-month ECL are the portion of lifetime ECL that results from default evbents ona fianancial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referrred to as stage 1 financial instruments. Financial instruments allocated to stage 1 have not undergone a

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significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the epected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit impaired are referred to as Stage 2 financial instruments. Fnancial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk sincie initial recgnition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as Stage 3 financial instruments.

h. Measurement of expected credit losses

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- Financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;

- POCI assets: a credit-adjusted effective interest rate;

- Lease receivables: the discount rate used in measuring the lease receivable;

- Undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and

- Financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

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. Incorporation 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);
- '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.

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 realization of collateral is unlikely, regardless of the number of days past due;

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- 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 exceptions:

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 capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified)

The elements to be taken as indications of unlikeliness 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 exceptions:

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 specialized 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 specialized 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.

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 recognized 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 realizable 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 realizable 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 realizable 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 realization of collateral. In circumstances where the net realizable 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:

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- 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 recognized 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
- 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.

q. Classification and measurement of financial liabilities

The Group recognizes 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 surbordinated 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 4.13, 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 recognized 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 realized and unrealized gains and losses on these derivatives are recognized 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:

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and associated non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated under the straight-line method from the commencement date to the end of the lease term. In addition. the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments. including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate. initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise. lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost under the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee. if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-Of-use asset. or is recorded in profit or loss if the carrying amount of the right-Of-use asset has been reduced to zero.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities· in the statement of financial position

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

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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.

4.28 Classification of financial assets and liabiities

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

Group 31-Dec-23	Note	Financial assets			Financial liabilities	
		FVTPL ₦'000	FVOCI ₦'000	Amortised cost ₦'000	FVTPL ₦'000	Amortised cost ₦'000
Cash and balances with Central Bank of Nigeria	18	-	-	73,953,341	-	-
Due from other banks	19	-	-	45,577,090	-	-
Financial assets at FVTPL	21	7,527,010	-	-	-	-
Financial assets at FVOCI	22	-	65,465,326	-	-	-
Amortised cost	23	-	-	1,589,137	-	-
Pledged assets	24	-	40,600,000	-	-	-
Loans and advances to customers	25	-	-	105,978,501	-	-
Other assets	26	-	-	6,220,750	-	-
Due to banks	32	-	-	-	-	50,032,222
Due to customers	33	-	-	-	-	217,626,347
Corporate bond issued	34	-	-	-	-	24,764,457
Other liabilities	35	-	-	-	-	20,451,663
		7,527,010	106,065,326	233,318,819	-	312,874,688

Bank 31-Dec-23	Note	Financial assets			Financial liabilities	
		FVTPL ₦'000	FVOCI ₦'000	Amortised cost ₦'000	FVTPL ₦'000	Amortised cost ₦'000
Cash and balances with Central Bank of Nigeria	18	-	-	73,953,341	-	-
Due from other banks	19	-	-	36,554,864	-	-
Financial assets at FVTPL	21	4,327,012	-	-	-	-
Financial assets at FVOCI	22	-	62,677,050	-	-	-
Pledged assets	24	-	40,600,000	-	-	-
Loans and advances to customers	25	-	-	105,801,493	-	-
Other assets	26	-	-	7,713,269	-	-
Due to banks	32	-	-	-	-	50,032,222
Due to customers	33	-	-	-	-	219,068,654
Borrowings	34	-	-	-	-	24,764,457
Other liabilities	35	-	-	-	-	17,817,615
		4,327,012	103,277,050	224,022,967	-	311,682,948

4.28 Classification of financial assets and liabiities continued

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

Group 31-Dec-22	Note	Financial assets FVTPL ₦'000	Financial assets FVOCI ₦'000	Financial assets Amortised cost ₦'000	Financial liabilities FVTPL ₦'000	Financial liabilities Amortised cost ₦'000
Cash and balances with Central Bank of Nigeria	18	-	-	59,278,402	-	-
Due from other banks	19	-	-	57,578,008	-	-
Financial assets at FVTPL	21	2,989,826	-	-	-	-
Financial assets at FVOCI	22	-	27,786,257	-	-	-
Amortised cost	23	-	-	1,595,551	-	-
Pledged assets	24	-	24,048,685	-	-	-
Derivative financial assets	37	197,969	-	-	-	-
Derivative financial liabilities	37	-	-	-	192,296	-
Loans and advances to customers	25	-	-	106,451,558	-	-
Other assets	36	-	-	8,129,079	-	-
Due to banks	32	-	-	-	-	43,579,818
Due to customers	33	-	-	-	-	133,365,930
Borrowings	34	-	-	-	-	47,552,044
Other liabilities	35	-	-	-	-	33,426,551
		3,187,795	51,834,942	233,032,597	192,296	257,924,343

Bank 31-Dec-22	Note	Financial assets FVTPL ₦'000	Financial assets FVOCI ₦'000	Financial assets Amortised cost ₦'000	Financial liabilities FVTPL ₦'000	Financial liabilities Amortised cost ₦'000
Cash and balances with Central Bank of Nigeria	18	-	-	59,278,402	-	-
Due from other banks	19	-	-	51,267,315	-	-
Financial assets at FVTPL	21	2,171,362	-	-	-	-
Financial assets at FVOCI	22	-	26,060,515	-	-	-
Amortised cost	23	-	-	1,253,377	-	-
Pledged assets	24	-	24,048,685	-	-	-
Derivative financial assets	37	197,969	-	-	-	-
Derivative financial liabilities	37	-	-	-	192,296	-
Loans and advances to customers	25	-	-	106,314,872	-	-
Other assets	26	-	-	6,696,211	-	-
Due to banks	32	-	-	-	-	43,579,818
Due to customers	33	-	-	-	-	132,506,325
Borrowings	34	-	-	-	-	47,552,044
Other liabilities	35	-	-	-	-	32,466,762
		2,369,331	50,109,200	224,810,177	192,296	256,104,949

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4.29 Financial risk management report

4.29a Financial risk factors

The Group & 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.

4.29b 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.

4.29c 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 2023. Included in the table are the bank's financial instruments at carrying amounts, categorised by currency.

Group 31 December 2023	Carrying amount ₦'000	Naira ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Total ₦'000
Financial assets						
Cash and balances with Central Bank of Nigeria	73,953,341	73,953,341	-	-	-	73,953,341
Due from other banks	45,577,090	15,097,253	30,422,147	17,978	39,711	45,577,090
Loans and advances to customers	105,978,501	81,873,130	23,351,176	-	754,195	105,978,501
Financial assets at FVTPL	7,527,010	7,338,219	188,791	-	-	7,527,010
Investment securities						
- Fair value through OCI	65,465,326	43,559,006	21,906,320	-	-	65,465,326
- Amortised cost	1,589,137	1,589,137	-	-	-	1,589,137
Pledged assets	40,600,000	40,600,000	-	-	-	40,600,000
Other assets	6,220,751	4,105,512	2,080,118	1,338	33,783	6,220,751
	346,911,155	268,115,598	77,948,552	19,316	827,689	346,911,155
Financial liabilities						
Due to banks	50,032,222	40,051,952	9,980,270	-	-	50,032,222
Due to customers	217,626,347	161,521,037	56,050,402	15,716	39,192	217,626,347
Borrowings	24,764,457	24,764,457	-	-	-	24,764,457
Other liabilities	20,668,264	8,111,664	12,534,699	35	21,866	20,668,264
	313,091,289	234,449,109	78,565,371	15,751	61,058	313,091,289
Commitments and guarantees						
- Performance bonds and guarantees	(29,044,817)	(26,927,084)	(2,117,733)	-	-	(29,044,817)
- Letters of credits	(10,942,397)	-	(10,942,397)	-	-	(10,942,397)
	(39,987,214)	(26,927,084)	(13,060,130)	-	-	(39,987,214)

Bank 31 December 2023	Carrying amount ₦'000	Naira ₦'000	USD ₦'000	GBP ₦'000	EUR ₦'000	Total ₦'000
Financial assets						
Cash and balances with Central Bank of Nigeria	73,953,341	73,953,341	-	-	-	73,953,341
Due from other banks	36,554,864	6,080,140	30,422,147	12,866	39,711	36,554,864
Loans and advances to customers	105,801,493	82,446,239	23,351,176	-	4,078	105,801,493
Financial assets at FVTPL	4,327,012	4,138,221	188,791	-	-	4,327,012
Investment securities				-	-	-
- Fair value through OCI	62,677,050	40,770,730	21,906,320	-	-	62,677,050
- Amortised cost	-	-	-	-	-	-
Pledged assets	40,600,000	40,600,000	-	-	-	40,600,000
Other assets	7,713,269	5,598,030	2,080,118	1,338	33,783	7,713,269
	331,627,029	253,586,701	77,948,552	14,204	77,572	331,627,029
Financial liabilities						
Due to banks	50,032,222	40,051,952	9,980,270	-	-	50,032,222
Due to customers	219,068,654	162,963,344	56,050,402	15,716	39,192	219,068,654
Borrowings	24,764,457	24,764,457	-	-	-	24,764,457
Other liabilities	18,034,216	5,477,616	12,534,699	35	21,866	18,034,216
	311,899,549	233,257,369	78,565,371	15,751	61,058	311,899,549
Commitments and guarantees						
- Performance bonds and guarantees	(29,044,817)	(26,927,084)	(2,117,733)	-	-	(29,044,817)
- Letters of credits	(10,942,397)	-	(10,942,397)	-	-	(10,942,397)
	(39,987,214)	(26,927,084)	(13,060,130)	-	-	(39,987,214)

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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 - FVOCI	24,048,685	24,048,685	-	-	-	24,048,685
Other assets	8,129,078	5,722,911	2,406,021	137	7	8,129,076
Derivative assets	197,969	197,969	-	-	-	197,969
	288,055,334	217,311,584	69,428,118	138,343	1,177,287	288,055,332
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	5,427,025	27,203,246	-	812,808	33,443,079
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

Bank 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	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	1,253,377.00	1,253,377	-	-	-	1,253,377
Pledged assets - FVOCI	24,048,685	24,048,685	-	-	-	24,048,685
Other assets	6,696,210	4,290,045	2,406,021	137	7	6,696,210
Derivative assets	197,969	197,969	-	-	-	197,969
	277,288,707	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	32,483,290
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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4.29d 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 Group & Bank'ssensitivity to a 65% increase and decrease in Naira against the US dollar. Management believes that a 65% movement in either direction is reasonably possible on the Group & 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 65% against the US dollar. For a 65% strengthening of Naira against the US dollar, there would be an equal and opposite impact on profit. A 65% sensitivity rate applied is based on the impact of the exchange rate unification policy on foreign currency prices in the current year.

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
	Impact on profit			
NGN/US$ exchange rate – increase 65%	**1,509,619**	367,894	**505,006**	167,229
NGN/US$ exchange rate – decrease 65%	**(1,509,619)**	(367,894)	**(505,006)**	(167,229)

Fair value measurement of financial instruments

Group

a. Financial instruments not measured at fair value

	31 December 2023		31 December 2022	
	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Financial assets				
Cash and balances with Central Bank of Nigeria	**73,953,341**	**73,953,341**	59,278,402	59,278,402
Due from other banks	**45,577,090**	**45,577,090**	57,578,008	57,578,008
Investment securities:				
- Amortised cost	**1,589,137**	**1,589,137**	1,595,551	1,595,551
Loans and advances to customers	**105,978,501**	**105,978,501**	106,451,558	106,451,558
Other assets	**6,220,751**	**6,220,751**	8,129,078	8,129,078
	233,318,820	**233,318,820**	233,032,597	233,032,597
Financial liabilities				
Due to banks	**50,032,222**	**50,032,222**	43,579,818	43,579,818
Due to customers	**217,626,347**	**217,626,347**	133,365,930	133,365,930
Borrowings	**24,764,457**	**24,764,457**	47,552,044	47,552,044
Other liabilities	**20,668,264**	**20,668,264**	33,443,080	33,443,080
	313,091,289	**313,091,289**	257,940,871	257,940,871

Bank

a. **Financial instruments not measured at fair value**

		31 December 2023		31 December 2022	
	Note	Carrying amount ₦'000	Fair value ₦'000	Carrying amount ₦'000	Fair value ₦'000
Financial assets					
Cash and balances with Central Bank of Nigeria	18	**73,953,341**	**73,953,341**	59,278,402	59,278,402
Due from other banks	19	**36,554,864**	**36,554,864**	51,267,315	51,267,315
Investment securities:					
- Amortised cost	23	**-**	**-**	1,253,377.00	1,253,377.00
Loans and advances to customers	25	**105,801,493**	**105,801,493**	106,314,872	106,314,872
Other assets	26	**7,713,269**	**7,713,269**	6,696,210	6,696,210
		224,022,967	**224,022,967**	224,810,176	224,810,176
Financial liabilities					
Due to banks	32	**50,032,222**	**50,032,222**	43,579,818	43,579,818
Due to customers	33	**219,068,654**	**219,068,654**	132,506,325	132,506,325
Borrowings	34	**24,764,457**	**24,764,457**	47,552,044	47,552,044
Other liabilities	35	**16,216,511**	**16,216,511**	30,375,881	30,375,881
		310,081,844	**310,081,844**	254,014,068	254,014,068

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 2023.

vii The estimated fair value of deposits from customers is the amount repayable on demand as at 31 December 2023.

viii Carrying amounts of other liabilities are a reasonable expectation of their fair values which are payable on demand.

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Group
Fair value hierarchy - financial instruments not measured at fair value

	31 December 2023				
	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	-	73,953,341	-	73,953,341	73,953,341
Due from other banks	-	45,577,090	-	45,577,090	45,577,090
Loans and advances to customers	-	-	105,978,501	105,978,501	105,978,501
Investment securities					
- Amortised cost	-	-	1,589,137	1,589,137	1,589,137
Other assets	-	-	6,220,751	6,220,751	6,220,751
	-	119,530,431	113,788,389	233,318,820	233,318,820
Financial liabilities					
Due to banks	-	-	50,032,222	50,032,222	50,032,222
Due to customers	-	-	217,626,347	217,626,347	217,626,347
Borrowings	-	24,764,457	-	24,764,457	24,764,457
Other liabilities	-	-	20,668,264	20,668,264	20,668,264
	-	24,764,457	288,326,832	313,091,289	313,091,289

Bank
Fair value hierarchy - financial instruments not measured at fair value

	31 December 2023				
	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	-	73,953,341	-	73,953,341	73,953,341
Due from other banks	-	-	36,554,864	36,554,864	36,554,864
Loans and advances to customers	-	-	105,801,493	105,801,493	105,801,493
Investment securities					
- Amortised cost	-	-	-	-	-
Other assets	-	-	7,713,269	7,713,269	7,713,269
	-	73,953,341	150,069,626	224,022,967	224,022,967
Financial liabilities					
Due to banks	-	-	50,032,222	50,032,222	50,032,222
Due to customers	-	-	219,068,654	219,068,654	219,068,654
Borrowings	-	24,764,457	-	24,764,457	24,764,457
Other liabilities	-	-	18,034,216	18,034,216	18,034,216
	-	24,764,457	287,135,092	311,899,549	311,899,549

Group

Fair value hierarchy - financial instruments not measured at fair value

	31 December 2022				
	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	-	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	-	-	106,451,558	106,451,558	106,451,558
Investment securities					
- Amortised cost	-	-	1,595,551	1,595,551	1,595,551
Other assets	-	-	8,129,079	8,129,079	8,129,078
	-	59,278,402	173,754,195	233,032,597	233,032,597
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

Bank

Fair value hierarchy - financial instruments not measured at fair value

	31 December 2023				
	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	-	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	106,314,872
Investment securities					
- Amortised cost	-	-	1,253,377	1,253,377	1,253,377
Other assets	-	-	6,696,211	6,696,211	6,696,210
	-	59,278,402.00	165,531,774.00	224,810,176	224,810,176.00
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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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.

Group

Fair value hierarchy - financial instruments measured at fair value

	31 December 2023			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	2,915,168	-		2,915,168
- Federal Government of Nigeria bonds	1,282,867	-	-	1,282,867
- Corporate bonds	128,977	-	-	128,977
- Listed equities	90,747	-	-	90,747
Derivative assets		-		-
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative liability	-	-	-	-
				-
Investment securities at FVOCI				-
- Treasury bills	7,035,494	-	-	7,035,494
- Pledged treasury bills and bonds	40,600,000	-	-	40,600,000
- Federal Government of Nigeria bonds	47,976,768	-	-	47,976,768
- Other Sovereign bonds	2,418,960	-	-	2,418,960
- Corporate bonds	6,585,259	-	-	6,585,259
- Listed equities	222,915	-	-	222,915
- Unlisted equities	-	-	1,225,930	1,225,930

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Bank
Fair value hierarchy - financial instruments measured at fair value

	31 December 2023			
	Level 1 ₦'000	Level 2 ₦'000	Level 3 ₦'000	Total ₦'000
Financial assets				
Financial assets at FVTPL:				
- Treasury bills	2,915,168	-	-	2,915,168
- Federal Government of Nigeria bonds	1,282,867	-	-	1,282,867
- Corporate bonds	128,977	-	-	128,977
Liabilities				
Financial liabilities at fair value through profit or loss				
- Derivative liability	-	-	-	-
Investment securities at FVOCI				
- Treasury bills	7,035,494	-	-	7,035,494
- Pledged treasury bills and bonds	40,600,000	-	-	40,600,000
- Federal Government of Nigeria bonds	47,976,768	-	-	47,976,768
- Other Sovereign bonds	2,418,960	-	-	2,418,960
- Corporate bonds	4,019,898	-	-	4,019,898
- Unlisted equities	-	-	1,225,930	1,225,930

Group
Fair value hierarchy - financial instruments measured at fair value

	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	4,995,070	-	-	4,995,070
- Other Sovereign bonds	159,265			
- Corporate bonds	5,423,909	-	-	5,423,909
- Listed equities	122,084	-	-	122,084
- Unlisted equities	-	-	1,970,424	1,970,424

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Bank
Fair value hierarchy - financial instruments measured at fair value

	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	4,995,070	-	-	4,995,070
- Other Sovereign bonds	159,265			159,265
- Corporate bonds	4,155,717	-	-	4,155,717
- Promissory notes	-	-	-	
- Unlisted equities	-	-	1,634,958	1,634,958

(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 Nigeria Exchange Group Plc (NGX Group) 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;
- 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 2023	Group		Bank	
	Unlisted equities ₦'000	Total ₦'000	Unlisted equities ₦'000	Total ₦'000
Opening balance	1,970,424	1,970,424	1,634,959	1,634,959
Gain/(losses) recognized in the other comprehensive income (OCI)	(744,494)	(744,494)	(409,029)	(409,029.00)
Acquisition	-	-	-	-
Closing balance	1,225,930	1,225,930	1,225,930	1,225,930
Total gain or losses for the period included in OCI for assets held at the end of the reporting period	(744,494)	(744,494)	(409,029)	(409,029)

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) recognized in the other comprehensive income (OCI)	10,878	10,878	-	-
Acquisition	-	-	-	-
Closing balance	1,970,424	1,970,424	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	10,878	10,878	-	-

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Level 3 fair value measurements

i. Unobservable inputs used in measuring fair value

Type of Financial Instrument	Fair values at 31 December 2023	Fair values at 31 December 2022	Valuation technique	Significant unobservable input
Unquoted equity investment	**1,225,930**	1,970,424	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 Sub-Saharan Africa and Middle East based on the following criteria:

i. Industry Classification of Funds Transfer, Clearance & Exchange services and Securities & Commodity Exchanges; and ii. 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% and 5% respectively		
	Lowest value	**Highest value**	**Actual value**
FMDQ	1,160,796	1,282,985	1,221,890
NIBSS	3,838	4,242	4,040

4.30 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

4.30a 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.

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 intergroup takings to manage the overall position arising from the Group's non- trading activities.

The tables below summarise the Group's interest rate gap positions on all portfolios:

Group 31 December 2023	Note	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	18	73,953,341	-	-	73,953,341
Due from other banks	19	45,577,090	-	15,212,909	30,364,181
Loans and advances to customers	21	105,978,501	-	105,978,501	-
Financial assets at FVTPL	25	7,527,010	-	7,436,263	90,747
Investment securities:					
- Fair value through OCI	22	65,465,326	-	64,016,481	1,448,845
- Amortised cost	23	1,589,137	-		-
Pledged assets - Fair Value through OCI	24	40,600,000	-	40,600,000	-
Other assets	26	6,220,751	-	-	6,220,751
		346,911,155	-	233,244,154	112,077,864
Financial liabilities:					
Due to banks	32	50,032,222	-	50,029,410	2,812
Due to customers	33	217,626,347	-	217,626,347	-
Borrowings	34	24,764,457	-	24,764,457	-
Other liabilities	35	20,668,264	-	16,743,274	3,924,990
		313,091,289	-	309,163,488	3,927,802

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Bank 31 December 2023	Note	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	18	73,953,341	-	-	73,953,341
Due from other banks	19	36,554,864	-	5,560,278	30,994,586
Loans and advances to customers	21	105,801,493	-	105,801,493	-
Financial assets at FVTPL	25	4,327,012	-	4,327,012	-
Investment securities					
- Fair value through OCI	22	62,677,050	-	61,042,092	1,634,958
- Amortised cost	23	-	-		-
Pledged assets - Fair Value through OCI	24	40,600,000	-	40,600,000	-
Other assets	26	7,713,269	-	-	7,713,269
		331,627,029	-	217,330,875	114,296,154
Financial liabilities:					
Due to banks	32	50,032,222	-	50,029,410	2,812
Deposit from customers	33	219,068,654	-	219,068,654	-
Borrowings	34	24,764,457	-	24,764,457	-
Other liabilities	35	18,034,216	-	16,743,274	1,290,942
		311,899,549	-	310,605,795	1,293,754

Group 31 December 2022	Note	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	18	59,278,402	-	-	59,278,402
Due from other banks	19	57,578,008	-	23,190,469	34,387,539
Loans and advances to customers	21	106,451,558	-	106,451,558	-
Financial assets at FVTPL	25	2,989,826	-	2,964,266	25,560
Investment securities:					
- Fair value through OCI	22	27,786,257	-	25,693,749	2,092,508
- Amortised cost	23	1,595,551	-	1,595,551	-
Pledged assets - Fair Value through OCI	24	24,048,685	-	24,048,685	-
Other assets	26	8,129,078	-	-	8,129,078
Derivatives assets	37	197,969	-	-	197,969
		288,055,334	-	183,944,277	104,111,057
Financial liabilities:					
Due to banks	32	43,579,818	-	39,052,959	4,526,859
Deposit from customers	33	133,365,930	-	133,365,930	-
Borrowings	34	47,552,044	-	47,552,044	-
Other liabilities	35	33,443,080	-	34,318,721	(875,641)
Derivative liabilities	37	192,296	-	-	192,296
		258,133,167	-	254,289,654	3,843,514

Bank 31 December 2022	Note	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	18	59,278,402	-	-	59,278,402
Due from other banks	19	51,267,315	-	18,256,328	33,010,987
Loans and advances to customers	21	106,314,872	-	106,314,872	-
Financial assets at FVTPL	25	2,171,362	-	2,171,362	-
Investment securities					
- Fair value through OCI	22	26,060,515	-	24,425,557	1,634,958
- Amortised cost	23	1,253,377	-	1,253,377	-
Pledged assets - Fair Value through OCI	24	24,048,685	-	24,048,685	-
Other assets	26	6,696,210	-	-	6,696,210
Derivatives assets	37	197,969	-	-	197,969
		277,288,707	-	176,470,181	100,818,526
Financial liabilities:					
Due to banks	32	43,579,818	-	39,052,959	4,526,859
Deposit from customers	33	132,506,325	-	132,506,325	-
Borrowings	34	47,552,044	-	47,552,044	-
Other liabilities	35	32,483,290	-	34,318,721	(1,835,431)
Derivative liabilities	37	192,296	-	-	192,296
		256,313,773	-	253,430,049	2,883,724

Exposure to Market Risk – 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

4.30b Bond Price Sensitivity

The Group carried out the following in determining the sensitivity of its profit to fluctuations in market prices of bonds:

- Daily bond prices were obtained and trended for the different series of bonds in issue as at the reporting date.
- A reasonably possible change was determined from nine months daily fluctuation in bond prices, which indicates that a significant proportion of changes in price falls within the range of ± ₦1.

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- The chosen reasonable change in market prices was then applied to the Group's bond trading portfolio as at end of the year.

As at 31 December 2023, the Group had ₦4.33b in its trading position (2022: ₦2.17b). If the price of instruments designated as financial assets held at fair value through profit or loss increased or decreased by 100bps 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 2023			
	Group		Bank	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	**43,270**	30,289	**43,270**	30,289
Decrease	**(43,270)**	(30,289)	**(43,270)**	(30,289)

	12 months to 31 December 2022			
	Group		Bank	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	21,713	15,199	21,713	15,199
Decrease	(21,713)	(15,199)	(21,713)	(15,199)

4.30c 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 nine months 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 year to determine the impact on its profit or loss position.

As at 31 December 2023, 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 2023		12 months to 31 December 2022	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	**29,152**	**20,406**	-	-
Decrease	**(29,152)**	**(20,406)**	-	-

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 year 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 year to determine the impact on the Group's Other Comprehensive Income (OCI) position.

Group

Bonds held through OCI

	12 months to 31 December 2023		12 months to 31 December 2022	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	619,620	433,734	110,424	77,297
Decrease	(619,620)	(433,734)	(110,424)	(77,297)

Treasury Bills held through OCI

	12 months to 31 December 2023		12 months to 31 December 2022	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	402,355	281,648	387,000	270,900
Decrease	(402,355)	(281,648)	(387,000)	(270,900)

Bank

Bonds held through OCI

	12 months to 31 December 2023		12 months to 31 December 2022	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	593,967	415,777	97,743	68,420
Decrease	(593,967)	(415,777)	(97,743)	(68,420)

Treasury Bills held through OCI

	12 months to 31 December 2023		12 months to 31 December 2022	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	402,355	281,648	387,000	270,900
Decrease	(402,355)	(281,648)	(387,000)	(270,900)

4.30d 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.

4.30e 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.

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- 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 amortized 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.

	Dec 2023	Dec 2022
At end of year	23.30%	24.73%
Average for the year	28.98%	32.63%
Maximum for the year	40.03%	42.44%
Minimum for the year	19.71%	20.94%

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 2023 except for the month of April 2023 when it fell to 19.71%.

4.30f 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 31 December 2023	Note	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Cash and balances with CBN	18	73,953,341	73,960,850	73,960,850	-	-	-	-
Due from other banks	19	45,577,090	67,088,357	67,088,357	-	-	-	-
Loans and advances to customers	25	105,978,501	118,776,322	47,697,360	22,822,810	25,512,877	11,293,665	11,449,609
Financial assets at FVTPL	21	7,527,010	9,375,378	3,235,072	3,385,413	525,078	488,149	1,741,667
Investment securities								
- Fair value through OCI	22	65,465,326	211,367,845	3,543,339	11,630,665	20,292,415	16,470,372	159,431,054
- Amortised cost	23	1,589,137	1,847,415	1,847,415	-	-	-	-
Pledged assets	24	40,600,000	40,600,000	11,000,000	22,200,000	-	-	7,400,000
Other assets	26	9,066,346	10,547,174	10,547,174	-	-	-	-
		349,756,751	533,563,340	218,919,567	60,038,888	46,330,370	28,252,186	180,022,329
Financial liabilities								
Due to Banks	32	50,032,222	50,112,735	50,112,735	-	-	-	-
Due to customers	33	217,626,347	223,881,833	223,881,833	-	-	-	-
Borrowings	34	24,764,457	29,743,274	500,000	17,743,274	1,000,000	1,000,000	9,500,000
Other liabilities	35	24,795,998	50,111,052	50,111,052	-	-	-	-
		317,219,023	353,848,894	324,605,620	17,743,274	1,000,000	1,000,000	9,500,000
Liquidity gap		32,537,727	179,714,447	(105,686,053)	42,295,614	45,330,370	27,252,186	170,522,329

Bank 31 December 2023	Note	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Cash and balances with CBN	18	73,953,341	73,960,850	73,960,850	-	-	-	-
Due from other banks	19	36,554,864	36,994,512	36,994,512	-	-	-	-
Loans and advances to customers	25	105,801,493	118,599,314	47,697,360	22,822,810	25,335,869	11,293,665	11,449,609
Financial assets at FVTPL	21	4,327,012	6,175,380	35,074	3,385,413	525,078	488,149	1,741,667
Investment securities								
- Fair value through OCI	22	62,677,050	211,367,845	3,543,339	11,630,665	20,292,415	16,470,372	159,431,054
- Amortised cost	23	-	-	-	-	-	-	-
Pledged assets	24	40,600,000	40,600,000	11,000,000	22,200,000	-	-	7,400,000
Other assets	26	9,904,970	11,293,003	11,293,003	-	-	-	-
		333,818,730	498,990,904	184,524,138	60,038,888	46,153,362	28,252,186	180,022,329
Financial liabilities								
Due to Banks	32	50,032,222	50,112,735	50,112,735	-	-	-	-
Due to customers	33	219,068,654	227,016,742	225,324,140	1,692,602	-	-	-
Borrowings	34	24,764,457	29,743,274	500,000	17,743,274	1,000,000	1,000,000	9,500,000
Other liabilities	35	20,344,245	20,344,245	20,344,245	-	-	-	-
		314,209,578	327,216,996	296,281,120	19,435,876	1,000,000	1,000,000.00	9,500,000.00
Liquidity gap		19,609,152	171,773,908	(111,756,982)	40,603,012	45,153,362	27,252,186	170,522,329

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Group 31 December 2022	Note	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Cash and balances with CBN	18	59,278,402	59,278,402	59,278,402	-	-	-	-
Due from other banks	19	57,578,008	57,578,008	57,578,008	-	-	-	-
Loans and advances to customers	25	106,451,558	106,451,557	66,364,870	8,869,377	4,974,248	17,492,989	8,750,072
Financial assets at FVTPL	21	2,989,826	6,273,701	821,028	348,102	695,272	815,675	3,593,624
Investment securities			-					
- Fair value through OCI	22	27,786,257	37,485,619	9,329,625	8,133,997	1,372,331	3,305,940	15,343,726
- Amortised cost	23	1,595,551	1,595,551	-	1,595,551	-	-	-
Pledged assets - FVOCI	24	24,048,685	26,235,906	32,361	14,982,717	9,130,156	130,156	1,960,517
Other assets	26	9,821,901	9,821,901	9,821,901	-	-	-	-
Derivative assets	37	197,969	197,969	197,969	-	-	-	-
		289,748,157	304,918,614	203,424,165	33,929,743	16,172,007	21,744,760	29,647,938
Financial liabilities								
Due to Banks	32	43,579,818	43,976,480	43,976,480	-	-	-	-
Due to customers	33	133,365,930	133,365,930	127,489,551	5,876,378	-	-	-
Borrowings	34	47,552,044	52,995,040	18,199,065	23,293,236	1,001,370	1,000,000	9,501,370
Other liabilities	35	37,090,570	37,090,569	37,090,569		-	-	-
Derivative liabilities	37	192,296	192,296	192,296	-	-	-	-
		261,780,657	267,620,315	226,947,961	29,169,614	1,001,369.86	1,000,000.00	9,501,370
Liquidity gap		27,967,500	37,298,299	(23,523,796)	4,760,129	15,170,637	20,744,760	20,146,568

Bank 31 December 2023	Note	Carrying amount ₦'000	Gross nominal inflow/ (outflow) ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Cash and balances with CBN	18	59,278,402	59,278,402	59,278,402	-	-	-	-
Due from other banks	19	51,267,315	51,267,315	51,267,315	-	-	-	-
Loans and advances to customers	25	106,314,872	106,314,871	66,296,527	8,869,377	4,905,905	17,492,989	8,750,072
Financial assets at FVTPL	21	2,171,362	5,455,237	2,564	348,102	695,272	815,675	3,593,624
Investment securities			-					
- Fair value through OCI	22	26,060,515	35,759,877	9,329,625	6,865,805	1,372,331	3,305,940	14,886,176
- Amortised cost	23	1,253,377	1,253,377	-	1,253,377	-	-	-
Pledged assets - FVOCI	24	24,048,685	24,048,685	24,048,685	-	-	-	-
Other assets	26	8,342,968	8,342,968	8,342,968	-	-	-	-
Derivative assets	37	197,969	197,969	197,969	-	-	-	-
		278,935,465	291,918,701	218,764,056	17,336,661	6,973,508	21,614,604	27,229,872
Financial liabilities								
Due to Banks	32	43,579,818	44,044,062	44,044,062	-	-	-	-
Due to customers	33	132,506,325	132,506,325	126,629,947	5,876,378	-	-	-
Borrowings	34	47,552,044	52,995,040	18,199,065	23,293,236	1,001,370	1,000,000	9,501,370
Other liabilities	35	34,023,371	34,023,371	34,023,371		-	-	-
Derivative financial liabilities	37	192,296	192,296	192,296	-	-	-	-
		257,853,854	263,761,095	223,088,741	29,169,614	1,001,369.86	1,000,000.00	9,501,370
Liquidity gap		21,081,611	28,157,606	(4,324,685)	(11,832,953)	5,972,139	20,614,604	17,728,502

4.30g Repricing period of financial assets and liabilities

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 31 December 2023	Note	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Due from other banks	19	45,577,090	45,577,090	45,577,090	-	-	-	-
Loans and advances to customers	25	105,978,501	105,978,501	40,315,266	24,348,559	22,449,118	9,362,125	9,503,432
Financial assets at FVTPL	21	7,527,010	7,527,010	90,747	6,046,261	152,832	184,156	1,053,013
Investment securities					-	-	-	-
- Fair value through OCI	22	65,465,326	65,465,326	7,072,945	-	6,677,235	3,683,882	48,031,264
- Amortised cost	23	1,589,137	1,589,137	1,589,137	-	-	-	-
Pledged assets	24	40,600,000	40,600,000	40,600,000	-	-	-	-
		266,737,065	266,737,064	135,245,185	30,394,820	29,279,185	13,230,163	58,587,710
Financial liabilities								
Due to Banks	32	50,032,222	50,032,222	50,032,222	-	-	-	-
Deposit from customers	33	217,626,347	217,626,347	62,169,365	62,169,365	31,095,872	31,095,872	31,095,873
Borrowings	34	24,764,457	24,764,457	16,743,274	21,183	-	-	8,000,000
Other liabilities	35	24,795,998	24,795,998	24,795,998	-	-	-	-
		292,454,566	317,275,910	153,797,744	62,190,548	-	-	-
Repricing gap		(25,717,502)	(50,538,846)	(18,552,559)	(31,795,727)	29,279,185	13,230,163	58,587,710

Bank 31 December 2023	Note	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Due from other banks	19	36,554,864	36,554,864	36,554,864	-	-	-	-
Loans and advances to customers	25	105,801,493	105,801,493	40,315,266	24,349,215	22,415,687	9,362,125	9,359,199
Financial assets at FVTPL	21	4,327,012	4,327,012	-	2,937,010	152,832	184,156	1,053,013
Investment securities					-	-	-	-
- Fair value through OCI	22	62,677,050	62,677,050	7,035,494	-	5,426,735	2,183,557	48,031,264
- Amortised cost	23	-	-	-	-	-	-	-
Pledged assets	24	40,600,000	40,600,000	40,600,000	-	-	-	-
		249,960,419	249,960,418	124,505,624	27,286,225.42	27,995,253.90	11,729,838.44	58,443,476.60
Financial liabilities								
Due to Banks	32	50,032,222	50,032,222	50,032,222	-	-	-	-
Deposit from customers	33	219,068,654	219,068,654	62,581,389	62,581,389	31,301,959	31,301,959	31,301,960
Borrowings	34	24,764,457	24,764,457	16,743,274	21,183	-	-	8,000,000
Other liabilities	35	20,344,245	20,344,245	20,344,245	-	-	-	-
		314,209,578	314,209,579	149,701,130	62,602,571.81	31,301,958.62	31,301,958.62	39,301,959.62
Repricing gap		(64,249,158)	(64,249,160)	(25,195,506)	(35,316,346)	(3,306,705)	(19,572,120)	19,141,517

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Group 31 December 2022	Note	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Due from other banks	19	57,578,008	57,578,008	57,578,008	-	-	-	-
Loans and advances to customers	25	106,451,558	106,451,558	66,364,870	8,869,377	4,974,249	17,492,989	8,750,072
Financial assets at FVTPL	21	2,989,826	2,989,826	-	21	48,631	155,225	2,785,948
Investment securities								
- Fair value through OCI	22	27,786,257	27,786,257	10,768,107	6,074,783	2,052,450	2,465,642	6,425,274
- Amortised cost	23	1,595,551	1,595,551	-	1,595,551	-	-	-
Pledged assets - FVOCI	24	24,048,685	24,048,685	24,048,685	-	-	-	-
Derivative assets	37	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	32	43,579,818	43,579,818	43,579,818	-	-	-	-
Deposit from customers	33	133,365,930	133,365,930	127,524,594	5,841,335	-	-	-
Borrowings	34	47,552,044	47,552,044	17,993,265	21,558,779	-	-	8,000,000
Other liabilities	35	37,090,570	37,090,570	37,090,570		-	-	-
Derivative financial liabilities	37	192,296	192,296	192,296	-	-	-	-
		214,228,613	261,837,543	226,437,428	27,400,114	-	-	-
Repricing gap		6,419,241	(41,189,689)	(67,479,788)	(10,860,382)	7,075,331	20,113,856	17,961,294

Bank 31 December 2023	Note	Carrying amount ₦'000	Total ₦'000	Up to 90 days ₦'000	90 days to 1 year ₦'000	1 year to 3 years ₦'000	3 years to 5 years ₦'000	Over 5 years ₦'000
Financial assets								
Due from other banks	19	51,267,315	51,267,315	51,267,315	-	-	-	-
Loans and advances to customers	25	106,314,872	106,314,872	66,296,527	8,869,377	4,905,906	17,492,989	8,750,072
Financial assets at FVTPL	21	2,171,362	2,171,362	-	21	43,033	155,225	1,973,082
Investment securities								
- Fair value through OCI	22	26,060,515	26,060,516	9,042,367	6,074,783	2,052,450	2,465,642	6,425,274
- Amortised cost	23	1,253,377	1,253,377	-	1,253,377	-	-	-
Pledged assets - FVOCI	24	24,048,685	24,048,685	24,048,685	-	-	-	-
Derivative assets	37	197,969	197,969	197,969	-	-	-	-
		211,314,095	211,314,096	150,852,863	16,197,559	7,001,390	20,113,856	17,148,428
Financial liabilities								
Due to Banks	32	43,579,818	43,579,818	43,579,818	-	-	-	-
Deposit from customers	33	132,506,325	132,506,325	126,664,990	5,841,335	-	-	-
Borrowings	34	47,552,044	47,552,044	17,993,265	21,558,779	-	-	8,000,000
Other liabilities	35	34,023,371	34,023,371	34,023,371		-	-	-
Derivative financial liabilities	37	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)	(46,539,759)	(71,600,877)	(11,202,556)	7,001,390	20,113,856	9,148,428

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;
- Institutionalization 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.
- 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.

The relationship between the Group's category rating system and the Moody's rating system is shown below:

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Moody's rating	Category	Description	Characteristics
AAA	A	Excellent-Very Low Credit Risk	• 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+ AA AA-	B	Good Credit Risk Quality	• 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
A+ A A-	C	Above Average Credit Risk Quality	• 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

Moody's rating	Category	Description	Characteristics
BBB+ BBB BBB-	D	Average Credit Risk Quality	• 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	• 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

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.

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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	To approve all non-cash collaterised credit above 60% of the SOL subject to the Bank's Single Obligor Limit (SOL).
Board Credit Committee (BCC)	1. To note all non-cash-collateralised credit facilities up to 15% of SOL approved by the Management Credit & Underwriting Committee 2. To approve all non-cash-collateralised credit facilities of between 15% of SOL and 60%.
Management Credit & Underwriting Committee (MCUC)	1. To approve all non-cash-collateralised credit facilities of up to 15% of SOL 2. To approve all cash-collateralised limits

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 year-end assumption used for the ECL estimate as at 31 December 2023 qas Crude oil and Inflation rate while GDP, and Prime Lending Rate were the significant year end assumptions as at 31 December 2022.

Crude Oil

AGENCY	2023	2024
Fitch Solution	84.00	84.00
EIU	84.80	79.80
World Bank	81.00	80.00
EIA	82.00	79.00
Consensus	82.95	80.70

Inflation Rate

AGENCY	2023	2024
Fitch Solution	23.10%	11.00%
EIU	23.60%	17.10%
IMF	15.10%	15.10%
Consensus	20.60%	14.40%
Consensus	82.95	80.70

A regression model with GDP growth rate and prime lending rate as the best correlated macroeconomic variable was selected for factoring Forward Looking Informations into the PD estimates

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 run to quantify the impact of the assumption change.

In carrying out the sensitivity analysis, we adjusted the following parameters:

1. Probability of forward-looking information scenarios for all assets in scope

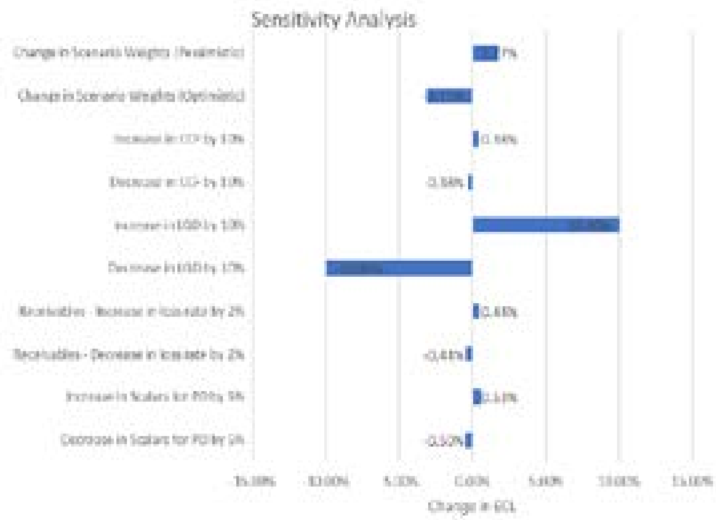
2. CCF parameter for off balance sheet exposures

3. LGD for the Loans

4. Loss Rate (LR) for receivables assessed collectively.

5. Forward-looking information applied on the PD.

Below is a graph depicting the result of the sensitivity analysis carried out on all the parameters, and the percentage difference between the ECL computed for each sensitivity test and the base ECL:



Sensitivity Analysis on ECL Parameters

The above results show that the ECL estimation is sensitive to changes in the LGD. As a result, we shall continue to review and back test the adequacy of this assumption as used in the ECL computation on a continuous basis to ensure the ECL estimate continues to provide a true and fair view of the Bank's position.

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5.3 Maximum exposure to credit risk

The Group's credit risk exposures relating to on-balance sheet assets are as follows:

Classification	Note	Maximum exposure			
		Group		Bank	
		31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Financial assets:					
Cash and balances with Central Bank of Nigeria	18	**73,960,850**	59,278,957	**73,960,850**	59,278,957
Due from other banks	19	**45,626,053**	57,752,950	**36,581,925**	51,442,257
Loans and advances to customers	25	**107,985,266**	109,337,387	**107,808,257**	109,200,702
Financial assets at FVTPL	21	**7,527,010**	2,989,826	**4,327,012**	2,171,362
Investment securities					
- Fair value through OCI	22	**65,465,326**	27,786,257	**62,677,050**	26,060,515
- Amortised cost	23	**1,589,137**	1,625,691	**-**	1,283,517
Pledged assets - Fair Value through OCI	24	**40,600,000**	24,048,685	**40,600,000**	24,048,685
Other assets	26	**10,547,174**	11,278,196	**11,293,003**	9,775,605
Derivative financial assets	37	**-**	197,969	**-**	197,969
		353,300,816	294,295,918	**337,248,097**	283,459,569
Loans exposure to total exposure		**45.23%**	51.83%	**48.41%**	54.56%
Debt securities exposure to total exposure		**31.24%**	15.36%	**30.09%**	14.75%
Other exposures to total exposure		**23.53%**	32.81%	**21.50%**	30.69%
Commitments and guarantees					
Performance bonds and guarantees	42	**29,044,817**	3,833,174	**29,044,817**	3,833,174
Letters of credits	42	**10,942,397**	9,316,883	**10,942,397**	9,316,883
Total commitments and guarantees		**39,987,214**	13,150,057	**39,987,214**	13,150,057

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 2023 and 31 December 2022 without taking into consideration any of the collateral held or other credit enhancements attached, if any.

As shown above, 45.17% of the Group's total maximum exposures are derived from loans exposure (2022: 51.83%), while 31.16% of the Group's total maximum exposures represents exposures to debt securities (2022: 15.36%). 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 (section 5.5) and economic sectors (section 5.6).

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	Note	31 December 2023 Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	18	73,953,341	-	73,953,341
Due from other banks	19	22,005,211	23,571,879	45,577,090
Loans and advances to customers	25	105,978,501	-	105,978,501
Financial assets at FVTPL	21	7,527,010	-	7,527,010
Investment securities:				
- Fair value through OCI	22	65,465,326	-	65,465,326
- Amortised cost	23	1,589,137	-	1,589,137
Pledged assets - FVOCI	24	40,600,000	-	40,600,000
Other assets	26	9,066,346	-	9,066,346
		326,184,871	23,571,879	349,756,751
Commitments and guarantees				
Performance bonds and guarantees	42	29,044,817	-	29,044,817
Letters of credits	42	10,942,397	-	10,942,397
Total commitments and guarantees		39,987,214	-	39,987,214

Bank	Note	31 December 2023 Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	18	73,953,341	-	73,953,341
Due from other banks	19	13,085,202	23,469,662	36,554,864
Loans and advances to customers	25	105,801,493	-	105,801,493
Financial assets at FVTPL	21	4,327,012	-	4,327,012
Investment securities:				
- Fair value through OCI	22	62,677,050	-	62,677,050
- Amortised cost	23	-	-	-
Pledged assets - FVOCI	24	40,600,000	-	40,600,000
Other assets	26	9,904,970	-	9,904,970
		310,349,068	23,469,662	333,818,730
Commitments and guarantees				
Performance bonds and guarantees	42	29,044,817	-	29,044,817
Letters of credits	42	10,942,397	-	10,942,397
Total commitments and guarantees		39,987,214	-	39,987,214

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Group	Note	31 December 2022 Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	18	59,278,402	-	59,278,402
Due from other banks	19	26,654,140	30,923,869	57,578,008
Loans and advances to customers	25	106,451,558	-	106,451,558
Financial assets at FVTPL	21	2,989,826	-	2,989,826
Investment securities:				
- Fair value through OCI	22	27,786,257	-	27,786,257
- Amortised cost	23	1,595,551	-	1,595,551
Pledged assets - FVOCI	24	24,048,685	-	24,048,685
Other assets	26	9,821,901	-	9,821,901
Derivative assets	37	197,969	-	197,969
		258,824,289	30,923,869	289,748,157
Commitments and guarantees				
Performance bonds and guarantees	42	3,833,174	-	3,833,174
Letters of credits	42	9,316,883	-	9,316,883
Total commitments and guarantees		13,150,057	-	13,150,057

Bank	Note	31 December 2022 Within Nigeria ₦'000	Outside Nigeria ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	18	59,278,402	-	59,278,402
Due from other banks	19	20,343,447	30,923,868	51,267,315
Loans and advances to customers	25	106,314,872	-	106,314,872
Financial assets at FVTPL	21	2,171,362	-	2,171,362
Investment securities:				
- Fair value through OCI	22	26,060,515	-	26,060,515
- Amortised cost	23	1,253,377	-	1,253,377
Pledged assets - FVOCI	24	24,048,685	-	24,048,685
Other assets	26	8,342,968	-	8,342,968
Derivative assets	37	197,969	-	197,969
		248,011,597	30,923,868	278,935,465
Commitments and guarantees				
Performance bonds and guarantees	42	3,833,174	-	3,833,174
Letters of credits	42	9,316,883	-	9,316,883
Total commitments and guarantees		13,150,057	-	13,150,057

5.6 Industry/sectoral exposure to credit risk

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 2023 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	73,953,341	-	-	-	-	73,953,341
Due from other banks	-	-	-	45,577,090	-	-	-	-	-	45,577,090
Loans and advances	20,302,116	8,760,496	7,695,296	992,496	-	35,209,849	1,249,509	22,296,065	9,472,672	105,978,501
Financial assets at fair value through profit or loss	-	-	-	-	7,527,010	-	-	-	-	7,527,010
Investment securities- Fair value through OCI	-	-	-	1,225,930	57,654,137	-	-	-	6,585,259	65,465,326
Investment securities- Amortised cost	-	-	-	-	1,589,137	-	-	-	-	1,589,137
Pledged assets	-	-	-	-	40,600,000	-	-	-	-	40,600,000
Other assets	-	-	-	-		-	-	-	9,066,346	9,066,346
	20,302,116	8,760,496	7,695,296	47,795,516	181,323,625	35,209,849	1,249,509	22,296,065	25,124,277	349,756,751
Commitments and guarantees										
- Performance bonds and guarantees	-	-	-	-	-	-	-	13,948,673	15,096,144	29,044,817
- Letters of credits	-	-	2,107,768	-	-	-	146,068	7,095,314	1,593,247	10,942,397
	-	-	2,107,768	-	-	-	146,068	21,043,987	16,689,391	39,987,214

Bank 31 December 2023 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Cash and balances with Central Bank of Nigeria	-	-	-	-	73,953,341	-	-	-	-	73,953,341
Due from other banks	-	-	-	36,554,864	-	-	-	-	-	36,554,864
Loans and advances	20,302,116	8,760,496	7,695,296	992,496	-	35,209,849	1,165,466	25,142,088	6,533,686	105,801,493
Financial assets at fair value through profit or loss	-	-	-	-	4,327,012	-	-	-	-	4,327,012
Investment securities- Fair value through OCI	-	-	-	1,225,930	57,431,222	-	-	-	4,019,898	62,677,050
Investment securities- Amortised cost	-	-	-	-	-	-	-	-	-	-
Pledged assets	-	-	-	-	40,600,000	-	-	-	-	40,600,000
Other assets	-	-	-	-		-	-	-	9,904,970	9,904,970
	20,302,116	8,760,496	7,695,296	38,773,290	176,311,575	35,209,849	1,165,466	25,142,088	20,458,554	333,818,730
Commitments and guarantees										
- Performance bonds and guarantees	-	-	-	-	-	-	-	13,948,673	15,096,144	29,044,817
- Letters of credits	-	-	2,107,768	-	-	-	146,068	7,095,314	1,593,247	10,942,397
	-	-	2,107,768	-	-	-	146,068	21,043,987	16,689,391	39,987,214

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Group 31 December 2022 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and 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	9,821,201	3,667,814	2,317,418	2,585,621	-	30,062,560	1,874,774	38,048,538	18,073,631	106,451,558
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	27,786,257
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	289,550,188
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

Bank 31 December 2022 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and 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	-	-	-	51,267,315	-	-	-	-	-	51,267,315
Loans and advances	9,821,201	3,667,814	2,317,418	2,585,621	-	30,062,560	1,874,774	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	-	-	-	1,634,958.00	20,269,840	-	-	-	4,155,717	26,060,515
Investment securities- Amortised cost	-	-	-	-	1,253,377	-	-	-	-	1,253,377
Pledged assets	-	-	-	-	24,048,685	-	-	-	-	24,048,685
Other assets	-	-	-	-		-	-	-	8,342,968	8,342,968
	9,821,201	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

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 2023 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	20,302,116	8,760,496	7,695,296	992,496	-	35,209,849	1,057,592	22,296,065	9,472,672	105,786,583
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	191,918	-	-	191,918
	20,302,116	8,760,496	7,695,296	992,496	-	35,209,849	1,249,509	22,296,065	9,472,672	105,978,501

Bank 31 December 2023 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	20,302,116	8,760,496	7,695,296	992,496	-	35,209,849	1,057,592	22,296,065	6,533,686	102,847,596
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	107,874	2,846,023	-	2,953,897
	20,302,116	8,760,496	7,695,296	992,496	-	35,209,849	1,165,466	25,142,088	6,533,686	105,801,493

Group 31 December 2022 Classification	Agriculture ₦'000	Construction and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	9,821,201	3,667,814	2,317,418	2,585,621	-	30,062,560	1,747,975	34,945,678	18,008,512	103,156,779
Stage 2	-	-	-	-	-	-	-	3,102,861	-	3,102,861
Stage 3	-	-	-	-	-	-	191,918	-	-	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 and Real Estate ₦'000	Information & Communication ₦'000	Financial Institutions ₦'000	Governments ₦'000	Oil & Gas ₦'000	Transport and Storage ₦'000	Manufacturing ₦'000	Others ₦'000	Total ₦'000
Stages										
Stage 1	9,821,201	3,667,814	2,317,418	2,585,621	-	30,062,560	1,682,857	34,945,678	17,936,943	103,020,092
Stage 2	-	-	-	-	-	-	-	3,102,861	-	3,102,861
Stage 3	-	-	-	-	-	-	191,918	-	-	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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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 recognize 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 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;
- '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.

5.7d Categorization of loans and advances to customers

The table below analyses the bank's loans and advances to customers based on the categorization of the loans and the allowances taken on them.

31 December 2023	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Stage 1	153,858	578,782	102,439,033	-	-	103,171,673
Stage 2	-	-	-	-	-	-
Stage 3	4,687	-	4,631,897	-	-	4,636,584
Gross	158,545	578,782	107,070,929	-	-	107,808,257
Less allowances for impairment						
Stage 1	1,099	4,197	318,782	-	-	324,079
Stage 2	-	-	-	-	-	-
Stage 3	4,687	-	1,677,999	-	-	1,682,686
Total allowance	5,786	4,197	1,996,782	-	-	2,006,764
Net loans and advances	152,759	574,586	105,074,148	-	-	105,801,493

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

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

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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 2023	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
A	-	-		-	-	-
B	-	-	15,508,693	-	-	15,508,693
C	153,858	578,782	22,453,962	-	-	23,186,603
D	-	-	33,781,647	-	-	33,781,647
E	-	-	30,694,730	-	-	30,694,730
	153,858	578,782	102,439,032	-	-	103,171,673

Internal Rating Grades 31 December 2022	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
A	-	-	-	-	-	-
B	-	-	19,337,600	-	-	28,588,095
C	-	748,955	38,556,717	-	-	39,043,849
D	-	-	24,084,629	-	-	24,084,629
E	-	-	20,554,014	-	-	11,303,519
	-	748,955	102,532,961	-	-	103,020,092

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 2023	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Net Amount	-	-	-	-	-	-
FV of collateral	-	-	-	-	-	-
Amount of under collateralisation	-	-	-	-	-	-

31 December 2022	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	-	-	4,379,009	-	-	4,379,009
Impairment	-	-	(1,276,148)	-	-	(1,276,148)
Net Amount	-	-	3,102,861	-	-	3,102,861
FV of collateral	-	-	2,465,800	-	-	2,465,800

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 2023	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	4,687	-	4,631,897	-	-	4,636,583
Impairment	(4,687)	-	(1,677,999)	-	-	(1,682,686)
Net Amount	-	-	2,953,898	-	-	2,953,898
FV of collateral	-	-	2,685,050	-	-	2,685,050

31 December 2022	Ex-Staff ₦'000	Staff ₦'000	Corporates ₦'000	Bank ₦'000	Government ₦'000	Total ₦'000
Gross loans	76,462	-	1,463,315	-	-	1,539,777
Impairment	(20,847)	-	(1,327,012)	-	-	(1,347,859)
Net Amount	55,615	-	136,303	-	-	191,918
FV of collateral	157,742	-	5,219,250	-	-	5,376,992

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 2023 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 2023		31 December 2022	
	Pre-tax ₦'000	Post-tax ₦'000	Pre-tax ₦'000	Post-tax ₦'000
Increase	(200,676)	(140,474)	(162,332)	(113,633)
Decrease	200,676	140,474	162,332	113,633

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

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- 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
- Mortgages over landed properties.

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.

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.

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 2023	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	4,631,897	2,685,050
Stage 2	-	-
Stage 1	102,439,033	70,252,613
	107,070,929	72,937,663

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Bank	31 December 2023	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	4,631,897	2,685,050
Stage 2	-	-
Stage 1	103,171,673	70,252,613
	107,803,569	72,937,663

Type of collateral 31 December 2023	Stage 1 ₦'000	Stage 2 ₦'000	Stage 3 ₦'000
Cash/Treasury bills	8,943,341	-	-
Mortgage property	7,928,190	-	-
Asset Debentures	50,412,089	-	2,465,800
Asset Financed	-	-	219,250
Insurance & Receivables	2,968,993	-	-
	70,252,613	-	2,685,050

Group	31 December 2022	
	Gross amount ₦'000	Collateral ₦'000
Stage 3	1,463,315	219,250
Stage 2	4,379,009	2,465,800.00
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
Corporate Guarantee	1,152,500	-	-
	371,721,535	2,465,800	219,250

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Investment securities

The table below shows analysis of the Group and Bank's investment securities into the different classifications:

Group 31 December 2023	Investment securities-(Fair value through OCI) ₦'000	Investment securities -(Amortised cost) ₦'000	Investment securities -Financial assets at FVTPL ₦'000	Total ₦'000
Federal government bonds	47,976,768	-	1,282,867	49,259,635
Corporate bonds	6,585,259	-	128,977	6,714,236
Treasury bills	7,035,494	-	2,915,168	9,950,662
Others	2,418,960	1,589,137	3,199,997	7,208,094
Pledged assets	40,600,000	-	-	40,600,000
	104,616,481	1,589,137.37	7,527,009	113,732,627

Group 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	4,995,070	-	2,017,836	7,012,906
Corporate bonds	5,423,909	-	153,506	5,577,415
Treasury bills	15,115,505	-	21	15,115,526
Others	159,265	1,595,551	818,463	2,573,279
Pledged assets	24,048,685	-	-	24,048,685
	49,742,434	1,595,551	2,989,826	54,327,811

The Group's investment in risk-free Government securities constitutes 88.76% of debt instruments portfolio (31 December 2022: 87.87%). Investment in corporate bond accounts for 6.12% (31 December 2022: 10.58%).

Bank 31 December 2023	Investment securities-(Fair value through OCI) ₦'000	Investment securities -(Amortised cost) ₦'000	Investment securities -Financial assets at FVTPL ₦'000	Total ₦'000
Federal government bonds	47,976,768	-	1,282,867	49,259,635
Corporate bonds	4,019,898	-	128,977	4,148,875
Treasury bills	7,035,494	-	2,915,168	9,950,662
Others	2,418,960	-	-	2,418,960
Pledged assets	40,600,000	-	-	40,600,000
	102,051,120	-	4,327,012	106,378,132

Bank 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	4,995,070	-	2,017,835	7,012,905
Corporate bonds	4,155,717	-	153,506	4,309,223
Treasury bills	15,115,505	-	21	15,115,526
Others	159,265	1,253,377	-	1,412,642
Pledged assets	24,048,685	-	-	24,048,685
	48,474,242	1,253,377	2,171,362	51,898,981

The Bank's investment in risk-free Government securities constitutes 93.83% of debt instruments portfolio (31 December 2022: 88.97%). Investment in corporate bond accounts for 3.90% (31 December 2022: 8.31%).

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.

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 Bankiing 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 year. There have been no material changes in the Bank's management of capital during the year.

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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 III implementation guidelines provided by the Central Bank of Nigeria (CBN).

CAR is measured as:

$$\frac{\textbf{Total regulatory capital}}{\textbf{(Credit Risk Weighted Assets + Market Risk Weighted Assets + Operational Risk Weighted Assets)}}$$

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 I capital for capital adequacy purposes.

Tier 2 capital comprises fair value reserves.

The Bank complied with all externally imposed capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the year.

The Bank throughout the review period, operated above its targeted capitalization range and well over the CBN mandated regulatory minimum. As at 31 December 2023, the Bank's capital adequacy ratio was 15.35% (31 December 2022: 16.18%).

The following table shows the composition of regulatory capital and risk weighted assets for the Bank:

Capital adequacy ratio (Bank)

	31 December 2023 ₦'000	31 December 2022 ₦'000
Tier 1 capital		
Share capital	**4,301,577**	4,301,577
Share premium	**3,904,731**	3,904,731
Retained earnings	**15,815,424**	13,446,659
Statutory reserve	**9,640,489**	9,128,791
Tier 1 capital before regulatory deduction	**33,662,221**	30,781,758
Regulatory deductions		
Deferred tax asset	**9,113,548**	9,113,548
Other intangible assets	**92,436**	132,219
Total regulatory deduction	**(9,205,984)**	(9,245,767)
Tier 1 capital after regulatory deductions	**24,456,238**	21,535,991
Other deductions		
Investment in Subsidiaries	**1,518,248**	1,321,958
Eligible Tier 1 Capital	**22,937,990**	20,214,033
Tier 2 capital		
Sub-ordinated debt	**8,021,183**	8,020,446
Fair value reserves	**(2,862,519)**	573,949
Total tier 2 capital	**5,158,664**	8,594,395
Eligible tier 2 capital	**5,158,664**	7,178,664
Total eligible capital	**28,096,654**	27,392,697
Risk-weighted assets		
Credit risk	**157,412,192**	145,120,488
Operational risk	**20,635,038**	20,147,272
Market risk	**5,007,733**	4,036,333
Total risk-weighted assets	**183,054,962**	169,304,092
Capital adequacy ratio	**15.35%**	16.18%
Tier 1 capital ratio	**12.53%**	11.94%

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

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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.

(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 5.1b, 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 4.29. 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. 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 4.26.

(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.

7 Interest income

a Interest income at amortised cost

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Loans and advances to customers at amortised cost	**17,310,678**	12,744,063	**17,301,431**	12,733,471
Due from other banks	**1,475,377**	1,118,058	**683,203**	587,152
Investment securities at amortised cost	**113,752**	133,845	**216,483**	132,317
Fair value through other comprehensive income	**5,341,952**	3,604,076	**5,190,280**	3,497,688
	24,241,760	17,600,042	**23,391,397**	16,950,628

The interest income for Group amounting to ₦24.2 billion (2022: ₦17.6 billion) and for Bank amounting to ₦23.4 billion (2022: ₦17billion) was calculated using the effective interest method.

b Other Interest income

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Fair value through profit or Loss	**255,970**	35,685	**255,970**	35,685
	255,970	35,685	**255,970**	35,685
Total Interest income (a+b)	**24,497,730**	17,635,727	**23,647,367**	16,986,313

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8 Interest expense

a Interest income at amortised cost

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Due to banks	**2,877,676**	1,413,877	**2,877,676**	1,413,877
Deposits	**13,753,943**	8,387,906	**13,903,554**	8,402,223
Lease liabilities	**-**	1,521	**-**	1,521
Borrowings	**5,053,884**	4,196,098	**5,053,884**	4,196,098
	21,685,503	13,999,402	**21,835,114**	14,013,719

9 Impairment charge

Impairment (charge) / write-back on risk assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Net impairment charge on loans and advances (note 25)	**(383,440)**	(950,504)	**(383,440)**	(950,504)
Impairment writeback/(charge) on off-balance sheet items (note 35.1)	**(200,075)**	82,762	**(200,075)**	82,762
Impairment writeback/(charge) on Due from other banks (Note 19)	**125,978**	(171,521)	**147,881**	(171,521)
Impairment writeback/(charge) on investment securities at amortised cost (Note 23)	**30,140**	(30,140)	**30,140**	(30,140)
Impairment charge on cash and balances with CBN (Note 18)	**(6,954)**	(183)	**(6,954)**	(183)
Impairment (charge)/write-back on debt securities (Note 40)	**(2,561,430)**	1,692	**(2,483,431)**	1,692
Impairment writeback/(charge) on other assets (Note 26)	**369,871**	(105,203)	**425,255**	(105,203)
Net Impairment charge on risk assets	**(2,625,910)**	(1,173,097)	**(2,470,624)**	(1,173,097)

10 Fees and commission income

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Credit-related fees	957,131	582,925	957,131	582,925
Brokerage and structuring fees	4,397,336	3,776,614	4,085,507	3,597,770
Letters of credit commissions and fees	759,423	161,848	759,423	161,848
Other fees and commissions	423,514	209,611	324,127	184,144
Fund Management fees	7,830,348	6,623,672	-	-
Net fee and commission	14,367,752	11,354,670	6,126,188	4,526,687

11 Net gains on foreign exchange

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Gain on foreign currency translation	4,313,196	408,771	1,442,874	185,810
	4,313,196	408,771	1,442,874	185,810

Net gains include net gains from spot, futures and forward contracts

12 Net gains on financial assets at FVTPL

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Trading gain	1,350,071	550,683	1,025,751	550,683
Unrealised gain	2,333,948	1,434,223	1,161,730	805,490
	3,684,019	1,984,906	2,187,481	1,356,173

13 Other operating income

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Sundry income	1,061,126	399,645	159,055	350,571
Dividend Income	13,396	15,419	1,941,251	1,406,297
	1,074,522	415,064	2,100,306	1,756,868

Included in sundry income for the Group are amounts of ₦667m and ₦276m which relates to reversal of provision no longer required and performance fee income on Discretionary Portfolio Management Services Fund respectively.

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14 Other operating expenses

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Auditors' remuneration (note 14.1)	**97,350**	90,895	**72,600**	70,950
Directors' emoluments (Note 45)	**256,633**	304,441	**256,633**	304,441
Administration and general expenses	**380,688**	455,451	**233,064**	210,990
Insurance	**687,529**	543,191	**674,909**	493,174
Rent and rates	**101,183**	95,496	**19,010**	34,196
Travelling	**94,896**	69,170	**57,148**	24,433
Donations	**9,450**	28,261	**5,300**	28,261
Corporate development	**304,582**	311,168	**131,047**	123,776
Periodicals and subscriptions	**139,235**	149,857	**138,211**	149,785
Software licensing fees	**608,678**	483,237	**344,241**	277,696
Consultancy	**569,759**	657,023	**249,888**	347,277
Training	**91,467**	111,392	**91,467**	86,672
Communication and postage expenses	**59,055**	62,922	**45,902**	49,631
Bank charges	**348,559**	297,616	**343,170**	282,570
Repairs and maintenance	**142,532**	149,094	**16,553**	7,624
Regulatory expenses (note 46)	**12,459**	400	**8,410**	400
Shared service cost	**1,445,642**	1,102,749	**-**	-
IT expenses	**718,769**	588,121	**544,748**	464,083
Loss on disposal of PPE	**227,708**	-	**227,708**	-
Impairment writeback on investment in subsidiaries (note 27)	**-**	-	**(196,290)**	(104,829)
Other operating expenses	**581,064**	448,245	**185,145**	99,430
	6,877,239	5,948,730	**3,448,864**	2,950,559

14.1 Auditor's remuneration represents fees for the audit of the Group and Bank for the year ended 31 December 2023. The Bank also paid the auditors professional fees for audit related (Audit of Deposit liabilities for NDIC) 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	Risk management review services	2,000,000

15 Personnel expenses

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Wages and salaries	**5,236,148**	4,802,596	**2,991,369**	3,066,882
Pension costs:				
- Defined contribution plans to PFAs	**256,993**	199,682	**198,129**	**199,682**
	5,493,141	5,002,278	**3,189,498**	**3,266,564**

16 Taxation

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
i Minimum tax (a)				
Minimum tax	177,037	169,024	177,037	169,024
ii Current tax				
Corporate tax	2,079,059	1,109,950	200,000	-
Education tax	439,387	-	249,864	-
Police Trust levy	634	194	204	151
NASENI levy	10,224	9,712	10,224	7,569
Information technology levy	126,770	38,848	40,895	30,278
	2,656,074	1,158,704	501,188	37,998
Originating and reversing temporary difference	680,007	-	-	-
Income tax expenses (b)	3,336,081	1,158,704	501,188	37,998
Total tax expense (a+b)	3,513,118	1,327,728	678,224	207,022

Reconciliation of effective tax rate

	Group				Bank			
	31 December 2023 ₦'000	%	31 December 2022 ₦'000	%	31 December 2023 ₦'000	%	31 December 2022 ₦'000	%
Profit before income tax	10,718,191		5,212,480		4,089,547		3,007,335	
Income tax using the domestic corporation tax rate	3,215,457	30%	1,563,744	30%	1,226,864	30%	902,201	30%
Corporate tax	177,037	2%	169,024	3%	177,037	4%	169,024	6%
Technology tax	126,770	1%	38,848	1%	40,895	1%	30,278	1%
Education tax	439,387	4%	-	0%	249,864	6%	-	0%
NASENI levy	10,224	0%	9,712	0%	10,224	0%	7,569	0%
Police Trust Fund levy	634	0%	194	0%	204	0%	151	0%
Prior year underprovision	2,079,059	19%	-	0%	200,000	5%	-	0%
Tax exempt income	(3,671,728)	(34%)	(1,553,154)	(30%)	(2,363,141)	(58%)	(2,001,560)	(67%)
Non-deductible expenses	1,136,277	11%	1,099,360	21%	1,136,277	28%	1,099,359	37%
Total tax expense	3,513,118	33%	1,327,728	25%	678,225	17%	207,022	7%

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16b Current tax liabilities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
At 1 January	**1,415,586**	922,057	**236,910**	77,379
Payments made during the year	**(347,445)**	(11,494)	**(276,080)**	(9,152)
Withholding tax credit note utilised during the year	**(1,109,777)**	(774,035)	**(78,688)**	(38,339)
Current year's income tax provision	**2,456,074**	1,158,704	**301,188**	37,998
Current year's minimum tax provision	**177,037**	169,024	**177,037**	169,024
Prior year under/(over) provision	**200,000**	(48,670)	**200,000**	-
At 31 December 2023	**2,791,474**	1,415,586	**560,366**	236,910

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 year.

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Profit attributable to equity holders	**7,205,073**	3,884,753	**3,411,322**	2,800,312
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)	**167**	90	**79**	65

(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 2022: Nil).

18 Cash and balances with Central Bank of Nigeria (CBN)

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balances with central banks excluding mandatory reserve deposits	**139,490**	-	**139,490**	-
Mandatory reserve deposits with Central Bank of Nigeria	**73,821,360**	59,278,957	**73,821,360**	59,278,957
Less 12 months ECL (See a below)	**(7,509)**	(555)	**(7,509)**	(555)
	73,953,341	59,278,402	**73,953,341**	59,278,402

a Allowance for impairment on Cash balances with CBN

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	**(555)**	(372)	**(555)**	(372)
Charge for the year (See note 9)	**(6,954)**	(183)	**(6,954)**	(183)
	(7,509)	(555)	**(7,509)**	(555)

19 Due from other banks

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Current account balances with banks within Nigeria	**6,841,265**	3,638,613	**7,551,985**	2,262,061
Current account balances with banks outside Nigeria	**23,571,879**	30,923,869	**23,469,662**	30,923,868
Placements with financial institutions within Nigeria	**15,212,909**	23,190,469	**5,560,278**	18,256,328
	45,626,053	57,752,950	**36,581,925**	51,442,257
Less 12 months ECL (See a below)	**(48,964)**	(174,942)	**(27,061)**	(174,942)
	45,577,090	57,578,008	**36,554,864**	51,267,315
Current	**45,577,090**	57,578,008	**36,554,864**	51,267,315
a Allowance for impairment on Due from other banks				
Balance at 1 January	**(174,942)**	(3,421)	**(174,942)**	(3,421)
Write back/(charge) for the year (See note 9)	**125,978**	(171,521)	**147,881**	(171,521)
	(48,964)	(174,942)	**(27,061)**	(174,942)

Notes to the Consolidated and Separate Financial Statements

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20 Cash and cash equivalents for statement of cashflow purposes

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 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Due from other banks with original maturities less than 3 months (Note 19)	**45,626,053**	57,752,950	**36,581,925**	51,442,257
Balances with central banks excluding mandatory reserve deposits (Note 18)	**139,490**	-	**139,490**	-
Interest receivable on placements	**(116,607)**	(119,645)	**(18,322)**	(21,808)
	45,648,937	57,633,305	**36,703,093**	51,420,449

21 Financial assets At FVTPL

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Federal Government of Nigeria (FGN) bonds	**1,282,867**	2,017,836	**1,282,867**	2,017,835
Corporate bonds	**128,977**	153,506	**128,977**	153,506
Treasury bills	**2,915,168**	21	**2,915,168**	21
Unlisted equity investments	**3,109,250**	792,903	**-**	-
Listed equity investments	**90,747**	25,560	**-**	-
	7,527,010	2,989,826	**4,327,012**	2,171,362
Current	**2,915,168**	21	**2,915,168**	21
Non-current	**4,611,842**	2,989,805	**1,411,844**	2,171,341
	7,527,010	2,989,826	**4,327,012**	2,171,363

22 Investment securities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Fair value through OCI				
Debt securities				
Treasury bills	**7,035,494**	15,115,505	**7,035,494**	15,115,505
Federal Government of Nigeria Bonds	**47,976,768**	4,995,070	**47,976,768**	4,995,070
Other Sovereign Bonds	**2,418,960**	159,265	**2,418,960**	159,265
Corporate Bonds	**6,585,259**	5,423,909	**4,019,898**	4,155,717
	64,016,481	25,693,749	**61,451,120**	24,425,557

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Equity securities				
Listed equity investments	**222,915**	122,084	**-**	-
Unlisted equity investments	**1,225,930**	1,970,424	**1,225,930**	1,634,958
	1,448,845	2,092,508	**1,225,930**	1,634,958
Total investments securities	**65,465,326**	27,786,257	**62,677,050**	26,060,515
Current	**7,035,494**	15,115,505	**7,035,494**	15,115,505
Non-current	**58,429,832**	12,670,752	**55,641,556**	10,945,010
	65,465,326	27,786,257	**62,677,050**	26,060,515

The Group has designated as FVOCI, the following unquoted equities with a level 3 fair value hierachy. 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.

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23 Investment securities at Amortised cost

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Commercial papers	**1,589,137**	1,625,691	**-**	1,283,517
Less: ECL allowance (See a below)	**-**	(30,140)	**-**	(30,140)
Total	**1,589,137**	1,595,551	**-**	1,253,377
Current	**1,589,137**	1,595,551	**-**	1,253,377

a Allowance for impairment on Investment securities at amortised cost

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	**(30,140)**	-	**(30,140)**	-
Write back/(charge) for the year (See note 9)	**30,140**	(30,140)	**30,140**	(30,140)
	-	(30,140)	**-**	(30,140)

24 Pledged assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Treasury bills	**33,200,000**	23,584,485	**33,200,000**	23,584,485
Federal Government of Nigeria Bonds	**7,400,000**	464,200	**7,400,000**	464,200
	40,600,000	24,048,685	**40,600,000**	24,048,685
Current	**33,200,000**	23,584,485	**33,200,000**	23,584,485
Non-current	**7,400,000**	464,200	**7,400,000**	464,200
	40,600,000	24,048,685	**40,600,000**	24,048,685

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.

25 Loans and advances to customers

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Loans and advances to customers	**107,229,475**	108,375,285	**107,229,475**	108,375,285
Staff loans	**755,791**	962,103	**578,782**	825,417
Gross Loans	**107,985,266**	109,337,387	**107,808,257**	109,200,702
Loans and advances to customers	**(319,882)**	(258,236)	**(319,882)**	(258,236)
Staff loans	**(4,196)**	(3,587)	**(4,196)**	(3,587)
Impairment on 12-month ECL (a)	**(324,078)**	(261,824)	**(324,078)**	(261,824)
Loans and advances to customers	**-**	(1,276,148)	**-**	(1,276,148)
Staff loans	**-**	-	**-**	-
Impairment on Lifetime ECL not credit impaired (b)	**-**	(1,276,148)	**-**	(1,276,148)
Loans and advances to customers	**(1,682,686)**	(1,327,011)	**(1,682,686)**	(1,327,011)
Staff loans	**-**	(20,847)	**-**	(20,847)
Impairment on Lifetime ECL credit impaired (c)	**(1,682,686)**	(1,347,858)	**(1,682,686)**	(1,347,858)
Loans and advances to customers	**(2,002,568)**	(2,861,396)	**(2,002,568)**	(2,861,396)
Staff loans	**(4,196)**	(24,434)	**(4,196)**	(24,434)
ECL impairment allowance (a+b+c)	**(2,006,764)**	(2,885,830)	**(2,006,764)**	(2,885,830)
Loans and advances to customers	**105,226,907**	105,513,889	**105,226,907**	105,513,889
Staff loans	**751,594**	937,669	**574,586**	800,983
Net carrying amount	**105,978,501**	106,451,558	**105,801,493**	106,314,872
Allowance for impairment on Loans				
Balance at 1 January	**(2,885,830)**	(1,939,138)	**(2,885,830)**	(1,939,138)
Derecognised during the year	**1,262,507**	3,812	**1,262,507**	3,812
Charge for the year (See Note 9)	**(383,441)**	(950,504)	**(383,441)**	(950,504)
	(2,006,764)	(2,885,830)	**(2,006,764)**	(2,885,830)

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ECL on Loans and Advances to Customers

Group 2023

	Total 31 December 2023			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2023	261,823	1,276,148	1,347,858	2,885,829
Derecognised	-	(1,276,148)	(1,262,507)	(2,538,655)
Impairment recognised during the year	62,255	-	1,597,335	1,659,590
Balance at 31 December 2023	324,078	-	1,682,686	2,006,764

	Loans to customers 31 December 2023			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2023	258,236	1,276,148	1,327,011	2,861,395
Derecognised	-	(1,276,148)	(1,262,507)	(2,538,655)
Impairment recognised during the year	61,646	-	1,618,182	1,679,828
Balance at 31 December 2023	319,882	-	1,682,686	2,002,568

	Staff loans 31 December 2023			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2023	3,587	-	20,847	24,434
Impairment/(write-back) recognised during the year	609	-	(20,847)	(20,238)
Balance at 31 December 2023	4,196	-	-	4,196

Bank 2023

	Total 31 December 2023			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2023	261,823	1,276,148	1,347,858	2,885,829
Derecognised	-	(1,276,148)	(1,262,507)	(2,538,655)
Impairment recognised during the year	62,255	-	1,597,335	1,659,590
Balance at 31 December 2023	324,078	-	1,682,686	2,006,764

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	Loans to customers 31 December 2023			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2023	258,236	1,276,148	1,327,011	2,861,395
Derecognised		(1,276,148)	(1,262,507)	(2,538,655)
Impairment recognised during the year	61,646		1,618,182	1,679,828
Balance at 31 December 2023	319,882	-	1,682,686	2,002,568

	Staff loans 31 December 2023			
	12-month ECL ₦'000	Lifetime ECL not credit impaired ₦'000	Lifetime ECL credit impaired ₦'000	Total ₦'000
Balance at 1 January 2023	3,587	-	20,847	24,434
Derecognised	-	-	-	-
Impairment/(write-back) recognised during the year	609	-	(20,847)	(20,238)
Balance at 31 December 2023	4,196	-	-	4,196

ECL on Loans and Advances to Customers

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/(write-back) recognised during the year	74,405	917,084	(40,984)	950,504
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/(write-back) recognised during the year	72,618	917,084	(44,381)	945,320
Balance at 31 December 2022	258,236	1,276,148	1,327,011	2,861,396

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for the year ended 31 December 2023

	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
Impairment recognised during the year	1,787	-	3,397	5,184
Balance at 31 December 2022	3,587	-	20,847	24,434

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/(write-back) recognised during the year	74,405	917,084	(40,984)	950,504
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/(write-back) recognised during the year	72,618	917,084	(44,381)	945,320
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
Impairment recognised during the year	1,787	-	3,397	5,184
Balance at 31 December 2022	3,587	-	20,847	24,434

26 Other assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Other Financial assets:				
Fees receivables	4,105,552	7,111,561	3,172,128	4,391,113
AGSMEIS Investment Fund	1,100,746	960,730	1,100,746	960,730
Dividends Receivable	-	-	1,941,132	1,406,000
Intercompany receivables	170,537	617,174	688,191	617,174
Other receivables (Note 26.1)	1,753,941	325,106	1,636,562	191,287
	7,130,776	9,014,571	8,538,759	7,566,304
Less allowances for impairment of other financial assets	(910,026)	(885,492)	(825,490)	(870,093)
	6,220,750	8,129,079	7,713,269	6,696,211
Non-financial assets:				
Withholding tax receivable	2,482,991	1,518,742	1,943,419	1,518,742
Prepayments	933,406	744,883	810,825	690,559
	3,416,398	2,263,626	2,754,244	2,209,301
Less allowances for impairment of non-financial assets	(570,802)	(570,802)	(562,543)	(562,543)
	2,845,596	1,692,824	2,191,701	1,646,758
	9,066,346	9,821,901	9,904,970	8,342,968
Current	7,965,600	8,861,171	8,804,224	7,382,238
Non-current	1,100,746	960,730	1,100,746	960,730
	9,066,346	9,821,901	9,904,970	8,342,968

26.1 Other Receivables

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
NIBSS Inward clearing account	1,565,000	30,000	1,565,000	30,000
Reimbursable expenses	1,792	85,720	1,792	85,720
Other account receivables	143,207	169,046	69,770	75,567
Commissions receivable	43,942	1,017	-	-
	1,753,941	285,783	1,636,562	191,287

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Allowance for impairment on financial assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	885,492	755,742	870,093	733,415
Receivables written-off	(199,396)	-	(201,761)	-
Exchange gain	582,413	24,548	582,413	31,475
Additional/(writeback) impairment (See Note 9)	369,871	105,203	(425,255)	105,203
Balance at 31 December	910,026	885,492	825,490	870,093

Allowance for impairment on non-financial assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	570,802	570,802	562,543	562,543
Additional/(writeback) impairment (See Note 9)	-	-	-	-
Balance at 31 December	570,802	570,802	562,543	562,543

27 Investment in Subsidiaries

	Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'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(i))	1,000	1,000
	1,738,106	1,738,106
Less allowances for impairment	(219,858)	(416,148)
	1,518,248	1,321,958

Allowance for impairment on investment in subsidiaries

	Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	(416,148)	(520,977)
Write back (Note 9)	196,290	104,829
	(219,858)	(416,148)

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.

	31 December 2023 ₦'000	31 December 2022 ₦'000
FBNQuest Securities Limited	**1,228,242**	1,031,952
FBNQuest Asset Management Limited	**289,006**	289,006
FBNQ MB Funding SPV PLC (see note 34.1)	**1,000**	1,000
	1,518,248	1,321,958

The Group consolidates its subsidiary undertakings. The nature of the business of the subsidiaries involves the provision of asset management services and provision of equity and brokerage services. The subsidiaries are incorporated in Nigeria.

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 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Operating income	**573,318**	819,141	**13,821,433**	7,843,041	**782,818**	618,757
Total operating expenses	**(573,318)**	(819,141)	**(5,107,098)**	(4,235,420)	**(501,879)**	(510,402)
Net impairment gain/(loss) on financial assets	**-**		**(126,836)**	-	**(28,450)**	-
Profit before income tax	**-**	-	**8,587,500**	3,607,621	**252,489**	108,355
Income tax expense	**-**	-	**(2,788,831)**	(1,118,362)	**(60,862)**	(2,342)
Profit for the year	**-**	-	**5,798,669**	2,489,258	**191,627**	106,012

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ii Condensed statements of financial position

as at 31 December	FBNQSPV		FBNQAM		FBNQSEC	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Assets						
Cash and cash equivalents	-	-	8,614,889	4,700,571	1,849,645	1,664,356
Staff Loans			177,009	134,139	-	2,547
Prepayments	-	-	112,598	52,573	9,983	1,752
Financial assets:						
Fair value through profit and loss	-	-	3,109,250	792,903	90,747	25,560
Fair value through other comprehensive income	-	-	3,237,998	1,238,164	75,252	30,028
Amortised cost	-	-	-	342,174	1,064,163	457,550
Property and equipment	-	-	125,419	118,779	3,887	4,544
Intangible assets	-	-	71,153	241,314	1,020	1,793
Other assets	8,022,183	13,226,016	1,419,893	3,210,432	78,675	198,916
Deferred tax assets	-	-	-	-	341,598	399,563
	8,022,183	13,226,016	16,868,208	10,831,048	3,514,970	2,786,609
Financed by:						
Accruals and other liabilities	8,021,183	13,225,016	4,666,538	4,003,567	2,245,987	1,746,160
Customer deposits						
Current tax liabilities	-	-	2,216,530	1,177,563	14,578	1,113
Deferred tax liabilities	-	-	821,290	199,249	-	-
Total equity	1,000	1,000	9,163,849	5,450,669	1,254,405	1,039,336
	8,022,183	13,226,016	16,868,208	10,831,048	3,514,970	2,786,609

28 Property and equipment (Group)

	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 2023	675,355	200,000	1,749,094	107,313	125,693	76,739	887,109	1,058,899	4,880,202
Addition during the year	-	-	290,117	-	-	2,360	23,730	1,080,825	1,397,032
Disposals during the year	-	-	(573,438)	-	(5,023)	(1,043)	-	(8,788)	(588,292)
Reclassifications	783,656	-	-	145,317	63,368	100,598	472,598	(1,565,537)	-
Balance as at 31 December 2023	1,459,011	200,000	1,465,774	252,630	184,038	178,655	1,383,437	565,398	5,688,943
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 year	-	-	284,350	-	-	1,843	11,605	1,059,883	1,357,680
Disposals during the year	-	-	(27,600)	-	-	-	(1,881)	(6,023)	(35,504)
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	1,058,899	4,880,202
Accumulated depreciation									
Balance at 1 January 2023	182,172	-	1,158,149	102,425	123,429	70,879	741,515	-	2,378,569
Charge for year	24,038		269,452	16,920	7,220	12,069	130,985	-	460,684
Disposals during the year			(262,709)		(2,165)	(361)		-	(265,235)
Balance as at 31 December 2023	206,210	-	1,164,892	119,345	128,484	82,587	872,500	-	2,574,018
Accumulated depreciation									
Balance at 1 January 2022	164,665	-	929,577	87,908	116,771	63,706	656,179	-	2,018,806
Charge for year	17,507	-	244,785	14,517	6,657	7,173	86,264	-	376,903
Disposals during the year	-	-	(16,213)				(927)	-	(17,140)
Balance as at 31 December 2022	182,172	-	1,158,149	102,425	123,429	70,879	741,515	-	2,378,570
Carrying Amount									
Balance at 1 January 2022	510,690	200,000	547,767	19,405	8,922	11,190	236,207	5,039	1,539,219
Balance as at 31 December 2022	493,183	200,000	590,945	4,888	2,264	5,859	145,594	1,058,899	2,501,635
Balance as at 31 December 2023	**1,252,801**	**200,000**	**300,882**	**133,285**	**55,554**	**96,068**	**510,937**	**565,398**	**3,114,924**

Work in Progress refers to capital expenditures incurred on items of property and equipment which are however not ready for use and as such are not being depreciated

The Group had no capital commitments as at 31 December 2023 (2022: Nil).

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2022: Nil).

There are no restrictions on the Group 's title to its property and equipment.

There are no impairment losses for the year (2022:Nil).

28 Property and equipment (Bank)

	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 2023	675,355	200,000	1,533,333	107,313	124,350	75,082	864,851	1,014,207	4,594,491
Addition during the year		-	254,619	-				1,080,825	1,335,443
Disposals during the year	-	-	(573,438)	-	(5,023)	(1,043)		(8,788)	(588,292)
Reclassifications	783,656	-	-	145,317	63,368	100,598	472,598	(1,565,537)	-
Balance as at 31 December 2023	1,459,011	200,000	1,214,514	252,630	182,695	174,637	1,337,449	520,706	5,341,642
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 year	-	-	266,350	-	-	1,843	11,605	1,014,207	1,294,005
Disposals during the year	-	-	(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
Accumulated depreciation									
Balance as at 1 January 2023	182,172	-	1,012,280	101,115	121,761	69,264	729,590	-	2,216,182
Charge for year	24,038		222,555	16,920	6,966	11,755	122,843	-	405,077
Disposals during the year			(262,709)		(2,165)	(361)		-	(265,235)
Balance as at 31 December 2023	206,210	-	972,126	118,035	126,562	80,658	852,433	-	2,356,024
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 year	17,507	-	201,207	13,207	5,657	6,973	83,284	-	327,836
Disposals during the year	-	-	(16,213)				(927)	-	(17,140)
Balance as at 31 December 2022	182,172	-	1,012,280	101,115	121,761	69,264	729,590	-	2,216,179
Carrying Amount									
Balance at 1 January 2022	510,690	200,000	452,299	19,405	8,245	10,949	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
Balance as at 31 December 2023	**1,252,801**	**200,000**	**242,389**	**134,595**	**56,133**	**93,979**	**485,016**	**520,706**	**2,985,618**

The Bank had no capital commitments as at 31 December 2023 (2022: Nil).

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2022: Nil).

There are no restrictions on the Bank 's title to its property and equipment.

There are no impairment losses for the year (2022:Nil).

29 Intangible assets

Group	Computer Software ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
Balance as at 1 January 2023	**3,753,703**	**316,311**	**4,070,014**
Additions for the year	**69,849**		**69,849**
Reclassifications	**15,741**	**(15,741)**	**-**
Write-offs	**-**	**(225,793)**	**(225,793)**
Balance as at 31 December 2023	**3,839,293**	**74,777**	**3,914,070**
Cost			
Balance as at 1 January 2022	3,744,412	226,924	3,971,336
Additions for the year	9,291	89,387	98,678
Balance as at 31 December 2022	3,753,703	316,311	4,070,014
Amortisation			
Balance as at 1 January 2023	**3,694,688**	**-**	**3,694,688**
Charge for Year	**54,773**	**-**	**54,773**
Balance as at 31 December 2023	**3,749,461**	**-**	**3,749,461**
Amortisation			
Balance as at 1 January 2022	3,633,235	-	3,633,235
Charge for Year	61,453	-	61,453
Balance as at 31 December 2022	3,694,688	-	3,694,688
Carrying Amount			
Balance as at 1 January 2022	111,177	226,924	338,101
Balance as at 31 December 2022	59,015	316,311	375,326
Balance as at 31 December 2023	**89,832**	**74,777**	**164,609**

All intangible assets are non current. Intangible assets of the Group have finite useful life and are amortised over 3 years

Intangible assets represents the Group's IT core applications and other anxilliary IT software

The Group does not have internally generated intangible assets

The Group had no capital commitments as at 31 December 2023 (2022: Nil).

There are no impairment losses for the year (2022:Nil).

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Bank	Computer Software ₦'000	Work In Progress ₦'000	Total ₦'000
Cost			
Balance as at 1 January 2023	3,492,928	77,019	3,569,947
Additions for the year	3,931		3,931
Transfers	15,741	(15,741)	-
Balance as at 31 December 2023	3,512,600	61,278	3,573,878
Cost			
Balance as at 1 January 2022	3,483,637	28,252	3,511,889
Additions for the year	9,291	48,767	58,058
Balance as at 31 December 2022	3,492,928	77,019	3,569,947
Amortisation			
Balance as at 1 January 2023	3,437,728	-	3,437,728
Charge for Year	43,714	-	43,714
Balance as at 31 December 2023	3,481,442	-	3,481,442
Amortisation			
Balance as at 1 January 2022	3,389,782	-	3,389,782
Charge for Year	47,946	-	47,946
Balance as at 31 December 2022	3,437,728	-	3,437,728
Carrying Amount			
Balance as at 1 January 2022	93,855	28,252	122,107
Balance as at 31 December 2022	55,200	77,019	132,219
Balance as at 31 December 2023	31,158	61,278	92,436

All intangible assets are non current. Intangible assets of the Bank have finite useful life and are amortised over 3 years

Intangible assets represents the Bank's IT core applications and other anxilliary IT software

The Bank does not have internally generated intangible assets

There are no impairment losses for the year (2022:Nil).

30 Right of use assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Cost				
Balance as at 1 January	**46,352**	160,335	**46,352**	160,335
Reversals due to lease modifications	**-**	(113,983)	**-**	(113,983)
Balance as at 31 December	**46,352**	46,352	**46,352**	46,352
Depreciation				
Balance as at 1 January	**24,574**	109,572	**24,574**	109,572
Depreciation for the year	**21,778**	24,795	**21,778**	24,795
Reversals due to lease modifications	**-**	(109,793)	**-**	(109,793)
Balance as at 31 December	**46,352**	24,574	**46,352**	24,574
Carrying amount as at 31 December	**-**	21,778	**-**	21,778

31 Deferred tax assets

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30% (2022: 30%).

Deferred tax assets and liabilities are attributable to the following items:

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Deferred tax liabilities				
Property, plant and equipments and intangible assets	**649,129**	606,541	**606,541**	606,541
Unrealised exchange difference	**172,161**	69,361	**69,361**	69,361
Total deferred tax liabiities	**821,290**	675,902	**675,902**	675,902
Deferred tax assets				
Tax loss carried forward	**(8,600,638)**	(9,167,325)	**(8,967,012)**	(8,967,012)
Impairment of investment securities	**(41,222)**	(174,151)	**(174,151)**	(174,151)
Unabsorbed capital allowance	**(648,287)**	(648,287)	**(648,287)**	(648,287)
Provisions	**(164,998)**	-	**-**	-
Total deferred tax assets	**(9,455,145)**	(9,989,763)	**(9,789,450)**	(9,789,450)
Net	**(8,633,855)**	(9,313,861)	**(9,113,548)**	(9,113,548)

The Deferred tax asset is to be recovered after more than 12 months.

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Movements in temporary differences during the year:

Group 2023

	1 January 2023 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2023 ₦'000
Tax losses carried forward	9,167,325	(566,687)	-	8,600,638
Unabsorbed capital allowance	648,287	-	-	648,287
Unrealised exchange difference	(69,361)	(102,800)	-	(172,161)
Impairment charge	174,151	(132,929)	-	41,222
Property and equipment and intangible assets	(606,541)	(42,588)	-	(649,129)
Provisions	-	164,998		164,998
	9,313,861	(680,007)	-	8,633,855

Bank 2023

	1 January 2023 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2023 ₦'000
Tax losses carried forward	8,967,012	-	-	8,967,012
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)
	9,113,548	-	-	9,113,548

Group 2022

	1 January 2022 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2022 ₦'000
Tax losses carried forward	9,215,995	(48,670)	-	9,167,325
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)
	9,362,531	(48,670)	-	9,313,861

Bank 2022

	1 January 2022 ₦'000	Recognised in P&L ₦'000	Recognised in OCI ₦'000	31 December 2022 ₦'000
Tax losses carried forward	8,967,012	-	-	8,967,012
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)
	9,113,548	-	-	9,113,548

Unrecognised deferred tax assets

	Group		Bank	
	Gross amount ₦'000	Tax Impact ₦'000	Gross amount ₦'000	Tax Impact ₦'000
Unutilised tax credits (capital allowances)	**7,596,886**	**2,506,972**	**7,596,886**	**2,506,972**
Tax losses	**8,519,040**	**2,811,283**	**8,519,040**	**2,811,283**
As at 31 December 2023	**16,115,926**	**5,318,256**	**16,115,926**	**5,318,256**

Unrecognised deferred tax assets

	Group		Bank	
	Gross amount ₦'000	Tax Impact ₦'000	Gross amount ₦'000	Tax Impact ₦'000
Unutilised tax credits (capital allowances)	3,711,258	1,224,715	3,711,258	1,224,715
Tax losses	13,539,976	4,468,192	13,539,976	4,468,192
As at 31 December 2022	17,251,233	5,692,907	17,251,233	5,692,907

The Group and the Bank had an unrecognized deferred tax asset of ₦5.31billion (2022: ₦5.69 billion) primarily attributable to unrelieved losses and untilised capital allowances. This has not been recognized because of the unavailability of sufficient future taxable profits.

32 Due to banks

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Tenored interbank takings	**9,977,458**	19,529,246	**9,977,458**	19,529,246
Open buy back - Treasury bills	**40,051,952**	19,523,712	**40,051,952**	19,523,712
Current balances due to banks	**2,812**	4,526,859	**2,812**	4,526,859
	50,032,222	43,579,818	**50,032,222**	43,579,818
Current	**50,032,222**	43,579,818	**50,032,222**	43,579,818
	50,032,222	43,579,818	**50,032,222**	43,579,818

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%

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33 Due to customers

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Call deposits	**21,934,984**	3,037,427	**21,934,984**	2,177,823
Tenored deposits	**195,691,363**	130,328,503	**197,133,670**	130,328,502
	217,626,347	133,365,930	**219,068,654**	132,506,325
Current	**217,626,347**	133,365,930	**219,068,654**	132,506,325
	217,626,347	133,365,930	**219,068,654**	132,506,325

Due to customers include only financial instruments classified as liabilities at amortised cost.

34 Borrowings

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Corporate Bonds issued (see note (i) below)	**8,021,183**	13,233,323	**8,021,183**	13,233,323
Commercial paper (note 34(ii))	**16,743,274**	34,318,721	**16,743,274**	34,318,721
	24,764,457	47,552,044	**24,764,457**	47,552,044

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Current	**16,764,457**	39,552,044	**16,764,457**	39,552,044
Non-current	**8,000,000**	8,000,000	**8,000,000**	8,000,000
	24,764,457	47,552,044	**24,764,457**	47,552,044

Movement in borrowings

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Corporate Bonds Issued				
Opening Balance	**13,233,323**	13,233,425	**13,233,323**	13,233,425
Redemption of Bonds	**(5,000,000)**	-	**(5,000,000)**	-
Coupon accrued during the year	**552,518**	1,024,898	**552,518**	1,024,898
Coupon paid	**(764,658)**	(1,025,000)	**(764,658)**	(1,025,000)
Closing Balance	**8,021,183**	13,233,323	**8,021,183**	13,233,323
Commercial paper				
Opening balance	**34,318,721**	7,189,016	**34,318,721**	7,189,016
commercial papers issued during the year	**51,152,473**	66,988,155	**51,152,473**	66,988,155
Discount on commercial papers accrued for the year	**4,480,566**	3,051,602	**4,480,566**	3,051,602
Redemption of commercial papers	**(73,420,626)**	(42,910,052)	**(73,420,626)**	(42,910,052)
Closing Balance	**16,531,134**	34,318,721	**16,531,134**	34,318,721

(i) **Corporate bonds Issued:** This represents series 1 and 2 fixed rate unsecured bonds of ₦5 billion (series 1) and ₦8 billion (series 2) with tenors of 3 and 10 years respectively and with interest rates of 10.5% and 6.25% respectively. The series 1 bond matured on February 5, 2023 while the series 2 bond will mature on December 16, 2030. Subject to any purchase and cancellation of early redemption, the bond shall be redeemed on redemption date at 100% of its 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.

Series number	Amount	Tenor (years)	Interest rate	Maturity date
Series 2	8,000,000	10	6.25	December 16, 2030

(ii) **Commercial Paper:** This represents the amortized cost of the Bank's unsecured Commercial Papers (CP) which were in issue as at 31 December 2023, under its ₦100 billion 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.

All the commercial papers are current with maturity less than 1 year.

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35 Other liabilities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Financial liabilities:				
Trade related liabilities (i)	11,909,965	27,366,221	11,909,965	27,273,022
Accounts payable	7,535,622	4,683,947	4,901,574	3,817,354
Dividend payable	1,006,076	1,376,386	1,006,076	1,376,386
	20,451,663	33,426,554	17,817,615	32,466,762
Non financial liabilities:				
Accrued liabilities	4,127,734	3,647,490	2,310,029	1,540,081
Impairment allowance - Off-balance sheet (note 35.1)	216,601	16,526	216,601	16,526
	24,795,998	37,090,570	20,344,245	34,023,371
Current	24,795,998	37,090,570	20,344,245	34,023,371
Non-current	-	-	-	-
	24,795,998	37,090,570	20,344,245	34,023,371

(i) This represents the Naira value of foreign currency-denominated liabilities due to correspondent banks and customers on letter of credit transactions.

35.1 Movement in impairment allowance on Bank guarantees

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
As at 1 January	16,526	99,288	16,526	99,288
Additional impairment charge/(write-back) during the year (note 9)	200,075	(82,762)	200,075	(82,762)
At 31 December	216,601	16,526	216,601	16,526

The balance above relates to impairment on both Bank guarantees and letters of credit

36 Lease liabilities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
As at 1 January	22,658	35,968	22,658	35,968
Reversals due to lease modifications	(22,658)	(14,831)	(22,658)	(14,831)
Interest charge for the year	-	1,521	-	1,521
Lease liabilities as at 31 December	-	22,658	-	22,658

37 Derivative financial instruments

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Derivative assets				
Instrument type: Forwards	-	197,834	-	197,834
Instrument type: OTC FX futures	-	135	-	135
Balance, end of the year	-	197,969	-	197,969
The movement in derivative asset is as follows:				
Balance, beginning of the year	**197,969**	361,693	**197,969**	361,693
Fair value of derivatives acquired in the year	-	197,969	-	197,969
Fair value of derivatives derecognised in the year	**(197,969)**	(361,693)	**(197,969)**	(361,693)
Balance, end of the year	-	197,969	-	197,969
Derivative liabilities				
Instrument type: Forwards	-	(192,203)	-	(192,203)
Instrument type: OTC FX futures	-	(93)	-	(93)
Balance, end of the year	-	(192,296)	-	(192,296)
The movement in derivatives liability is as follows:				
Balance, beginning of the year	**(192,296)**	(354,877)	**(192,296)**	(354,877)
Fair value of derivatives acquired in the year	-	(192,296)	-	(192,296)
Fair value of derivatives derecognised in the year	**192,296**	354,877	**192,296**	354,877
Balance, end of the year	-	(192,296)	-	(192,296)

Group	31 December 2023		31 December 2022	
	Notional Value ₦'000	Fair Value ₦'000	Notional Value ₦'000	Fair Value ₦'000
Derivative assets				
Instrument type: Forwards	-	-	6,823,797	197,834
Instrument type: OTC FX futures	-	-	17,295	135
Derivative liabilities				
Instrument type: Forwards	-	-	(6,823,797)	(192,203)
Instrument type: OTC FX futures	-	-	(17,295)	(93)

Bank	31 December 2023		31 December 2022	
	Notional Value ₦'000	Fair Value ₦'000	Notional Value ₦'000	Fair Value ₦'000
Derivative assets				
Instrument type: Forwards	-	-	6,823,797	197,834
Instrument type: OTC FX futures	-	-	17,295	135
Derivative liabilities				
Instrument type: Forwards	-	-	(6,823,797)	(192,203)
Instrument type: OTC FX futures	-	-	(17,295)	(93)

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38 Share capital

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Issued and fully paid				
4.301577 billion ordinary shares of ₦1 each	**4,301,577**	4,301,577	**4,301,577**	4,301,577

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.

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
	3,904,731	3,904,731	**3,904,731**	3,904,731

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

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	**18,331,164**	16,028,094	**13,446,659**	12,228,028
Profit for the year	**7,205,073**	3,884,753	**3,411,322**	2,800,312
Transfer to Statutory and credit risk reserves	**(36,481)**	(205,297)	**(36,481)**	(205,297)
Dividends declared	**(1,006,076)**	(1,376,386)	**(1,006,076)**	(1,376,386)
Balance as at 31 December	**24,493,680**	18,331,164	**15,815,424**	13,446,659

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.

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	**9,128,791**	8,708,744	**9,128,791**	8,708,744
Transfer during the year	**511,698**	420,047	**511,698**	420,047
Balance as at 31 December	**9,640,489**	9,128,791	**9,640,489**	9,128,791

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.

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance at 1 January	**2,434,151**	2,648,901	**2,434,151**	2,648,901
Transfer during the year	**(475,217)**	(214,750)	**(475,217)**	(214,750)
Balance as at 31 December	**1,958,934**	2,434,151	**1,958,934**	2,434,151

General reserve: This comprises of reserves attribuatble to the acquisition of the subsidiaries and non-distributable to shareholders.

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
General reserves	**26,598**	26,598	**-**	-

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 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
FVOCI				
At beginning of the year	**614,843**	1,139,193	**573,949**	977,989
Fair value movement during the period (See note a below)	**(3,281,211)**	(524,349)	**(3,436,468)**	(404,040)
At end of the period	**(2,666,368)**	614,843	**(2,862,519)**	573,949

a Fair value movement during the period

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Fair value movement (unrealised net loss)	**(719,781)**	(526,041)	**(953,037)**	(405,732)
Impairment for the period	**(2,561,430)**	1,692	**(2,483,431)**	1,692
	(3,281,211)	(524,349)	**(3,436,468)**	(404,040)

The loss on fair value through other comprehensive income (FVOCI) are recognised at gross amount, as they are tax exempt.

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41 Notes to cash flow statement

Reconciliation of profit before tax to cash generated from operations

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Profit before income tax	**10,718,191**	5,212,480	**4,089,547**	3,007,335
Adjustments for:				
– Depreciation of PPE (Notes 28)	**460,684**	376,903	**405,077**	327,836
– Depreciation on right of use of assets (Notes 30)	**21,778**	24,795	**21,778**	24,795
– Amortisation of intangible assets (Note 29)	**54,773**	60,808	**43,714**	47,946
– Loss on Disposal of PPE (Note 14)	**227,708**		**227,708**	
- Write-off of intangible asset (Note 29)	**225,793**	-	**-**	-
– Dividend declared	**(1,006,076)**	(1,380,240)	**(1,006,076)**	(1,376,386)
- Reversal of right of use assets (Note 30)	**(22,658)**	(4,190)	**(22,658)**	(4,190)
– Impairment charge for credit and other losses (Note 9)	**2,625,910**	1,173,097	**2,470,624**	1,173,097
– Impairment writeback on non financial assets (Note 14)			**(196,290)**	(104,829)
– Net (gains)/loss from financial assets at FVTPL (Note 11a)	**(3,684,019)**	(1,984,906)	**(2,187,481)**	(1,356,173)
– Net (gains)/loss on derivative financial instruments (Note 37)	**-**	(5,673)	**-**	(5,673)
– Unrealised foreign exchange gain on revaluation (Note 11)	**(4,313,196)**	(408,771)	**(1,442,874)**	(185,810)
– Net interest income (Note 7 & 8)	**(2,812,227)**	(3,636,325)	**(1,812,253)**	(2,972,594)
	2,496,661	(572,022)	**590,816**	(1,424,644)
Changes in working capital :				
– Restricted deposit (Note 41.ii)	**(14,542,403)**	(21,159,817)	**(14,542,403)**	(21,159,817)
– Loans and advances to customers (Note 41.iii)	**1,319,523**	(29,542,899)	**1,319,523**	(29,542,899)
– Loans and advances to Staff (Note 41.iv)	**206,312**	(200,237)	**246,635**	(163,900)
– Financial assets held for trading (Note 41.v)	**(805,041)**	5,179,031	**79,955**	4,002,793
– Pledged assets (Note 41.vi)	**(16,551,315)**	(11,454,752)	**(16,551,315)**	(11,454,752)
– Other assets (Note 41.vii)	**15,649**	(5,346,026)	**(1,215,434)**	(4,124,919)
– Due to banks (Note 41.viii)	**6,346,224**	33,663,718	**6,346,224**	33,663,717
– Due to customers (Note 41.ix)	**81,881,698**	12,416,423	**84,183,610**	11,212,259
– Other liabilities and derivatives (Note 41.x)	**(12,686,943)**	15,703,565	**(14,071,497)**	14,655,610
Cash generated from/(used in) operations	**47,680,366**	(1,313,016)	**46,386,114**	(4,336,551)

i Due from other banks

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**57,752,950**	14,909,260	**51,267,315**	12,006,567
Movement during the year	**(12,126,897)**	42,843,690	**(14,712,451)**	39,260,748
Closing balance (See Note 19)	**45,626,053**	57,752,950	**36,554,864**	51,267,315

ii Restricted Deposits

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**59,278,957**	38,118,585	**59,278,957**	38,118,585
Movement during the year	**14,542,403**	21,159,817	**14,542,403**	21,159,817
Closing balance (See Note 18)	**73,821,360**	59,278,402	**73,821,360**	59,278,402

iii Loans and Advances to customers

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**105,489,455**	75,927,731	**105,489,455**	75,927,731
Movement during the year	**(1,319,523)**	29,542,899	**(1,319,523)**	29,542,899
Interest receivable on Loans and advances to customers (See xiv)	**1,436,219**	969,329	**1,436,219**	969,329
Impairment (See Note 9)	**(383,440)**	(950,504)	**(383,440)**	(950,504)
Closing balance (See Note 25)	**105,222,711**	105,489,455	**105,222,711**	105,489,455

iv Loans and advances to Staff

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**962,103**	761,866	**825,417**	661,517
Movement during the year	**(206,312)**	200,237	**(246,635)**	163,900
Closing balance (See Note 25)	**755,791**	962,103	**578,782**	825,417

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v Financial assets held for trading

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**2,989,826**	6,154,032	**2,171,362**	4,788,063
Movement during the year	**805,041**	(5,179,031)	**(79,955)**	(4,002,793)
Interest receivable on Financial assets at FVTPL (See xiv)	**48,124**	29,919	**48,124**	29,919
Net gains on financial assets at FVTPL	**3,684,019**	1,984,906	**2,187,481**	1,356,173
Closing balance (See Note 21)	**7,527,010**	2,989,826	**4,327,012**	2,171,362

vi Pledged assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**24,048,685**	12,593,933	**24,048,685**	12,593,933
Movement during the year	**16,551,315**	11,454,752	**16,551,315**	11,454,752
Closing balance (See Note 24)	**40,600,000**	24,048,685	**40,600,000**	24,048,685

vii Other assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**9,821,901**	5,355,114	**8,342,969**	4,361,593
Movement during the year	**(15,649)**	5,346,026	**1,215,434**	4,124,919
Withholding Tax utilised	**(1,109,777)**	(774,035)	**(78,688)**	(38,339)
Impairment (charge)/writeback (Note 9)	**369,871**	(105,203)	**425,255**	(105,203)
Closing balance (See Note 26)	**9,066,346**	9,821,902	**9,904,970**	8,342,969

viii Due to Banks

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**43,579,818**	9,837,048	**43,579,818**	9,837,049
Movement during the year	**6,346,224**	33,663,718	**6,346,224**	33,663,717
Interest payable (See xv)	**106,180**	79,052	**106,180**	79,052
Closing balance (See Note 32)	**50,032,222**	43,579,818	**50,032,222**	43,579,818

ix Due to Customers

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**133,365,930**	119,432,839	**132,506,325**	119,777,398
Movement during the year	**81,881,698**	12,416,423	**84,183,610**	11,212,259
Interest payable (See xv)	**2,378,719**	1,516,668	**2,378,719**	1,516,668
Closing balance (See Note 33)	**217,626,347**	133,365,930	**219,068,654**	132,506,325

x Other liabilities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**37,090,570**	21,307,185	**34,023,371**	19,287,942
Movement during the year	**(12,494,647)**	15,866,147	**(13,879,201)**	14,818,191
Impairment on Off balance sheet exposure (Note 9)	**200,075**	(82,762)	**200,075**	(82,762)
Closing balance (See Note 35)	**24,795,998**	37,090,570	**20,344,245**	34,023,371

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Movement in derivative liabilities	**(192,296)**	(162,581)	**(192,296)**	(162,581)

xi Gain/(Loss) on disposal of PPE

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Cost of PPE disposed (See Note 28)	**588,292**	34,519	**588,292**	34,519
Accumulated depreciation of PPE disposed (See Note 28)	**(265,235)**	(17,140)	**(265,235)**	(17,140)
	323,057	17,379	**323,057**	17,379
Gain/(Loss) on disposal of PPE	**(227,708)**	-	**(227,708)**	-
Proceeds	**95,349**	17,379	**95,349**	17,379

Notes to the Consolidated and Separate Financial Statements

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xii Right of use Asset

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**21,778**	50,763	**21,778**	50,763
Reversal of right of use asset	**22,658**	4,190	**22,658**	4,190
Depreciation of right of use asset	**(21,778)**	(24,795)	**(21,778)**	(24,795)
Movement in lease liability	**(22,658)**	(14,831)	**(22,658)**	(14,831)
Closing balance	**-**	(21,778)	**-**	(21,778)
	-	(6,451)	**-**	(6,451)

xiii(a) Purchase of Investment securities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
a Investment Security (FVOCI)	**(80,136,509)**	(42,375,614)	**(79,236,510)**	(42,193,614)
b Investment security (Amortised cost)	**-**	(1,538,781)	**-**	(1,196,608)
Cash outflow on acquisition of investment securities	**(80,136,509)**	(43,914,395)	**(79,236,510)**	(43,390,222)

xiii(b) Disposal of Investment securities

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
a Investment Security (FVOCI)	**38,151,235**	58,176,410	**38,204,871**	57,800,243
b Investment security (Amortised cost)	**83,433**	-	**1,283,517**	-
c Derivative Financial Assets	**197,969**	169,397	**197,969**	169,397
Cash outflow on acquisition of investment securities	**38,432,637**	58,345,807	**39,686,357**	57,969,640

a Investment Security (FVOCI)

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**27,786,257**	43,832,528	**26,060,515**	41,810,091
Acquisition of Investment securities	**80,136,509**	42,375,614	**79,236,510**	42,193,614
Disposal of investment securities	**(38,151,235)**	(58,176,410)	**(38,204,871)**	(57,800,243)
Interest receivable on Investment security at FVOCI (see xiv)	**1,536,435**	277,182	**1,504,795**	259,401
'Impairment (Note 9)	**(2,561,430)**	1,692	**(2,483,431)**	1,692
Fair value movement (Note 40)	**(3,281,211)**	(524,349)	**(3,436,468)**	(404,040)
Closing balance (See Note 22)	**65,465,326**	27,786,257	**62,677,050**	26,060,515

b Investment security (Amortised cost)

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**1,595,551**	-	**1,253,377**	-
Acquisition/(disposal) during the year	**(83,433)**	1,538,781	**(1,283,517)**	1,196,608
Interest receivable on Investment securities at amortised cost	**46,880**	86,909	**-**	86,909
impairment charge/(writeback) of amortised cost (See Note 9)	**30,140**	(30,140)	**30,140**	(30,140)
Closing balance (See Note 23)	**1,589,137**	1,595,551	**-**	1,253,377

c Derivative Financial Assets

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	**197,969**	361,693	**197,969**	361,693
Disposals during the year	**(197,969)**	(169,397)	**(197,969)**	(169,397)
Net (gain)/loss on derivative financial instruments (Note 37)		5,673	**-**	5,673
Closing balance (Note 37)	**-**	197,969	**-**	197,969

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d Investment in subsidiary

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Balance as at January 1	-	-	1,321,958	1,217,129
Movement during the year	-	-	-	-
(charge)/writeback of impairment (Note 27)	-	-	196,290	104,829
Closing balance (Note 27)	-	-	1,518,248	1,321,958

xiv Interest received

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Total Interest Income (See Note 7)	24,497,730	17,635,727	23,647,367	16,986,313
Interest receivable on Loans and advances to customers	(1,436,219)	(969,329)	(1,436,219)	(969,329)
Interest receivable on Due from other banks	(116,607)	(119,645)	(18,322)	(21,808)
Interest receivable on Investment securities at amortised cost	(46,880)	(86,909)	-	(86,909)
Interest receivable on Investment security at FVOCI	(1,536,435)	(277,182)	(1,504,795)	(259,401)
Interest receivable on Financial assets at FVTPL	(48,124)	(29,919)	(48,124)	(29,919)
Interest Income received	21,313,465	16,152,742	20,639,907	15,618,946

xv Interest Paid

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Total Interest expense (See Note 8)	(21,685,503)	(13,999,402)	(21,835,114)	(14,013,719)
Interest expense on borrowings (See xvi below)	5,053,884	4,196,098	5,053,884	4,196,098
Interest payable on Due to banks	106,180	79,052	106,180	79,052
Interest payable on Deposits	2,378,719	1,516,668	2,378,719	1,516,668
Interest payable on Lease Liabilities	-	1,521	-	1,521
Interest expense paid	(14,146,720)	(8,206,063)	(14,296,331)	(8,220,380)

xvi Borrowings

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Opening balance	**(47,552,044)**	(20,422,441)	**(47,552,044)**	(20,422,441)
Proceeds from borrowings	**(51,152,473)**	(32,899,547)	**(51,152,473)**	(32,899,547)
Redemption of borrowings	**75,248,150**	7,403,033	**75,248,150**	7,403,033
Interest payable on borrowings	**(1,308,090)**	(1,633,089)	**(1,308,090)**	(1,633,089)
Closing balance (See Note 34)	**24,764,457**	47,552,044	**24,764,457**	47,552,044

xvii Interest paid on borrowings

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Interest expense on borrowings (See Note 8)	**(5,053,884)**	(4,196,098)	**(5,053,884)**	(4,196,098)
Interest payable on borrowings	**1,308,090**	1,633,089	**1,308,090**	1,633,089
Closing balance (See Note 34)	**(3,745,794)**	(2,563,009)	**(3,745,794)**	(2,563,009)

42 Contingent liabilities and commitments

Litigation

The Bank, in the ordinary course of business, is currently involved in 4 cases as a defendant and no 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 ₦38.8million, while in the other cases, the Bank is counter-claiming for the total sum of ₦1.85billion (the Claimant is making claims against the Bank in the sum of ₦1.19billion 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 ₦13million (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 2022: 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 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Performance bonds and guarantees	**29,044,817**	3,833,174	**29,044,817**	3,833,174
Letters of credit	**10,942,397**	9,316,883	**10,942,397**	9,316,883
	39,987,214	13,150,057	**39,987,214**	13,150,057

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Capital Commitments

At the end of the year, the Group and Bank had no capital commitments (31 December 2022: NIL)

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 2023 ₦'000	31 December 2022 ₦'000
FBN Balanced Fund	7,000,798	4,888,654
FBN Fixed Income Fund	59,780,423	62,909,817
FBN Money Market Fund	204,384,923	149,672,269
FBN Smart Beta Fund	810,315	360,410
FBN Nigeria Eurobond Fund	29,241,007	13,108,460
FBN Halal Fund	7,129,903	7,096,084
FBN Specialized Dollar Fund	31,809,110	4,319,829
Discretionary Portfolio Managed Service	266,672,179	246,542,503
	606,828,658	488,898,025

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 2023. (December 2022: Nil)

43.3 Deposits from related parties

Year ended 31 December 2023	Entities controlled by the parent ₦'000	Key management personnel ₦'000
Deposit from customers		
Deposits at 1 January	5,014,323	13,147
Movement during the year	6,655,014	-
	11,669,337	13,147
Due to banks	511,384	-
Deposits at 31 December	12,180,721	13,147
Interest expenses on deposits	1,011,102	459,432

Year ended 31 December 2022	Entities controlled by the parent ₦'000	Key management personnel ₦'000
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	-

Notes to the Consolidated and Separate Financial Statements

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43.4 Other transactions and balances with related parties

Year ended 31 December 2023	Relationship	Nature of transaction	31 December 2023 ₦'000	31 December 2022 ₦'000
FBNQuest Capital Group	Controlled by Parent	Interest expense	250,835	151,009
FBNQuest Asset Management	Subsidiary	Interest expense	120,960	2,673
FBNQuest Securities	Subsidiary	Interest expense	52,716	20,444
FBNQuest Trustees	Controlled by Parent	Interest expense	167,396	24,677
First Bank Limited Group	Controlled by Parent	Interest expense	36	236,135
FBNQuest Funds	Controlled by Parent	Interest expense	196,934	-
FBN Holding	Parent	Interest expense	222,225	24,493
FBNQuest Securities	Subsidiary	Deposit liabilities	1,367,856	133,767
FBNQuest Asset Management	Subsidiary	Deposit liabilities	703,989	82,319
First Bank Limited Group	Controlled by Parent	Deposit liabilities	15	8,802,154
FBNQuest Capital Group	Controlled by Parent	Deposit liabilities	5,925,243	4,293,892
FBNQuest Trustees	Controlled by Parent	Deposit liabilities	3,672,249	504,346
FBN Holding	Parent	Deposit liabilities	511,369	2,030,133
FBNQuest Capital Group	Controlled by Parent	Other receivables	22,511	13,894
FBNQuest Asset Management	Subsidiary	Other receivables	484,908	536,342
FBNQuest Asset Management	Subsidiary	Dividend Receivable	1,941,132	1,406,000
FBN Holding	Parent	Dividend payable	1,006,076	1,376,386
FBNQuest Securities	Subsidiary	Other receivables	33,732	42,398
FBNQuest Trustees	Controlled by Parent	Other receivables	117,540	17,484
FBNQuest Funds	Controlled by Parent	Other receivables	29,500	7,056

43.5 Key management compensation

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Salaries and other short-term employee benefits	377,383	364,132	241,275	238,693
Defined contribution costs	29,574	28,776	18,046	17,702
	406,957	392,908	259,321	256,394

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.

44 Employees

The number of persons employed by the Bank as at end of the year is as follows:

	Group				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Employees	158	92	66	58%	42%

	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Employees	111	69	42	62%	38%

Gender Analysis of Board & Management 2023

	Group				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Board	7	6	1	86%	14%
Top Management (AGM to GM)	17	8	9	47%	53%
	24	**14**	**10**	**58%**	**42%**

Gender Analysis of Board & Management 2023

	Bank				
	Total No.	Male	Female	Male	Female
		Number		Percentage	
Board	7	5	2	71%	29%
Top Management (AGM to GM)	12	7	5	58%	42%
	19	**12**	**7**	**63%**	**37%**

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Gender Analysis of Board & Management 2023

	Bank				
		Male	Female	Male	Female
	Total No.	Number		Percentage	
Assistant General Manager	7	4	3	57%	43%
Deputy General Manager	3	2	1	67%	33%
General Manager	2	1	1	50%	50%
Deputy Managing Director	0	0	0	0%	0%
Managing Director	0	0	0	0%	0%
Non-Executive Directors	5	3	2	60%	40%
	17	**10**	**7**	**59%**	**41%**

Compensation for the above staff excluding executive management:

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Wages and salaries	**4,858,765**	4,438,464	**2,750,094**	2,828,189
Other pension costs	**227,419**	170,906	**180,083**	181,980
	5,086,184	4,609,370	**2,930,177**	3,010,170

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

	Number			
	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
₦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	-	-	-	-
₦2,500,001 - ₦3,500,000	-	-	-	-
₦3,500,001 - ₦5,500,000	-	5	-	4
₦5,500,001 - ₦10,500,000	31	42	20	25
₦10,500,001 and above	124	98	90	79
	155	145	110	108

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 ₦155.4 million (2022: ₦152.4million).

45 Directors' emoluments

Remuneration paid to the Group and Bank's directors was:

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Fees and sitting allowances	158,162	224,788	158,162	224,788
Other director expenses	98,471	79,654	98,471	79,654
	256,633	304,442	256,633	304,442

Fees and other emoluments disclosed above include amounts paid to:

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Chairman	45,014	31,504	45,014	31,504
Highest paid non-executive director	45,014	31,504	45,014	31,504

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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 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
₦5,000,001 and above	4	5	4	5
	4	5	4	5

46 Compliance with regulatory bodies

The Bank contravened regulatory requirements and policies in the financial year ended 31 December 2023

Contraventions		Penalties ₦'000
1.	FMDQ: Fine for late filling of Commercial Paper documentation	110
2.	FMDQ: Non-compliance with FMDQ commercial paper registration and quotation rules	1,300
3.	Securities and Exchange Commission: Penalty for processing long outstanding transaction without feedback from the commission	3,000
4.	CBN: Non-Disclosure of Diversity in Employment in Banks and Discount Houses	2,000
5.	CBN: Contravention of CBN Risk-Based Cybersecurity Framework and Guidelines	2,000
6.	CBN: Contravention of CBN circular on External Auditors' Recommendations in the Management Letters of Banks' Audited Financial statements	2,000

47 Subsequent events

a On 28 March 2024, the Central Bank of Nigeria issued a circular in respect of an upward review of minimum capital requirements for Commercial Banks, Merchant Banks and Non-Interest Banks. The new capital requirement for Merchant Banks is ₦50 billion, and is to be met within a period of 24 months, commencing on 1 April 2024 and terminating on 31 March 2026. The implication of this regulation is that FBNQuest Merchant Bank will have to increase its capital in order to comply with the minimum requirement. The Bank plans to raise capital via equity injection.

This is not an adjusting event for the year ended 31 December 2023.

There are no other no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2023 or the profit for the year that ended on that date, that has not been adequately provided for or disclosed in the consolidated and separate financial statements

48 Dividend

	Group		Bank	
	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2023 ₦'000	31 December 2022 ₦'000
Opening	**1,376,386**	506,578	**1,376,386**	506,578
Interim Dividend Declared	**1,006,076**	1,376,386	**1,006,076**	1,376,386
Dividend Paid	**(1,376,386)**	(506,578)	**(1,376,386)**	(506,578)
Closing Payable	**1,006,076**	1,376,386	**1,006,076**	1,376,386

49 Transfer of Subsidiaries

The Board of Directors of FBNQuest Merchant Bank Limited at the meeting held on December 14, 2023 and February 7, 2024 approved the transfer of FBNQuest Asset Management and FBNQuest Securities Limited respectively to FBNHoldings PLC effective December 31, 2023 subject to the approval of the Central Bank of Nigeria. The transfer is expected to be at the net book value of the banks' investment in these subsidiaries.

Other National Disclosures
Statement of Value Added

Group

	31 December 2023 ₦'000	%	31 December 2022 ₦'000	%
Gross earnings	47,937,219	286	31,799,138	298
Interest expense	(21,685,503)	(129)	(13,999,402)	(131)
	26,251,716		17,799,736	
Impairment loss on financial assets	(2,625,910)	(16)	(1,173,097)	(11)
	23,625,806		16,626,639	
Bought in materials and services	(6,877,239)	(41)	(5,948,729)	(56)
Value added	16,748,567	100	10,677,910	100
Distribution of value added				
To government:				
Taxes	3,513,118	21	1,327,728	12
To employees:				
Salaries and benefits	5,493,141	33	5,002,278	47
The future:				
For replacement of fixed assets/intangible assets				
Depreciation & amortisation	537,235	3	463,151	4
To augument reserves	7,205,073	43	3,884,753	36
	16,748,567	100	10,677,910	100

This statement shows the distribution of wealth created by the group during the period.

Other National Disclosures

Statement of Value Added

Bank

	31 December 2023 ₦'000	%	31 December 2022 ₦'000	%
Gross earnings	**35,504,215**	**458**	24,811,850	372
Interest expense	**(21,835,114)**	**(282)**	(14,013,719)	(210)
	13,669,101		10,798,132	
Impairment loss on financial assets	**(2,470,624)**	**(32)**	(1,068,268)	(16)
	11,198,477		9,729,864	
Bought in materials and services	**(3,448,864)**	**(45)**	(3,055,390)	(46)
Value added	**7,749,613**	**100**	6,674,474	100
Distribution of value added				
To government:				
Taxes	**678,224**	**9**	207,022	3
To employees:				
Salaries and benefits	**3,189,498**	**41**	3,266,564	48
The future:				
For replacement of fixed assets/intangible assets				
(depreciation & amortisation)	**470,569**	**6**	400,576	6
To augument reserves	**3,411,322**	**44**	2,800,312	43
	7,749,613	**100**	6,674,474	100

This statement shows the distribution of wealth created by the Bank during the year.

Other National Disclosures
Statement of Prudential Adjustments

	31 December 2023 ₦'000	31 December 2022 ₦'000
Prudential guidelines provision:		
As at 1 January		
- 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
Charge/(write-back) for the period:		
- Loans and advances (specific and general provisions)	**(279,502)**	(449,618)
- Other known losses (OKL)	**(418,515)**	68,291
	(698,018)	(381,327)
As at 31 December		
- Loans and advances (specific and general provisions)	**3,158,977**	3,438,479
- Other known losses (OKL)	**2,411,355**	2,829,870
	5,570,332	6,268,349
IFRS impairment provisions:		
- Allowance for impairment (loans and contingents)	**2,223,365**	1,985,415
- Other impairment (Other assets and subsidiaries)	**1,388,033**	1,848,784
	3,611,398	3,834,199
Required credit risk reserve at end of the year	**1,958,933**	2,434,150
Balance at beginning of the year	**2,434,150**	2,648,901
(Reversal)/addition to credit risk reserve	**(475,217)**	(214,751)
Balance at end of the year	**1,958,933**	2,434,150

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.

Other National Disclosures
Five-Year Financial Summary

Group	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2019 ₦'000
Statement of financial position					
ASSETS					
Cash and balances with Central Bank of Nigeria	**73,953,341**	59,278,402	38,118,584	43,690,655	8,302,033
Loans and advances to banks	**45,577,090**	57,578,008	14,905,839	25,718,491	7,377,521
Loans and advances to customers	**105,978,501**	106,451,558	76,689,597	55,699,015	46,448,173
Financial assets-Fair value through Profit or Loss	**7,527,010**	2,989,826	6,154,032	1,910,800	2,902,292
Investment securities:					
- Fair value through OCI	**65,465,326**	27,786,257	43,601,118	29,041,247	16,684,696
- Amortised cost	**1,589,137**	1,595,551	-	7,583,938	2,914,249
Pledged assets	**40,600,000**	24,048,685	12,593,933	16,742,200	39,382,677
Derivative financial assets	**-**	197,969	361,693	417,669	474,757
Other assets	**9,066,346**	9,821,901	5,355,113	6,627,396	8,469,156
Deposit with Nigerian Stock Exchange	**-**	-	-	1,150	1,150
Property and equipment	**3,114,924**	2,501,635	1,539,216	1,348,756	1,388,451
Intangible assets	**164,609**	375,326	337,833	218,778	863,136
Right of use assets	**-**	21,778	50,763	56,886	175,208
Deferred tax assets	**9,455,145**	9,313,861	9,362,532	9,429,283	9,426,538
TOTAL ASSETS	**362,491,428**	301,960,757	209,070,252	198,486,264	144,810,037
LIABILITIES					
Due to banks	**50,032,222**	43,579,818	9,837,048	28,475,932	27,648,648
Due to customers	**217,626,347**	133,365,930	119,432,839	100,136,570	75,675,570
Current income tax liability	**2,791,474**	1,415,586	922,057	945,860	766,671
Corporate bonds issued	**24,764,457**	47,552,044	13,233,425	13,235,587	-
Other liabilities	**24,795,998**	37,090,570	28,496,201	18,652,820	10,090,784
Lease liabilities	**-**	22,658	35,968	25,100	115,233
Derivative financial instrument	**-**	192,296	354,877	383,526	469,389
Deferred tax liability	**821,290**	-	-	-	-
TOTAL LIABILITIES	**320,831,788**	263,218,902	172,312,415	161,855,395	114,766,295
NET ASSETS	**41,659,641**	38,741,855	36,757,837	36,630,869	30,043,742
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	**24,493,680**	18,331,164	16,028,094	15,587,647	13,293,789
Statutory reserve	**9,640,489**	9,128,791	8,708,745	8,610,990	7,878,900
Regulatory risk reserve	**1,958,934**	2,434,151	2,648,901	2,134,767	920,039
Fair value reserve	**(2,666,368)**	614,843	1,139,192	2,064,559	(281,892)
General reserve	**26,598**	26,598	26,598	26,598	26,598
SHAREHOLDERS' FUNDS	**41,659,641**	38,741,855	36,757,837	36,630,869	30,043,742

Other National Disclosures

Five-Year Financial Summary

Income statement

	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2019 ₦'000
Operating income	**23,625,806**	16,626,639	14,032,238	17,374,906	13,993,193
Operating expenses	**(12,907,615)**	(11,414,159)	(11,551,865)	(10,749,545)	(9,843,248)
Profit before tax	**10,718,191**	5,212,480	2,480,373	6,625,361	4,149,945
Tax	**(3,513,117)**	(1,327,727)	(921,461)	(884,686)	(556,888)
Profit after tax	**7,205,073**	3,884,753	1,558,912	5,740,675	3,593,057
Earnings per share - basic (kobo)	**167**	90	36	133	61

Other National Disclosures

Five-Year Financial Summary

Bank	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2019 ₦'000
Statement of financial position					
ASSETS					
Cash and balances with Central Bank of Nigeria	**73,953,341**	59,278,402	38,118,585	43,690,655	8,302,033
Loans and advances to banks	**36,554,864**	51,267,315	12,006,567	22,233,202	4,238,237
Loans and advances to customers	**105,801,493**	106,314,872	76,589,248	55,599,526	46,390,453
Financial assets held for trading	**4,327,012**	2,171,362	4,788,062	1,379,915	2,517,162
Investment securities:			-	-	-
- Fair value through OCI	**62,677,050**	26,060,515	41,810,273	26,986,180	16,026,386
- Amortised cost	**-**	1,253,377	-	7,583,938	2,914,249
Pledged assets	**40,600,000**	24,048,685	12,593,933	16,742,200	39,382,677
Derivative financial assets	**-**	197,969	361,693	417,669	474,757
Other assets	**9,904,970**	8,342,968	4,361,595	5,265,056	8,517,527
Investment in subsidiaries	**1,518,248**	1,321,958	1,216,129	1,313,329	1,313,329
Property and equipment	**2,985,618**	2,378,312	1,429,522	1,295,560	1,325,752
Intangible assets	**92,436**	132,219	122,107	197,499	810,031
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	**347,528,580**	291,903,280	202,562,025	191,875,163	141,501,349
LIABILITIES					
Due to banks	**50,032,222**	43,579,818	9,837,048	28,475,932	27,648,648
Due to customers	**219,068,654**	132,506,325	119,777,398	100,137,825	76,021,448
Current income tax liability	**560,366**	236,910	77,379	259,193	183,602
Corporate bonds issued	**24,764,457**	47,552,044	13,233,425	13,235,587	-
Other liabilities	**20,344,245**	34,023,371	26,475,958	15,774,191	9,112,503
Lease liabilities	**-**	22,658	35,968	25,100	115,233
Derivative financial instrument	**-**	192,296	354,877	383,526	469,389
TOTAL LIABILITIES	**314,769,944**	258,113,422	169,792,054	158,291,354	113,550,823
NET ASSETS	**32,758,636**	33,789,858	32,769,971	33,583,809	27,950,526
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	**15,815,424**	13,446,659	12,228,029	12,694,799	11,261,008
Statutory reserve	**9,640,489**	9,128,791	8,708,745	8,610,990	7,878,900
Regulatory risk reserve	**1,958,934**	2,434,151	2,648,901	2,134,767	920,039
Fair value reserve	**(2,862,519)**	573,949	977,989	1,936,945	(315,729)
SHAREHOLDERS' FUNDS	**32,758,636**	33,789,858	32,769,971	33,583,809	27,950,526

Other National Disclosures
Five-Year Financial Summary

Income statement

	31 December 2023 ₦'000	31 December 2022 ₦'000	31 December 2021 ₦'000	31 December 2020 ₦'000	31 December 2019 ₦'000
Operating income	**11,198,478**	9,729,864	8,505,872	12,751,112	9,899,353
Operating expenses	**(7,108,931)**	(6,722,529)	(7,776,797)	(7,662,718)	(7,119,476)
Profit before tax	**4,089,547**	3,007,335	729,075	5,088,394	2,779,877
Tax	**(678,224)**	(207,023)	(77,379)	(207,784)	(139,651)
Profit after tax	**3,411,323**	2,800,312	651,696	4,880,610	2,640,226
Earnings per share - basic (kobo)	**79**	65	15	113	61

Abbreviation

ACCA	Association of Chartered Certified Accountants	EDD	Enhanced Due Diligence
AFEX	AFEX Commodities Exchange Limited	EFCC	Economic and Financial Crimes Commission
AIHN	Association of Issuing Houses of Nigeria	ERM	Enterprise-wide Risk Management
ALCO	Asset and Liability Committee	FATF	Financial Action Task Force
ALP	Akindelano Legal Practitioners	FDI	Foreign Direct Investment
AML	Anti-Money Laundering	FICT	Fixed Income, Currencies and Treasury
APWB	Association of Professional Women Bankers	FPI	Foreign Portfolio Investment
AUM	Assets Under Management	FTR	Foreign Transaction Report
BAC	Board Audit Committee	GMD	Group Managing Director
BAFI	Businessday Banks and other Financial Institutions	HNI	High-Net-Worth Individuals
BCC	Board Credit Committee	IB	Investment Banking
BCM	Business Continuity Management	IFRS	International Financial Reporting Standards
BGNC	Board Governance and Nominations Committee	INED	Independent Non-Executive Director
BRMC	Board Risk Management Committee	IOD	Institute of Directors
BVN	Bank Verification Number	ISM	International School of Management
CDD	Customer Due Diligence	ISMS	Information Security Management System
NPAC	New Product Approval Committee	ISSC	Information Security Steering Committee
CEO	Chief Executive Officer	ITSC	Information Technology Steering Committee
CFA	Chartered Financial Analyst	KYC	Know Your Customer
CFP	Contingency Funding Plan	LDP	Leadership Development Programme
CFT	Countering the Financing of Terrorism	LDR	Loan-to-Deposit Ratio
CIB	Corporate Internet Bank	MCI Arb	Member of the Chartered Institute of Arbitrators
CIBN	Chartered Institute of Bankers of Nigeria	MCUC	Management Credit and Underwriting Committee
CIS	Collective Investment Schemes	MMD	Money Market Dealer
COSO	Committee of Sponsoring Organisations	MPR	Monetary Policy Rate
CSCS	Central Securities Clearing System	NCCG	Nigerian Code of Corporate Governance
CTR	Currency Transaction Report	NCP	National Council on Privatisation
DNFBP	Designated Non-Financial Businesses and Professionals	NFIU	Nigerian Financial Intelligence Unit
EAD	Exposure At Default	NIM	Net Income Margin
EAP	Employee Assistance Programme	NPAC	New Product Approval Committee

Abbreviation

ORR	Obligor Risk Rating
PD	Probability of Default
PDMM	Primary Dealers and Market Makers
PEP	Politically Exposed Persons
PFA	Pension Fund Administrators
PWC	PricewaterhouseCoopers
QWN	Quest Women's Network
RAAC	Risk Asset and Acceptance Criteria
RMC	Risk Management Committee
SEC	Securities and Exchange Commission
SOP	Standard Operating Procedures
STR	Suspicious Transaction Report
TFN	Teach for Nigeria
TC	Treadway Commission
UBA	United Bank of Africa Plc
USAID	United States Agency for International Development
WIMBIZ	Women in Management, Business and Public Service
YPE4AH	Youth-Powered Ecosystem to Advance Urban Adolescent Health

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