

Polaris Bank Limited

**Consolidated and Separate Financial Statements for the year ended
31 December 2022**

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GENERAL INFORMATION

DIRECTORS AND ADVISORS

DIRECTORS

Capacity

Mr Muhammad K. Ahmad, OON
Mr. Innocent C. Ike
Mr. Adekunle B. Sonola
Mr. Abdullahi S. Mohammed
Mr. Segun Opeke
Mr. Abdullahi M. Umar
Mr. Austin Jo-Madugu
Mr. Olu Odugbemi
Mr. Bata Wakawa
Mr. Abubakar D. Sulaiman
Mrs. Salma Muhammed
Mr. Adeleke Alex-Adedipe
Mrs. Olabisi O. Odunowo
Mrs. Aku P. Odinkemelu
Mr. Ahmed Almustapha
Mr. Francesco Cuzzorcrea

Non-Executive Director/Chairman
Managing Director/CEO (Retired 19 Oct 2022)
Managing Director/CEO (Appointed 19 Oct 2022)
Executive Director
Executive Director
Non-Executive Director (Retired 19 Oct 2022)
Non-Executive Director (Retired 19 Oct 2022)
Non-Executive Director (Retired 21 Sept 2022)
Non-Executive Director (Retired 24 May 2022)
Non-Executive Director (Appointed 19 Oct 2022)
Non-Executive Director (Appointed 19 Oct 2022)
Non-Executive Director (Appointed 19 Oct 2022)
Non-Executive Director (Appointed 19 Oct 2022)
Non-Executive Director (Appointed 19 Oct 2022)
Non-Executive Director (Appointed 19 Oct 2022)
Non-Executive Director (Appointed 19 Oct 2022)

COMPANY SECRETARY/LEGAL ADVISER:

Olusegun Tawoju

REGISTERED OFFICE:

3 Akin Adesola Street
Victoria Island
Lagos
www.polarisbanklimited.com

AUDITORS:

PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers
5B Water Corporation Road
Victoria Island
Lagos
www.pwc.com/ng

For the year ended 31 December 2022

REPORT OF THE DIRECTORS FOR THE PERIOD JANUARY 01, 2022 TO DECEMBER 31, 2022

The Directors of Polaris Bank Limited are pleased to present to members, the audited financial statements of the Bank for the period January 01, 2022 to December 31, 2022.

1. Legal Form

The Bank was incorporated as Polaris Limited on September 14, 2018 as a private limited liability company and re-named as Polaris Bank Limited, by special resolution on September 21, 2018, in accordance with the provisions of the *Companies and Allied Matters Act, 1990*. It was granted a banking license on September 21, 2018 to carry on Commercial Banking Business on National Basis.

The Bank was established by the Central Bank of Nigeria (CBN), in consultation with the Nigeria Deposit Insurance Corporation (NDIC). The Bank was therefore established to assume all the assets and some of the liabilities of Skye Bank, and was fully capitalized by the Asset Management Company of Nigeria (AMCON), an agency of the CBN.

On October 19, 2022, the total ownership of the Bank held by the Assets Management Corporation of Nigeria (AMCON) was transferred to new investors; Strategic Capital Investments Ltd (SCIL) and Ponglomerape Limited.

2. Principal Business Activities

The Bank's principal activity is the provision of banking and other financial services to corporate and individual customers. The Bank is a digitally-led Retail and Commercial Bank with 249 business offices across the country to provide services to priority sectors of the economy.

3. Operating Results

	Group		Bank	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Gross Earnings	121,314	110,539	121,314	110,539
Profit Before Tax	10,955	16,289	10,955	17,442
Tax	(1,028)	(664)	(1,028)	(664)
Profit After Tax	9,927	15,625	9,927	16,778
Continuing Operations	9,927	15,625	9,927	16,778
Discontinued Operations	(80)	3,843	0	0

For the year ended 31 December 2022

4. Analysis of Shareholding

The Bank's authorized share capital is ₦25,000,000,000 divided into 25,000,000,000 ordinary shares of N1 each. The issued shares are 25,000,000,000. The fully paid-up share capital is ₦25,000,000,000.

S/N	Nominee	No. of Shares Held	% of Shares Held
1	Strategic Capital Investment Limited (SCIL)	24,999,999,999	99
2	Ponglomerape Limited	1	1

The Bank's shares are owned by Strategic Capital Investment Limited (SCIL) and Ponglomerape Limited.

5. Directors

The following were Directors of the Bank who served during the period under review:

NAME	CAPACITY	REMARKS
1. Mr. Muhammad K. Ahmad	Chairman	He resigned as Chairman and was re-appointed as Chairman to the new Board effective October 19, 2022
2. Mr. Innocent C. Ike	MD/CEO	He resigned as Managing Director/Chief Executive Officer with effect from October 19, 2022, having served as the second MD/CEO of the Bank
3. Mr. Abdullahi S. Mohammed	Executive Director	He resigned as Executive Director and was re-appointed to the new Board effective October 19, 2022
4. Mr. Segun Opeke	Executive Director	He resigned as Executive Director and was re-appointed to the new Board effective October 19, 2022
5. Mr. Abdullahi M. Umar	Non-Executive Director	He resigned as Non-Executive Director with effect from October 19, 2022
6. Mr. Austin E. Jo-Madugu	Non-Executive Director	He resigned as Non-Executive Director with effect from October 19, 2022

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7. Mr. Bata G. Wakawa	Non-Executive Director	He passed on May 24, 2022 after a brief illness
8. Mr. Olu O. Odugbemi	Non-Executive Director	He voluntarily retired his appointment as a Non-Executive Director on the Board effective September 21, 2022
9. Mr. Adekunle Sonola	MD/CEO	He was appointed as MD/CEO, with effect from October 19, 2022
10. Mrs. Aku P. Odinkemelu	Non-Executive Director	She was appointed to the Board, with effect from October 19, 2022
11. Mr. Francesco Cuzzocrea	Non-Executive Director	He was appointed on the Board, with effect from October 19, 2022
12. Mr. Abubakar D. Suleiman	Non-Executive Director	He was appointed on the Board, with effect from October 19, 2022
13. Ms. Salma Mohammed	Non-Executive Director	She was appointed on the Board, with effect from October 19, 2022
14. Mr. Ahmed Almustapha	Non-Executive Director	He was appointed on the Board, with effect from October 19, 2022
15. Mr. Adeleke Alex-Adedipe	Non-Executive Director	He was appointed on the Board, with effect from October 19, 2022
16. Mrs. Olabisi O. Odunowo	Non-Executive Director	She was appointed on the Board, with effect from October 19, 2022

- Following the transfer of the total ownership of the Bank from the Assets Management Corporation of Nigeria on October 19, 2022 to new investors, the erstwhile members of the Board resigned and a new Board was constituted. Mr. Muhammad K. Ahmad was re-appointed as the Chairman to the Board.
- Re-appointed to the Board were Mr. Abdullahi S. Mohammed and Mr. Segun Opeke.
- Mr. Adekunle Sonola was appointed as the Managing Director/Chief Executive Officer of the Bank alongside other Directors.
- In accordance with Section 285 of *Companies and Allied Matters Act (CAMA), 2020* which requires that, at least one-third of the NEDs on the Board retire from office at each Annual General Meeting; Mr. Muhammad. K. Ahmad, Mr. Adeleke Alex-Adedipe and Mr. Ahmed Almustapha, will retire at the 4th Annual General Meeting of the Bank, and being eligible, offer themselves for re-election.

For the year ended 31 December 2022

6. Directors' Fees

The Annual Fees for the Chairman was proposed at ₦50million, while the fees for other Directors was proposed at ₦40million each. Only Non-Executive Directors are entitled to Annual fees.

7. Property, Plant and Equipment

Details of changes in property and equipment during the 2022 financial year is shown in the note to the financial statements on page 145. In the opinion of Directors, the market value of the Bank's properties is not less than the value shown in the financial statements.

8. Directors' Interests

As at December 31, 2022, the Directors held no interests in the issued Share Capital of the Bank, directly or indirectly.

9. Employment & Employee Relationship

The Bank continues to rank its employees as its most important resources and upholds a fair and equal opportunity environment free from all forms of harassment, victimization or discrimination on the basis of gender, age, religion, race or tribe, amongst others.

Developing a robust people strategy that relays a transparent HR agenda with clear result areas and accountability is a key part of the plan of the Bank. The Bank has a culture transformation programme to support delivery of the strategic aspirations of the Bank and enhance productivity across all levels. The talent management strategy of the Bank is focused on attracting, developing and retaining key talent. Thus, mechanisms that will continually push for superior performance to enable employees realize their full potentials are in place. Having embraced an agile mindset, the Bank's staff are equipped with future proof skills garnered from various learning and development programmes.

In line with the Nigerian Code of Corporate Governance, the Bank has a Whistleblowing Policy through which employees can bring unethical conducts and violations of laws and regulations to the attention of internal and external authorities for action. To ensure that the process is more confidential and less adversarial, KPMG is included as a third line of reporting.

Code of Conduct & Ethics

The Bank has a Code of Conduct & Ethics, which is attested to at the point of employment, as well as annually by all employees. The Bank has a Code of Conduct for Directors, which is also annually attested to by all Directors.

Employment of Disabled Persons

Polaris Bank maintains its recognition of the right of persons with disabilities to work

For the year ended 31 December 2022

on an equal basis with others. The Bank is committed to providing just and favourable conditions of work, including equal opportunities available to other employees. It prohibits discrimination against disabled persons in all matters of employment, including conditions of recruitment, training and career advancement. In the event of staff becoming disabled during the course of employment, the Bank will ensure they are retrained and rehabilitated to return to the work environment. Currently, there are no disabled employees in the Bank.

Occupational Health and Safety

Polaris Bank provides the right working environment for employees to perform at their full potential by creating an environment where the safety of employees is of paramount importance. Efforts are made to involve all managers, team leaders and employees in the development and implementation of health and safety procedures that gives precedence to safety over expediency without discrimination to anyone. Regular fire drills were carried out and fire prevention and fire-fighting equipment are maintained in strategic locations of the Bank.

The Bank is committed to the overall protection and well-being of its employees and its Health, Safety and Environment framework aligns with the physical Health, mental and emotional frames of mind with the work environment and conditions of safety and security. The culture of organising an annual health week celebration in every financial year has subsisted in the Bank. The programme is aimed at emphasising the importance of healthy living amongst officers thus ensuring that employees are fit mentally, physically and emotionally to perform at optimal level.

Welfare of Employees

The benefits of a healthy workforce in any organization cannot be over-emphasized as they can fully exercise their potentials by giving their best to the organization. In this regard, Polaris Bank has always taken the welfare of its employees as paramount and has traditionally provided support for staff through a range of policies and practices.

In line with the Bank's role in ensuring the wellness of its employees, virtual physical fitness and wellness exercise programmes were organized. The sessions were administered via the Bank's YouTube Channel and this activity also helped to improve views on the Bank's social media platform.

Employee Involvement and Training

A robust training plan is in place to cover the training needs of all staff. The Bank's focus on training is to build capacity of the workforce across all levels and functions, developing knowledge, skills, and ability to achieve the goals of the Bank with emphasis on its drive to be resilient, reliable and go-to-bank.

10. Corporate Social Responsibility (CSR)

Polaris Bank puts into consideration the need to impact its host communities by providing interventions through responsible community investment activities that enhance the socio-economic development of the people. In 2022, the Bank maintained a review of its engagement with various stakeholders to enable it achieve a more effective reach as well as business and social impact in the year. Due consideration to

For the year ended 31 December 2022

foster strong collaboration and strategic partnerships with stakeholders in Education, Sports, Health & Safety, Social Infrastructure; Women and Youths Empowerment, Environment and Cultural & Civic Projects were taken. The Golf for business initiative was sustained

Donations and Gifts

Investing in communities where the Bank operates is an integral part of its corporate strategy as a financial institution. This helps to foster good stakeholder relationship between the Bank and the host communities. The aim is to give back in a manner that ensures the greatest possible impact on the Bank's beneficiaries.

The Bank successfully implemented the following CSR projects in the areas of Health, Education, Women Empowerment and others during the reporting period:

SN	DESCRIPTION OF DONATIONS	AMOUNT
1	Equipment Support for Women Development Center, Ibeju Lekki.	7,926,822.50
2	Financial Literacy and Public Enlightenment Awareness Campaign	9,954,347.27
3	Accident & Emergency Ward, Lagos State University Teaching Hospital Lagos State	3,887,287.50
4	ICT Building, Obafemi Awolowo University, Ile-Ife, Osun State	9,500,000.00
5	Bereaved expense for high Net worth customer at Biu Branch	2,000,000.00
6	ASSBIFI Resource Centre	5,000,000.00
7	CIBN 15TH Annual Banking/Finance Conference	15,000,000.00
8	CBN Risk Management Conference	1,000,000.00
9	Facilitation Fee for Speakers and Honoraria for Media Associations/Participants (Abuja, PH, Lagos, Ibadan)	6,477,948.75
10	Donation to Kwara State Polytechnic	5,000,000.00
11	Medical Treatment Support for Mr. Mayowa Ogungbe	7,738,000.00
12	Donation to Adesuwa Ogundoyin Polytechnic, Eruwa, Oyo State	2,000,000.00
13	Support for the Girl-Child through Education to Curb Global Warming	18,000,000.00

For the year ended 31 December 2022

14	Modified Life-Saving Skills Training for Community Midwives & Community Health Extension Workers	2,000,000.00
15	Donation of Hydraulic, Electric Delivery Beds to Federal Teaching Hospital, Gombe	9,500,000.00
16	Provision of Clean Water & Enhanced Sanitation, borehole in Lafiaji Community, Eti Osa, Lekki & Onireke Community, Ojo	1,558,750.00
17	2022 Annual Corporate Governance Conference	2,000,000.00
18	Support for the 6 th Annual Childhood Cancer Awareness Walk.	500,000.00
TOTAL		109,043,156.02

11. Post Balance Sheet Events

There are no post Balance Sheet events that could have effect on the state of affairs of the Bank as at December 31, 2022 which have not been adequately provided for or disclosed.

12. Analysis of The Board and Top Management Staff

Analysis of Board & Top Management Staff					
2022					
Gender					
	Male	Female	Total	Percentage	
				M	F
Board Members					
Executive & Non-Executive	8	3	11	73%	27%
Top Management Staff (AGM - GM)	34	5	39	87%	13%
Total	42	8	50	84%	16%

13. Auditors

The Auditors, Messrs. PricewaterhouseCoopers, having indicated their willingness to continue in office, and will do so in accordance with *Section 401 (2)* of the *Companies & Allied Matters Act, 2020*. A resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

BY ORDER OF THE BOARD



OLUSEGUN TAWOJU
GENERAL COUNSEL/COMPANY SECRETARY
FRC/2021/002/00000024913

Lagos, Nigeria
March 20, 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

In accordance with the provisions of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, the Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Bank and of the profit or loss for the period 1 January to 31 December 2022 and in so doing they ensure that:

- Proper accounting records are maintained;
- Applicable accounting standards are followed;
- Suitable accounting policies are adopted and consistently applied;
- Judgments and estimates made are reasonable and prudent;
- The going concern basis is used, unless it is inappropriate to presume that the Bank will continue in business; and
- Internal control procedures are instituted which as far as reasonably possible, safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

The Directors accept responsibility for the preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act 2011, the Banks and other Financial Institutions Act, the Central Bank of Nigeria Prudential guidelines and other relevant regulations issued by the Central Bank of Nigeria.

The Directors accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as adequate systems of financial control.

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



MR. ADEKUNLE SONOLA
MANAGING DIRECTOR/CEO
FRC/2023/PRO/DIR/003/857112
March 20, 2023



MR MUHAMMAD K. AHMAD, OON
CHAIRMAN
FRC/2017/IODN/00000012581
March 20, 2023

SUSTAINABILITY REPORT

This report highlights the Bank's unwavering commitment to sustainable business practices. It showcases the Bank's achievements and efforts in environmental, social, and governance (ESG) outcomes and impact, with a focus on its carbon footprint, waste management practices, community engagement, and ethical business conduct. The report serves as a transparent tool for stakeholders to gain insight into the Bank's ongoing efforts to operate in a responsible and sustainable manner.

At Polaris Bank, we understand that our success is closely tied to the prosperity and well-being of the communities in which we operate. As such, our approach to sustainability is focused on supporting and contributing to the well-being of people and communities by building a business that is socially relevant and environmentally responsible. We have remained steadfast in our commitment to sustainable development through ambitious, action-oriented, and collaborative strategies.

The 2022 Annual Report serves as a testament to Polaris Bank's commitment to balancing the three pillars of sustainability: people, planet, and prosperity. It highlights the Bank's progress on its ESG agenda and its dedication to reducing risks, costs, and creating shared values for all stakeholders. We are proud to showcase our commitment to creating a world-class work environment while embracing the principles of sustainability.

OUR STRATEGY

Polaris Bank is committed to raising the standard of living of its customers and the larger community. This goal is reinforced by a dynamic workplace culture that encourages employees to be actively involved and engaged. The Bank recognizes the indisputable relationship between increasing the quality of life of people, the sustainable growth of its business activities & operations and the environment where it operates. Hence, its activities are structured around three fundamental principles that are supported by long-term economic and financial stability. They are as follows:

1. Responsible Banking
2. Sustainable Economic growth
3. Community investments

RESPONSIBLE BANKING

Governance

We believe good governance is a product of constant engagement with stakeholders about pre-agreed expectations, formulating policies and establishing norms and standards to guarantee achievement of the Bank's vision and mission. Good governance enables us to be conscious of our values through enhanced accountability, strong risk and performance management, transparency and effective leadership.

- **Sustainability Governance Structure**

The Board Finance & General Purpose Committee reviews and approves decisions that govern the environmental, social and economic policies within Polaris Bank, while all sustainability initiatives are executed by the Sustainability Department. In addition, the committee (through the Board, Audit, and Risk Management Committee) also incorporates the management and implementation of the Environmental and Social Risk Management policy into the Bank's business decisions.

- **Transparency and Accountability**

The Bank's decision-making process is transparent and promotes honesty, integrity, accountability, and discourages misconduct. In the area of Environmental, Social, and Governance (ESG), the Bank has steadily maintained a robust management system by reviewing its Risk Assessment Toolkit to meet industry and international best practices. It was built based on the Bank's business principles and underlying commitment to respect human rights and the environment. The Environmental and Social Risk Assessment Portal is designed to ensure that the Bank's risk management processes are aligned with international best practices through efficient internal standards and external collaborations such as United Nations Environment Programme Finance Initiative (UNEP-FI), International Finance Corporation (IFC), International Labor Organization (ILO), and Equator Principles.

- **Improved Diversity**

At Polaris Bank, we understand the importance of diversity and strive for gender balance in our workforce. Currently, our employee composition stands at 58.2% male and 41.8% female. In an effort to enhance diversity and promote positive governance outcomes, the Bank has taken steps to respond to the evolving needs of all stakeholders. During the year, we were acquired by a new investor and in line with this, three (3) female board members were appointed to ensure adequate representation of women on the board. We believe that a diverse workforce leads to a better-rounded perspective and contributes to the success of our organization.

- **Reporting**

In accordance with the Nigerian Sustainable Banking Principles (NSBPs), the Bank reports to the Central Bank of Nigeria on progress made regarding sustainability targets and adoption of the Nine (9) Principles on a semi-annual basis. In keeping with our international commitment, we also provide annual reports on our performance in relation to the United Nations Environment Programme - Finance Initiative Principles for Responsible Banking (UNEP-FI PRB). The report can be accessed via the Bank's website. We will continue to uphold the integrity, accountability, and transparency of our reporting system. We will also continue to communicate, assess, and report on the impact we have on our stakeholders in a clear and consistent manner.

Employees

Polaris Bank acknowledges that its employees are its most valuable assets, so it strives to maintain a vibrant and healthy workforce by providing good working conditions and benefits that are both competitive and motivating in order to minimise staff attrition. The health and safety of staff in the workplace is of utmost importance to the Bank, hence we provide and maintain safe premises, systems, and processes that are required for a safe and conducive work environment.

In 2022, we focused on team building, fostering camaraderie among teams and employee appreciation. These were done through continuous celebration of Polaris Teams during significant events such as Valentine's day Celebration, World HR Day, International Women's Day, International Men's Day and End of Year Celebrations. Staff were encouraged to show unity and harmony through group photos deployed on social media. We also celebrated our staff individually, as the Bank's most valuable asset. The end of the year was marked with a virtual bank wide party where staff were celebrated and recognized for their commitment and efforts towards the success of the Bank.

Gender, Diversity and Inclusion

Polaris Bank values diversity and inclusion and believes they are critical to organizational growth and development. We strive to treat all employees with decency, respect, and

fairness, offering opportunities for capacity building to all employees, regardless of gender, ethnicity, ideology, or belief. In this regard, our goal is to foster a growth-friendly environment and to provide a workplace free of discrimination, with zero tolerance for any form of harassment, victimization, or other similar workplace violations. Polaris Bank also does not discriminate against applications for employment by people with disabilities. If a member of the staff becomes physically challenged, appropriate training and counseling sessions will be established to ensure that they can continue to work for the Bank.

Employee Training and Development

To ensure that we have a knowledgeable and agile workforce in the new financial year, the Bank embarked on various programmes in line with its 3-year Transformation Plan tagged "Transformation 2.0" which is centered around driving hyper growth for the year. These programmes include;

- **Function Specific Programmes**

These are training programs specifically developed in partnership with the various departments in the Bank. These trainings are designed to provide participants with an in-depth understanding of the appropriate skills and knowledge required to drive hyper growth and build capability to perform more efficiently.

- **Leadership Development Programme**

One of the strategic goals of the Bank is to build a high performing workplace and culture, which would be largely driven by leaders capable of driving and implementing the culture transformation programme. The objective of this programme is to upgrade the knowledge, skills, and ability of officers to assume greater responsibility in their various roles. These trainings are technical skill based with a practical approach in delivery and support to further train and/or lead in the Bank. It provided participants with the behavioral competencies and skills required in the application of leadership techniques to enhance organizational performance and productivity.

- **Regulatory Programme**

These are programs developed to ensure that the Bank complies with all regulatory requirements. During the year, staff took part in the AML/CFT training program.

- **New Hire Orientation Programme**

On-boarding provides newly engaged employees the opportunity to adjust to the unfamiliar environment and culture of their organizations quickly and smoothly. It is a process whereby new hires learn the attitudes, knowledge, skills, and comportments required to function effectively within the organization. A total of 611 new hires were on-boarded within the year under review. Where properly implemented, a structured and comprehensive approach to on-boarding helps employees quickly acclimatize to their new functions and become productive, while also improving loyalty and retention.

Occupational Health and Safety

At Polaris Bank, we believe in providing a safe and healthy work environment for our employees, and maintaining best practices in health and safety management across all our branches. We continually strive to ensure that our employees have the necessary resources and equipment to perform their duties to the best of their abilities.

In 2022, the Bank took a major step towards enhancing its health and safety standards by upgrading to the ISO/IEC 22301/2019 Standard. This upgrade was reflected in our November 2022 audit and certification under the new standard, i.e. Business Continuity Management System (ISO 22301). In order to maintain a high level of safety and preparedness, we trained our employees in safety procedures through hands-on sessions. These training sessions were conducted by certified HSE professionals and HSE champions, and included bank-wide fire drills to ensure that all employees are familiar with their

responsibilities in emergency situations. The drills were held twice in 2022, on June 16th and December 9th, and were coordinated by our HSE representatives and HSE champions.

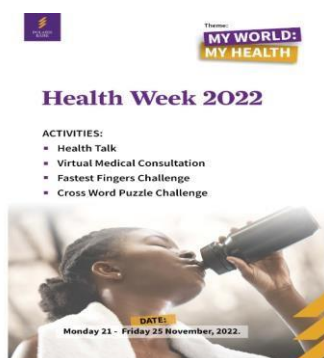
The Bank is committed to ensuring the safety and well-being of its employees and customers, and its investment in health and safety reflects this commitment. We will continue to invest in our health and safety program, and look for opportunities to improve our standards and procedures.

Staff Engagement and Healthy Living

One of Polaris Bank's primary goals is to ensure consistent improvement in the well-being of its workforce, ensuring that employees are fit mentally, physically, and emotionally, and thus productive at optimal levels. The Bank, in collaboration with accredited Health Management Organizations (HMO), provides medical insurance to all staff and their dependents. In addition, the Human Capital Management partners with the HMOs to carry out annual health check for all staff at specific partner hospitals irrespective of staff location.

As a result of the health check, targeted health talks were held to address key issues raised in the reports presented by the HMOs. The poignant issues discussed in 2022 are hypertension, stress and stress management, and ergonomics. Other wellness initiatives in 2022 include Health & Lifestyle features. This inspired the theme of our annual Health Week, **"My World, My Health,"** which aimed to emphasize the importance of maintaining good health.

2022 Health Week



HIV Testing, Confidentiality and Disclosure

Employee well-being is an important element of Polaris Bank's Employee culture. This further spurs the Bank to adopt initiatives that promote awareness, prevention, and management of the Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS). The Bank also encourages non-discrimination on HIV/AIDS in the workplace, and it does not require HIV testing as a pre-condition for employment or benefit receipt for workers, their dependents, job candidates, or other third parties.

Code of Conduct

The Bank's core values which are the foundation for its culture as well as its procedures are described in the Bank's Code of Conduct which focuses on areas of ethical risk and all employees are required to sign the Bank's code of conduct at the beginning of each year. This encourages employees to detect and address ethical issues while also providing avenues for reporting unethical behavior. All of this is done to encourage Bank employees to be more accountable and honest.

Human Rights

Polaris Bank makes a concerted effort to promote a safe workplace, free of harassment and discrimination throughout the organization. This means that everyone deserves to be treated with dignity and to have their interests considered equally and holistically. Our Code of Conduct Policy and Human Capital Management policies address workplace human rights risks, and are supplemented by regular internal communication to raise employee awareness of their fundamental human rights. The Bank also emphasizes its zero tolerance policy for sexual harassment, emotional abuse, and bullying, while also providing a channel for employees to report such abuse.

Polaris Bank's recruitment and operational practices are fair and nondiscriminatory, making it a model for other financial institutions and the community/society in terms of how to protect and promote basic/decent human rights. As questions about human rights have been incorporated into the Environmental & Social Risk Assessment Portal as part of our Social and Environmental Management System, our commitment to protecting the sanctity of human rights informs the lending process as we screen and vet transactions for human rights issues and potential infringements. We also constantly emphasize the importance of escalating abuse and other human rights violations. This is also ingrained in our sustainability learning materials, which are distributed to all employees on a regular basis.

Collaboration

Polaris Bank collaborates with local and international institutions to promote environmentally and socially responsible economic development, which helps to ensure that mechanisms are in place to prevent activities that may jeopardize future generations' ability to meet their needs. Polaris Bank is a member of several global and local sustainability organizations, including the United Nations Environment Program Finance Initiative (UNEP FI), the Global Reporting Initiative (GRI), Child and Youth Finance International (CYFI), and the Nigerian Sustainable Banking Principles Steering and Champions Committee (NSBP)

Environmental Responsibility

Polaris Bank has upheld its commitment to environmental sustainability through the years. The Bank is dedicated to raising awareness and creating a more sustainable future, both internally and in partnership with stakeholders in the public and private sectors. Our efforts to protect the environment are driven by our water and energy conservation, carbon footprint management, and reduction of paper usage, among others.

In 2022, Polaris Bank intensified its efforts in reducing the impact of its business operations on the environment while maintaining productivity and meeting the needs of its customers. To achieve this, the Bank implemented several initiatives such as the deployment of solar energy solution in its business locations and implementing a strict closing time across all its branches nationwide to reduce energy consumption and carbon emissions. Our commitment to sustainability is evident in our dedication to mitigating the impact of our business operations on the environment. So far, the Bank has deployed solar power solutions to 62 locations and reduced its fleet of vehicles to reduce our carbon footprint. In comparison with the previous year, we also successfully reduced our paper usage by 25.69%. Additionally, the Bank partnered with the United Nation Association of Nigeria (UNAN) to provide clean water & enhanced sanitation to local communities in Lagos state, which further demonstrate our support to the UN in achieving the Sustainable Development Goal 6 i.e. Clean water and Sanitation

These efforts demonstrate Polaris Bank's unwavering dedication to environmental sustainability and accessibility, and our commitment to being a responsible corporate

citizen. The Bank serves as a positive example for other organizations and recognizes the importance of taking action to reduce our impact on the environment.

In addition to our efforts to promote sustainability, we are also committed to fostering growth and making positive contributions to society. To this end, the Bank partnered with Evolve, a non-profit organization, to launch the Girl Child Education and the Environment CSR program to address the global challenge of climate change through the education of underprivileged girls. Polaris Bank recognizes the significance of investing in girls' education to reduce their vulnerability to weather-related disasters and address gender inequalities that contribute to their marginalization and exploitation (early marriage) which negatively impacts climate change.

Since inception in 2021, we have supported over 3,000 female students from 12 secondary schools across the nation by providing them with school supplies and personal development tools to enhance their individual growth and stimulate positive contributions to society.

SUSTAINABLE ECONOMIC GROWTH

Access to Finance

Polaris Bank is dedicated to enhancing access to finance through various channels including, publications, email alerts/SMS, social media, focus group, written communications, marketing calls, advertising, and business seminars. Additionally, the Bank is proactive in its customer engagement processes to exceed customer expectations.

The Bank has also provided customers with multiple channel options to ensure continuous access to banking services for both advantaged and disadvantaged individuals. To ensure that possessing a disability is not a hindrance to accessing our services, the Bank is constantly upgrading its branches to accommodate wheelchair access for physically challenged individuals with no barrier to services. As at December 2022, 12 of our branches now have functional ramps that are accessible to physically challenged persons, a 33.33% increase from the previous year.

Products and Innovation

Polaris Bank's strength in the financial industry is demonstrated through its robust financial standing and competitive electronic and retail banking products and services. The combination of a skilled team of experts and technology-driven processes has allowed the Bank to provide exceptional customer service. The Bank's digital banking offerings have continued to impress customers and contribute to our success.

- The Products and Marketing Group's risk asset volume grew by 50% YoY, increasing from ₦38.6bn in 2021 to ₦57.7bn in 2022. This growth was driven by the launch of digital lending for SMEs (VULTe for Business), a digital platform that provides quick access to funds for operational needs, as well as public and private partnerships to improve access to finance for trade bodies and association with the Lagos State Government and the Association of Community Pharmacists of Nigeria (ACPN).
- The Group's total deposit grew by 10% to reach ₦632Bn in 2022 from ₦575Bn in 2021. The growth was driven by strong movement in demand deposit and saving account products. Contribution from demand deposit was driven by deposit balances from newly acquired SME customers while the contribution from savings accounts was driven by the "Save n Win" promo from Personal Banking.



- The revenue collection business grew by 28% YoY, reaching ₦814Bn in 2022 from ₦627Bn in 2021. This growth was due to an aggressive strategy to grow Cash-In-Transit collections and the expansion of the collection business to include private companies.
- In 2022, the Bank hosted the second edition of Fashion Souk version 2, which attracted over 2,000 individuals and businesses. The deployment of payment and collection solutions was part of the overall strategy to grow deposit volume and transactional base.



- The retail business received recognition as the Outstanding Healthcare Financial Institution in 2022 at the Nigeria Healthcare Awards by NHEA and was named the Digital Bank of the Year.
- Hundreds of SME businesses were impacted in a series of quarterly hosted financial literacy webinars across the country. The sessions focused on common areas of concern for SMEs, such as, financial management, access to funding, inventory management, on raising awareness and providing solutions to common challenges.

IT Infrastructure Refresh/Digital Transformation

- **Ivanti Service Management Tool:** A service management tool was deployed to help the Bank achieve the requisite process maturity levels on our service management processes (including ISO, ITIL), thereby enabling us meet and surpass CBN's roadmap mandate on service management practice. The tool currently avails data and insights that the Bank needs to make smart business decisions and improve IT service delivery.
- **Upgrade/Optimization of Existing but Obsolete Avaya Project:** The existing but obsolete Avaya platform was upgraded with additional features to enable unified communications that improves contact center efficiency and customer communication experience. Customer interaction on the new platform is more seamless whilst employee productivity in relation to customer engagement has improved significantly to bring about higher customer satisfaction ratings.
- **Procurement and Implementation of Calypso Treasury Management:** With the implementation of the Calypso Treasury Management Solution, the Bank has been able to automate its front office, middle office and back office treasury management functions to eliminate complexities, manual driven and error prone activities in the processing of treasury related transactions. The solution has significantly increased operational efficiency and ensured the Bank's compliance with regulatory requirements on the handling of treasury processes.

- **I-Match Enterprise Fraud Management System (Wave 1 – Integration of 7 Channels and SharePoint):** The enterprise fraud management solution was implemented to improve the security posture of the Bank against cyber-attacks and to constantly secure the Bank's financial assets. The I-Match platform/solution is designed with underlying artificial intelligence and machine learning capabilities that assists in proactively detecting fraud situations and helps counter them based on the human patterns and rules set on the platform.
- **Prisma Cloud Deployment:** This cyber defence solution was implemented to provide 360-degree visibility, monitoring and protection of all the Bank's critical assets deployed in compliance with regulatory requirements for leveraging cloud infrastructure capabilities. It ensures the delivery of consistent security to the Bank's remote networks and users on and off the premises and offers protection at scale with global coverage, thus little or no need for deploying firewalls at the Bank's branches or building out and managing appliances in collocation facilities.
- **Enterprise Backup and Hardware Delivery Solution:** The project was commissioned to address the replacement of the end of life/obsolete backup and recovery solution that existed in the Bank and improve the capacity for effective backup to ensure all our critical applications are fully protected. It enables automatic backup of critical data with a feature and capability of DR failover to ensure business continuity at all times.
- **Motions Sensor Technology:** The technology was deployed in about 50 branches for the purpose of detecting any intrusion into sensitive areas of the branch. It helps to further ensure safety of the Bank's assets.
- **M-365 Security Implementation (Pilot Rollout for AAD Multifactor Authentications & Microsoft Intune):** The M365 Security platform was deployed to provide robust cyber security protection for the Bank's users against phishing, malware attacks, data loss prevention and identity protection on the Office 365 platform as well as to ensure adherence with regulatory provisions for the protection of critical information assets deployed on cloud platforms.

It is worthy of note that the Bank is accredited to several ISO standards, including:

- IT Service Management System (ISO 20000)
- Information Security Management System (ISO 27001)
- Cloud Security Management System (ISO 27017)
- Cybersecurity Management System (ISO 27032)

DIGITAL BUSINESS

In 2022, the Bank's digital platforms played a crucial role for its customers, facilitating seamless customer on-boarding and access to financial products such as quick loans, with disbursements totaling ₦10.3 billion, of which ₦5.1 billion was disbursed to retail customers via the VULTe platform. With the VULTe digital bank garnering more than 1.5 million subscribers, the Bank has won "Digital Bank of the Year" for the second year in a row, further solidifying its position as the leading provider of digital banking services. Corporate clients have also hailed the eagerly awaited launch of VULTe for Business (VULTe 2.0) as a significant game changer. Since its inception in 2022, VULTe 2.0 has signed up 19,135 corporate clients, enabling them to achieve their business goals through timely loan disbursements in excess of ₦3 billion.

Over 186,580 customers have signed up for the Bank's USSD banking channel, *833#, in the year 2022, while the Bank's SurePadi agency network has grown by 20% to 23,276 and loan products worth over ₦2 billion have been successfully disbursed. To upgrade capacity and replace outdated ATMs, 52 new ATMs have been installed at banking locations,

including off-site locations like the prestigious Kano State Emirate Council and the Ikeja Golf Club in Lagos.

COMMUNITY INVESTMENTS

Financial Literacy

The Central Bank of Nigeria describes financial literacy as an essential pillar of any consumer protection program. Indeed, being financially literate is a prerequisite for participating in the formal financial system, taking advantage of its opportunities, and contributing to the financial and economic development of Nigeria. At Polaris Bank, we believe that financial literacy is fundamental to poverty eradication and overall economic development.

Financial literacy is one of the key socio-economic strategies that will drive development and growth in Africa's most populous nation. To demonstrate Polaris Bank's continued commitment, the Sustainability department has collaborated with business units and conducted regular campaigns to raise awareness and educate young Nigerians through seminars in primary and secondary schools across the various geopolitical zones. During the year under review, the Bank collaborated with the Central Bank of Nigeria and organized financial literacy sessions (during World savings Day and Global Money Week) in schools across the 36 states of the Federation, including the Federal Capital Territory. These sessions directly impacted over 11,000 young Nigerians and is estimated to have indirectly affected over 165,000 people in their communities. The aim of these sessions was to educate young people on the importance of financial literacy and to encourage them to start a lifelong journey of managing their finances. Polaris Bank will continue to work with the CBN and engage its employees through volunteerism schemes for greater impact and coverage in the year ahead.



Cross section of Polaris Bank staff, the Principal and students of First Golden Grace International School, Adigbe Abeokuta after the presentation!

Polaris Bank Limited took part in the 2022 Micro, Small and Medium Enterprises (MSME) Radio Show Campaign that took place between May and August 2022, a Financial Literacy initiative of the Bankers Sub-Committee on Financial Literacy and Public Enlightenment (FLPE) in partnership with the Central Bank of Nigeria (CBN) and other Government Agencies to promote Financial Inclusion and Financial Literacy amongst the public. The program which aimed at creating awareness for the general public and to further deepen their knowledge on how to have access to SME loans was widely listened to. It was a good avenue to educate listeners on MSME financing and create awareness about the Bank's product and services.

Donation of Work Tools and Renovation of Ibeju-Lekki Skills Acquisition Centre

In furtherance of the Bank's commitment in advancing Principles 2 and 7 of the Nigerian Sustainable Banking Principles (NSBP), the Bank has continued to deepen its involvement in capacity building by providing needed tools and conducive environment for learning at the centre and by extension increased our positive environmental footprint on the communities that we operate in. The renovation of the Ibeju-Lekki Skills Acquisition Centre as well as provision of equipment across the different units in the Centre were completed by the Bank and official handover took place in July, 2022. The project also supports our Corporate Social Responsibility goals and community investments.



Corporate Social Responsibility

At Polaris Bank, Corporate Social Responsibility (CSR) remains a longstanding strategy for social impact and intervention. Our investments in people, businesses, and communities are therefore aimed at fostering mutually-beneficial relationships amongst all our stakeholders (staff, customers, vendors, and regulators).

As a responsible corporate organization, we are pleased to give back to the community through impactful CSR initiatives that support our business objectives under the seven (7) strategic pillars of Education; Health & Safety; Women and Youth Empowerment; Environment; Sports; Social Infrastructure and Cultural & Civic Projects.

Our efforts to encourage and promote good and sustainable corporate citizenship led to the streamlining of our CSR activities and interventions to areas that we have so far made the most impact in recent years, riding on 3 key areas as follows:

- Women and Youth Empowerment which is aimed at supporting the economic and financial growth of women and contributing to building an enabling environment for youths. It is in this area that we drive our Girl-Child initiative amongst other women-targeted initiatives.
- Health & Safety to focus and strengthen our campaign in the fight against cancer in collaboration with our partners including; Care Organization Public Enlightenment (C.O.P.E) Foundation; Society Health Organization (SHO), Okapi's Children Cancer Foundation and Marcelle Ruth Cancer Center & Specialist Hospital.
- Education/Capacity Building where we contribute to the educational development of communities at all levels with the goal of developing a generation of an educated populace and supporting their growth for the overall benefit of the society; as well as provision of specialized training to build the entrepreneurial & business capacity of partners to foster good working relationships.

In view of the above, we successfully implemented CSR projects across the three strategic areas stated above and some of the investments we made during the year under review include:

Women Empowerment

- Equipment Support for Women Development Center: This support was aimed at providing economic and financial growth for the over 68,736 women who live in Ibeju-Lekki and environ. The intervention sought to eliminate or significantly reduce barriers and vulnerabilities such as gender inequality, poverty, and unequal participation in public and private decision-making to women's empowerment and development.
- Girl-Child Initiative: This is an initiative focused on supporting underprivileged girls with school supplies and personal development to curb global warming. It is designed to enable girl-child education through the provision of school supplies (school uniforms, shoes, and bags) to 1,912 direct beneficiaries and over 20,000 indirect beneficiaries across 5 geopolitical zones in Nigeria (South-East, South-South, South-West, North-Central, and North-West).



Health & Safety

- Modified Life-Saving Skills Training: This initiative was aimed at strengthening the capacity of midwives & other health workers with midwifery skills to mitigate the incidences of bleeding, infection, unsafe abortion, obstructed labor, and hypertensive diseases in pregnancy. The objective was to save the lives of women and babies, especially in Northern Nigeria which has the highest record of 1,549/100,000 live births.
- Cancer Awareness: We have over the years contributed to the fight against major health issues in Nigeria including cancer. Our objective has been to support the facilitation of quality health services in communities. Polaris Bank is arguably Nigeria's foremost financial institution in the fight against cancer, especially breast cancer and we embarked on the following initiatives in the course of the 2022 financial year:
 - World Cancer Day Commemoration
 - Annual Childhood Cancer Awareness Walk
 - Breast Cancer Awareness Month in which the Bank organized a free breast ultrasound scan screening for Lagos female staff of the Bank in partnership with Care Organization and Public Enlightenment (COPE).
- Provision of Health Facilities: By contributing to the well-being of local communities, we have committed to elongating the life expectancy of individuals through improved access to quality health services in the hope of a sustainable future. In this regard, Polaris Bank carried out the following projects:
 - Donation of 5 hydraulic and electric delivery beds to Federal Teaching Hospital Gombe.

- Refurbishment of the Accident & Emergency Center at Lagos University Teaching Hospital (LUTH).

Education

Polaris Bank contributes to the educational development of communities at all levels to support their growth in the overall interest of society. In 2022, we embarked on the following:

- Facilities Upgrade:

- Facilitated the construction of an Open Distance Learning Center for Kwara State Polytechnic, Ilorin, Kwara State.
- Contributed to strengthening the bursary and administrative operations of Adeseun Ogundoyin Polytechnic, Eruwa, Oyo State through the provision of modern office equipment and tools.
- Refurbishment of ICT Building, Obafemi Awolowo University, Ile-Ife, Osun State.

- Financial Literacy and Education:

- Organized Financial Literacy and Public Enlightenment Awareness Campaign in 36 states of the country and Abuja.

- Capacity Building:

- Organized a capacity-building webinar for Online Media Publishers in Nigeria to enable these critical media stakeholders to have a full understanding of how to manage the virtual newsroom and the implications of the Cybercrime Act 2015 to the practice of journalism in Nigeria, especially those with the digital journalism genre.

Others

Social Infrastructure

- Provision of Facilities for Public Use:

Donated two boreholes to Lafiaji and Onireke Communities of Eti-Osa and Amuwo Odofin local government areas of Lagos State respectively to ensure a clean and stable water supply and effective water sanitation of the beneficiary communities in line with the United Nations' Sustainable Development Goal 6.



CUSTOMERS' COMPLAINTS AND PETITIONS

We recognize that customers are the reason for our existence and therefore strive to provide exceptional service to them. In delivering excellent service to our customers, we ensure that they are treated with utmost respect and go the extra mile to meet their needs. The Bank continually seeks ways of ensuring a stress free and convenient banking experience for its customers.

The voice of the customer serves as an essential element in shaping the strategies we adopt as a Bank. Therefore, our business locations, including the 24/7 Contact Center, are easily accessible by our customers to give them the opportunity to express their displeasure, grievances or offer suggestions for improvement.

The goal of the Bank is to constantly improve on surpassing customers' expectations while sustaining keen attention on objective investigations and resolution of customer complaints in the most appropriate and timely manner in compliance with best practice and regulatory standards.

Complaint/Feedback Channels:

The Bank's dedicated **channels** for the receipt and processing of complaints include:

- Our 24/7 Contact Center- The Yes Center
- Our Branches, Head Office and Annexes
- Website
- Customer Experience Management Department
- Consumer Protection Department
- Social media platforms including Twitter and Facebook.
- Digital channels-VULTe



The Complaint Management system in the Bank has been set up to:

- Provide easily accessible channels for customers to submit their complaints.
- Ensure all customers' complaints received are resolved promptly and satisfactorily.
- Ensure customers' concerns and complaints are handled in line with our customer experience strategy and relevant legal/regulatory requirements.
- Minimize reasons for complaints by learning from customers' feedback and implementing strategies to improve our products and service delivery.
- Perform periodic review of root cause analysis report to minimize re-occurrence of same complaint type.

The Consumer Protection unit of the Bank is in charge of managing the resolution of redress complaints received from regulatory agencies. It functions as an intermediary between the

Bank, its customers and regulatory authorities, in addition to its mandate as one of the primary stakeholders responsible with the resolution of customers' complaints. In its liaison position, the unit mediates between all key players to instill customer trust by assuring fair hearing, fast resolution of redresses, and enforcing the right to compensation as appropriate. To achieve this goal, the unit makes concerted effort to manage issues professionally, achieve quick and amicable resolution, and promote customer retention. These are in line with the Bank's desire for enhanced customer experience and acknowledgment of the importance of the Bank's customers. The unit remains committed to the complaint resolution procedures of The Central Bank of Nigeria and other regulatory agencies and ensures compliance.

Complaints Report/Breakdown

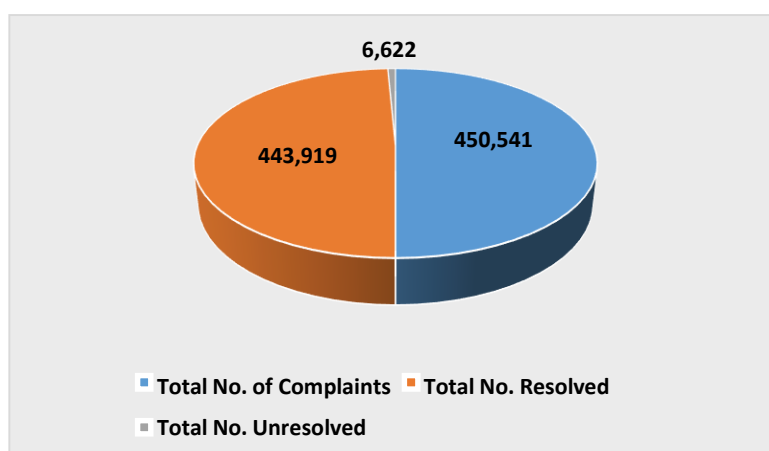
A total of 450,541 (Four Hundred and Fifty Thousand, Five Hundred and Forty-One) complaints were received by the Bank, these comprise 2,667 complaints brought forward from the previous year, 447,874 complaints logged on the Consumer Complaints Management System (CCMS) and redress complaints from the CBN within the review period (January - December 2022) across various channels including Branches, Yes Centre, Complaint Management, Consumer Protection desk and Digital channels.

Out of the 450,541 complaints received, a total of 443,919 (Four Hundred and Forty-Three Thousand, Nine Hundred and Nineteen) were satisfactorily resolved while 6,622 (Six Thousand, Six Hundred and Twenty-Two) are still being resolved. These outstanding complaints include complaints on failed bill payments, dispense errors on other Banks' terminals and excess charges. The percentage of resolved complaints as at 31st December 2022 stands at 98.53%.

Analysis of Complaints for 2022

S/No	Narration	Total No. of Complaints	Total No. Resolved	Total No. Unresolved
1	Total	450,541	443,919	6,622
2	Percentage Distribution	100%	98.53%	1.47%

Graphical Representation of Complaints



Tabular Breakdown of Customers' complaints and claims

S/N	DESCRIPTION	NUMBER OF COMPLAINTS		AMOUNT CLAIMED (NGN)		AMOUNT REFUNDED (NGN)	
		Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
1	Pending Complaints B/F	2,667	5,785	-	-		
2	Received Complaints	447,874	652,890	11,009,977,712.19	7,115,544,860.08		
3	Resolved Complaints	443,919	656,008	9,136,861,560.76	4,831,440,277.98	65,571,344.20	53,041,009.07
4	Unresolved complaints C/F	6,622	2,667	1,873,116,151.43	2,284,104,582.10		

During the period under review, the sum of ₦11,009,977,712.19 (Eleven Billion, Nine Million, Nine Hundred and Seventy-Seven Thousand, Seven Hundred and Twelve Naira, Nineteen Kobo) was claimed by various customers from petitions reviewed. However, complaints involving the sum of ₦9,136,861,560.76 (Nine Billion, One Hundred and Thirty-Six Million, Eight Hundred and Sixty-One Thousand, Five Hundred and Sixty Naira, Seventy-Six Kobo) were resolved, while the sum of ₦65,571,344.20 (Sixty-Five Million, Five Hundred and Seventy-One Thousand, Three Hundred and Forty-Four Naira, Twenty Kobo) was paid out as refunds.

Customers' complaints and petitions received for the period includes but not limited to the following:

- Card services, including, Card issuance, ATM withdrawals, POS transactions etc.
- Internet Banking related issues
- Contentious withdrawals and charges
- General Account complaints
- Digital banking related issues
- eNaira related complaints

Analysis of Fraud and Forgeries Return

During the period under review, the Bank recorded 3,285 fraud cases with a total amount of ₦1,214,177,254.21 in 10,195 transaction counts. These led to a total fraud loss of ₦257,076,536.82 as analyzed below:

S/N	Details	Amount (₦) 31 December 2022	Amount (\$) 31 December 2022	Total (₦)
1	Fraud Amount	1,207,997,799.77	14,196.02	1,214,177,254.21
2	Amount Lost	254,511,446.32	6,127.00	257,076,536.82

The Breakdown of amount lost due to Fraud:

S/N	Nature of fraud	No of cases	Amount lost (₦) 31 December 2022	Amount lost (\$) December 2022	Total (₦)	%
1	ATM	1,820	90,000.00	-	90,000.00	0.04%
2	Internet Banking	182	38,668,000.00	-	38,668,000.00	15.04%
3	Mobile	1,080	65,419,100.08	-	65,419,100.08	25.45%
4	General	203	150,334,346.24	6,127.00	152,899,436.74	59.48%
	Total	3,285	254,511,446.32	6,127.00	257,076,536.82	100.00%

For the year ended 31 December 2022

CORPORATE GOVERNANCE REPORT

Polaris Bank recognises that a culture of alignment with sound Corporate Governance practices is pivotal to the success, and survival of an enterprise. The affairs of the enterprise are therefore guided by effective governance policies, practices and structures. The business of the organisation, including oversight by Management and the Board of Directors are carried out in a manner consistent with established Corporate Governance principles of Fairness, Probity, Accountability, Responsibility, and Transparency.

In its quest to institutionalise sound governance practices, the *CBN Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014*, the *Nigerian Code of Corporate Governance (NCCG) 2018*, and the *Companies and Allied Matters Act (CAMA) 2020* are some of the regulations that guide the Bank. This is in addition to International best practice in Corporate Governance imbibed by the Bank.

Board Structure & Composition

The Board of Polaris Bank as at the end of December 31, 2022 was composed of eleven (11) Directors, eight (8) of whom were Non-Executive Directors (NEDs) including the Chairman, and the other three (3) were Executive Directors (EDs), including the Managing Director/Chief Executive Officer. No Non-Executive Director has served for a period longer than 12 years and the Managing Director has also not served in that capacity for up to 10 years.

Members of the Board have a wide range of skills and professional expertise in the areas of Corporate Governance, Banking Industry, Accounting and Finance, Law, Business Administration, Customer Experience Management, Human Resources Management, Public Service and Strategy.

In the interest of safeguarding the objectivity and independence of the Board, there are no two members of the same family on the Board concurrently. The Board works as a team towards achieving its strategic goals and Directors commit to its collective, group decision-making processes. All directors utilise their range of relevant skills, knowledge and experience for matters discussed at Board meetings.

Changes in the Composition of the Board

The following changes occurred during the 2022 financial year:

- a. On May 24, 2022, the Board witnessed the sad demise of Mr. Bata Wakawa, a Non-Executive Director. Mr. Wakawa had served at various capacities on the Board and was the Chairman of the Board Credit Committee until his passing.
- b. Effective September 21, 2022, Mr. Olu Odugbemi voluntarily retired from his appointment as a Non-Executive Director on the Board. He had served in various capacities on the Board and was the Chairman of the Board Audit & Risk Management Committee until his voluntary retirement.
- c. On October 19, 2022, the total ownership interest of the Bank previously held by Assets Management Corporation of Nigeria (AMCON) was transferred to new investors; Strategic Capital Investments Ltd (SCIL) and Ponglomerape Ltd. This resulted in the resignation of the members of the Board and appointment of new Directors to the Board which was approved at an Extra-Ordinary General Meeting. These changes were seamlessly executed with no disruption to the business of the

For the year ended 31 December 2022

Bank and a 'no objection' to the appointment was obtained from the Bank's primary regulator, Central Bank of Nigeria (CBN).

The members of the Board as appointed on October 19, 2022 are:

- | | |
|-----------------------------|---|
| 1. Muhammad. K. Ahmad (OON) | Chairman/Non-Executive Director |
| 2. Adekunle Sonola | Managing Director/Chief Executive Officer |
| 3. Abdullahi Mohammed | Executive Director |
| 4. Segun Opeke | Executive Director |
| 5. Abubakar D. Suleiman | Non-Executive Director |
| 6. Adeleke Alex-Adedipe | Non-Executive Director |
| 7. Ahmed Almustapha | Non-Executive Director |
| 8. Aku P. Odinkemelu | Non-Executive Director |
| 9. Francesco Cuzzocrea | Non-Executive Director |
| 10. Olabisi O. Odunowo | Non-Executive Director |
| 11. Salma Mohammed | Non-Executive Director |

Messrs. Ahmad, Mohammed and Opeke were re-appointed following their resignation from the previous Board.

Roles and Responsibilities of the Board

The Board exercises leadership, enterprise, integrity and judgment in its oversight and control of the Bank in order to achieve the continued survival, prosperity, enhancement of shareholder-value and actualisation of the Bank's long term plans. Specifically, the Board is explicitly responsible for the stewardship of the Bank and in discharging this obligation, it assumes responsibilities for; Strategy and Finance, Management, Succession Planning, Human Resources, Remuneration, Governance, Audit & Compliance, Integrity of Financial Reports, Risk Management, Whistleblowing, Sustainability and Stakeholders' Communication, Ethical Standards and Compliance with Laws

The Board delegates to the MD, all authority for the day to day management of the Bank to achieve the corporate objective. However, matters for the exclusive reserve of the Board include; approval of corporate strategy and annual budgets, Board and Management succession planning, appointment and discipline of MD and Executive Directors, appraisal of the MD, adoption of documents that are required by statutes or other external regulation, approval of policies, and risk management strategy amongst others.

Roles of the Chairman and Managing Director/Chief Executive Officer

To ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making, there is a clear division of responsibilities on the Board of Polaris Bank. The roles of the Chairman and the Managing Director/Chief Executive Officer are separated as the positions are held by two individuals.

The Chairman provides overall leadership and direction for the Board towards achievement of the Bank's strategic objectives. He promotes the highest standards of corporate governance, ensuring compliance with the relevant corporate governance provisions and builds an effective and complementary Board, actively participating in the selection of Board members and overseeing formal succession planning. The Chairman promotes effective communication with shareholders and ensures that members of the Board develop and maintain an understanding of the views of major investors and other key stakeholders.

For the year ended 31 December 2022

The Managing Director/Chief Executive Officer is the Head of Management and is responsible for the day-to-day administration of the Bank, guiding its development and growth, implementing the directives of the Board, ensuring that the Bank's targets are met, and that internal control procedures are observed. He is the Bank's leading representative in its dealings with its stakeholders.

Appointment, Induction and Training of Board Members

In line with the requirement of the NCCG 2018, the Bank has a Board Succession Planning Policy as well as a Board Appointment Policy. These Policies facilitate the Bank's achievement of a balance of experience, knowledge and skills on its Board by appointing and retaining reliable Directors with the capacity to lead the Bank towards realising its goals. The Policies provide a framework to identify the required knowledge, skills, competencies and experience needed for the Board to fulfil its roles and responsibilities, ensure an appropriate balance in the diversity of Board members and ensure that overall, the Board has a built-in balance of continuity and turnover with the avenue for infusion of fresh ideas and perspectives.

The succession planning framework as contained in the Board Succession Planning Policy includes identification of critical positions, definition of competency requirements, identification of talent pool, determination of skills and competency gaps, creation of a development/training plan, as well as a talent transition plan.

The Board Appointment Policy sets out the selection criteria for appointments to the Board based on educational qualification, wealth of experience, knowledge of the Bank's operations, diversity, knowledge of national and international business, and other competencies that cut across leadership and behavioral skills. The Policy further outlines the appointment procedure which includes the nomination process to fill a vacancy on the Board, background check, shortlisting, interview/assessment, presentation of nominees to the Board, presentation of appointees to the Central Bank of Nigeria (CBN) for approval and ratification by shareholders at the Annual General Meeting.

Again, in line with extant governance regulation, the Bank has an Induction and Continuous Development Policy which institutionalizes training and continuous development of its Directors. Newly appointed Directors undergo an induction programme not later than 6 months after appointment to enhance the Director's knowledge of Corporate Governance, Board Committees roles and responsibilities, Directors' fiduciary duties- responsibilities and liabilities, essential Board reports (such as financial statements and examination reports), Board evaluation process, and the Board's role in strategic planning among other topics.

Following the appointment of Directors during the 2022 Financial Year, the appointees were taken through a formal induction process. A file-sharing portal was utilised to make available to the Directors, salient information about the Bank, including the profile of the Bank, Minutes of Board and Board Committee meetings, Annual Reports and Accounts, the Bank's strategy/business plan, Directors' code of conduct, Board and Committee charters, and the Bank's Governance policies among others. Directors were also taken

For the year ended 31 December 2022

through a formal training program as part of the induction process. The training programme which was facilitated by the firm of Deloitte covered topics such as; Board Roles and Responsibilities, Governance, Regulatory Compliance and Ethics, and Board Performance.

The Board training process is also clearly spelt-out in the Induction and Continuous Development Policy. It includes the identification of training needs (such as through results of Board self-assessment, directors' peer appraisal), training delivery following the assessment of needs, and training budgeting and administration.

Re-election of Directors

In accordance with Section 285 of *Companies and Allied Matters Act (CAMA), 2020* which requires that, at least one-third of the NEDs on the Board retire from office at each Annual General Meeting; Mr. Muhammad. K. Ahmad, Mr. Adeleke Alex-Adedipe and Mr. Ahmed Almustapha, will retire at the 4th Annual General Meeting of the Bank, and being eligible, offer themselves for re-election.

Profile of Retiring Directors

Muhammad K. Ahmad, OON

Muhammad K. Ahmad, OON, has over 37 years' distinguished experience leading and working in various public sector organisations and financial services institutions in Nigeria.

As the pioneer Director General and Chief Executive Officer of the National Pension Commission, Ahmad oversaw the establishment and growth of the Pension industry in Nigeria. Prior to that, he had worked as a Bank Supervisor at the Nigeria Deposit Insurance Corporation (NDIC) where he rose to become a Director and member of the Interim Management Board at the Central Bank of Liberia.

Ahmad is Chairman of the Board of Directors of Polaris Bank Limited, an Independent Non-Executive Director of MTN Nigeria Communications Plc; Chairman of the Board of Credent Capital Advisory and the Board of International Energy Assurance; a member of the Governing Council of Pan-Atlantic University; and President of Council of the Board of Society for Corporate Governance Nigeria.

He is the founder of Jewel Development Foundation, a graduate assistant platform, and Certium Consulting, a strategy advisory and business applications company. He was a member of the Boards of Directors of FBN Holdings PLC, and FATE Foundation, a non-profit private sector-led organisation whose mission is to foster wealth creation by enabling aspiring and emerging Nigerian entrepreneurs.

Ahmad chairs the Technical Committee of the National Council on Privatization (NCP) of which the Vice President of Nigeria is the chairman. He chaired the Technical Committee of the Financial Reporting Council of Nigeria, which produced the Nigerian Code of Corporate Governance 2018.

Ahmad chaired the Technical Committee that produced the North East Transformation Strategy (NESTS), a medium-term Regional Development Strategy, for the sustainable

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socio-economic transformation and reconstruction of the Region, a strategy promoted by the six Governors of the constituent states of the region. He also assisted in the development of the Buhari Plan, which was initiated by the Federal Government of Nigeria to provide a framework for coordinating all initiatives and interventions by various actors for early recovery and sustainable development of the North East region. Ahmad currently coordinates and leads a team to develop Borno 2045 Development Plan.

He has a Postgraduate Diploma in Innovation and Strategy from University of Oxford and has also attended courses and programs in various first-rate business and management schools, including Harvard Business School, IMD and INSEAD.

Ahmad was honored by the Federal Government of Nigeria with the award of the Officer of the Order of the Niger (OON) in recognition of his stellar contributions to the development of the public and private sectors in the country.

Adeleke Alex-Adedipe

Adeleke is a corporate commercial lawyer and the lead Partner in charge of the Technology, Media and Telecommunication ("TMT") practice in the Lagos office of Duale, Ovia & Alex-Adedipe ("The Firm"), a fast-growing full-service commercial law firm in Nigeria that provides a wide range of expert legal services to a highly diversified client base both local and international operating in various sectors of the economy.

He specialises and has depth of experience in Telecommunication, Media and Technology Banking and Finance, Capital Market, Real Estate, Company Secretarial and other corporate commercial practices. He has attended and facilitated a plethora of trainings, seminars and conferences both within Nigeria and outside Nigeria in finance documentation, mergers and acquisition, telecommunications media and technology and Energy and Infrastructure, etc.

Adeleke has been involved in the provision of legal advice to various local and international clients on compliance with the provisions of Nigerian law, drafting and reviewing various transactional documents and conducting legal due diligence investigations. He has also advised on a significant number of complex commercial transactions in the areas of Banking and Finance, Capital Market, Telecommunication, Media and Technology and other corporate commercial practices.

Adeleke has been a delegate and guest speaker at various seminars, workshops and conferences both at the national and international levels.

Based on his contributions to the innovation and technology space in the Country, He was appointed as a member of the Lagos State Science Research and Innovation Council, the first of its kind by the Federal Government or Subnational in Nigeria which was recently set up by the Governor of Lagos State Mr. Babajide Sanwo-Olu.

Adeleke enjoys playing football and travelling.

Ahmed Almustapha, OFR

Mr. Ahmed Almustapha is a Lawyer and a Seasoned Technocrat. He graduated from the Ahmadu Bello University, Zaria with LLB (Hons.) in 1978. He thereafter attended the Nigerian Law School, Lagos and after successful completion, he was called to the Bar in 1979.

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Mr. Almustapha has held several positions in both public and the private sectors. In 2001, he was appointed the Registrar-General (*RG*) of the Corporate Affairs Commission (*CAC*). It is common knowledge that, during his eight-year tenure, he transformed *CAC* into a modern, IT-driven organization.

He was at various times on the Board of many Companies and Agencies including the Board of Federal Inland Revenue Service (*FIRS*) in an ex-officio capacity.

He has attended numerous courses in Management and Leadership at some of the most prestigious institutions, including University of Cambridge, United Kingdom, Harvard University, USA, London Management School, Oxford Management Centre and INSEAD BUSINESS SCHOOL, Fontainebleau, France.

Versatile in Leadership and Administration, he is regarded by many as a standard-bearer in Corporate Governance in Nigeria. In 2006, he was conferred with national honours of the Officer of The Federal Republic (*OFR*). He was also given the 2007 Servicom Achievement Award for Praise-worthy Star Service in 2014, he received the "Distinguished Advocate of Good Governance Award" by the Institute of Chartered Secretaries and Administrators.

An achiever and a dynamic leader, Mr. Almustapha is gifted in leading with emotional intelligence. He is widely regarded as a champion of the core values of fidelity, fairness, honesty and integrity. In recognition of these virtues, he received the West Africa Business Integrity Award in 2005 by the Business Magazine and the Role Model Award for Ethical Standards in 2006 by Nigmuns.

Board Evaluation

The Nigerian Code of Corporate Governance (*NCCG*) 2018 and the CBN Code of Corporate Governance for Banks and Discount Houses as well as other best practice guidelines require that an annual exercise should be carried out to evaluate the performance of the Board, its Committee and individual Directors. This is in a bid to achieve continuous improvement in the effectiveness and performance of the Board.

The Bank appoints an independent consultant annually to conduct the Board performance evaluation exercise. To ensure that the process adds value, beyond assessing the performance of the Board and its Committees, salient matters such as the Board composition in terms of its size and complement, its dynamics, and decision making process, are also evaluated. This is to ascertain that the Board is well positioned to achieve set objectives as well as support the achievement of the organization's goals as a whole.

The appraisal exercise is therefore a rigorous process which probes key areas of Compliance, Operations, Stakeholder Engagement, Performance & Evaluation, Strategy & Innovation, Risk, Succession, Directors' Remuneration, and Sustainability among others. The methodology involves review of existing governance documentation, appraisal of structures and operations against the Board's charters and policies as well as best practice, Directors' self and peer assessment surveys, one-on-one interview sessions with the Directors and key Management Executives, and feedback sessions with the Company Secretary, Managing Director/CEO, Chairman, and the Board.

At the end of the 2022 financial year, the Board engaged the services of Deloitte as an

For the year ended 31 December 2022

independent consultant, to carry out the annual Board and Individual Performance Appraisal for the year. The report of the Appraisal will be presented to the Bank's shareholders, and a copy will be sent to the Central Bank of Nigeria (CBN) in line with regulation.

Corporate Governance Evaluation

Again, the Nigerian Code of Corporate Governance (NCCG) 2018 requires that the Bank carries out a Corporate Governance Evaluation in each year. To ensure compliance, the firm of Deloitte was also engaged to carry out the Bank's Corporate Governance evaluation for the 2022 financial year.

The review by Deloitte involved an assessment of core board activities such as risk and strategy, board leadership, Executive talent management, and corporate culture. It also included a review of organization activities of risk and internal controls, ethics and compliance, transparency and disclosure.

Based on the review, the Consultants concluded that the Bank's Corporate Governance practices are largely in compliance with the key provisions of the NCCG and the CBN Code. Specific recommendations were also made to improve the Bank's governance practices.

Shareholders

During the financial year, the ownership of the Bank was transferred from the Assets Management Corporation of Nigerian, to Strategic Capital Investment Ltd (SCIL) and Ponglomerape Ltd.

The Board and Management of the Bank ensure an open line of communication with full disclosure of all matters relating to the Bank's operations to its shareholders, obtaining their approval where required. The 3rd Annual General Meeting (AGM) of the Bank was held on May 25, 2022 and the 4th AGM will be held on May 25, 2023.

The Company Secretary

The Company Secretary provides guidance on all governance matters and the discharge of Directors' duties, responsibilities and powers. He ensures that Board procedures are followed and reviewed regularly. The Company Secretary is responsible for all matters associated with maintaining effective operation of the Board, ensuring that all applicable rules and regulations for the conduct of Board affairs are complied with.

In line with best practice, at the request of the Board or a Board Committee, the Company Secretary can retain independent advisory services. Overall, he maintains systems and processes that are appropriate for the Board to achieve the corporate objective, providing relevant information, including meeting notices, agenda and documents for consideration at the Board and Board Committee meetings.

The Company Secretary is accountable to the Board and his appointment, appraisal and removal are matters for the Board as a whole through the Chairman.

For the year ended 31 December 2022

Board Meetings

For effectiveness, at the end of each financial year, a calendar of meetings of the Board, and its Committees for the incoming year is agreed upon by the Board of Directors. In line with the Charters of the Board and its Committees, the Company Secretary, working with the Chairman of the Board or its Committees as applicable, agree on the agenda for each meeting which is circulated along with the supporting Board papers to Directors at least 7 days before the meeting. This is to ensure that the Directors are given adequate time to review the papers and request for additional information, where necessary.

Reports reviewed at the Board of Directors meetings include the financial performance of the Bank, report of the MD/CEO to the Board, status updates on the implementation of the Bank's corporate strategy and reports of meetings held by the Board Committees prior to the Board meeting.

The Board operates as a cohesive team; thus, decisions are reached by consensus. However, where individual Directors have dissenting opinions on matters of Board decision making, such opinions are clearly and unambiguously recorded in the Minutes of meeting.

The membership of the Board during the 2021 financial year is as shown below:

Pre- October 19, 2022

NAME	CAPACITY	COMMENTS
1. Mr. Muhammad K. Ahmad (OON)	Chairman	
2. Mr. Innocent C. Ike	Managing Director/CEO	
3. Mr. Abdullahi M. Umar	Non-Executive Director	
4. Mr. Austin E. Jo-Madugu	Non-Executive Director	
5. Mr. Bata G. Wakawa	Non-Executive Director	He ceased to be a member of the Board upon his sad demise on May 24, 2022
6. Mr. Olu O. Odugbemi	Non-Executive Director	He ceased to be a member of the Board upon his voluntary retirement effective September 21, 2022
7. Mr. Abdullahi S. Mohammed	Executive Director	
8. Mr. Segun Opeke	Executive Director	

Post-October 19, 2022

NAME	CAPACITY
1. Mr. Muhammad K. Ahmad (OON)	Chairman
2. Mr. Adegunle Sonola	Managing Director/CEO
3. Mr. Abubakar. D. Suleiman	Non-Executive Director
4. Mr. Adeleke Alex-Adedipe	Non-Executive Director
5. Mr. Ahmed Almustapha (OFR)	Non-Executive Director
6. Mrs. Aku P. Odinkemelu	Non-Executive Director
7. Mr. Francesco Cuzzocrea	Non-Executive Director
8. Mrs. Olabisi O. Odunowo	Non-Executive Director

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9. Ms. Salma Mohammed	Non-Executive Director
10.Mr. Abdullahi S. Mohammed	Executive Director
11.Mr. Segun Opeke	Executive Director

The Board of Directors held ten (10) meetings in the 2022 financial year on the following dates:

Meeting	Dates									
Board of Directors	Feb 3	Mar 17	May 5	May 25	Jun 22	Aug 22	Oct 19	Nov 2	Nov 24	Dec 15

The Board recorded 100% membership attendance at these meetings as **ALL** Directors were present.

Board Committees

The Board Committees of the Bank as at December 31, 2022 were as follows:

- Board Audit & Risk Management Committee (BARMC)
- Board Finance & General Purposes Committee (BF & GPC)
- Board Credit Committee (BCC)
- Board Governance, Nominations & Compensation Committee (BGNCC)

Upon the appointment of the members of the Board, during the year, the membership of the Committees was reconstituted taking into account the provisions of the Charter, the skills and expertise of the Board members, as well as the requirements of applicable Governance Codes and regulations.

Board Audit and Risk Management Committee (BARMC)

The Committee is established to provide oversight of the integrity of the financial statements and financial reporting process. It is also responsible for monitoring the effectiveness of the system of internal controls within the Bank and the Bank's risk management process. Some of its responsibilities covering both Audit and Risk Management oversight include the following:

- Ensure the development of a comprehensive internal control framework for the Bank, provide oversight of Management's process for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place
- Review the integrity of the Bank's financial reporting and oversee the independence and objectivity of the external auditors
- Assist in the oversight of compliance with regulatory requirements, and assess qualifications and independence of external auditor, as well as, performance of the Bank's internal audit function
- Consider and make recommendations to the Board for approval, in relation to the appointment, re-appointment and removal of the Bank's external auditor.
- Review adequacy and effectiveness of the Bank's risk management and processes and provide oversight of management's process for the identification of significant

For the year ended 31 December 2022

risks across the Bank and the adequacy of prevention, detection and reporting mechanisms

- Provide ongoing guidance and support for the refinement of the overall risk management framework, ensuring best practices are incorporated.
- Review and recommend to the Board, the appropriate risk management policy and framework, including risk appetite and risk strategy, for the Bank
- Monitor and review periodically, the implementation of the Bank's risk management strategy
- Ensure the adequacy and effectiveness of risk management and the controls in place, clearly delineating the Bank's overall risk tolerance level by reviewing and approving risk limits

The membership of the Committee during the 2022 financial year is as shown below:

Pre- October 19, 2022

NAME	CAPACITY	COMMENTS
1. Mr. Olu Odugbemi	Non-Executive Director (Chairman)	He ceased to be on the Committee upon his voluntary retirement effective September 21, 2022
2. Mr. Abdullahi M. Umar	Non-Executive Director	
3. Mr. Bata Wakawa	Non-Executive Director	He ceased to be on the Committee upon his sad demise on May 24, 2022
2. Mr. Austin Jo-Madugu	Non-Executive Director	He became a member of the Committee effective

Post- October 19, 2022

NAME	CAPACITY
1. Mrs. Olabisi O. Odunowo	Non-Executive Director (Chairman)
2. Mr. Adeleke Alex- Adedipe	Non-Executive Director
3. Mr. Francesco Cuzzocrea	Non-Executive Director
4. Ms. Salma Mohammed	Non-Executive Director

BARMC held seven (7) meetings in the 2022 financial year on the following dates:

Meeting	Dates						
Board Audit & Risk Management Committee	Jan 25	Mar 15	Apr 25	Apr 26	Jul 26	Nov 14	Nov 15

The Committee recorded 100% attendance at these meetings as its Chairman and **ALL** members were present.

Board Finance & General Purposes Committee (BF&GPC)

The Committee is established to assist the Board to discharge its oversight function of monitoring, reviewing and evaluating all matters relating to the Bank's, financial policies,

For the year ended 31 December 2022

financial arrangements, strategic direction, budgeting, capital expenditure and general resourcing in compliance with various corporate codes of conduct. Its major duties and responsibilities include the following:

- Define the strategic business focus and plans of the Bank and make recommendations to the Board accordingly
- Review and make recommendations on the Budget of Bank to the Board of Directors for approval
- Review the adequacy of resources made available by Management for effective implementation of approved strategy
- Oversee the quarterly monitoring of the implementation of the Bank's strategy
- Oversee the acquisition and disposal of any significant asset or business of the Bank, subject to the approval of the Board.
- Define capital and recurrent expenditure limits, approve all capital and recurrent expenditure within its limit and recommend those above its limit to the Board for consideration and approval.
- Review and recommend to the Board for approval, the procurement strategy and policy for the Bank.
- Recommend to the Board for approval, the acquisition, establishment, disposal or closure of any branch, business outlet of the Bank.
- Ensure that all major contracts are carried out according to the terms and conditions of the contract agreements.

The membership of the Committee during the 2022 financial year is as shown below:

Pre- October 19, 2022

NAME	CAPACITY	COMMENTS
1. Alhaji Abdullahi M. Umar	Non-Executive (Chairman)	Director
2. Mr. Austin E. Jo-Madugu	Non-Executive Director	
3. Mr. Olu Odugbemi	Non-Executive Director	He ceased to be on the Committee upon his voluntary retirement effective September 21, 2022
4. Mr. Mr. Innocent C. Ike	Managing Director/CEO	
5. Mr. Abdullahi S. Mohammed	Executive Director	

Post- October 19, 2022

NAME	CAPACITY
1. Mr. Abubakar. D. Suleiman	Non-Executive Director (Chairman)
2. Mr. Adekunle Sonola	Managing Director/CEO
3. Mr. Ahmed Almustapha(OFR)	Non-Executive Director
4. Mrs. Aku P. Odinkemelu	Non-Executive Director
5. Mr. Francesco Cuzzocrea	Non-Executive Director
6. Mr. Abdullahi S. Mohammed	Executive Director

BF&GPC held six (6) meetings in the 2021 financial year on the following dates:

For the year ended 31 December 2022

Meeting	Dates					
Board Finance & General Purposes Committee	Jan 26	Mar 14	Apr 27	Jul 27	Nov 16	Dec 6

The Committee recorded 100% attendance at these meetings as its Chairman and **ALL** members were present.

Joint Board Audit & Risk Management and Board Finance & General Purposes Committee Meeting

In addition to their individual meetings, BARMC and BF&GPC also held joint meetings to consider matters such as the Bank's Budget and Accounts. **ALL** members were in attendance at the four joint meetings held during the year on the following dates:

Meeting	Dates			
Joint BAMRC & BF&GPC	Apr 25	Jul 25	Nov 14	Dec 13

Board Credit Committee (BCC)

The Committee is responsible for exercising oversight over Senior Management's identification and management of the Bank's credit exposures, as well as the Bank's responses to trends affecting those exposures, on an enterprise-wide basis. The Committee also has oversight for ensuring the adequacy of the allowance made for credit losses and the Bank's credit-related Policies. Some of the duties and responsibilities of the Committee are as follows:

- Consider and approve credits in excess of the limits delegated to Management, as may be defined from time to time by the Board of Directors and also recommend those above its approval limit to the Board for consideration and approval
- Consider and approve insider-related credit applications, particularly those of Directors and parties related to them, irrespective of the size, up to its approval limit and recommend those above its limit to the Board for approval
- Consider and approve write-offs in excess of Management limits but within the limits set by the Board and recommend those above its limit to the Board for consideration and approval
- Review the Bank's internal control procedures in relation to credit risk assets and ensure that they are sufficient to safeguard the quality of the Bank's risk assets
- Monitor loan quality through the review of quarterly reports on facilities and potential loss forecasts
- Oversee Management's administration of the Bank's credit risk portfolio, including Management's responses to trends in credit risk, credit concentration and asset quality, and review its reports thereon
- Review fully-provisioned loans and loan recovery efforts from time to time and ensure that the Bank complies with regulatory requirements regarding the grant of credit facilities

The membership of the Committee during the 2022 financial year is as shown below:

For the year ended 31 December 2022

Pre- October 19, 2022

NAME	CAPACITY	COMMENTS
1. Mr. Bata G. Wakawa	Non-Executive Director (Chairman)	He ceased to be on the Committee upon his sad demise on May 24, 2022
2. Mr. Innocent C. Ike	Managing Director/CEO	
3. Mr. Abdullahi M. Umar	Non-Executive Director	
4. Mr. Austin E. Jo-Madugu	Non-Executive Director	He served as Chairman of the Committee from May 24, 2022 till his resignation on October 19, 2022.
5. Mr. Olu Odugbemi	Non-Executive Director	He became a member of the Committee in May 2022 upon the demise of Mr. Wakawa, and ceased to be a member following his voluntary retirement effective September 21, 2022.
6. Mr. Segun Opeke	Executive Director	

Post- October 19, 2022

NAME	CAPACITY
1. Mrs. Aku P. Odinkemelu	Non-Executive Director (Chairman)
2. Mr. Adekunle Sonola	Managing Director/CEO
3. Mr. Abubakar. D. Suleiman	Non-Executive Director
4. Mr. Adeleke Alex-Adedipe	Non-Executive Director
5. Mr. Ahmed Almustapha(OFR)	Non-Executive Director
6. Mr. Segun Opeke	Executive Director

BCC held ten (10) meetings in the 2022 financial year on the following dates:

Meeting	Dates									
Board Credit Committee	Jan 26	Feb 17	Mar 15	Apr 27	Jun 14	Jun 16	Jul 25	Sep 29	Nov 16	Dec 12

The Committee recorded 100% attendance at these meetings as its Chairman and **ALL** members were present.

Board Governance, Nominations & Compensation Committee (BGNCC)

The Committee is established to assist the Board in carrying out its oversight responsibility with respect to the Bank's compliance with corporate governance best practices, nominations to the Board, and implementation of appropriate compensation for the Bank's staff as well as Board members. Some of its duties and responsibilities are stated as follows:

- Receive and consider proposals and nominations for appointments to the Board of the Bank

For the year ended 31 December 2022

- Screen candidates recommended or head-hunted for appointment to the Board of the Bank and make appropriate recommendations to the Board
- Oversee Board succession planning for the Board, Executive Management and Senior Management of the Bank and oversee the implementation of the succession plan
- Establish the criteria for Board and Board Committee memberships, review candidates' qualifications and any potential conflict of interest situations, assess the contribution of current directors in connection with their re-nomination and make recommendations to the Board
- Make recommendations on an appropriate compensation structure for the Chief Executive Officer and Executive Directors, taking into consideration the direct relevance of skill and experience to the Bank at that time
- Undertake a periodic "peer review" of the Bank's compensation and remuneration levels to ensure that the Company remains competitive and retains and attracts quality and competent Executive and Non-Executive Directors
- Management succession planning, recruitment, exit, re-deployment, etc. of staff members on the grade level of AGMs and above and other critical office holders such as the Chief Finance Officer (CFO) or Chief Compliance Officer (CCO) who may not be on a grade level of up to AGM
- Review and approve changes to the Board's Corporate Governance guidelines, monitor the Bank's compliance with such guidelines and with applicable legal, regulatory and listing requirements and recommend to the Board such changes or additional action as it deems necessary
- Monitor the implementation of corporate governance principles and practices in the Bank and advise the Board periodically with respect to significant developments in the law and practice of corporate governance to achieve compliance
- Ensure that the conclusions and recommendations arising out of the annual performance evaluations of the Chairman of the Board and the Managing Director by the Independent Consultant are reported to the Board
- Recommend to the Board for approval, the Governance Charters and Policies

*The membership of the Committee during the 2022 financial year is as shown below:

Pre- October 19, 2022

NAME	CAPACITY	COMMENTS
1. Mr. Austin E. Jo-Madugu	Non-Executive (Chairman)	Director
2. Mr. Bata G. Wakawa	Non-Executive Director	He ceased to be on the Committee upon his sad demise on May 24, 2022
3. Mr. Olu O. Odugbemi	Non-Executive Director	He ceased to be on the Committee following his voluntary retirement effective September 21, 2022.

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Post- October 19, 2022

NAME	CAPACITY
1. Mr. Ahmed Almustapha(OFR)	Non-Executive Director (Chairman)
2. Mr. Adeleke Alex-Adedipe	Non-Executive Director
3. Mrs. Olabisi O. Odunowo	Non-Executive Director
4. Ms. Salma Mohammed	Non-Executive Director

*The MD/CEO is in attendance at the Committee's meetings except when matters regarding Executive Compensation are being considered.

BGNCC held five (5) meetings in the 2021 financial year on the following dates:

Meeting	Dates				
Board Governance, Nominations and Compensation Committee	Jan 25	Apr 26	Apr 28	Jul 26	Nov 15

The Committee recorded 100% attendance at these meetings as its Chairman and **ALL** members were present.

Remuneration of Directors

Polaris Bank is committed to developing and continuously refining its value proposition for Directors, with a view to optimising business results and ensuring sustainability. Given the important role of remuneration in driving performance, the Bank has in place, a Directors' Remuneration Policy that defines the underlying principles and framework for setting and managing Directors' Remuneration in a way that aligns with business objectives and corporate governance requirements.

The Policy is a fair, equitable and transparent framework for determining remuneration for Executive and Non-Executive Directors. It ensures that the Bank complies with key principles from the Governance Codes of the Central Bank of Nigeria (CBN) and the Nigerian Code of Corporate Governance (NCCG).

The Policy is geared towards providing remuneration capable of attracting, retaining and rewarding well-qualified Directors. It guarantees alignment of Directors' remuneration with the Bank's performance, Shareholders' interests, and a prudent approach to risk management. The Remuneration Policy provides a robust basis to incentivise Directors to deliver sustained performance, consistent with the strategic goals and appropriate risk management, as well as to reward success based on the value created.

The Policy outlines the Bank's objectives, guiding principles, remuneration philosophy, remuneration structure, the rules for administering each remuneration component, remuneration review process, disclosure and reporting requirements as well as persons responsible as custodians of the Policy.

Executive Directors' compensation comprises a basic salary, allowances and performance incentive, tied to the Bank's performance. Executives are not entitled to sitting allowances

For the year ended 31 December 2022

or annual fees. Non-Executive Directors' remuneration comprises Annual Fees, Sitting Allowances for attendance at Board and Committee meetings, and reimbursable expenses.

The details of annual fees (excluding withholding tax at 10%) paid to Non-Executive Directors for the period ended October 19, 2022 is as follows:

S/N	Fees & Allowances	Amount
1.	Annual Fee for Board Chairman	₦5,000,000
2.	Annual Fee for Non-Executive Directors	₦3,500,000
3.	Sitting Allowance for Board Committee Meetings	₦250,000
4.	Sitting Allowance for Chairman of Board Committee Meetings	₦300,000
5.	Sitting Allowance for Board of Directors Meetings	₦350,000
6.	Sitting Allowance for Board Chairman	₦550,000

Following the appointment of new members of the Board effective October 19, 2022, the remuneration of Directors was reviewed. This was in line with the Bank's Remuneration Policy geared towards providing remuneration capable of attracting, retaining and rewarding well-qualified Directors.

The details of Non-Executive Directors' **annual** fees effective October 19, 2022 is as follows:

S/N	Fees & Allowances	Amount
1.	Annual Fee for Board Chairman	₦50,000,000
2.	Annual Fee for Non-Executive Directors	₦40,000,000
3.	Sitting Allowance for Board Committee Meetings	₦300,000
4.	Sitting Allowance for Chairman of Board Committee Meetings	₦350,000
5.	Sitting Allowance for Board of Directors Meetings	₦450,000
6.	Sitting Allowance for Board Chairman	₦700,000

The above was pro-rated for the period October 19, 2022 to December 31, 2022 and paid to the Non-Executive Directors excluding withholding tax at 10%.

Whistleblowing Policy

An effective Whistleblowing Policy and framework is a veritable tool for driving sound governance practices. At Polaris Bank, the Whistleblowing framework seeks to empower its people, improve its controls and facilitate the achievement of an ethical enterprise. As required by the NCCG 2018, the responsibility for implementing the Bank's whistleblowing programme rests with its Board of Directors.

The Bank has a Whistleblowing Policy that facilitates the prevention and detection of fraud and corrupt practices. The Policy avails the Bank's staff and other stakeholders an avenue

For the year ended 31 December 2022

to report suspected or known acts of fraud, malpractice, or other unethical practices, while assuring the whistleblower of the highest level of confidentiality.

To safeguard the independence and objectivity of the whistleblowing process, enhance its anonymity and confidentiality, and make it secure and reassuring, the firm of KPMG Professional services acts as independent consultants to manage the Bank's whistleblowing framework. Therefore, the Bank has a conspicuous whistleblowing channel on the website which is linked to the KPMG, the phone lines of the Chief Internal Auditor and the Central Bank of Nigeria (CBN) and a dedicated email address – whistleblowing@polarisbanklimited.com.

Periodic knowledge sharing sessions and publications on the Bank's intranet are carried out on an ongoing basis to keep staff members aware of the whistleblowing framework. Whistleblowing reports are also presented to the Board of Directors through the Board Audit & Risk Management Committee (BARMC) as well as to the CBN.

Disclosures

The Board has a policy of openness and transparency. Director-related facilities are disclosed during consideration, and the related party does not participate in the deliberations on the facility. No Director of the Bank currently provides professional services to the Bank.

During the 2022 Financial Year, the Bank regrettably incurred a CBN penalty to the tune of N2million in the month of August. The penalty was with respect to the outcome of the Bank's CBN Scorecard Assessment for the 2020 Financial Year. The identified exceptions which gave rise to the penalty were largely on the composition of the Board and other issues outside the Bank's control, being an AMCON-owned organisation at the time with its Board appointed by the CBN. The issues have subsequently been addressed following the change in ownership, and subsequent change in Board composition of the Bank.

Management Committees

Management has the Board-delegated authority for the day-to-day management of the Bank with the Managing Director/CEO as the leader of the Management Team. To effectively carry out its functions and actualize the organization's objectives, Management may take decisions through various Management Committees who act within the Board-approved limits of authority for Management.

The Management Committees, composed of Management staff selected according to their roles and responsibilities, all have their Terms of Reference. Each Management Committee is headed by a Chairman and has a Secretary appointed to perform secretarial functions for the Committee.

The major Management Committees of the Bank are as follows:

Assets & Liabilities Committee (ALCO)

The Committee is responsible for coordinating the Bank's borrowing and lending strategy, and funds acquisition to meet profitability objectives as interest rates change. It monitors

For the year ended 31 December 2022

actions by the regulators that may affect interest rates, and impact of any policy change on the Bank's business.

Appeal Disciplinary Committee (ADC)

The Committee is established to review appeals from staff or ex-staff on cases decided by the Disciplinary Committee.

Criticized Assets Review Committee (CARC)

The Committee monitors the effectiveness and application of credit risk management and ensures that all relevant documentation pertaining to credit application and collateral security are effected. It also reviews reports on challenged accounts and oversees the development of loan loss provision policy. It ensures that the systems established by Management to identify credit risks, and assess, manage and monitor loans are operating effectively.

Disciplinary Committee (DC)

The Committee is responsible for considering complaints made against staff members on matters relating to misconduct of staff, in accordance with the Bank's disciplinary framework. It also reviews the Disciplinary Regulations and makes recommendations for changes to Management.

Executive Committee (EXCO)

It is the highest-level Management Committee. It comprises the Managing Director/CEO, as the Chairman, Executive Directors, Directorate Heads and Company secretary. Some of its Terms of Reference include:

- Making recommendations on the strategic development of the Bank in the areas of branch expansion, branding and market presence.
- Considering the financial performance of the Bank.
- Considering internal policies and processes and making recommendations to the Board for approval.
- Considering the performance evaluation of staff and issues of manpower planning, human capital and non-human capital optimization.
- Ensuring that laid-down internal control procedures are adequate and duly observed.
- Providing oversight function for the Bank's accounting and financial reporting, and its internal and external audit.
- Reviewing the findings of any examination by regulatory agencies, and any auditor observation, including investigations.
- Monitoring and reviewing the effectiveness of the Bank's risk management systems and processes to confirm its consistency with the Bank's strategy and business plan.

General Purposes Committee (GPC)

The Committee is established to carry out the following functions:

For the year ended 31 December 2022

- Provide oversight and direction for execution of Investor Relations strategy and program such as Financial Reporting & Stakeholder Engagement.
- Establish firm reputation for timely, transparent, and reliable financial reporting/disclosure.
- Attract investors with long-term stake and ensure an expanded & sustained access to lower-cost capital from local and foreign financial markets.
- Review and approve recommended processes and present to EXCO for ratification.
- Ensure that process improvement activities are clearly and functionally linked to the regional peculiarities and strategic imperatives are capable of achieving the key objectives of cost containment, service quality and regularity compliance amongst others.
- Consider the Bank's strategy towards CSR & Sustainability related issues and monitor relevant external developments.
- Consider and approve resource allocation for identified and recommended CSR investments and projects.

IT Steering Committee (ITSC)

The Committee is established to review, monitor and prioritize major IT projects. It ensures that IT strategy is aligned with the strategic goals of the Bank and procures business solutions that leverage technology.

Management Credit Committee (MCC)

The Committee is established to approve credits within its limit, approve write-offs on excess interest and refund of interest within its limit, and recommend to the Board Credit Committee, credits and write-offs above its limit.

It also reviews fully provisioned loans and loan recovery efforts, reports on credit quality, and policy procedure adherence.

Management Risk Management Committee (MRMC)

The Committee is responsible for managing the various risk elements and driving the risk management function in the Bank, at the operational level. It is responsible for review of the Bank's risk management framework, identification of lapses, and proffering suggestions for corrective measures. It has a reporting relationship to the Board Audit & Risk Management Committee.

Process Review Committee (PRC)

The Committee is established to carry out comprehensive review of processes designed by the Bank's Business Process Re-Engineering Team and make recommendations to Executive Management. The Committee reviews process initiatives to ensure that objectives of cost, service quality, speed and regulatory compliance are achieved.

Product Development Committee (PDC)

The Committee is established to oversee the product development process in the Bank. It defines the product development process and strategy, reviews new products to ensure

Polaris Bank Limited
Consolidated and separate financial statements

For the year ended 31 December 2022

alignment with the Bank's strategic goals and objectives, monitors the performance of products and makes recommendations to Executive Management.

Tenders Committee (TC)

The Tenders Committee reviews the Bank's policies and practices to ensure that the operating policies and procedures relating to tendering and procurement are recognized as "best practices", and all Tenders are conducted in a fair and ethical manner and that no conflict of interest exists with any Director or employee connected to the tendering and procurement process.

With the change in the leadership and control of the Bank, delivering value to shareholders has become even more imperative. The strategic pillars of the Bank's new 3-year strategic roadmap lend credence to this as they are all clearly geared towards value enhancement. The role of entrenching a culture of sound governance practices in achieving this goal is palpable. Therefore, the Board and Management of the Bank will remain resolute in its commitment to exceed minimum basic governance requirements and embed highest standards of Corporate Governance throughout the enterprise.

BY ORDER OF THE BOARD



OLUSEGUN TAWOJU

GENERAL COUNSEL/COMPANY SECRETARY

FRC/2021/002/00000024913

Lagos, Nigeria

March 20, 2023

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

In line with provisions of S. 405 of CAMA 2020, we have reviewed the audited financial statements of the bank for the year ended 31 December 2022 and based on our knowledge confirm as follows:

- i. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.
- ii. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the bank as of and for the year ended 31 December 2022.
- iii. The bank's internal controls have been designed to ensure that all material information relating to the bank and its subsidiaries is received and provided to the Auditors in the course of the audit.
- iv. The bank's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2022.
- v. That we have disclosed to the bank's Auditors and the Audit Committee the following information:
 - a) there are no significant deficiencies in the design or operation of the bank's internal controls which could adversely affect the bank's ability to record, process, summarise and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the cause of the Audit.
 - b) there is no fraud involving management or other employees which could have any significant role in the bank's internal control.
- vi. There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.



MR PIUS OLAOYE
CHIEF FINANCIAL OFFICER
FRC/2016/ICAN/00000014239
March 20, 2023



MR ADEKUNLE SONOLA
MANAGING DIRECTOR/CEO
FRC/2023/PRO/DIR/003/857112
March 20, 2023

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

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

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

The result of our evaluation has shown that the Board and Corporate Governance framework and practices in Polaris Bank substantially comply with the provisions of the extant Codes of Corporate Governance. We also ascertained that the key Board functionaries (Board and Board Committee Chairpersons) and the Board Committees met their responsibilities under the Codes and governance charters in Polaris Bank. The report further highlights details of our review activities, observations and some recommendations for the Board and Executive Management's action for sustained improvement to the performance of the Board, Corporate Governance and Secretarial functions of Polaris Bank.

It should be noted that the matters raised in this report are only those that came to our attention during the course of our review. The evaluation is limited in nature and does not necessarily disclose all significant matters about the company or reveal any irregularities. As such, we do not express any opinion on the activities reported. The report should be read in conjunction with the Corporate Governance Section of the Annual Report.

Yours faithfully,
For: Deloitte and Touche



Ibukun Beecroft
FRC/2020/ICAN/00000020765
Partner



Independent auditor's report

To the Members of Polaris Bank Nigeria Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

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

What we have audited

Polaris Bank Nigeria Limited's consolidated and separate financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<i>Impairment on loans and advances to customers – N68.7billion (refer to notes 2.6, 3.1.1b, 6 and 19)</i> Gross loans and advances as at 31 December 2022 was N377.8billion and the related impairment was N68.7billion. We focused on this area because of the significant value of loans and advances and because the directors made significant judgement in determining an appropriate model and selecting relevant assumptions to be applied in estimating impairment allowance on loans. Key areas of judgement include: • the definition of default adopted by the Group; • determination of the criteria for assessing significant increase in credit risk (SICR); • determination of the key inputs used in determining the lifetime exposure at default (EAD); • methodologies adopted by the bank in modelling the probability of default (PD) used in the expected credit loss (ECL) model; • estimation of Loss Given Default (LGD) by considering collateral values and assumptions inherent in the model; and • incorporation of forward looking information and the determination of multiple economic scenarios used in the ECL model. This is considered a key audit matter in the consolidated and separate financial statements.	We adopted a substantive approach in assessing the allowance for impairment made by the directors. We performed the following procedures: • checked that the Group applied a default definition that is consistent with IFRS 9 qualitative default criteria and days past due backstop indicator; • evaluated the reasonableness of the Group's determination of SICR; • applied a risk-based target testing approach in selecting a sample of credit facilities for detailed reviews of related customer files and account statements for determination of SICR; and • tested the valuation of collaterals used in the ECL model by comparing the values to the results of valuation performed by management's external valuers. We assessed the competence, experience, and independence of the external valuers. With the assistance of our credit modelling experts, we: • tested the appropriateness of the exposure at default by checking whether relevant facility specific information have been incorporated in determining the EAD; • checked the reasonableness of the methodology used in modelling PD to assess for consistency with acceptable modelling techniques; • evaluated the reasonableness of the LGD methodology applied in estimating recoveries from collaterals on secured exposures and the cash recoveries from unsecured exposures. We also assessed the appropriateness of LGD assumptions and confirmed accuracy of the final LGD; and • evaluated the appropriateness of macro-economic inputs, forward-looking information and their associated scenario weights by comparing to available industry information and checking that they have been appropriately incorporated into the ECL model; • checked the accuracy of ECL computation by performing an independent computation for a selected sample of loan exposures. We evaluated the IFRS 9 disclosures for reasonableness.

The directors are responsible for the other information. The other information obtained at the date of this auditor's report are General information, Report of the Directors, Statement of Directors' Responsibilities in relation to the Financial Statements, Sustainability Report, Corporate Governance Report, Statement of Corporate Responsibility for the Financial Statements, Report of the Independent Consultant on the Review of Corporate Governance Framework and Performance of the Board of Directors of Polaris Bank Limited, Value Added Statements and Financial Summary, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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

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

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

Report on other legal and regulatory requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;
- iii) the bank's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns;
- iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 35.7 to the consolidated and separate financial statements; and



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

Samuel Abu

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

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



23 March 2023

Statement of Comprehensive Income
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

		Group	Group	Bank	Bank
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
	Notes				
Interest income calculated using the effective interest method:					
	7a	98,835	85,025	98,835	85,025
Interest income on Financial asset at FVTPL	7b	414	518	414	518
Interest expense	8	(30,743)	(19,706)	(30,743)	(19,706)
Net interest income		68,506	65,837	68,506	65,837
Impairment loss on loans and other financial assets	12	932	(3,317)	932	(3,317)
		69,438	62,520	69,438	62,520
Net fee and commission income	9	7,629	7,596	7,629	7,596
Net trading and foreign exchange income/(loss)	10	3,602	4,575	3,602	4,575
Other operating income	11	3,818	5,198	3,818	6,351
Net operating profit		84,487	79,889	84,487	81,042
Employee benefit costs	13	(26,834)	(26,496)	(26,834)	(26,496)
Administration and general expenses	14	(39,203)	(30,842)	(39,203)	(30,842)
Depreciation and amortisation	15	(7,495)	(6,262)	(7,495)	(6,262)
Profit before tax		10,955	16,289	10,955	17,442
Taxation	31	(1,028)	(664)	(1,028)	(664)
Profit for the period from continuing operations		9,927	15,625	9,927	16,778
(Loss)/Profit for the period from discontinued operations	28c	(80)	3,843	-	-
Profit for the period		9,847	19,468	9,927	16,778
Profit attributable to:					
Owners of the Bank		9,847	19,404	9,927	16,778
Continuing operations		9,927	15,625	9,927	16,778
Discontinued operations		(80)	3,779	-	-
Non-controlling interests		-	64	-	-
Discontinued operations		-	64	-	-
		9,847	19,468	9,927	16,778
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Net Change in Fair Value of Equity Investments (FVOCI) (net of tax)		(634)	830	(634)	830
Other comprehensive income for the period, net of tax		(634)	830	(634)	830
Total comprehensive income for the period		9,213	20,298	9,293	17,608
Total comprehensive income attributable to:					
Owners of the bank		9,213	20,234	9,293	17,608
Continuing operations		9,293	16,455	9,293	17,608
Discontinued operations		(80)	3,779	-	-
Non-controlling interests		-	64	-	-
Discontinued operations		-	64	-	-
		9,213	20,298	9,293	17,608
Earnings Per Share					
Earnings Per Share (Basic/Diluted) (kobo)	33b	39	78	40	67

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
As at 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

		Group	Group	Bank	Bank
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
Assets	Notes				
Cash and balances with central bank	16	80,875	19,558	80,875	19,558
Due from banks and other financial institutions	17	52,543	52,673	52,543	52,673
Financial assets held at fair value through profit or loss	18	21,956	654	21,956	654
Loans and advances to customers	19	309,055	260,072	309,055	260,072
<i>Investment securities:</i>					
- Amortised cost	20	206,978	330,912	206,978	330,912
- Fair value through other comprehensive income (FVTOCI)	21	18,398	18,650	18,398	18,650
Assets pledged as collateral	22	49,465	52,576	49,465	52,576
Prepayment and other assets	23	427,835	345,588	427,978	345,731
Other loans and receivables	23b	200,423	173,550	200,423	173,550
Right of use assets	24	2,371	2,349	2,371	2,349
Property, plant and equipment	26	42,037	47,490	42,037	47,490
Intangible assets	27	3,473	4,061	3,473	4,061
		1,415,409	1,308,133	1,415,552	1,308,276
Assets classified as held for sale	28	2,016	1,894	500	500
Total assets		1,417,425	1,310,027	1,416,052	1,308,776
Liabilities					
Deposits from customers	29	1,141,344	1,021,493	1,141,362	1,021,514
Lease liabilities	25	2,165	1,798	2,165	1,798
Borrowings	30	68,938	84,102	68,938	84,102
Current tax liability	31	1,243	1,064	1,243	1,064
Accruals and other liabilities	32	102,500	98,693	102,500	98,693
		1,316,190	1,207,150	1,316,208	1,207,171
Liabilities classified as held for sale	28	1,038	837	-	-
Total liabilities		1,317,228	1,207,987	1,316,208	1,207,171
Equity					
Share capital	33a	25,000	25,000	25,000	25,000
Share premium	33c	25,433	25,433	25,433	25,433
Retained earnings		7,232	12,992	7,007	12,686
Other reserves	33d	42,532	38,615	42,404	38,486
		100,197	102,040	99,844	101,605
Non-controlling interest		-	-	-	-
Total equity		100,197	102,040	99,844	101,605
Total equity and liabilities		1,417,425	1,310,027	1,416,052	1,308,776

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2023 and signed on its behalf by:



Mr Muhammad K. Ahmad, OON
Chairman
FRC NO: 2015/IODN/00000012581



Mr Adekunle Sonola
Managing Director / CEO
FRC No: 2023/PRO/DIR/003/857112

Additional certification by:



Mr Pius Olaoje
Chief Financial Officer
FRC No: 2016/ICAN/00000014239

The accompanying notes form an integral part of these financial statements

Statement of changes in equity
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Group

	Attributable to equity holders of the parent								Intervention fund reserve	Total	Non-controlling interest	Total Equity
	Share capital	Share premium	Statutory reserve	AGSMEIS reserve	Translation reserve	Fair Value Reserve	Retained Earnings	Reorganisation reserve				
At 01 January 2022	25,000	25,433	22,655	840	0	4,065	12,991	-	11,054	102,040	-	102,040
Profit for the period	-	-	-	-	-	-	9,847	-	-	9,847	-	9,847
Other comprehensive income, net of tax												
Net gains on financial instruments designated at FVTOCI	-	-	-	-	-	(634)	-	-	-	(634)	-	(634)
Total other comprehensive income	-	-	-	-	-	(634)	-	-	-	(634)	-	(634)
Total comprehensive income	-	-	-	-	-	(634)	9,847	-	-	9,213	-	9,213
Transfers between reserves:												
Translation reserve reclassified to profit or loss due to disposal of foreign subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Payment of Intervention fund	-	-	-	-	-	-	-	-	(11,054)	(11,054)	-	(11,054)
Transfers for the period	-	-	2,978	496	-	-	(15,606)	-	12,132	-	-	-
Transactions with owners:												
Disposal of subsidiary with NCI	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	2,978	496	-	-	(15,606)	-	1,078	(11,054)	-	(11,054)
Balance at 31 December 2022	25,000	25,433	25,633	1,336	0	3,431	7,232	-	12,131	100,197	-	100,197

Statement of changes in equity
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Group

	Attributable to equity holders of the parent											
	Share capital	Share premium	Statutory reserve	AGSMEIS reserve	Translation reserve	Fair Value Reserve	Retained Earnings	Reorganisation reserve	Intervention fund reserve	Total	Non-controlling interest	Total Equity
At 01 January 2021	25,000	873,450	17,623	2,795	3,239	3,235	8,615	(848,017)	12,902	98,842	1,098	99,940
Profit for the period	-	-	-	-	-	-	19,404			19,404	64	28,090
Other comprehensive income, net of tax												
Net gains on financial instruments designated at FVTOCI	-	-	-	-	-	830	-	-	-	830	-	830
Total other comprehensive income	-	-	-	-	-	830	-	-	-	830	-	830
Total comprehensive income	-	-	-	-	-	830	19,404	-	-	20,234	64	20,298
Transfers between reserves:												
Translation reserve reclassified to profit or loss due to disposal of foreign subsidiary	-	-	-	-	(3,239)	-	-	-	-	(3,239)		(3,239)
Payment of Intervention fund	-	-	-	-	-	-	-	-	(12,902)	(12,902)	-	(12,902)
Transfers for the period	-	(848,017)	5,033	(1,955)	-	-	(14,132)	848,017	11,054	0	-	0
Transactions with owners										-		-
Disposal of subsidiary with NCI	-	-	-	-	-	-	(895)	-	-	(895)	(1,162)	(2,057)
	-	(848,017)	5,033	(1,955)	(3,239)	-	(15,027)	848,017	(1,848)	(17,036)	(1,162)	(18,198)
Balance at 31 December 2021	25,000	25,433	22,655	840	0	4,065	12,991	-	11,054	102,040	-	102,040

Polaris Bank Limited
Consolidated and separate financial statements

Statement of changes in equity
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Bank

	Attributable to equity holders							
	Share capital	Share premium	Statutory reserve	AGSMEIS reserve	Fair Value reserve	Retained earnings	Reorganisation reserve	Intervention fund reserve
								Total
At 01 January 2022	25,000	25,433	22,527	840	4,065	12,686	-	11,054
Profit for the period	-	-	-	-	-	9,927	-	9,927
Other comprehensive income, net of tax:								
Net gains on financial instruments designated at FVTOCI	-	-	-	-	(634)	-	-	(634)
Total other comprehensive income	-	-	-	-	(634)	-	-	(634)
Total comprehensive income	-	-	-	-	(634)	9,927	-	9,293
Transfers between reserves:								
Payment of Intervention fund	-	-	-	-	-	-	-	(11,054)
Transfers for the period	-	-	2,978	496	-	(15,606)	-	12,132
	-	-	2,978	496	-	(15,606)	-	(11,054)
Balance at 31 December 2022	25,000	25,433	25,506	1,336	3,431	7,007	-	12,132
								99,844

Polaris Bank Limited
Consolidated and separate financial statements

Statement of changes in equity
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Bank

	Attributable to equity holders							Intervention fund reserve	Total
	Share capital	Share premium	Statutory reserve	AGSMEIS reserve	Fair Value reserve	Retained earnings	Reorganisation reserve		
At 01 January 2021	25,000	873,450	17,495	2,794	3,235	10,040	(848,017)	12,902	96,899
Profit for the period	-	-	-	-	-	16,778	-	-	16,778
Other comprehensive income/(loss), net of tax:									
Net gains on financial instruments designated at FVTOCI	-	-	-	-	830	-	-	-	830
Total other comprehensive income/(loss)	-	-	-	-	830	-	-	-	830
Total comprehensive income	-	-	-	-	830	16,778	-	-	17,608
Transfers between reserves:									
Payment of Intervention fund	-	-	-	-	-	-	-	(12,902)	(12,902)
Transfers for the period	-	(848,017)	5,033	(1,955)	-	(14,132)	848,017	11,054	0
	-	(848,017)	5,033	(1,955)	-	(14,132)	848,017	(1,848)	(12,902)
Balance at 31 December 2021	25,000	25,433	22,527	840	4,065	12,686	-	11,054	101,605

Statement of Cash flows
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

		Group	Group	Bank	Bank
		31 December	31 December	31 December	31 December
		2022	2021	2022	2021
Operating activities	Note				
Net cash (used)/generated from operating	34	(68,548)	22,137	(68,548)	22,137
Cash flows from investing activities					
Acquisition of investment securities held at amortised cost & pledged assets	41.2	(229,068)	(370,968)	(229,068)	(370,968)
Interest received on investment securities held at amortised cost	41.1	24,646	18,193	24,646	18,193
Dividend received		368	768	368	768
Acquisition of property and equipment	26	(1,754)	(5,312)	(1,754)	(5,312)
Proceeds from the sale of property and equipment	41.2	1,504	4,830	1,504	4,830
Acquisition of intangible assets	27	(229)	(2,168)	(229)	(2,168)
Payment on acquisition of Right of Use assets	25	(36)	(518)	(36)	(518)
Net proceeds from disposal of subsidiaries		-	2,309	-	2,309
Proceeds from disposed and matured investment securities	41.3	355,702	306,868	355,702	306,868
Net cash (used in)/generated from investing activities		151,133	(45,998)	151,133	(45,998)
Cash flows from financing activities					
Interest paid on borrowings	30	(1,573)	(381)	(1,573)	(381)
Repayment of borrowings	30	(14,994)	(5,981)	(14,994)	(5,981)
Principal repayment on lease liabilities	25	(153)	(244)	(153)	(244)
Interest paid on lease liabilities	25	(85)	(136)	(85)	(136)
Payment of Intervention fund	41.3	(11,054)	(12,902)	(11,054)	(12,902)
Net cash used in financing activities		(27,858)	(19,643)	(27,858)	(19,643)
Net (decrease)/increase in cash and cash equivalents		54,728	(43,504)	54,728	(43,504)
Opening cash and cash equivalents		72,230	110,807	72,230	110,807
Effect of exchange rate fluctuations on cash held		6,460	4,928	6,460	4,928
Net (decrease)/increase in cash and cash		54,728	(43,504)	54,728	(43,504)
Cash and cash equivalents at 31 December	16.1	133,418	72,231	133,418	72,231

Notes to the financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

1 Reporting entity

Polaris Bank Limited commenced banking operations on September 21, 2018 after it took over and assumed ownership of assets and certain liabilities of Skye Bank Plc. The Bank was issued operating license by the Central Bank of Nigeria (CBN) whilst the operating license of Skye Bank was revoked by the Central Bank of Nigeria. The address of the Bank's registered office is 3 Akin Adesola Street, Victoria Island, Lagos.

The accompanying financial statements comprise the financial statements of Polaris Bank Limited (referred to as the "Bank" or "the Parent") and its subsidiaries (referred to together as "the Group"). The Bank is a company incorporated in Nigeria under the Companies and Allied Matters Act.

These consolidated and separate financial statements for the year ended 31 December 2022, are prepared for the Bank and the Group respectively. The Bank and the Group are primarily involved in wholesale, corporate and retail banking and mortgage financing.

These financial statements were authorised for issue by the Board of Directors on 20 March 2023.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies are applicable to both the Bank and Group financial statements and have been consistently applied.

2.1 Statement of compliance

The consolidated and separate financial statements of the Bank and the Group for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the interpretations of these standards, issued by the International Financial Reporting Interpretations Committee (IFRIC).

2.2 Basis of preparation

These financial statements comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and the notes.

2.2(a) Basis of measurement

These financial statements have been prepared in accordance with the going concern principle under the historical cost convention except for the following:

- Derivative financial instruments which are measured at fair value.
- Non derivative financial instruments, carried at fair value through profit or loss, are measured at fair value.
- Fair value through other comprehensive income (FVOCI), financial assets are measured at fair value through equity.
- Assets and liabilities held for trading are measured at fair value.
- Non-current assets held for sale are measured at lower of cost and fair value less cost to sell.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 6.

2.2.1 New and amended standards and interpretations

Below is a list of interpretations and amendment that were effective for the first time in periods commencing on or after 1 January 2022 but do not have a significant impact on the Bank and Group:

Amendments to IAS 16 -Property, Plant and Equipment - Proceeds before intended use

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

This amendment does not have impact on the Group and the Bank.

Reference to the Conceptual Framework - Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Amendments to IAS 37 - Onerous Contracts Cost of Fulfilling a Contract

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Notes to the financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Annual Improvements to IFRS Standards 2018 - 2020

The following improvements were finalised in May 2020:

- . IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities
- . IFRS 16 Leases amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives
- . IFRS 1 First-time Adoption of International Financial Reporting Standards - allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

IAS 41 Agriculture removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2022:

The Group has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates. Commentaries on these new standards/amendments are provided below:

- Amendments to IAS 1 and IFRS Practice Statement 2 on disclosure of accounting policies
- IFRS 17 Insurance Contracts
- Amendments to IAS 1 on classification of liabilities as current or non-current
- Amendments to IAS 8 on definition of accounting estimates
- Amendments to IAS 12 on Deferred tax related to Assets and liabilities arising from a single transaction
- Amendments to IFRS 10 and IAS 28 on Sale or contribution of assets between an investor and its associate or joint venture

- Amendments to IAS 1 and IFRS Practice Statement 2 on disclosure of accounting policies

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendments to IAS 1 on classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendment clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability non impacts its classification.

The Board also added two new paragraphs (Paragraph 76A and 76B) to IAS 1 to clarify what is meant by "settlement" of a liability. The board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

- IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- . discounted probability-weighted cash flows
 - . an explicit risk adjustment, and
 - . a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.
- The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, The entity's share of the fair value changes the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in

respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.

- Amendments to IAS 8 on definition of accounting estimates

The current version of IAS 8 does not provide a definition of accounting estimates. Accounting policies, however, are defined. Furthermore, the standard defines the concept of a "change in accounting estimates". A mixture of a definition of one item with a definition of changes in another has resulted in difficulty in drawing the distinction between accounting policies and accounting estimates in many instances. In the amended standard, accounting estimates are now defined as, "monetary amounts in financial statements that are subject to measurement uncertainty".

The amendments are effective for annual reporting periods beginning on or after 1 January 2023

- Amendments to IAS 12 on Deferred tax related to Assets and liabilities arising from a single transaction

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023

Notes to the financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

2.2.2 Accounting policies

The Group has adopted all the relevant standards applicable from the date of its incorporation.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated 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 consolidated financial statements are presented in Nigerian Naira ("N"), which is the Group's presentation currency.

Except where indicated, financial information presented in Naira has been rounded to the nearest million.

(b) Transactions and balances

Foreign currency transactions, that is transactions denominated or that require settlement in a foreign currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

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

Changes in the fair value of monetary securities denominated in foreign currency measured at fair value through OCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value, such as equities classified as fair value through OCI, are included in other comprehensive income.

(c) Group companies (foreign operations)

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'Foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Basis of consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

Notes to the financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Investment in subsidiaries are reported at cost less impairment (if any) in the separate financial statements of the Bank.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. Accounting policies of the subsidiaries have been changed where necessary to reflect the accounting policies of the group.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

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

Common control transactions

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination (and where that control is not transitory) are referred to as common control transactions. The Group accounts for the transaction at book values in its consolidated financial statements. The book values of the acquired entity are the consolidated book values as reflected in the group annual financial statements. The excess of the cost of the transaction over the Group's proportionate share of the net asset value acquired in common control transactions, will be allocated to the existing business combination reserve in equity. Where comparative periods are presented, the financial statements and financial information are not restated.

Capital reorganisation

When there is Capital reorganisation, the Group recognizes the assets and liabilities of the defunct entity in its consolidated financial statements at their pre-combination carrying amounts. The assets and liabilities are not remeasured to fair values but are recognised at their book values on the date of the reorganisation.

2.5 Current and deferred income tax

Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the applicable tax laws in the respective jurisdiction and it consists of Company Income Tax, Education Tax and NITDEF Tax. Company Income Tax is assessed at 30% statutory rate of total profit, Education Tax is computed as 2.5% of assessable profit while NITDEF tax is a 1% levy on Profit Before Tax of the Bank. The Group periodically evaluates positions taken in tax returns; ensuring information disclosed are in agreement with the underlying tax liability which has been adequately provided for in the financial statements.

Notes to the financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

2.6 Financial assets and liabilities

2.6.1 Financial assets

The Group classifies its financial instruments in the following categories: at fair value through profit or loss (FVTPL), amortised costs and fair value through other comprehensive income (FVOCI). The Group's financial assets classified as amortised cost includes loans and advances to customers; other loans and receivables; and investment securities. The classification depends on the purpose for which the financial assets were acquired and their characteristics.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement-date on which the Group commits to purchase or sell the asset. At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(a) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Debt investment securities

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the Cash flow characteristics of the asset.

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 2.6.1 (f). Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income and foreign exchange income' in the period in which it arises.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business for a group of assets include past experience on how the cash flows for these assets were collected, how the assets performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Group's business model for the mortgage loan book is to hold to collect contractual cash flows.

Notes to the financial statements

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(All amounts in millions of Naira unless otherwise stated)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

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

(b) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Gains and losses on equity investments at FVTPL are included in the 'Net trading income' line in the statement of comprehensive income.

(c) Impairment

The Group assesses on a forward - looking basis the expected credit losses ('ECL') associated with its debt instruments carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(d) Modification of loans

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

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

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(e) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

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- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

(f) Expected credit loss (ECL) measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instruments is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.6.1 g for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 2.6.1 i for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 2.6.1 j for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 2.6.1 j includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

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

(g) Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met. At each reporting period, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of origination. The assessment considers borrower-specific quantitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

Quantitative criteria:

The quantitative criteria considers deterioration in the credit rating of the obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI). The Bank has also adopted the CBN Risk Management Guidelines in determining its significant increase in credit risk criteria.

Qualitative Criteria

The occurrence of any of the under listed indicators in the Bank's Portfolio shall be considered as a significant increase in credit risk:

- Actual or expected significant change in the financial instrument's external credit rating.
 - Actual or expected or for retail portfolios, if the borrower meets one or more of the following criteria.
 - Identification of the loan or customer on a 'watchlist' or other forbearance indicators.
 - Significant financial difficulty of a borrower or issuer.
 - Classification of an exposure by a licensed credit risk management, including credit bureaus.
 - Deterioration of relevant credit risk drivers for an individual obligor or pool of obligors.
 - Expectation of forbearance or restructuring due to financial difficulties.
 - Significant increases in credit risk on other financial instruments of the same borrower.
- Deterioration in credit worthiness due factors other than those listed above.

(h) Low Credit risk exemption

The Group has not used the low credit risk exemption for any financial instruments apart from Debt investment securities (FGN treasury bills and bonds) and balances due from other banks in the period ended 31 December 2022.

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(i) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

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

Qualitative criteria

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

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

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations. An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(j) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

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

- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The PD represents the likelihood of a borrower defaulting on its financial obligation (based on the "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate.

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

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected prepayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

To estimate expected credit loss for off balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off balance sheet exposure to its credit exposure equivalent.

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The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

(k) Macroeconomic variables incorporated in the ECL models

The Group relies on a broad range of forward looking information as economic inputs, such as: GDP growth. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement. The macro-economic parameters used are the same across risk management and capital planning process. See note 3.1.3iv for additional details.

(l) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their attributes are reassessed at each reporting date. At the reporting period, for all portfolios, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through relevant ECL model and multiplying it by the appropriate scenario weighting.

In addition to the base economic scenario, the Predictive Analytics' team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At the reporting period, for all portfolios, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through relevant ECL model and multiplying it by the appropriate scenario weighting.

2.6.2 Financial liabilities

(i) Classification and subsequent measurement

In the current period, financial liabilities are classified and subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of term is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any cost of fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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Financial guarantee contracts and loan commitments

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

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- i) The amount of the loss allowance; and
- ii) The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparty.

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

2.8 Assets pledged as collateral

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

Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated as FVOCI or amortised cost. Where the assets pledged as collateral are designated as FVOCI, subsequent measurement is at fair-value through OCI. Assets pledged as collateral are measured at amortised cost.

2.9 Interest income and expense

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

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

Interest income and expense for all interest-earning and interest bearing financial instruments are recognised in the income statement within 'interest income' and 'interest expense' using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

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

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities measured at amortised cost is calculated on an effective interest rate basis.
- Interest on fair value through other comprehensive income investment securities is calculated on an effective interest basis.
- Interest income on fair value through profit or loss instruments is recognised using the contractual interest rate in net gains/(loss) on investment securities

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2.10 Fees and commission income

Fees and commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities.

Other fees and commissions which relates mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognised as the related services are provided or performed.

2.11 Net trading and foreign exchange income

Net trading income and foreign exchange income comprises net fair value changes in held for trading securities, net fair value gain on derivative instrument, and foreign exchange translation and trading gains/losses.

2.12 Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other operating income.

2.13 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each year.

An impairment loss is recognised in the income statement if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Any impairment loss in a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a prorata basis except that loss is allocated to inventories, deferred tax assets, employee benefits and investment property which continue to be measured in accordance with the group's accounting policies.

2.14 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.15 Leases

Leases (right-of-use asset) are accounted for in accordance with IFRS 16 and are accounted for in line with the following based on whether the Group is the Lessor or the Lessee:

(i) The Group is the lessee

At the commencement date, the Group recognises a right-of-use asset at cost and a lease liability, where applicable, at the present value of the lease payments that are not paid at that date.

The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date, the Group measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Group subsequently measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made and measuring the carrying amount and remeasuring the carrying amount to reflect any reassessment or lease modification.

The corresponding lease liabilities, where applicable, are included in other liabilities. The interest element of the lease liabilities is charged to the Income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) The Group is the lessor

When assets are leased to a third party under a finance lease terms, the present value of the lease income is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflect a constant periodic rate of return.

The Group building is currently under a leasehold agreement for over the shorter of the useful life of 50 years or lease term.

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2.16 Property, plant and equipment

i. Recognition and measurement

The Group recognizes items of property, plant and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property, plant and equipment as well as the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of using the item during a particular period.

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

The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each reporting date. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount.

ii. Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

iii. Depreciation

Depreciation is recognised in the income statement on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

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

Leasehold buildings - Over the shorter of the useful life of 50 years or lease term
Leasehold improvements - Over the shorter of the useful life of 50 years or lease term
Motor vehicles - 4 years
Computer hardware - 3 years
Furniture and fittings - 5 years
Plant and machinery - 5 years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review on an annual basis to take account of any change in circumstances.

iv. Derecognition

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

2.17 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the 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 on acquisition of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

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Development costs previously expensed cannot be capitalised. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, 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 of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is 3 years.

Amortisation method, useful lives, and residual values are reviewed at each financial year-end and adjusted if appropriate.

Derecognition

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

2.18 Employee benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. 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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension fund administrators (PFA) on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the income statement when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group operates a defined contribution pension plan in accordance with the Pension Reform Act. Under the contributory scheme, both the employees (8%) and the employer (10%) contribute to the scheme as permitted by the Act.

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in the income statement. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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 cash bonus or profit-sharing plans 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.

2.19 Provisions

A provision is recognized 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. The Group recognizes no provision for future operating losses.

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

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For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

2.20 Financial guarantees

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

Financial guarantees are initially recognised in the consolidated financial statements at their fair values on the date that the guarantee was given; and the initial fair value amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

2.21 Share capital

Ordinary shares are classified as equity.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Where the Bank or any member of the Group purchases the Bank's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Bank's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Dividend on the Bank's ordinary shares

Dividend on the Bank's ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividend for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note.

No dividend has been proposed by management for the current period.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of borrowings are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.23 Discontinued operations

The Group presents discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

- (a) Represents a separate major line of business or geographical area of operations;
- (b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the consolidated income statement.

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

2.24 Repossessed Collateral

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Prepayments and other assets'.

For the year ended 31 December 2022

Notes to the financials

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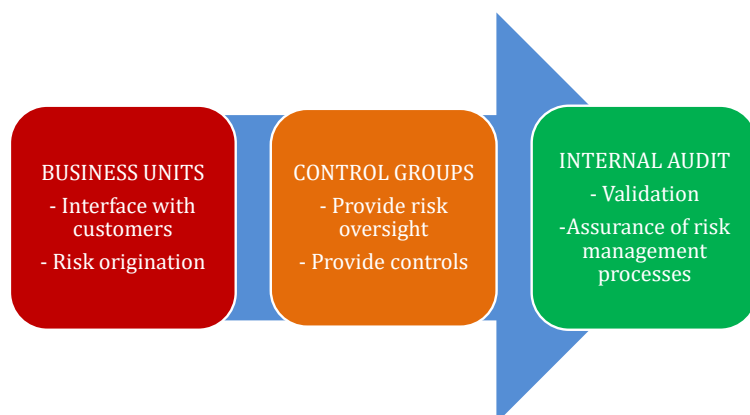
3 Financial risk management

The following section discusses the Group's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Group uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 2.6.1.

Risk management is at the center of the Group's operations. The Group practices a robust risk management system which embodies proactive identification measurement, treatment, monitoring and reporting of all material risks to which it is exposed. The Group is primarily exposed to credit, market and operational risks. Other risks faced by the Group include but is not limited to operational liquidity, settlement, reputational, legal, strategic and compliance risks. The management of these risks is in unison with the Group's capital management in general and the Group's strategic objectives in particular.

The Enterprise Wide Risk Management Directorate is responsible for carrying out risk management in line with global best practice and with the ultimate objective of delivering value to the Group's shareholders. The risk management practice adopted begins with establishing a general context from policy and guidance notes approved by the Board of Directors. The practice further cascades into risk identification, risk analysis, evaluation, mitigation and communication.

The communication of risks helps to inculcate homogenous risk principles shared across the Group that eventually shapes in general, risk awareness and response. A common risk management language improves the risk culture of the group hence making everybody a stake holder in the risk process. The Group's risk management is organised along the three line of defense shown in the figure below:



These risk organisations are geared towards protection of the Group's Customer deposits, ensure optimum Capital Management and boost risk adjusted profit margins for the enhancement of Shareholders value. The dynamic nature of risks is a basis for the regular review of risk management policies and systems by the Group for effectiveness and relevance. This makes risk management in the Group, a veritable tool for decision making since it aligns with the prevailing market conditions.

The need for proper risk management cannot be over emphasized hence the Group recognises the need to invest in establishing appropriate structures, develop its personnel and deploy the right technology to support its risk practices which will further strengthen risk management values and beliefs across board. The Group's aim is to achieve an appropriate balance between risk and return while minimising potential adverse effects on the Group's financial performance.

For the year ended 31 December 2022

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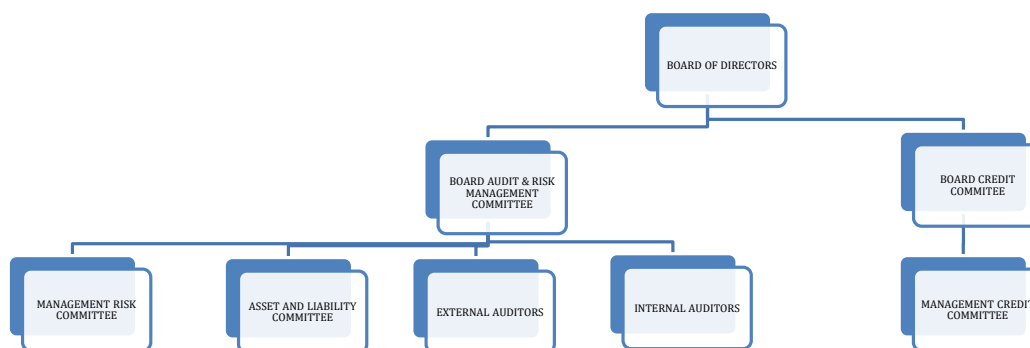
Risk Management Philosophy

The Group defines risk management philosophy as the set of values, attitudes and practices that shows how it would perceive and or respond to any risk to which it is exposed. The principles that guide the management of risk across the Group are:

1. A general acceptance that enterprise risk-management is mandatory, and not optional.
2. Retention of ownership and accountability for risk and risk management right from the business unit or other unit where it was first identified.
3. Striking a conservative balance between risk and reward. This is achieved by aligning risk appetite with business strategy, diversifying risk, pricing risk appropriately, mitigating risk through preventive and detective controls and updating risk registry.
4. Making risk management a shared responsibility .All business segments are responsible for active management of their risks, with direction and oversight provided by the Risk Management Group, and other corporate support groups.
5. Risk knowledge and understanding as a basis for decision making. The enterprise performs a rigorous assessment of risks in relationships, products, transactions and other business activities.
6. Avoidance of activities that are not consistent with our Values, Code of Conduct or Policies - This contributes to the protection of our reputation and the uniformity of our principles.
7. Focus on clients as an act of good risk management. We know our clients, build a relationship with them and ensure that the services we provide are suitable for and understood by them.

Enterprise risk management framework

Polaris Bank has an enterprise risk management structure that aligns its practice within the strategy and regulatory standards for capital management. It spells out the risk types, policies within which they are treated and the metrics for their management and/or control. The Board has the overall responsibility for risk management within the Bank. The Board enhances value for shareholders through various committees that includes but is not restricted to the committees shown in the diagram below:



The committees at board and management levels are responsible for reviewing and recommending risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance of the Group. The oversight functions cut across all risk areas. The committees monitor the Group's plans and progress towards meeting regulatory Risk-Based Supervision requirements and implementation of Basel precepts as well as the overall Regulatory and Economic Capital Adequacy. Other functions of these committees include:

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Notes to the financials

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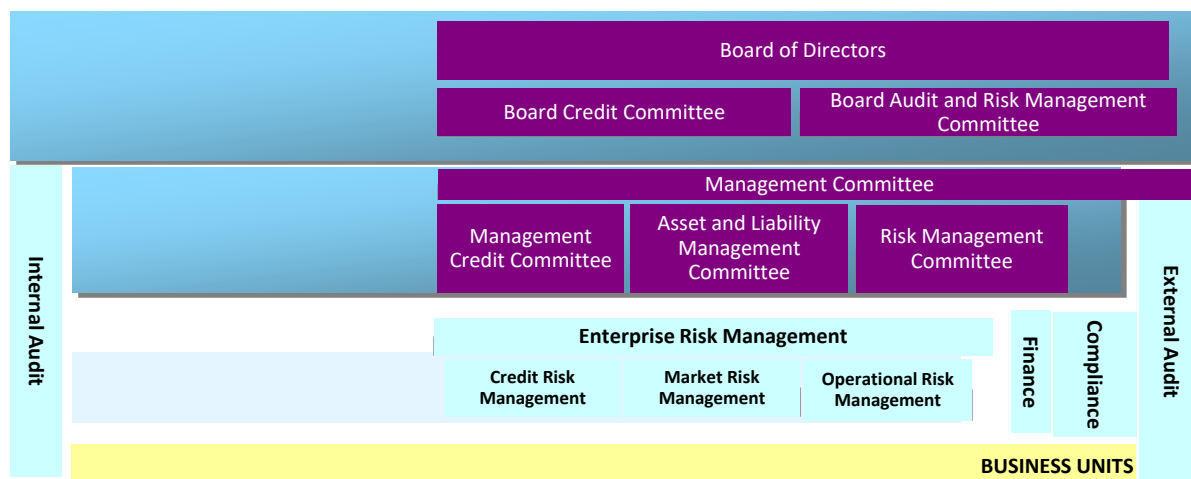
COMMITTEE	RESPONSIBILITY
Board Audit & Risk Management	Provision of validation, assurance, independence and objectivity of the internal and external auditors. Definition of the Bank's risk appetite and the provision of appropriate structure and resources for the identification, assessment, measurement, monitoring and control of risks across the group.
Management Risk	Planning, management and control of the Bank's overall risks.
Management Credit	Oversees credit approval that falls within the mandated approval limit. Reviews and recommendation of credit policy direction to the BCC.
Assets and Liability	Ensures adequate liquidity to meet the Bank's funding need as well as management of the interest rate and foreign exchange risk.
Board Credit	Provision of oversight for the Bank's lending process, including its credit policy, framework and strategy.

The Board at all times ensures that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken. It also ensures the regular review of risk management systems and policies to reflect prevailing realities.

Risk Organization and Governance

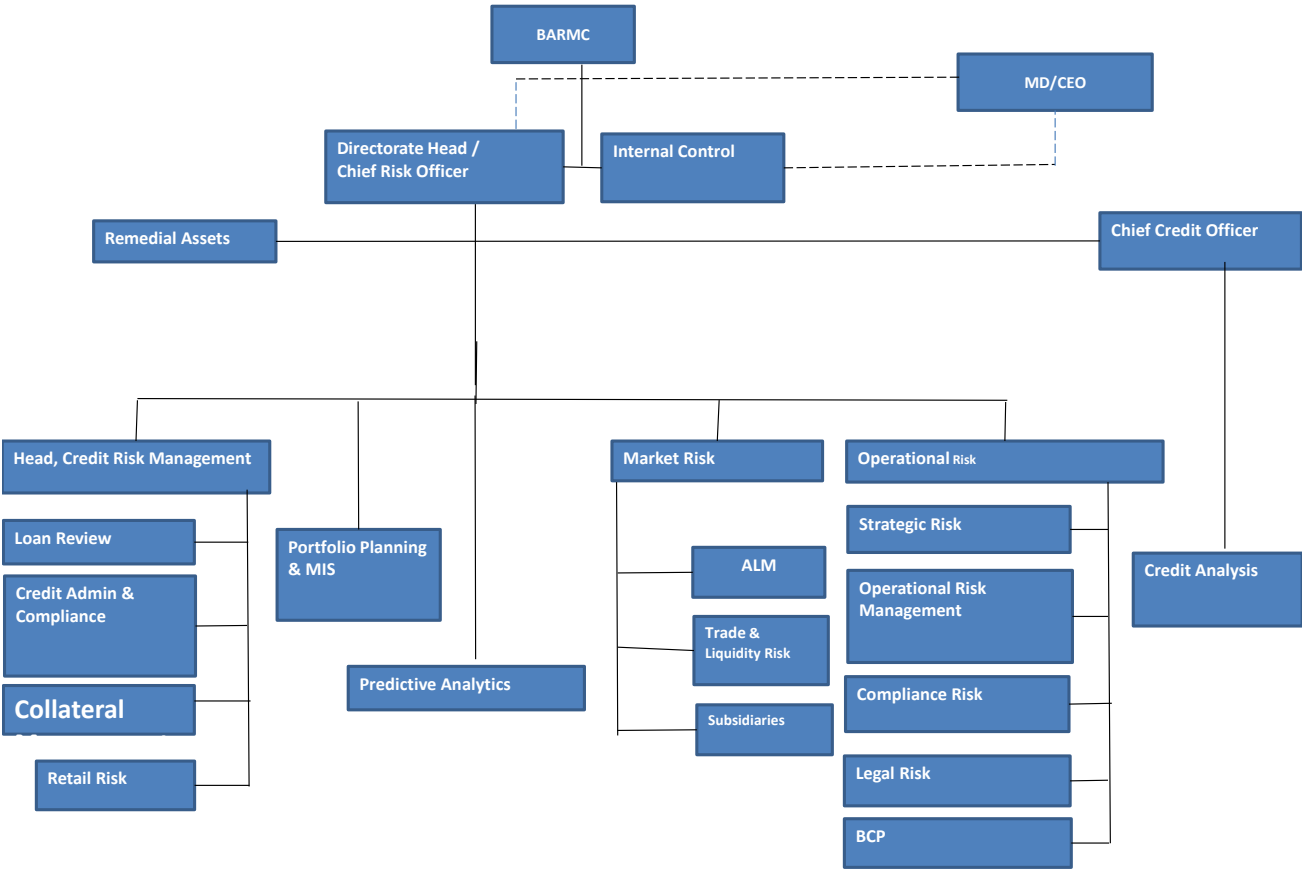
The Board at all times ensures that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken. It also ensures the regular review of risk management systems and policies to reflect prevailing realities.

Diagram 1: Risk Organisation



The Enterprise Risk Management Group, headed by a General Manager, who reports to the Board through the BARMC with a dotted line to the Managing Director, has the primary responsibility of managing these risks on a day to day basis and maintains a consolidated and holistic view of the different risk types.

Diagram 2: The Enterprise Risk Management Organogram



The Bank’s Enterprise risk management is made of credit, market and operational risks further encompasses strategic and legal risks. MIS and Predictive analytics operate independently of the three major risk classes. The credit analysis team through the chief credit officer reports to the Directorate Head, Risk Management.

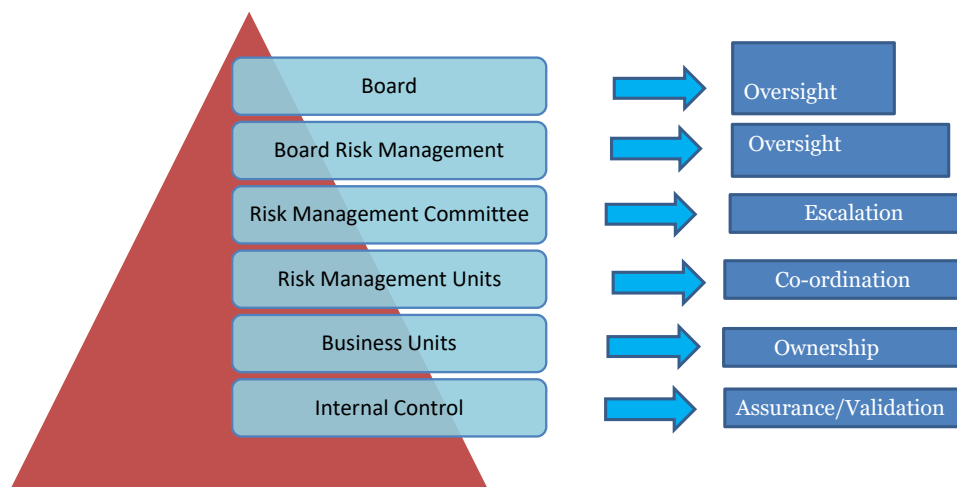
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The Group Enterprise-wide Risk Management Directorate manages all aspects of risk including threats and opportunities. The risk management infrastructure therefore encompasses a comprehensive and integrated approach to identifying, managing, monitoring and reporting. It also allows for effective risk communication that results in good awareness which makes collective risk management a culture.

Diagram 3: The Risk Governance Pyramid



Risk management strategies and objectives

The overall business strategy of the bank revolves around present and future practices, policies and projections that would increase earnings. The risk strategies however provide quantitative and qualitative guidance to maximize returns while minimising risks. These strategies align well with the Bank's risk appetite framework and measures. The strategic and principles used include:

- Placing emphasis on diversity, quality and stability of earning after thorough risk assessment
- Leveraging on competitive advantages with a focus on core businesses
- Ability to quantify to a very large extent all material risk faced.
- Making disciplined and selective strategic investments

Risk management objectives

The Group's risk management objectives are:

- To identify material risks to the Group and ensure that business activities and plans are consistent with its risk appetite.
- To optimise risk/return decisions, while establishing strong and independent review and challenge structures.
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage the Group's risk profile and ensure that its financial deliverables are met given a range of adverse business conditions.
- To improve the control and co-ordination of risk taking across the business.

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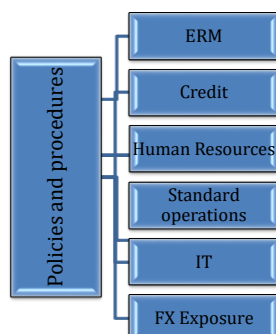
(All amounts in millions of Naira unless otherwise stated)

Scope of Polaris Bank's Risk Management

Credit risk	Potential loss owing to obligor default
Market risk	Risk that value of on and off-balance sheet positions of a financial institution will be adversely affected by movements in market rates or prices.
Liquidity risk	Potential loss arising from inability to meet obligations, or fund increases in assets as they fall due without incurring unacceptable cost or losses.
Compliance risk	Potential loss arising from non-compliance with laws, regulations, standards or code of conducts of local industry regulators.
Strategic risk	Potential loss arising from current and prospective impact on earnings or capital due to: i) Adverse business decisions ii) Improper implementation of decisions iii) Lack of responsiveness to industry changes
Operational risk	Potential loss arising from inadequate or failed procedures, systems or policies. This includes employee errors, system failures, fraud or other criminal activity. Any event that disrupts business processes.

Risk Management Methodology

The Group uses risk methodologies that cut across the 4T's of response. The type of risk determines whether it would be transferred, tolerated, treated or terminated. The major risks however fall under the treatment methodology. The Bank manages risk to derive value for all stakeholders. Its sets about achieving this by formulating policies and procedures that guides actions and reactions. Some of the policies and procedures are shown in the diagram below:



The policies sets the tone but to ensure adherence, several exception reports on customers and activities of the Group are generated by the various audit and control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams
- Monthly Operations Performance Reports (OPR) for the support teams
- Quarterly Business Profitability Review
- Annual Bank-wide performance appraisal systems

Risk Appetite

"In the Pursuit of the Group's objectives of maximizing its earnings and shareholders value, the Group exhibits a "moderate" appetite for risk. This measure is quantified by the various board approved risk limits/thresholds and reflected in the Group's culture as well as its approach to Business."

Our Risk Appetite Statement defines the amount and type of risk the Group is willing to accept in the pursuit of its strategic objectives, while recognising a range of possible outcomes as business plans are implemented. In arriving at the risk appetite, the enterprise risk framework which is approved by the Board Risk Committee combines a top-down view of its capacity to take risk with a bottom-up view of the business risk profile requested and recommended by each business area. The Group defines its risk appetite at the enterprise level as well as across different risk areas using qualitative and quantitative measures.

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Table 1: Risk Appetite Definition Approach

Enterprise Risk	✓		
Credit Risk		✓	✓
Market Risk		✓	✓
Liquidity Risk		✓	✓
Legal Risk	✓		
Strategic Risk	✓		
Operational Risk	✓		
Compliance Risk	✓		

The Group measures its performance against its Risk Appetite and reports this to the Executive Management and Board on a quarterly basis; this may prompt a rebalancing of the business mix to achieve less risk on a diversified basis. The risk appetite definition and monitoring enables the Group to:

- Identify unused risk capacity, and thus highlight profitable opportunities
- Improve risk and return characteristics across the business
- Meet growth targets within an overall risk appetite and protect the Group's performance
- Improve executive management control and co-ordination of risk-taking across businesses

The Risk Management Process

The risk management process begins with establishing a context followed by risk identification and definition. Risks identified must be analysed and measured before effective monitoring and reporting can be executed.

Establishing a Context

This is achieved through policies and strategies adopted by the Bank to guide its business and operations. The Management approves of these policies and have a role to play in their implementation. Lines of action and responses are detailed in the event of crystallisation of risks.

Risk identification

The Group embarks on a thorough risk identification process on a cause, effect and impact basis. This helps to unearth risk in new products, processes and activities. This risks discovered are added to risk register. These actions are carried out in addition to the periodic review of the risk profile of existing products, processes and activities. The concept of risk identification at a fundamental stage cuts across credit, operations, Market, Liquidity, Legal, Compliance and Strategic Risks. This is achieved through:

- Periodic review of existing products
- Defined Key Risk Indicators
- Regular update of the risk register
- Periodic risk and control self-assessment exercise
- A framework for the analysis and assessment of risks associated with new markets or products.

Risk Measurement

The risk management group is responsible for developing and sustaining an appropriate suite of risk management techniques to support the operations of the various business lines. This function includes estimating the value of transactions, risk exposures, credit risk rating and parameters for regulatory and economic capital for the Bank. The techniques used are dependent of the risk types. Some risk require quantitative modelling and stress testing while some are more subjectively or qualitatively measured. At every point, the use of models is balanced with a good governance structure and application of sound and experienced judgment. All methodologies used for risk measurement are subject to internal and external validation for relevance, accuracy and to determine whether risk level are within the Bank's appetite.

For the year ended 31 December 2022

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Risk monitoring and Reporting

Monitoring is a very important part of the risk management process. It helps to ensure that business activities are within the approved limits of guideline. It also aligns the transactions to the Bank's strategies and risk appetite. Where there is a breach, such is reported to senior management and/or the Board depending on the limit of guideline.

Reporting helps to capture the collective measures of risk across products and businesses in compliance or in breach of the policies, limits and guidelines. They also provide a clear statement of the amounts, types, and sensitivities of the various risks in the Bank's portfolios. Senior management and the Board use this information to understand the Bank's risk profile and the performance of the portfolios. Reports are rendered daily, weekly, monthly, quarterly, semi-annually or annually depending on the risk and recipient. The control functions also work independently to review risk practices in line with the framework. They also submit reports that are used to check if the risk reports are reflective of the actual practices.

• Sensitivity Analysis and Stress Testing

The Group conducts sensitivity analysis and stress test to estimate the potential impact of risk levels on income and capital as a result of fluctuations in market conditions, liquidity and other risk factors. This gives the bank an idea of its expected and unexpected losses. The results from different areas (credit, market, operational liquidity etc.) are consolidated at an enterprise level. Enterprise-wide stress testing is also integrated with both the strategic and financial planning processes. It is developed with input from a broad base of stakeholders, and results are integrated into management decision-making processes for capital, funding, market risk limits, and credit risk strategy. The development and review of this exercise is subject to formalized policies and approval from senior management.

Models are veritable tools used for stress test and other quantitative risk measures. They help achieve outputs like Expected Losses(EL), Unexpected Losses(UL), stressed non-performing loans, Exposure at Default(EAD), Probability of Default(PD), Loss Given Default(LGD), Value at Risk (VaR), duration, maturity gap and rating grades. Since these models have become a vital part of decision making, the Banks manages the risk inherent in their usage by validation, and revalidation internally and by reputable External Consultants. In addition, staff are trained to use these models to achieve a high level of accuracy. The models are also frequently used to reflect prevailing risk factors and best practice.

Basel and Capital Management

Polaris Bank is in the forefront of Basel implementation and it is constantly building resource capacity for the migration to the internal rating based approach of capital management.

The Basel II regulatory capital framework governs minimum regulatory capital requirements. This framework is organised under three pillars:

Pillar 1: The Bank uses Basel and CBN compliant methodologies and parameters to calculate its minimum capital requirements while putting in place measures to achieve the regulatory capital figures stipulated by Basel and CBN

Pillar 2: This pillar contains the internal capital adequacy and assessment process (ICAAP). It is a formal internal assessment of capital adequacy in relation to strategies, risk appetite, and actual risk profile. It is also a regulatory requirement. To this end, the Bank has an ICAAP committee charged with producing the ICAAP report on an annual basis as required by the regulators. The Bank also has a capital management committee that allocates capital after proper reviews of risk profile and concentration vis a vis return.

Pillar 3: The Bank is transparent in all its process and reports its business operations in a precise manner. It enhances public disclosure (both quantitative and qualitative) of specific details of risks being assumed, and how capital and risk are being managed under the Basel framework.

The CBN specifies approaches for quantifying the risk weighted assets for credit, market and operational risk for the purpose of determining regulatory capital. Although the computations are consistent with the requirements of Pillar 1 Basel II Accord, certain sections have been adjusted to reflect the peculiarities of the Nigerian environment. In compliance with CBN, the Bank has adopted the Standardized approach in determining capital charge for credit risk and market risk while capital charge for operational risk was determined using Basic Indicator Approach (BIA).

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Credit Risk Management

Credit risk is the risk of suffering financial loss, should any of the Group's customers, client or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances. Credit risk is the single largest risk within the Group, being an integral part of the Group's business activities and is inherent in traditional products – loans, commitments to lend and contingent liabilities, such as letters of credit – and in “traded products” such as repurchase agreements (repos and reverse repos). The Group is also exposed to credit risks arising from investments in debt securities and other exposures arising from its trading activities - trading exposures.

The Group defines credit risk as the risk that its customers will be unable or unwilling to pay interest, and/or principal or fail to perform their obligations as specified in the loan contract engaged between the customer and the Group.

Credit risk is the risk of an economic loss arising from the failure of a counterparties to fulfil its contractual obligations; its effect is measured by the cost of replacing cash flows if the other party defaults.

Credit Risk Guiding Principles

Credit Risk Management in the Group is guided by the following principles:

- a. A strategic rather than a purely opportunistic approach in the creation of its credit risk portfolio.
- b. Clear articulation of policy guidelines on exposures, concentrations, pricing, collateral, customer-product matrices and portfolio liquidity.
- c. Maintenance of an integrated tracking system to measure actual against targeted risk asset composition and close monitoring of risk, return and asset quality indicators.
- d. The Group shall work to minimize the risk arising from a build-up of concentration in its Credit Risk Asset portfolio in any sector, obligor or industry.
- e. Portfolio liquidity and flexibility shall be important balancing elements in the creation of Credit Risk Assets by the Group.
- f. Loan pricing for each exposure shall be determined by the obligor's risk profile as represented by his risk rating.
- g. Irrespective of the rewards, the Group will always put Credit Risk before pecuniary considerations.
- h. The Group shall not engage in lending activities where though the returns look promising, the purpose of the loan and or its source of repayment are unknown or at best speculative.

Management of Credit Risk

The Management of Credit Risk occurs broadly on 3 levels: the Board level, Management level and Risk Management Group level.

At the Board level, Credit Risk is managed by the Board Credit Committee and Board Audit Risk Management Committee with the following roles:

- i. Regular and ad-hoc review and approval of Credit Risk Strategy
- ii. Approval of the Group's Credit Risk Appetite
- iii. Monitoring the effectiveness of the Group's Credit Risk Measurement and Control Systems
- iv. Custody of the Group's Credit Risk Framework
- v. Approval of credit requests above Management Credit Committee limits
- vi. Approval of the Group's Credit Risk Rating Systems
- vii. Monitoring compliance to portfolio concentration limits

At the Management level, Credit Risk is managed by the Management Risk Committee(MRC), Management Credit Committee (MCC), the Portfolio Planning Committee (PPC) and the Rating Committee.

The role of the MCC includes among others:

- a. Approval of credit facility requests within the limits of management but above the limits of various Business Unit Heads (including the Managing Director).
- b. Review and recommendation for approval to the Board Credit Committee on credit facilities above management limit.
- c. Review and recommendation to the Board Credit Committee of Credit Policies and Standards.

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The role of the Portfolio Planning Committee includes among others:

- Review and recommendation for approval to the Board Audit Risk Management Committee(BARMC), the Group's portfolio limit concentration policy for sector, industry, region, product type, customer type and obligor rating.
- Review and recommendation for approval to the Board Risk Management Committee, any changes in the Group's portfolio limit concentration policy.
- Monitoring of the actual portfolio concentration limits against targeted performance.
- Supervision of stress tests for the Group's Credit Risk portfolio.

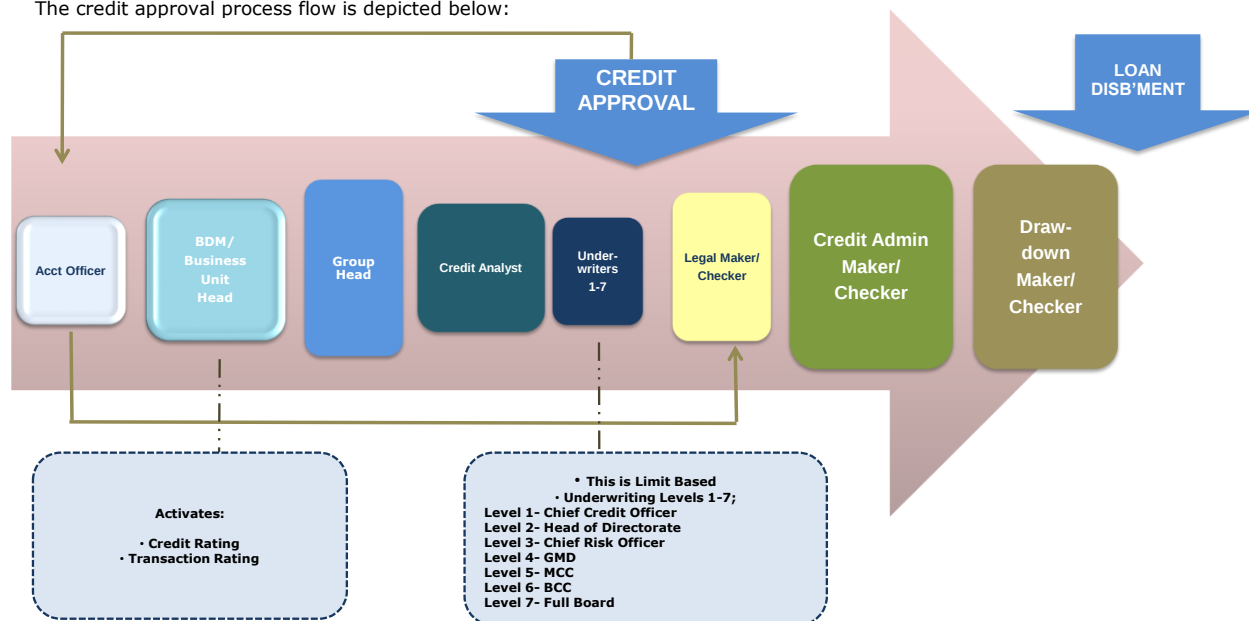
Credit Origination

The credit risk assessment of loan exposures is centralized in a Credit Analysis team, headed by the Chief Credit Officer, who reports to the Chief Risk Officer who then reports to the CEO and Board of Directors.

There are various levels of filtration in the process of creating credit risk asset in the Bank including;

- Clearly defined exposure concentration limits
- Originated transactions going through Analysts for quality assurance
- The extensive use of the rating mechanism to objectively set Risk Acceptance Criteria
- Defined Target Markets indicating preferred sectors and obligors for whom credit assets can be created.

The credit approval process flow is depicted below:



The Analyst role is a risk management function, and all credits are reviewed for quality assurance, risk acceptance criteria and conformity with portfolio strategy before being recommended for further processing and approvals along the designated business line. Approval limits are delegated within the various underwriting levels based on loan value and collateral arrangement. This assurance process is well institutionalized.

Credit Risk Monitoring

Credit risk monitoring is the responsibility of the Loan Review Department which also reports to the Managing Director (MD) and Board through the Chief Risk Officer, the activity is carried out both at the individual obligor level (covering on and off balance sheet exposures) and overall portfolio level.

The overriding objective of credit risk monitoring is to ensure that the quality of the Group's credit portfolio is tracked on a day to day basis so as to take prompt and appropriate remedial measures as soon as any deterioration or potential deterioration is identified.

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Credit Risk Measurement

The assessment of credit exposure is very critical. The Banks uses models due to variations in the associated risk factors in credit risk.

In line with the Bank's credit policy, the following facility types are accepted:

- Term Loans
- Revolving credits
- Project finance
- Contingents
- Retail lending

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

The Bank has several models for the quantification and measurement of credit risk but key to them all is credit risk rating system. There are credit risk parameters engendered in the rating system for the estimation of entity and transactions risks. These parameters include but is not restricted to probability of default, loss given default and exposure at default which are transparent and may be replicated in order to provide consistency of credit adjudication, as well as minimum lending standards for each of the risk rating categories.

• **Probability of Default (PD)**

The PD represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months (12 M PD), over the remaining lifetime (Lifetime PD) of the obligation.

• **Exposure at Default (EAD)**

EAD is the amount the Group is owed at the time of default or at the reporting date. This basically the sum of the facilities principal and interest outstanding at reporting date.

• **Loss Given Default (LGD)**

The Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparties, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12 month or lifetime basis, where 12-month LGD mirrors the probable loss the Group is likely to incur on its outstanding facilities. This entails measuring the net realisable value of facility collaterals as well as the present value of any future expected cash flow. The essence of this measure is to statistically measure the Group's historical loss experience.

In determining the probability of default the bank has estimated the migration rates of loans from risk group 1 to risk group 2 and quality of the performing book on a quarter by quarter basis. The movement between each risk group is based on the worse of the credit quality and the days past due of the loan. Any facility with days past due above 90 days moves from risk group 1 to risk group 2. Each loan facility are grouped based on its sector/industry and further sub-divided into 2 risk group. See below;

1	0-30	Stage 1
1	31-90	Stage 2
2	Above 90 days	Stage 3

Furthermore, significant increase in credit risk is the main factor that determines movement of a financial asset from Stage 1 to Stage 2, all obligors with days past due obligation or more than 30 days are migrated to stage 2. An obligor is moved into stage 3 if past due obligation is over 90 days unless there is a rebuttable assumption used by Management. A facility in Stage 3 can subsequently be deemed "cured". A facility is deemed to be "cured" when there is a significant reduction in the credit risk of the financial instrument. "Cured" facilities within Stage 2 are monitored for a probationary period of 90 days to confirm if the credit risk has decreased sufficiently before they can be migrated from Stage 2 to Stage 1 while "Cured" facilities within Stage 3 are monitored for a probationary period of 180 days before migration from Stage 3 to Stage 1.

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(All amounts in millions of Naira unless otherwise stated)

Authority limits on credit

Legal Lending Limits

- Single obligor limit: The total outstanding statutory exposure for any single person or group of connected persons shall not exceed 20% of the shareholders fund unimpaired by losses.

- Public sector limit: The total outstanding exposures (on and off balance sheet) to all tiers of government and their agencies shall not at any point exceed 10% of the banks credit portfolio.

- Large exposure limits: Aggregate large exposures in the Group shall not exceed eight times (8X) the shareholders fund unimpaired by losses. A large exposure is defined as an outstanding exposure to a single obligor that is at least 10% of the Bank shareholders fund unimpaired by losses.

- Specialized loan limits: The total specialized loans in the portfolio of credit exposure (both on and off balance sheet) must not exceed 20% of total outstanding.

- Group approval limits: Group approvals shall be required in respect of credit exposures that are in excess of the approved individual credit approval authority. Group approval authority shall be defined at the following levels:

- * The Board of Directors (BOD)
- * Board Credit Committee (BCC)
- * Management Credit Committee (MCC)

Credit Approval Limits

Full Board of Directors	Above N3 billion subject to the Bank's single obligor limit of 20% of shareholders fund unimpaired by losses.
Board Credit Committee	Above N1.5 billion and up to N3 billion
Management Credit Committee	Above N300 million and up to N1.5 billion
Managing Director	Up to N300 million
Branch/Group/Divisional Heads/ED	As delegated by the Managing Director/CEO

Collateral policies

The Group has a structured Credit Risk Collateral Management system, which continuously ensures the eligibility, adequacy and quality of collaterals used as mitigants for credit exposures. The objective of which, is to ensure that the Group has a fall-back position for all classes of its assets.

Our collateral management system is guided by the collateral policy, which is a part of the credit policy and dictates amongst other things; the continuous review of collateral values to reflect prevailing market conditions and economic realities, the legal perfection of all pledged collateral and insurance coverage of all pledged collateral, with the Group stated as First Loss Payee.

The Group only accepts collaterals that are enforceable and must fall under any of the following categories:

- Cash and Government Securities
- Shares and Stocks of Listed Companies and Financial Guarantees
- Plant and Equipment
- Properties/Real Estates
- General Inventories and Receivables
- Letter of Lien and Documents of title to goods

- Other Assets

While these collaterals are acceptable to the Group, they must provide adequate cover for the proposed facility and must be easy to transfer to the Group, with good legal documentation. They must also be easily realisable, with very stable value outlook.

The approved collateral coverage ratio for the Group's facilities is as stated below:

1	Cash	110%
2	Shares	150%
3	Property	150%
4	Leases	120%
5	Financial Guarantees	100%
6	Government Securities	110%
7	All assets debentures	250%
8	Insurance	120%
9	Stocks and Goods	250%
10	Invoice Discounting	130%
11	Stocks/Goods (Trade Finance only)	130%
12	Bank Guarantee	100%

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Credit collateral

The Group ensures that each credit is reviewed and granted based on the strength of the borrowers' cash flow. However, the Group also ensures its credit facilities are well secured as a second way out. The policies that guide collateral for facilities are embedded within the Group's credit policy guide. These include the following policy statements amongst others:

Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate valuer who is acceptable to the Group. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to, the Group. Client's account balances must be within the scope of cover provided by its collateral.

All collateral offered must have the following attributes:

- There must be good legal title
- The title must be easy to transfer
- It should be easy and relatively cheap to value
- The value should be appreciating or at least stable
- The security must be easy to sell.

The Group has not included collaterals not easily convertible into cash in calculation of its expected credit loss. All collateral must be protected by insurance. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where our interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank. All cash collateralized facilities shall have a 10% margin to provide cushion for interest and other charges i.e. only 80% of the deposit or cash collateral may be availed to an obligor.

The main collateral types acceptable to the Bank for loans and advances include:

- Mortgages over residential properties
- Charges over business premises, fixed and floating assets as well as inventory.
- Charges over financial instruments such as equities, treasury bills etc.

The fair values of collaterals are based upon last annual valuation undertaken by independent valuers on behalf of the Bank. The valuation techniques adopted for properties are based upon fair values of similar properties in the neighbourhood taking into cognizance the advantages and disadvantages of the comparatives over the subject property and any other factor which can have effect on the valuation e.g. subsequent movements in house prices, after making allowance for dilapidations. The fair values of nonproperty collaterals (such as equities, bond, treasury bills, etc.) are determined with reference to market quoted prices or market values of similar instrument. There were no repossessed collateral during the period.

The same fair value approach is used in determining the collaterals value in the course of sale or realisation.

Write-off policy

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. 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. Subsequent recoveries of amounts previously written off are credited to the the statement of comprehensive income.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 31 December 2022 was N41.46million. The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of recovery.

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

3. Financial risk management continued

3.1 Credit risk

3.1.1a Maximum exposure to credit risk for financial assets

The following table shows the maximum exposure to credit risk by class of financial assets. The Group's maximum exposure credit risk is represented by the gross carrying amounts of the financial assets.

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

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment.

Group and Bank

	31 December 2022	31 December 2021
Financial assets held at fair value through profit or loss	21,956	654

Maximum exposure to credit risk - Financial instruments subject to impairment

Group and Bank

	31 December 2022	31 December 2021
Balances with central bank	57,632	1,174
Due from banks and other financial institutions	52,543	52,673
Other Assets (Cash reserve with CBN)	401,266	325,879
Loans and advances		
- Term loans	276,045	261,780
- Overdraft	101,744	64,625
Amortised Cost Investments		
- Treasury bills	35,836	209,498
- Corporate bonds	6,766	3,692
- State government bonds	7,931	9,160
- Federal government bonds	142,219	93,466
- Eurobonds	2,378	2,249
- Promisory notes	13,142	12,689
- Commercial papers	1,810	2,349
Assets pledged as collateral		
- Treasury bills	31,244	34,254
- Federal government bonds	18,432	18,432
Other loans and receivables	200,423	173,550
Other assets (excluding restricted cash)	26,228	22,634
	31 December 2022	31 December 2021
Loans exposure to total credit risk exposure	27%	25%
Debt securities exposure to total credit risk exposure	33%	44%
Other exposures to total credit risk exposure	40%	31%

The table above shows a worst-case scenario of credit risk exposure to the Group as at 31 December 2022 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on amounts reported in the statement of financial position.

Credit exposures relating to off-balance sheet items

	Group and Bank 31 December 2022	Group and Bank 31 December 2021
Bonds and guarantees	115,824	114,332
Letters of credit	21,834	28,351
	137,659	142,683

Contingencies are disclosed on Note 36

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

3.1.1b Summary of collaterals held against loans and advances to customers

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is assessed by reference to market price or indexes of similar assets.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

2022	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Term loans	276,045	24,388	251,657	871,014
Overdrafts	101,744	44,346	57,398	236,218
	377,789	68,734	309,055	1,107,232

Analysis by security	Stage 1	Stage 2	Stage 3	Total
Secured against real estate	78,479	3,415	24,796	106,690
Secured by shares	572	-	-	572
Cash Collateral	23,318	4,804	711	28,832
Otherwise secured	170,785	12,383	53,242	236,410
Unsecured	2,917	843	1,524	5,285
Total Gross Loan	276,071	21,445	80,273	377,789
Fair Value of Collateral	(606,455)	(23,274)	(477,503)	(1,107,232)
(Over)/Under collateralization	(330,384)	(1,829)	(397,230)	(729,443)

2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Term loans	261,780	44,282	217,498	561,947
Overdrafts	64,625	22,051	42,574	101,202
	326,405	66,333	260,072	663,149

Analysis by security	Stage 1	Stage 2	Stage 3	Total
Secured against real estate	12,080	1,031	20,386	33,497
Secured by shares	394	-	8	401
Cash Collateral	9,815	508	485	10,808
Otherwise secured	225,130	10,014	43,904	279,048
Unsecured	988	1,288	373	2,649
Total Gross Loan	248,407	12,841	65,156	326,404
Fair Value of Collateral	(421,503)	(83,021)	(158,625)	(663,149)
(Over)/Under collateralization	(173,096)	(70,180)	(93,469)	(336,745)

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

3.1.2 Credit quality of financial assets using external ratings

The credit quality of financial assets with reference to external ratings has been shown below. This information is provided for balances due from banks and financial institutions and debt investment securities.

Group & Bank 31 December 2022

External ratings (S&P)	Balances with central bank	Due from banks and other financial institutions	Financial assets held at fair value through profit or loss	Investment securities	Assets pledged as collateral	Other loans and receivables	Other assets
Stage 1							
AA+	-	-	-	-	-	-	-
A	-	-	-	-	-	-	-
A-	-	-	21,956	-	-	-	-
Stage 2							
BBB+	-	-	-	-	-	-	-
BBB	-	-	-	-	49,465	-	-
BB+	80,875	52,543	-	11,869	-	200,423	-
B+	-	-	-	-	-	-	-
B	-	-	-	172,111	-	-	-
B-	-	-	-	26,101	-	-	-
Unrated	-	-	-	-	-	-	427,978
Total	80,875	52,543	21,956	210,081	49,465	200,423	427,978

Group & Bank 31 December 2021

External ratings (S&P)	Balances with central bank	Due from banks and other financial institutions	Financial assets held at fair value through profit or loss	Investment securities	Assets pledged as collateral	Other loans and receivables	Other assets
Stage 1							
AA	-	-	-	1,880	-	-	-
A+	-	-	-	468	-	-	-
A	-	-	654	-	-	-	-
A-	-	-	-	313,074	-	-	-
Stage 2							
BBB+	19,558	52,673	-	-	52,576	-	-
BBB	-	-	-	-	-	173,938	-
BB+	-	-	-	2,249	-	-	-
B+	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-
Unrated	-	-	-	13,241	-	-	66,973
Total	19,558	52,673	654	330,912	52,576	173,938	66,973

3.1.3 Credit risk concentration

Concentration risk refers to the risk arising from an uneven distribution of counterparties within a credit portfolio or from concentration in sectors, geographical locations etc. which poses a potential threat to the solvency of the counterparty.

The Group recognizes that concentration risk may exist among loans, which though may have been prudently underwritten, are collectively sensitive to the same economic and financial or business development events, such that a negative development affecting these factors may cause loans to perform as if it were a single, large exposure.

The Group complies fully with all regulatory portfolio concentration limits as determined by the CBN. The Group sets internal thresholds, which are more conservative than the regulatory limits and this acts as a buffer to ensure compliance. In addition to regulatory limits, the Group uses risk-based measurement systems to define a variety of concentration thresholds for its credit portfolio. These include; sectors, geographical locations, strategic business units etc.

The Group employs its management information system in monitoring these limits and remedial actions are set in motion at determined thresholds other tools employed in measuring risk concentrations include, HHI index and GINI coefficient.

Concentration of credit risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. This information has been provided along geographical areas and economic sectors.

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Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

3. Financial risk management continued

3.1.3i 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.

31 December 2022

	Group			Bank		
	Within Nigeria	Outside Nigeria	Total	Within Nigeria	Outside Nigeria	Total
Credit risk concentration by geography relating to on-balance sheet						
Cash and balances with central banks	57,632	-	57,632	57,632	-	57,632
Due from banks and other financial institutions	27,480	25,118	52,598	27,480	25,118	52,598
Financial assets held at fair value through profit or loss	21,956	-	21,956	21,956	-	21,956
<i>Loans and advances to customers:</i>						
- Term loans	276,045	-	276,045	276,045	-	276,045
- Overdraft	101,744	-	101,744	101,744	-	101,744
<i>Investment securities</i>						
- Amortized Cost Investments	207,704	2,378	210,081	207,704	2,378	210,081
Asset pledged as collateral - debt securities	49,676	-	49,676	49,676	-	49,676
Other loans and receivables	200,690	-	200,690	200,690	-	200,690
Other assets	427,493	-	427,493	427,493	143	427,636
	1,370,419	27,496	1,397,916	1,370,419	27,639	1,398,058

Credit risk concentration by geography relating to off-balance sheet

Bonds and guarantees	115,824	-	115,824	115,824	-	115,824
Letters of credit	21,834	-	21,834	21,834	-	21,834
	137,659	-	137,659	137,659	-	137,659

31 December 2021

	Group			Bank		
	Within Nigeria	Outside Nigeria	Total	Within Nigeria	Outside Nigeria	Total
Credit risk concentration by geography relating to on-balance sheet						
Cash and balances with central banks	1,174	-	1,174	1,174	-	1,174
Due from banks and other financial institutions	19,800	32,968	52,768	19,800	32,968	52,768
Financial assets held at fair value through profit or loss	654	-	654	654	-	654
<i>Loans and advances to customers:</i>						
- Term loans	261,780	-	261,780	261,780	-	261,780
- Overdraft	64,625	-	64,625	64,625	-	64,625
<i>Investment securities</i>						
- Amortized Cost Investments	330,987	2,116	333,103	330,987	2,116	333,103
Asset pledged as collateral - debt securities	52,686	-	52,686	52,686	-	52,686
Other loans and receivables	173,938	-	173,938	173,938	-	173,938
Other assets	348,512	-	348,512	347,955	700	348,655
	1,254,157	35,084	1,289,241	1,253,600	35,784	1,289,384

Credit risk concentration by geography relating to off-balance sheet

Bonds and guarantees	114,332	-	114,332	114,332	-	114,332
Letters of credit	28,351	-	28,351	28,351	-	28,351
	142,683	-	142,683	142,683	-	142,683

3.1.3ii. Industry sectors

The following table breaks down the Group's credit exposure at gross amounts (without taking into account any collateral held or other credit support), as categorised by the Bank's defined industry sector.

Credit risk concentrations by industry relating to on-balance sheet items

Group and Bank	Balances held with Central Bank	Due from banks and other financial institutions	Financial assets measured through FVTPL	Loans and advances to customers	Financial assets measured at amortized cost	Asset pledged as collateral - debt securities	Other loans and receivables	Other assets	Total
31 December 2022									
Sector									
General Commerce	-	-	-	42,325	1,884	-	-	-	44,209
Manufacturing	-	-	-	27,421	-	-	-	-	27,421
Oil & Gas	-	-	-	98,897	-	-	-	-	98,897
Retail	-	-	-	23,049	-	-	-	-	23,049
Services	-	52,598	-	31,949	-	-	-	26,370	110,917
Public Sector	57,632	-	21,956	85,415	208,419	49,676	200,690	401,266	1,025,053
Total	57,632	52,598	21,956	309,055	210,304	49,676	200,690	427,636	1,329,547

Credit risk concentrations by industry relating to off-balance sheet items

Group and Bank	Bonds and guarantees	Letters of credit	Total	Bonds and guarantees	Letters of credit	Total
31 December 2022						
General Commerce	16,937	6,998	23,935	16,937	6,998	23,935
Manufacturing	53,292	12,307	65,599	53,292	12,307	65,599
Oil & Gas	30,939	1,970	32,909	30,939	1,970	32,909
Retail	-	-	-	-	-	-
Services	14,656	559	15,216	14,656	559	15,216
Total	110,448	21,834	137,659	110,448	21,834	137,659

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(All amounts in millions of Naira unless otherwise stated)

3.1.3ii. Industry sectors continued

Credit risk concentrations by industry relating to on-balance sheet items

Group and Bank	Balances held with Central Bank	Due from banks and other financial institutions	Financial assets measured through FVTPL	Loans and advances to customers	Financial assets measured at amortized cost	Asset pledged as collateral - debt securities	Other loans and receivables	Other assets	Total
31 December 2021									
Sector									
General Commerce	-	-	-	19,655	547	-	-	-	20,202
Manufacturing	-	-	-	16,187	-	-	-	-	16,187
Oil & Gas	-	-	-	90,248	-	-	-	-	90,248
Retail	-	-	-	29,292	-	-	-	-	29,292
Services	-	52,673	-	29,423	-	-	-	19,982	102,079
Public Sector	1,175	-	654	75,267	329,977	52,686	173,938	328,673	962,369
Total	1,175	52,673	654	260,072	330,524	52,686	173,938	348,655	1,220,377

Credit risk concentrations by industry relating to off-balance sheet items

Group and Bank

31 December 2021

	Group			Bank		
	Bonds and guarantees	Letters of credit	Total	Bonds and guarantees	Letters of credit	Total
General Commerce	5,164	1,735	6,899	5,164	1,735	6,899
Manufacturing	89,401	26,861	116,262	89,401	26,861	116,262
Oil & Gas	2,936	114	3,050	2,936	114	3,050
Retail	100	-	100	100	-	100
Services	12,847	3,522	16,369	12,847	3,522	16,370
Total	110,449	32,232	142,680	110,449	32,232	142,681

3.1.3.iii Credit risk concentration by geography of loans and advances to customers by products

31 December 2022

	Group			Bank		
	Within Nigeria	Outside Nigeria	Total	Within Nigeria	Outside Nigeria	Total
Term loans	276,045	-	276,045	276,045	-	276,045
Overdrafts	101,744	-	101,744	101,744	-	101,744
	377,789	-	377,789	377,789	-	377,789

Categorization of Loans and advances

The table below analyses the Group's Loans and advances based on the categorization by Performance of the Loans and the allowances taken on them

31 December 2022

		Group		Bank	
		EXPOSURE	ECL	EXPOSURE	ECL
Term loan	Stage 1	229,193	17,681	229,193	17,681
	Stage 2	15,884	1,229	15,884	1,229
	Stage 3	30,968	5,477	30,968	5,477
		276,045	24,387	276,045	24,387
Overdraft	Stage 1	48,818	13,377	48,818	13,377
	Stage 2	2,901	517	2,901	517
	Stage 3	50,013	30,453	50,013	30,453
		101,744	44,346	101,744	44,346
		377,789	68,734	377,789	68,734

31 December 2021

		Group		Bank	
		Within Nigeria	Outside Nigeria	Within Nigeria	Outside Nigeria
Term loans		261,780	-	261,780	-
Overdrafts		64,625	-	64,625	-
		326,405	-	326,405	-

Categorization of Loans and advances

The table below analyses the Group's Loans and advances based on the categorization by Performance of the Loans and the allowances taken on them

31 December 2021

		Group		Bank	
		EXPOSURE	ECL	EXPOSURE	ECL
Term loan	Stage 1	216,686	36,344	216,686	36,344
	Stage 2	10,238	943	10,238	943
	Stage 3	34,856	6,996	34,856	6,996
		261,780	44,283	261,780	44,283
Overdraft	Stage 1	31,722	2,701	31,722	2,701
	Stage 2	2,603	76	2,603	76
	Stage 3	30,300	19,273	30,300	19,273
		64,625	22,049	64,625	22,049
		326,405	66,332	326,405	66,332

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3.1.3iv. Disclosures of various factors that impact the ECL as at 31 December 2022

These factors revolves around:

- i Discounting of the expected future cashflows from individual obligors with respective effective interest rate (EIR) on the set future dates to present value.
- ii Application of varying haircut to underlying collateral and further discounting with their respective EIR
- iii Application of varying forward looking information in relation to underlying macroeconomic assumptions and the degree of responsiveness of the obligors to the assumptions at different degree of normal,

The key drivers for credit risk for the bank is the GDP growth rate, crude oil prices and exchange rate

The various assumptions under the different scenarios are as presented below

	Scenario	Q 1	Q 2	Q 3	Q 4
GDP growth rate (%)	Upturn	5.8%	5.77%	5.77%	5.77%
	Base	6.1%	6.06%	6.06%	6.06%
	Downturn	5.5%	5.49%	5.49%	5.49%
	Scenario	Q 1	Q 2	Q 3	Q 4
Bent Crude Oil price (per barrel)	Upturn	121.23	130.1	93.25	82.5
	Base	125.65	134.52	97.67	86.92
	Downturn	116.81	125.68	88.83	78.08

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over 2 years.

The weightings assigned to each economic scenario during the period were as follows;

Base	Upside	Downside
27%	36.4%	36.4%

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3.1.4

Loans and advances to customers

a Reconciliation of loans and advances

Gross carrying amount as at 1 January 2022	
New financial assets originated or purchased	
Transfer from Stage 1	
Transfer from Stage 2	
Transfer from Stage 3	
Write-offs	
Financial assets repaid or derecognised during the period	
Movement due to loan modification	
FX and other movements	
Total Gross	

Loss Allowance

Loss Allowance as at 1 January 2022	
Transfer from 12 month ECL	
Transfer from Lifetime ECL not credit impaired	
Transfer from Lifetime ECL credit impaired	
Write-offs	
Net movement	

Total Allowance

Gross carrying amount as at 1 January 2021	
New financial assets originated or purchased	
Transfer from Stage 1 to Stage 2	
Transfer from Stage 1 to Stage 3	
Write-offs	
Financial assets derecognised during the period	
Movement due to loan modification	
FX and other movements	
Total Gross	

Loss Allowance as at 1 January 2021	
Transfer to 12 month ECL	
Transfer to Lifetime ECL not credit impaired	
Transfer to Lifetime ECL credit impaired	
Write-offs	
Net movement	

Total Allowance

b Investment Securities

Reconciliation of Investment securities- Amortised Costs & Assets pledged as collaterals

Gross carrying amount as at 1 January 2022	
Additions during the year	
Financial assets that have been derecognised	
Total Gross Amortised cost Investments	
Loss Allowance as at 1 January 2022	
Charge for the year	

Assets pledged as collaterals

Gross carrying amount as at 1 January 2022	
Additions during the year	
Financial assets that have been derecognised	

Total Gross

Loss Allowance as at 1 January 2022	
Charge for the year	

Reconciliation of Investment securities- Amortised Costs & Assets pledged as collaterals

Gross carrying amount as at 1 January 2021	
Additions during the year	
Financial assets that have been derecognised	

Total Gross Amortised cost Investments

Loss Allowance as at 1 January 2021	
Charge for the year	

Assets pledged as collaterals

Gross carrying amount as at 1 January 2021	
Additions during the year	

Total Gross

Loss Allowance as at 1 January 2021	
Impairment write-back	

Group & Bank			
Stage 1	Stage 2	Stage 3	Total
188,190	34,301	103,913	326,405
158,911	14,701	7,852	181,464
(7,697)	3,634	4,063	-
3,159	(6,167)	3,009	-
477	30	(507)	-
-	-	(56)	(56)
(121,998)	(5,923)	(12,559)	(140,479)
(52)	(85)	(260)	(396)
56,625	(21,708)	(24,065)	10,852
277,614	18,785	81,391	377,789
1,086	5,546	59,701	66,333
(2,005)	244	1,761	-
192	(2,651)	2,458	-
14	2	(17)	-
-	-	(56)	(56)
31.771	(1.396)	(27.918)	2.457
31.058	1.746	35.929	68.734
Stage 1	Stage 2	Stage 3	Total
132,610	16,243	150,149	299,002
60,251	6,389	8,083	74,723
(3,985)	3,818	168	-
7,770	(8,610)	840	-
2,357	23,007	(25,364)	-
-	-	(7,186)	(7,186)
(87,871)	(6,573)	(99,109)	(193,554)
77,452	75	76,778	154,306
(393)	(48)	(445)	(886)
188,190	34,301	103,913	326,405
1,212	433	92,571	94,216
(423)	370	53	-
453	(658)	204	-
109	5,496	(5,606)	-
-	-	(7,186)	(7,186)
(266)	(95)	(20,336)	(20,697)
1,086	5,546	59,701	66,333
Impairment on stage 1- 12 months ECL	Impairment on stage 2- Lifetime ECL Not Credit Impaired	Impairment on stage 3 - Lifetime ECL Credit Impaired	Total
333,103	-	-	333,103
208,258	-	2,378	210,636
(333,657)	-	-	(333,657)
207,704	-	-	210,081
2,191	-	-	2,191
260	-	653	912
2,451	-	-	3,103
52,686	-	-	52,686
18,432	-	-	18,432
(21,442)	-	-	(21,442)
49,676	-	-	49,676
110	-	-	110
101	-	-	101
211	-	-	-
Impairment on stage 1- 12 months ECL	Impairment on stage 2- Lifetime ECL Not Credit Impaired	Impairment on stage 3 - Lifetime ECL Credit Impaired	Total
275,423	-	-	275,423
330,656	-	-	330,656
(272,976)	-	-	(272,976)
275,423	-	-	333,103
2,116	-	-	2,116
75	-	-	75
2,191	-	-	2,191
42,164	-	-	42,164
40,312	-	-	40,312
82,476	-	-	82,476
-	-	-	-
110	-	-	110
110	-	-	110

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up' between 12-month and Lifetime ECL;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

3.1.5 Sensitivity analysis

The most significant assumptions affecting the ECL allowance are the following; probability of default, loss given default and macro-economic variables. Therefore changes to these key variables would directly impact the exposure at default as at reporting date.

a Sensitivity of expected credit loss - probability at default (PD)

The Group carried out the following activities in assessing the sensitivity of the Group's profit to fluctuations in the probability of default.

The determination of the group's probability of default (PD) is explained in the financial risk management - credit risk measurement section.

As at 31 December 2022, if the probability of default increased or decreased by 0.5%, with all other variables (exposure at default and loss given default) held constant, the impact on impairment charge, which ultimately affects loss before tax and exposure at default, would have been as set out in the tables below:

	Group & Bank	
	31 December 2022	31 December 2021
	Pre tax	Pre tax
Increase	150	2,300
Decrease	(150)	(2,300)
	-	-

b Sensitivity of expected credit loss - loss given default (LGD)

The Group in assessing the sensitivity of the Group's profit to fluctuations in the loss given default, assumed a 0.5% change in the loss given default. The chosen change in the loss given default was then applied to the bank's loan portfolio as at end of the year. The determination of the group's loss given default (LGD) is explained in the financial risk management - credit risk measurement section.

As at 31 December 2022, if the loss given default increased or decreased by five percent, with all other variables (exposure at default, probability of default) held constant, the impact on impairment charge, which ultimately affects loss before tax and exposure at default, would have been as set out in the tables below:

	Group & Bank	
	31 December 2022	31 December 2021
	Pre tax	Pre tax
Increase	150	2,514
Decrease	(150)	(2,514)
	-	-

For the year ended 31 December 2022

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(All amounts in millions of Naira unless otherwise stated)

3. Financial risk management continued

3.1.6 Debt securities

The table below shows analysis of the Gross debt securities into the different classifications:

31 December 2022	Group				Bank			
	Financial assets held at fair value through profit or loss	Financial assets held at Amortised cost	Assets pledged as collateral	Total	Financial assets held at fair value through profit or loss	Financial assets held at Amortised cost	Assets pledged as collateral	Total
Federal government bonds	8,323	142,219	31,244	181,785	8,323	142,219	31,244	181,785
State government bonds	-	7,931	-	7,931	-	7,931	-	7,931
Corporate bonds	-	6,766	-	6,766	-	6,766	-	6,766
Treasury bills	13,633	35,836	18,432	67,901	13,633	35,836	18,432	67,901
Promisory notes	-	13,142	-	13,142	-	13,142	-	13,142
Commercial papers	-	1,810	-	1,810	-	1,810	-	1,810
Eurobond	-	2,378	-	2,378	-	2,378	-	2,378
	21,956	210,081	49,676	281,713	21,956	210,081	49,676	281,714

The Group and Bank's investment in risk-free Government securities constitutes 96% of debt instruments portfolio. Investment in commercial papers, corporate and eurobonds accounts for the outstanding 4%.

31 December 2021	Group				Bank			
	Financial assets held at fair value through profit or loss	Financial assets held at Amortised cost	Assets pledged as collateral	Total	Financial assets held at fair value through profit or loss	Financial assets held at Amortised cost	Assets pledged as collateral	Total
Federal government bonds	-	93,466	34,254	127,720	-	93,466	34,254	127,720
State government bonds	-	9,160	-	9,160	-	9,160	-	9,160
Corporate bonds	-	3,692	-	3,692	-	3,692	-	3,692
Treasury bills	654	209,498	18,432	228,584	654	209,498	18,432	228,584
Promisory notes	-	12,689	-	12,689	-	12,689	-	12,689
Commercial papers	-	2,349	-	2,349	-	2,349	-	2,349
Eurobond	-	2,249	-	2,249	-	2,249	-	2,249
	654	333,103	52,686	386,443	654	333,103	52,686	386,443

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3.2 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient resources to meet its obligations when they fall due or will have to meet such obligations at an excessive cost. This may be as a result of high cash outflows such as huge customer withdrawals, cash requirements from contractual commitments, debt maturities that would deplete available cash resources for client lending, trading activities and investments. Liquidity risks are categorized into funding liquidity risk – inability to meet financial obligation as they fall due and market liquidity risk – inability to liquidate financial asset at a fair market price.

Liquidity risk management process

The measure of the Group's liquidity is the ratio of its liquid assets to total customer deposits. Liquidity management is operated in a centralized governance control process that covers the entire Group's liquidity risk management activities. This is an oversight responsibility of the Asset and Liability Committee (ALCO), discharged through the Market and Liquidity Risk management function. The Market and Liquidity Risk team monitors the inherent risk and threats to the Bank's immediate and future liquidity conditions, engaging stress testing under normal and severe market scenario as a tool. On the other hand, Treasury Group ensure adequate funding over with sizeable buffer over regulatory minimum on a continuous and sustainable basis. The market risk team, which ensures compliance to the Board-approved liquidity management policy, is independent of the funding function.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	31 December 2022	31 December 2021
	%	%
At 31 December		
Average for the year	30	38
Maximum for the year	39	46
Minimum for the year	23	29

In ensuring adequate liquidity at all times, the Group maintains sizeable portfolio of highly marketable securities (mostly government papers) that can be easily liquidated as protection against any unforeseen interruption to cash flow and funding obligations. The liquid assets held for managing liquidity risk comprise of:

- Cash and balances with the Central Bank;
- Government Bonds and Treasury Bills
- Highly liquid instruments in the Group's trading portfolio.

The Group's liquidity related behaviour is strictly guided by the Board approved liquidity management policy. The policy defines specific limit that will ensure adequate liquidity position at all times. Maturity re-pricing schedules, projected liquidity position as well as stress tested liquidity outlook are generated weekly by the Liquidity Risk team for ALCO's decision making.

Funding sources are reviewed regularly by the Liquidity Risk Management team to ensure adequate funding diversification by currency, geography, provider, product and term to maturity. Contingency funding arrangements are also in place as way-out strategies in the unlikely condition of Bank specific liquidity stress / local or global systemic liquidity shocks.

Polaris bank contingency funding plan

Polaris Bank Contingency Funding Plan (CFP) serves as a way-out strategy under stress liquidity situations. The plan consists of a set of policies and procedures that shall serve as blue print for the Bank to meet its funding needs in a timely manner under adverse stress conditions. For effectiveness, this plan shall represent estimate of balance sheet changes that may result from a liquidity, credit and/or market events.

The MD/CEO or the ALCO Chairman are the only persons authorized to activate the CFP. Execution of the plan involves funding and non-funding activities.

In the event of a liquidity squeeze, the Bank possesses a Crisis Management Committee that is comprised of heads of departments of critical departments and is headed by the MD/CEO.

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Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

3.2 Liquidity Risk (Continued)

3.2.1 Liquidity Risk Measurement

The measure of the Group's liquidity is the ratio of its liquid assets to total customer deposits.

The liquid assets held for managing liquidity risk comprise:

- Cash and balances with the Central Bank;
- Government Bonds and Treasury Bills
- Highly liquid instruments in the Group's trading portfolio
- Short term liabilities include local currency deposits from customers.

Assets & Liability Mix

	31 December 2022		31 December 2021	
Asset components	% Proportion		% Proportion	
Cash	12%	80,875	3%	19,558
Cash reserve	57%	401,266	49%	325,879
Treasury bills	7%	49,469	31%	210,152
FGN bonds & other certificates	20%	142,219	14%	93,466
Placements	4%	27,480	3%	19,800
Total	100	701,308	100	668,855
Liability components	% Proportion		% Proportion	
Current deposits	36%	410,292	31%	317,694
Savings deposits	27%	310,826	28%	288,454
Term deposits	29%	331,765	32%	327,757
Domiciliary deposits	8%	88,479	9%	87,609
Total	100	1,141,362	100	1,021,514

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3. Liquidity Risk Measurement (Continued)

3.2.2 Contractual maturity of financial assets and liabilities

The following tables show the undiscounted cashflows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow/(outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial assets and liabilities:

Gross nominal (undiscounted) maturities of financial assets and liabilities

Group and Bank

31 December 2022

	Carrying amount	Gross nominal inflow/(outflow)	Less than 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years
Financial assets							
Cash and balances with central banks	80,875	80,875	80,875	-	-	-	-
Due from banks and other financial institutions	52,543	52,543	52,543	-	-	-	-
Financial assets held at fair value through profit or loss	21,956	21,956	7,599	3,930	2,233	2,153	6,041.63
Loans and advances to customers	309,055	377,789	95,978	21,524	35,192	65,366	159,730
Fair value through OCI	18,398	18,398	-	-	-	-	18,398
Amortised cost financial assets	206,978	210,081	22,245	28,294	31,093	64,365	64,085
Assets pledged as collateral	49,676	49,676	18,432.22	-	-	8,190	23,054
Other loans and receivables	200,690	200,423	-	-	-	200,423.29	-
Other assets	421,985	421,985	421,985	-	-	-	-
	1,362,157	1,433,727	699,656	53,748	68,517	340,496	271,309
Financial liabilities							
Deposits from customers	1,141,362	1,141,362	1,102,221	39,142	-	-	-
Borrowings	68,938	68,938	652	667	1,380	13,579	52,659
Lease liability	2,165	2,165	-	-	-	-	2,165
Other financial liabilities	78,361	72,277	72,277	-	-	-	-
	1,290,826	1,284,743	1,175,150	39,809	1,380	13,579	54,824
Gap (asset - liabilities)	71,331	148,983	(475,494)	13,939	67,137	326,917	216,484
Cumulative liquidity gap	-	-	(475,494)	(461,554)	(394,417)	(67,499)	148,985

Group and Bank

31 December 2021

	Carrying amount	Gross nominal inflow/(outflow)	Less than 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years
Financial assets							
Cash and balances with central bank	19,558	19,558	19,558	-	-	-	-
Due from banks and other financial institutions	52,673	52,673	52,673	-	-	-	-
Financial assets held at fair value through profit or loss	654	654	290	80	284	-	-
Loans and advances to customers	260,072	326,405	43,779	18,309	20,955	72,981	170,381
Fair value through OCI	18,650	18,650	-	-	-	-	18,650
Amortised Cost financial assets	330,912	330,524	70,312	80,200	68,237	68,935	42,840
Assets pledged as collateral	52,686	52,686	-	-	18,432	8,190	26,064
Other loans and receivables	173,938	173,938	173,938	-	-	-	-
Other assets	343,127	343,127	343,127	-	-	-	-
	1,252,270	1,318,216	703,677	98,589	107,909	150,106	257,934
Financial liabilities							
Deposits from customers	1,021,514	1,021,513	847,433	146,987	27,092	-	-
Borrowings	84,102	85,103	-	1,099	7,305	-	76,699
Lease liabilities	1,798	4,635	394	394	770	1,961	1,116
Other financial liabilities	71,090	69,885	69,885	-	-	-	-
	1,178,504	1,181,135	917,712	148,480	35,167	1,961	77,815
Gap (asset - liabilities)	73,766	137,080	(214,035)	(49,891)	72,741	148,145	180,120
Cumulative liquidity gap	-	-	(214,035)	(263,925)	(191,183)	(43,037)	137,083

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3.3 Market risk

Market risk is the risk of loss in on or off balance sheet positions, as a result of adverse movement in foreign exchange rate, interest rate, equity or commodity prices. Polaris Bank's market risk exposures are largely interest and exchange rate induced, while equity and commodity prices exposures are non-proprietary. Its Market Risk management is a centralized, independent middle office function responsible for the day to day management which entails risk identification, measurement, monitoring controlling and reporting.

The Bank has developed encompassing processes for effective identification, assessment, monitoring and control of market risks inherent in the Bank's business operations. Its risk management framework is supported by enabling policies/methodologies and tools to facilitate linkages and to achieve its risk management objectives including market risk related ones.

The market risk management strategy clearly articulates underlining principles that drives the design and implementation of its exposure management processes, which seek to contain such exposures within a set Board appetite, guided by operational policies. The independent Market and Liquidity risk function reports daily to the Chief Risk Officer, weekly to Asset-Liability Committee and quarterly to both the Management and the Board Audit Risk Management Committee.

Market Risk Measurement:

Adequate risk assessment is critical for effective management. The Bank applies the Value at Risk (VaR) model to measure trading market risk exposure of the entire trading portfolio. The VaR model runs largely on the variance co-variance method of computation but is also complemented by historical simulation as well as Expected Shortfall methodologies where key assumption of the former method prove unsatisfactory. The model (variance co-variance), stated at 99% confidence level over a day horizon, applies the Exponential Weighted Moving Average (EWMA) model for volatility assessment thereby enhancing the speed of response to changes in market factors.

Value at risk assessment is undertaken at the portfolio level, which takes cognizance of the risk-reduction benefit of asset returns correlation. All the model outputs are back tested for accuracy, reliability and predictive power assessment. In addition, periodic stress tests are also conducted to estimate potential losses in severe market conditions by stressing risk drivers within and sometimes beyond historically observed levels.

The integrity of the VAR model is validated via back-testing model over a reasonable period (minimum of 250 days). Although a valuable guide to risk, VAR is always viewed in the context of its limitations i.e.

- The use of historical data as a proxy for estimating future events may not be reflective of the growing complexities and changes in the interactions of market drivers.
- The holding period assumption may also be flawed particularly in times of market illiquidity when it takes much longer to liquidate positions
- The likely size of losses under the permissible 1% violation is not stated, which might exceed the Bank's loss threshold

In adjusting for these limitations, the Bank has, in addition to stress testing, adopted the expected shortfall model, to gain a statistical sense of the likely size of the extreme loss events. VaR is also assessed at 99% confidence interval and a 10-day holding period as additional stress factor.

Market Risk Management Framework Overview

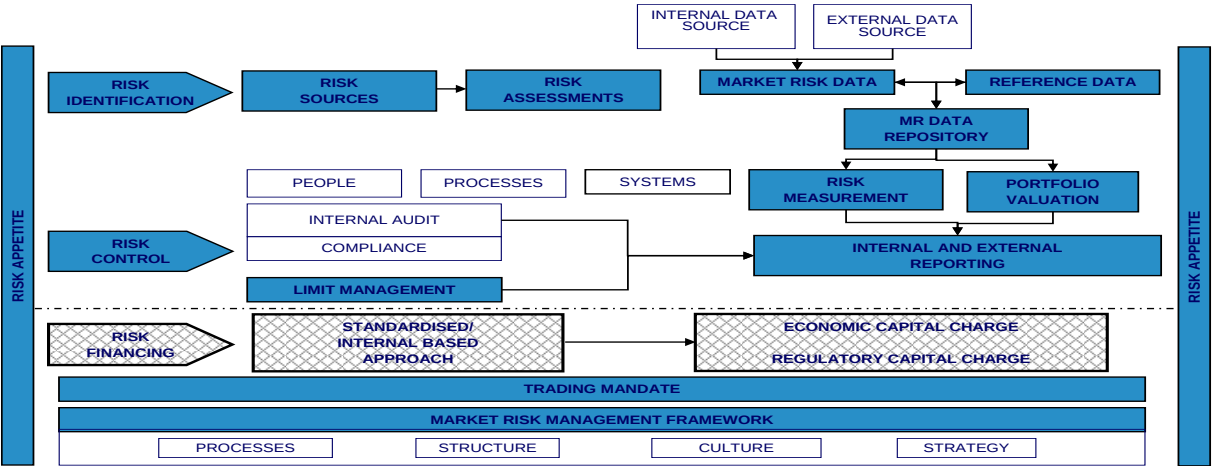
The Group's market risk management framework clearly articulates underlining principles that drives the design and implementation of its market risk exposure management process, which seeks to contain such exposures within its market risk appetite.

The Bank has developed encompassing processes for effective identification, assessment, monitoring and control of market risks inherent in its business which is supported by enabling technology, policies/methodologies and tools. Market risk exposure assessment is a periodic activity guided by Board approved policies and risk limits within which all exposures are contained. The guiding policies and limits are reviewed periodically to ensure continuous relevance to the fast changing conditions of the increasingly dynamic market place.

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Market Risk Management Framework Overview



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Notes to the financial statements

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3.3.1 Repricing period of financial assets and liabilities

The table below indicates the earliest time the Group can vary the terms of the underlying financial asset or liabilities and analyze the Group's interest rate risk exposure on assets and liabilities which are included at carrying amount and categorised by the earlier of contractual re-pricing or maturity dates.

Group and Bank

31 December 2022

	Carrying amount	Total	Re-pricing period				Non-interest bearing
			Less than 90 days	91 - 180 days	181 - 365 days	Over 1 year	
Financial assets							
Cash and balances with central banks	80,875	80,875	-	-	-	-	80,875
Due from banks and other financial institutions	52,543	52,543	-	-	-	-	52,543
Financial assets held at fair value through profit or loss	21,956	21,956	4,555	6,930	2,270	8,201	-
Loans and advances to customers	309,055	309,055	79,272	46,719	37,271	145,793	-
Fair value through OCI	18,398	18,650	-	-	-	-	18,650
Amortised Cost Investments	206,978	206,978	30,161	22,346	33,297	121,175	-
Assets pledged as collateral	49,676	49,676	18,432	-	-	31,244	-
Other loans and receivables	200,423	200,423	200,423	-	-	-	-
Other assets	421,842	421,842	-	-	-	-	421,842
	1,361,747	1,361,998	332,842	75,995	72,837	306,414	573,909
Financial liabilities							
Deposits from customers	1,141,362	1,141,362	1,008,199	81,818	51,345.27	-	-
Borrowings	68,938	68,938	-	-	-	68,938	-
Lease liability	2,165	2,165	-	-	-	2,165	-
Other financial liabilities	78,361	78,361	-	-	-	-	78,361
	1,290,826	1,290,826	1,008,199	81,819	51,345	71,103	78,361
	70,921	71,172	(675,356)	(5,821)	21,492	235,312	495,548

Group and Bank

31 December 2021

	Carrying amount	Total	Re-pricing period				Non-interest bearing
			Less than 90 days	91 - 180 days	181 - 365 days	Over 1 year	
Financial assets							
Cash and balances with central banks	19,558	19,558	-	-	-	-	19,558
Due from banks and other financial institutions	52,673	52,673	-	-	-	-	52,673
Financial assets held at fair value through profit or loss	654	654	654	-	-	-	-
Loans and advances to customers	260,072	260,072	74,611	4,727	4,966	175,769	-
Fair value through OCI	18,650	18,650	-	-	-	-	18,650
Amortised Cost Investments	330,912	330,912	70,700	80,200	68,237	111,775	-
Assets pledged as collateral	52,686	52,686	0	0	18,432	34,254	-
Other loans and receivables	173,550	173,550	173,550	-	-	-	-
Other assets	342,984	342,984	-	-	-	-	342,984
	1,251,739	1,251,740	319,516	84,927	91,635	321,797	433,866
Financial liabilities							
Deposits from customers	1,021,514	1,021,513	704,230	317,283	-	-	-
Borrowings	84,102	84,102	553	3,190	3,599	76,760	-
Lease liability	84,102	1,798	180	-	180	1,438	-
Other financial liabilities	1,798	71,090	-	-	-	-	71,090
	71,090	1,178,503	704,963	320,472	3,779	78,198	71,090
	1,180,649	73,237	(385,447)	(235,546)	87,856	243,599	362,775

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3. Financial risk management continued

3.3 Market risk

3.3.2 Market risk measurement techniques

Exposure to market risks - trading portfolios

Typically, the bank trades in the following financial instruments:

1. Treasury bills
2. Bonds
3. Foreign currencies
4. Money market products

a Exposure to Interest rate risk

The principal risk to which the Bank's non trading portfolios are exposed to, is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of change in market interest rates. Interest rate risk is managed principally using interest rate gaps. The exposure of the group to interest rate changes and the contractual re-pricing dates at the end of the reporting period are already shown above in note 3.3.1. Below are some of the key variables used in quantifying, monitoring, controlling and reporting market risk exposure (traded and non traded) across the group:

- Open position assessment: - for trading and currency risk exposures.
- Value at Risk model (VaR) - for trading and currency risk exposures
- Expected shortfall - for trading and currency risk exposures
- Interest and exchange rate sensitivity - For balance sheet level interest and exchange rate exposures assessment
- Stress testing - Both trading and non-trading exposures.

The Group applies a Value at Risk (VAR) methodology to its trading portfolios (including assets and liabilities that are designated at fair value) to estimate the market risk exposures of open positions.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Group might lose, at certain level of confidence (often 99%) given a time horizon (usually 1 day). There is therefore a specified statistical probability (1%) that actual loss may be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (1 day). The likely estimate of the size of 1% expected violation of the VaR number is accessed via stress testing. VaR also assumes that market moves occurring over this holding period will follow a similar pattern to

Traded Instruments: The instruments the bank's trade in are strictly provided for in the trading policy which include: Federal Government securities and foreign currencies. The policy also clarifies requirements for trading in new products as well as position and loss limits at dealers and product levels.

FGN Bond Trading: Polaris Bank Limited is not currently involved in bond trading. Our bonds holding are not being actively traded.

Treasury Bills Trading: Increased volatility at the shorter end of the curve (less than one year) increased the risk profile of the Treasury Bills portfolio. The portfolio highest VaR (99% confidence interval, 1 day holding period) was 1.57%, lowest at 0.06% and average 0.53% of position size.

FX Trading Activities: - The Bank currency trading activity is limited to trading Naira/USD currency pair throughout the financial year. Volatility levels spiked in the year on the back of sustained pressure on the local currency, interventions and continuous changes in the markets operational policies. Trading activities in USD/NGN currency pair recorded the highest VaR figure (99% confidence interval one day horizon) of 4.82% of the position size, minimum of 0.20% and average of 1.28%.

The integrity of the VAR model is validated via back-testing model over a reasonable period. Although a valuable guide to risk, VAR is always viewed in the context of its limitations i.e.

- The use of historical data as a proxy for estimating future events may not be reflective of the growing complexities and changes in the interactions of market drivers.
- The holding period assumption may also be flawed particularly in times of market illiquidity when it takes much longer to liquidate positions
- The likely size of losses under the permissible 1% violation is not stated, which might exceed the bank's loss threshold

In adjusting for these limitations, the Group has, in addition to stress testing, adopted the expected shortfall model, to gain a statistical sense of the likely size of the extreme loss events. VaR is also assessed at 99% confidence interval and a 10-day holding period as additional stress factor.

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Exposure to market risks - non-trading portfolios

Non trading interest rate risk exposures resides on the Group's balance sheet, resulting from disproportionate impact of interest rate changes on cash flows arising from asset and liability maturity mismatches leading to volatilities in net interest margin.

Decisions on interest rate direction is the responsibility of the ALCO, who works with the risk team in the day to day monitoring and forecasting of market directions, based on macro-economic fundamentals, market dynamics and the monetary/fiscal policy objectives.

Interest rate risk exposure is occasioned by timing differences and optionalities in the maturities of assets and liabilities on the banking book. Trading book exposures on the other hand is due to proprietary positions in rate and price sensitive financial assets in the secondary market. These exposures are managed independently by the Market Risk Management function via appropriate policies, procedures and models aided by technology.

The table below shows the result of interest rate sensitivity by applying a change of a 100 basis points. The impact on profit or loss is as follows:

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	Pre tax		Pre tax	
Decrease				
Assets	(4,429)	(2,063)	(4,429)	(2,063)
Liabilities	2,171	2,796	2,171	2,796
	<u>(2,258)</u>	<u>733</u>	<u>(2,258)</u>	<u>733</u>
Increase				
Assets	4,429	2,063	4,429	2,063
Liabilities	(2,171)	(2,796)	(2,171)	(2,796)
	<u>2,258</u>	<u>(733)</u>	<u>2,258</u>	<u>(733)</u>

The aggregated figures presented above are further analysed into their various components as shown in the following tables:

Components of Balance Sheet Interest Rate sensitivity

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	Pre tax	Pre tax	Pre tax	Pre tax
Decrease				
Financial assets				
Due from banks and other financial institutions	(6)	(173)	(6)	(173)
Loans and advances to customers	(2,282)	(551)	(2,282)	(551)
Amortised cost financial assets	(1,785)	(1,293)	(1,785)	(1,293)
Assets pledged as collateral	(356)	(46)	(356)	(46)
	<u>(4,429)</u>	<u>(2,063)</u>	<u>(4,429)</u>	<u>(2,063)</u>
Financial liabilities				
Deposits from customers	1,482	2,771	1,482	2,771
Borrowings	689	25	689	25
	<u>2,171</u>	<u>2,796</u>	<u>2,171</u>	<u>2,796</u>
Total	<u>(2,258)</u>	<u>733</u>	<u>(2,258)</u>	<u>733</u>

For the year ended 31 December 2022

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(All amounts in millions of Naira unless otherwise stated)

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Increase				
Financial assets				
Due from banks and other financial institutions	6	173	6	173
Loans and advances to customers	2,282	551	2,282	551
- Amortised cost financial assets	1,785	1,293	1,785	1,293
Assets pledged as collateral	356	46	356	46
	<u>4,429</u>	<u>2,063</u>	<u>4,429</u>	<u>2,063</u>
Financial liabilities				
Deposits from customers	(1,482)	(2,771)	(1,482)	(2,771)
Borrowings	(689)	(25)	(689)	(25)
	<u>(2,171)</u>	<u>(2,796)</u>	<u>(2,171)</u>	<u>(2,796)</u>
Total	<u>2,258</u>	<u>(733)</u>	<u>2,258</u>	<u>(733)</u>

Cash flow interest rate risk: This risk arises from the timing differences of exposure of interest rate sensitive assets and liabilities to changes in market interest rates. The Group manages the cash flow interest rate risk by matching floating rate assets to floating rate liabilities as much as feasible, while residual exposures are actively managed via different market instruments including interest rate swaps where practicable.

At 31 December 2022, if interest rates on borrowed funds at amortised cost increased or reduced by 50 basis points with all other variables held constant, the effect on profit or loss would have been as set out below:

	Group	Group	Bank	Bank
	31	31	31	31
	December	December	December	December
	2022	2021	2022	2021
	Pre tax	Pre tax	Pre tax	Pre tax
Decrease	344.7	13.0	344.7	13.0
Increase	(344.7)	(13.0)	(344.7)	(13.0)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

b Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar, UK pound and Euro. Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign subsidiaries, foreign currency-denominated loans and securities, future cash flows in foreign currencies arising from foreign exchange transactions, foreign currency denominated debt.

In view of the current devaluation of naira, the Bank also ensures that currency trading limits are in line with market realities, foreign currency lending and funding is subject to approvals by top management. In this case the Bank makes use of limits and management action triggers for strict adherence to the Bank's internal policies and risk appetite. Further, management ensures that repricing of the assets is in line with market realities.

The Group maintains strict policy guidance for all its foreign currency related activities, and Board approval is required where business exigencies necessitate currency exposure creation, which must still be contained within permissible threshold and adequately mitigated. The Group ensures that foreign currencies denominated assets are matched with foreign currency denominated liabilities to reduce currency risk exposure (exchange exposure gap). Periodic reports on the Group's foreign currency exposure are rendered up to the Board level. In line with the Basel II provision, both trading and non-trading currency exposures are treated as trading positions, and are therefore subject to fair valuation relative to prevailing market exchange rate (mark-to-market).

The Group's exposure to foreign currency exchange rate risk at 31 December 2022 and 31 December 2021 has been shown in note 3.4 below. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

For the year ended 31 December 2022

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(All amounts in millions of Naira unless otherwise stated)

3. Financial risk management continued

Foreign currency sensitivity analysis

The Groups principal foreign currency exposure is to US Dollars, as it constitutes a significant portion of the Group's foreign currency exposure as at 31 December 2022. The table below illustrates the hypothetical sensitivity of the Group and Bank's reported profit to a 5% increase in the US Dollar/Naira exchange rates at the year end, assuming all other variables remain unchanged. The sensitivity rate of 5% represents the directors' assessment of a reasonable possible change based on historic volatility.

Group	Impact on statement of changes in Comprehensive income			
	Group	Group	Bank	Bank
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Naira strengthens by 5%	10,339	20,441	10,423	17,617
Naira weakens by 5%	(9,355)	(18,494)	(9,430)	(15,939)

The NGN/USD exchange rate applied in the conversion of balances as at year end is N461.1/USD1. The strengthening or weakening of Naira may not produce symmetrical results depending on the proportion and nature of balance sheet.

c Price risk

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet either as at fair value through other comprehensive income (FVOCI) or at Fair value through P/L.

To manage its price risk arising from investments in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

The majority of the group's equity investments are publicly traded and are included either in the Oneland Stock Exchange 200 Index or the NYSE International 100 Index.

Price sensitivity analysis for financial instruments measured at FVOCI:

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as FVOCI. Quantitative exposure of the Group's equity securities is shown below.

	Group	Group	Bank	Bank
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	2022	2021	2022	2021
Quoted equity investment	10	10	10	10
Unquoted equity investment	18,388	18,640	18,388	18,640
	18,398	18,650	18,398	18,650

Sensitivity analysis for the Group's equity securities is shown as follows.

Impact on Other comprehensive income:

Unfavourable change @ 2% decrease in unobservable inputs	(368)	(373)	(368)	(373)
Favourable change @ 2% increase in unobservable inputs	368	373	368	373

For the year ended 31 December 2022

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3. Financial risk management continued

The table below summarizes the Group's financial assets and financial liabilities at gross amount, categorised by currency:

3.4 Financial instruments by currency
Group and Bank

31 December 2022

Financial assets

	Total	Naira	USD	GBP	Euro	Others
Cash and balances with central banks	80,875	75,868	4,852	32	123	-
Due from banks and other financial institutions	52,543	19,774	27,451	1,645	2,123	1,550
Financial assets at fair value through profit or loss	21,956	21,956	-	-	-	-
Loans and advances to customers	309,055	202,127	106,814	35	79	-
Fair value through OCI investments	18,398	18,398	-	-	-	-
- Amortised cost investments	206,978	204,374	2,604	-	-	-
Assets pledged as collateral	49,465	49,465	-	-	-	-
Other loans and receivables	200,690	200,690	-	-	-	-
Other assets	421,842	420,846	996	0	-	-

	1,361,802	1,213,496	142,718	1,713	2,325	1,550
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Financial liabilities

Deposits from customers	1,141,362	1,052,884	76,628	2,342	9,508	-
Borrowings	68,938	68,938	-	-	-	-
Lease liability	2,165	2,164	-	-	-	-
Other liabilities	78,361	43,522	26,962	227	-	1,567

	1,290,826	1,167,508	103,591	2,569	9,508	1,567
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Group and Bank

31 December 2021

Financial assets

	Total	Naira	USD	GBP	Euro	Others
Cash and balances with central banks	19,558	11,983	5,831	798	947	-
Due from banks and other financial institutions	52,673	28,602	17,936	879	5,255	-
Financial assets at fair value through profit or loss	654	654	-	-	-	-
Loans and advances to customers	260,072	165,417	94,655	-	-	-
Fair value through OCI investments	18,650	18,650	-	-	-	-
- Amortised cost investments	330,912	326,026	4,886	-	-	-
Assets pledged as collateral	52,576	52,576	-	-	-	-
Other loans and receivables	173,938	173,938	-	-	-	-
Other assets	342,984	342,984	-	-	-	-

	1,252,018	1,120,831	123,308	1,677	6,202	-
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Financial liabilities

Deposits from customers	1,021,514	936,612	73,694	2,467	8,740	-
Borrowings	84,102	81,817	2,286	-	-	-
Lease liability	1,798	1,798	-	-	-	-
Other liabilities	71,090	69,885	-	-	-	-

	1,178,504	1,090,111	75,980	2,467	8,740	-
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Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

4.1 Operational Risk

Polaris Bank Limited defines Operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, but excludes strategic and reputational risk, in line with general market convention.

Operational risk easily infiltrates every banking function across the board. Every threat that the Bank faces can crystallize into some operational risk, however, it is not an objective to eliminate all exposure to operational risk as this would not be commercially viable nor possible. The Bank's approach to managing operational risk is to adopt fit-for-purpose operational risk practices that assist business line management in understanding their inherent risk and reducing their risk profiles in line with the Bank's risk tolerance, while maximizing their operational performance and efficiency.

The Bank has set minimum requirements for managing operational risk through the Bank's risk management and governance standards. These requirements have been fully employed and entrenched across the Bank's operations. In addition to meeting the Bank minimum standards, the operational risk framework sets out a planned and consistent methodology for managing operational risk across the Bank. The risk management approach involves identifying, assessing, measuring, managing, mitigating, and monitoring the risks associated with operations, enabling ample analysis and reporting of the Bank's operational risk profile.

The framework is based on the following core components:

1. Risk Identification and Control Methodology: This is a process through which operational risks and their effective controls are assessed and examined across business units in the Bank.

2. Risk and Control Self-Assessments: As part of operational risk management processes, business units across the bank are required to identify their processes and identify the various operational risks that affects each process and activity and analyze the controls in place if they are effective or put controls in place for processes without controls. For any activity that its inherent risk is higher than the approved management risk threshold, corrective action plans must be defined and put in place to reduce the level of the risk. Operational risk management works with the different risk champions across all business units to identify and monitor their processes and put adequate controls in place.

A 5 X 5 matrix is used in measuring identified risks in the Bank; this matrix includes using the probability of a loss event (PE) and the impact off the loss given an event (LGE). An analysis of this methods is shown below:

Likelihood	Severity				
	Insignificant	Minor	Moderate	Major	Significant
Certainly	Medium	Medium	High	High	High
Highly Likely	Medium	Medium	Medium	High	High
Likely	Low	Low	Medium	Medium	High
Unlikely	Low	Low	Medium	Medium	Medium
Highly Unlikely	Low	Low	Low	Medium	Medium

3. Risk Register

Polaris Bank risk register contains all identified risks and controls for all processes and activities across all business units, the Bank maintains a global risk register and it is updated regularly with risks identified from the RCSA exercise conducted by the operational risk management departments and nominated risk champions, operational risk incidents and IT risk assessment.

4. Key Risk Indicators

The RCSA process and management review of business processes will help in classifying risks by levels. Risk identified as important (Key Risks) must be monitored and reviewed periodically. Defined metrics/indicators are used to monitor all identified risks and certain risks identified as key should have thresholds for escalation. For risks that are continually below certain thresholds for period of time, a review is conducted to see if it is still a key risk or not.

5. Operational Risk Incidents

Operational risk department keeps a consolidated database of events/incidents across the various business units in the Bank. Risk and control self-assessment and key risk indicators are also integrated into this process.

Operational risk incidents are not restricted to only events that results in actual financial loss, it also involves events that have non-financial consequences and also near misses. Incident management involves recording, analyzing and management of all loss events across various business units in the Bank. Incident management helps operational risk department to determine the cause of loss events, reduce impact and exposure and to put effective controls in place.

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4.1 Operational Risk continued

Corrective action plans are developed based on the identified causes of the loss events and these action plans are assigned to the responsible business units for resolution.

6. Reporting

Operational risk reports are produced on both a regular and on event-driven basis. The reports include a profile of the key risks to business units' achievement of their business objectives, relevant control issues and operational risk incidents. Specific reports are prepared on a regular basis for the relevant business unit and committees.

7. Other Peculiar Operational Risk Exposures

The primary responsibility of managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. Operational risk management function is independent of business line management and is part of the second line of defense. It is structured as follows:

- A central function that provides Bank wide oversight and reporting. It is also responsible for developing and maintaining the Operational Risk Management Framework.
- The primary oversight body for operational risk is the Risk Management Committee (RMC), which reports to the Board Audit Risk Management Committee (BARMC) and ultimately, the Board. Other operational risk related exposures that have peculiar features is detailed:

8. Other Peculiar Operational Risk Exposures

Physical disasters affecting the Bank could come in many different forms such as fires, floods, physical and political unrest, pandemics, failures of IT systems etc. Each of these different threats pose a risk to the continuity and going concern of the Bank and the impact of these different threats materializing will have many common implications on its day to day business.

Business Continuity Management is defined as a holistic management process that identifies potential impacts that threaten the Bank and provides a basis for planning and mitigation of these operational impacts. It further provides a framework for building resilience and the capability of an effective response that safeguards the interests of key stakeholders, the reputation, brand and value-creating activities of the Bank.

The Bank has a Business Continuity Plan (BCP) in place to ensure its ability to operate on an ongoing basis and limit its losses in the event of severe business disruptions. Crisis management is based on a command and control process for managing the business through a crisis to full recovery. These processes may also be deployed to manage non-operational crises including business crises, at the discretion of senior management.

Contingency and recovery plans for core services, key systems and priority business activities have been developed and are revisited periodically as part of existing management processes to ensure that continuity strategies and plans remain relevant.

The Bank is audited and assessed on BCMS periodically in order to ensure adherence to various standards and regulatory requirements.

Technological Innovation and Upgrade

The bank's continuous drive for Modern Infrastructure on its Information Technology Department has yielded new products such as the VULTE application amongst others which has increased customer satisfaction, as well as providing convenient banking services to our customers.

VULTe Application: The bank has taken a giant step in revolutionizing its banking services by introducing the VULTe application. VULTe is an in-house developed digital bank application designed to provide our customers with easy, safe and efficient means of carrying out banking activities. The VULTe application has also recently won the Digital Bank of the Year Award for 2021.

Disaster Recovery Capability: The investments made by the bank in setting up a colocation data center has improved our recovery capabilities. The Secondary data center (RACK CENTER) can be easily assessed and redundancies are in place to recover critical services and limit any damage the Bank and its customers may face in any unforeseen service disaster/disruption at the primary site (Main One). The current colocation arrangement has greatly improved our failover and fallback capabilities as the secondary data center has the capacity to cater for the bank in case of a disruption at the primary center.

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Core Network Infrastructure Upgrade: The bank has strengthened its branch network to a Software Defined Wide Area Network (SD-WAN). The SD-WAN technology gives the Bank more visibility on the Bank's bandwidth requirements, and has optimized the network performances and availability across all business locations. The deployment of the SD-WAN has also reduced the number of negative user experience in branch locations, eliminate security vulnerabilities and transform the delivery of services to our customers.

Core Banking: The Bank's core banking application (FLEXCUBE) has been optimized to increase the efficiency of the application, enhance user experience and the increase capacity of transaction volume. The upgrade has also addressed existing vulnerabilities on the previous version of the application and also improved the performance of the application.

Non-Core Banking: The infrastructure of Non - Core Banking applications is continuously monitored and improved upon to cater for the storage and computation of the Bank's applications. Furthermore, there is an ongoing transformation of some non-core banking applications to improve user's experience and requirements.

Network Security: The Bank has deployed a new improved Palo Alto Network (Netherlands) Cortex B.V firewalls and Traps (Antivirus) that uses AI and user behavioural analysis to learn patterns on the network to detect anomalies and protect the Bank, the Bank also upgraded its security solutions such as MacAfee to protect its infrastructure against malicious attacks.

4.1 Operational Risk continued

9. Identification, Measurement, Controls & Mitigation

The Bank's identification, measurement, controls and mitigation are designed to ensure that the Bank can resume and continue its day to day business within a stipulated time frames in the event of the occurrence of a physical disaster. Business Continuity Plans are tested periodically or when there is a major change in the Bank, Failover and failback tests are conducted at least once a year, other tests are conducted quarterly for critical departments, with any identified failures or gaps in the plans highlighted, lessons learnt are captured and priority is given to resolving those failings.

The management of IT risks assists the Bank to manage risks in Information Technology (IT) and services. The utilization of Information Technology provides significant benefits to the Bank, but it also involves risk. Due to Information Technology's importance to the overall business, Information Technology risk is vital to the Bank like other key business risks because a failure to manage IT risk effectively can pose a challenge to the achievement of the Banks strategic objectives. The identification, analysis, evaluation and monitoring of IT risk covering the areas below:

- Information Technology Operation and Service delivery risks (risk of the poor performance of IT services)
- Information Technology program and project delivery risks (risk of sub-optimal value across the portfolio of Information Technology-enabled investments)
- Information Technology benefit/value enablement risks (risk of not delivering the intended value of IT).
- Cybersecurity risk as a measurement of the Bank's cybersecurity resilience.

These areas cover the Information Technology-related risks within the Bank including risk events with may be internal or external to the Bank. Internal events include operational incidents, Information Technology incidents, project failures, full (Information Technology) strategy switches and mergers. External events include changes in market conditions, new competitors, and new technology becomes available and new regulations affecting Information Technology.

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4.2 Capital Management

Capital Risk Management

Capital management is central to the Group's financial stability and sustainability. The Group endeavours to maintain the appropriate level of capital that is adequate to support our risk profile, regulatory requirements and business needs.

The Group's Capital Management philosophy is to optimize its capital structure given the peculiarities of its risk profile, by maintaining adequate levels of capital to cater for all unexpected losses, beyond meeting regulatory requirements. This philosophy guides the Group's Internal Capital Adequacy Assessment Process (ICAAP), which sets internal capital targets and defines strategies for achieving those targets consistent with our risk appetite, business plans and operating environment. As part of this process, we have implemented a program of enterprise-wide stress testing to evaluate the income and capital (economic and regulatory) impacts of several potential stress events.

In the Group, capital allocations are approved at the Board level and are monitored daily by the Group's management.

The Central Bank of Nigeria (CBN) has an oversight function and monitors all banks operating in Nigeria to ensure compliance with capital adequacy requirements. At every point in time, the Group ensures that it has sufficient capital above the regulatory capital to hedge against any unanticipated shocks.

The Group's regulatory capital comprises of two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), statutory reserve, non-controlling interest, retained earnings, reserves created by appropriations of retained earnings and other disclosed reserves. The book value of goodwill is deducted in arriving at Tier 1 capital.
- Tier 2 capital: qualifying subordinated debt, unrealized gains arising on the fair valuation of equity instruments held as fair value through OCI. Investments in capital of other banks and financial institutions are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Group and the Group's risk weighted asset base. The Central Bank of Nigeria prescribed a minimum limit of 10% of total qualifying capital/total risk weighted capital/total risk weighted assets as a measure of capital adequacy.

The table below summarises the composition of regulatory capital and the ratios of the bank for the years presented below.

	Group 31 December 2022	Group 31 December 2021	Bank 31 December 2022	Bank 31 December 2021
Tier 1 capital				
Share capital	25,000	25,000	25,000	25,000
Share premium	25,433	25,433	25,433	25,433
Statutory reserves	25,633	22,655	25,506	22,527
AGSMEIS Reserve	1,336	840	1,336	840
Retained earnings	7,233	12,992	7,007	12,686
Total	84,635	86,920	84,282	86,486
Add/(less)				
Intangible assets	(3,473)	(4,061)	(3,473)	(4,061)
Adjusted Total qualifying Tier 1 capital	81,162	82,859	80,808	82,425
Tier 2 capital				
Other Qualifying Capital	-	-	-	-
Fair value reserves	3,432	4,065	3,432	4,065
Adjusted Total qualifying Tier 2 capital	3,432	4,065	3,432	4,065
Total regulatory capital	84,594	86,924	84,241	86,490
Total risk-weighted assets	653,142	620,345	651,769	620,408
Capital Ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets	12.95%	14.01%	12.92%	13.94%
Total tier 1 capital expressed as a percentage of risk-weighted assets	12.43%	13.36%	12.40%	13.29%

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5 Fair values of financial assets and liabilities

Accounting classification, measurement basis and fair values

The tables below sets out the Group's classification of each class of financial assets and liabilities and their fair values. All fair value measurements are recurring.

Group and Bank

31 December 2022

31 December 2022	Carrying amount					Fair value			
	Fair value through profit or loss	Amortized Costs	Fair value through OCI	Other financial liabilities at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Fair value
Financial assets									
Cash and balances with central banks	-	80,875	-	-	80,875	-	80,875	-	80,875
Due from banks and other financial institutions	-	52,543	-	-	52,543	-	52,543	-	52,543
Financial assets at fair value through profit or loss	21,956	-	-	-	21,956	21,956	-	-	21,956
Loans and advances to customers	-	309,055	-	-	309,055	-	-	309,055	309,055
<i>Fair Value through OCI</i>									
- Equity investment measured at fair value	-	-	18,398	-	18,398	-	-	18,398	18,398
<i>Amortised Cost Investments</i>									
- Treasury bills	-	32,732	-	-	32,732	32,732	-	-	32,732
- Corporate bonds	-	6,766	-	-	6,766	6,766	-	-	6,766
- State government bonds	-	7,931	-	-	7,931	7,931	-	-	7,931
- Federal government bonds	-	142,219	-	-	142,219	142,219	-	-	142,219
- Eurobonds	-	2,378	-	-	2,378	-	2,378	-	2,378
- Promissory notes	-	13,142	-	-	13,142	13,142	-	-	13,142
- Commercial papers	-	1,810	-	-	1,810	-	1,810	-	1,810
<i>Assets pledged as collateral</i>									
- Treasury bills	-	18,432	-	-	18,432	18,432	-	-	18,432
- Federal government bonds	-	31,244	-	-	31,244	31,244	-	-	31,244
Other loans and receivables	-	200,423	-	-	200,423	-	200,423	-	200,423
Other assets	-	421,842	-	-	421,842	-	-	421,842	421,842
	21,956	1,321,393	18,398	-	1,361,747	274,422	338,030	749,295	1,361,747
Financial liabilities									
Deposits and other accounts	-	-	-	1,141,362	1,141,362	-	-	1,141,362	1,141,362
Borrowings	-	-	-	68,938	68,938	-	-	68,938	68,938
Lease liability	-	2,165	-	-	2,165	-	-	2,165	2,165
Other liabilities	-	-	-	78,361	78,361	-	-	78,361	78,361
	-	2,165	-	1,288,661	1,290,826	-	-	1,290,826	1,290,826

Group and Bank

31 December 2021

31 December 2021	Carrying amount					Fair value			
	Fair value through profit or loss	Amortized Costs	Fair value through OCI	Other financial liabilities at amortised cost	Total carrying amount	Level 1	Level 2	Level 3	Fair value
Financial assets									
Cash and balances with central banks	-	19,558	-	-	19,558	-	19,558	-	19,558
Due from banks and other financial institutions	-	52,673	-	-	52,673	-	52,673	-	52,673
Financial assets at fair value through profit or loss	654	-	-	-	654	654	-	-	654
Loans and advances to customers	-	260,072	-	-	260,072	-	-	250,621.19	250,621
<i>Fair Value through OCI</i>									
- Equity investment measured at fair value	-	-	18,650	-	18,650	-	-	17,821	17,821
<i>Amortised Cost Investments</i>									
- Treasury bills	-	207,307	-	-	207,307	218,098	-	-	218,098
- Corporate bonds	-	3,692	-	-	3,692	2,335	-	-	2,335
- State government bonds	-	9,160	-	-	9,160	-	9,194	-	9,194
- Federal government bonds	-	93,466	-	-	93,466	70,275	-	-	70,275
- Eurobonds	-	2,249	-	-	2,249	-	1,962	-	1,962
- Promissory notes	-	12,689	-	-	12,689	12,249	-	-	12,249
- Commercial papers	-	2,349	-	-	2,349	-	2,363	-	2,363
<i>Assets pledged as collateral</i>									
- Treasury bills	-	18,432	-	-	18,432	17,855	-	-	17,855
- Federal government bonds	-	34,254	-	-	34,254	33,395	-	-	33,395
- Euro bonds	-	-	-	-	-	-	-	-	-
- Corporate bonds	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	173,550	-	-	173,550	-	173,550	-	173,550
Other assets	-	342,984	-	-	342,984	-	-	342,983.99	342,984
	654	1,232,435	18,650	-	1,251,739	368,111	546,489	235,014	1,225,587
Financial liabilities									
Deposits and other accounts	-	-	-	1,021,514	1,021,514	-	-	1,021,514	1,021,514
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	84,102	84,102	-	-	84,102	84,102
Lease liability	-	1,798	-	-	1,798	-	-	1,798	1,798
Other liabilities	-	-	-	71,090	71,090	-	-	71,090	71,090
	-	1,798	-	1,176,706	1,178,504	-	-	1,178,504	1,178,504

For the year ended 31 December 2022

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(All amounts in millions of Naira unless otherwise stated)

5 Fair values of financial assets and liabilities continued

Fair value of financial assets and liabilities carried at fair value

Financial instruments at fair value (including those held at fair value through profit or loss and fair value through OCI) are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and prices.

Recognised fair value measurements

There were no transfers between levels during the period. The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current market price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data 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. In valuing the bonds classified as level 2, the price of the assets obtained from an over the counter securities exchange was adopted in arriving at the fair value. It was categorised under level 2 of the fair value hierarchy because the price obtained was an indicative price due to the fact that the market for the instrument is not very active. No adjustment was made to the input price.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value of financial assets and liabilities not carried at fair value

The fair value for financial assets and liabilities that are not carried at fair value were determined respectively as follows:

i Cash and balances with central banks and due from banks and other financial institutions

The carrying amount of cash and balances with central banks and due from banks and other financial institutions are reasonable approximation of their fair value.

ii Investment securities and assets pledged as collateral

The fair value for investment securities is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

iii Loans and advances to customers

The Group adopts a single approach in fair valuing its risk assets. This entails valuing all facilities with variable and fixed interest rates using the discounted cash flow approach (Level 3). The Group's variable rate facilities are indexed to the Central Bank of Nigeria Monetary Policy Rate or Nigeria Interbank Offering Rate, with a spread to cover for the inherent risk of individual facilities.

iv Other assets

The bulk of these financial assets have short (less than 3 months) maturities with the carrying amounts of the financial assets being a reasonable approximation of fair value.

v Deposit from customers

Fair values of customers' deposits have been determined using discounted cash flow techniques applying the rates on deposits of similar maturities and terms to discount the contractual cash flows.

vi Borrowings from local and foreign banks/institutions

The estimated fair value of fixed interest-bearing borrowings not quoted in an active market is based on discounted cash flows using the contractual interest rates for these debts over their remaining maturity.

vii Other liabilities

The carrying amount of financial liabilities is a reasonable approximation of fair value.

For the year ended 31 December 2022

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6 Significant accounting judgments, estimates and assumptions

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements. The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's results and financial situation due to their materiality.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Group's results and financial position, are as follows:

a Allowances for credit losses

The measurement of the expected credit loss allowance for debt financial assets measured at amortised cost 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). Explanation of the inputs, assumptions and techniques used in measuring ECL is further detailed in note 2.6.1j.

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;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way expected credit losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows and model assumptions are determined. Please refer to note 3 for sensitivity analysis of the expected credit loss to changes to the loss given default (LGD) and probability of default (PD).

b Deferred tax assets and unrecognised tax losses

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 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, the group assessed the probability of expected future taxable profits based on the expected profit for the next five years. Details of the Group's recognised and unrecognised deferred tax assets and liabilities are as disclosed in note 31.

c Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

d Determination of impairment of property, plant and equipment and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

e Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed under note 2.6. The Group measures fair values using the following hierarchy of methods.

i Financial instruments in Level 1

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

i Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market 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.

ii Financial instruments in Level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on inputs of a similar nature, historic observations on the level of the input or analytical techniques. This category includes loans and advances to banks and customers, deposits from banks and customers, other liabilities and borrowings.

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;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The Group uses widely recognised valuation models for determining the fair value of its financial assets. The fair values of unquoted equity investments have been generally derived using the adjusted fair value comparison approach. Quoted price per earning or price per book value, enterprise value to EBITDA ratios of comparable entities in a similar industry were obtained and adjusted for key factors to reflect estimated ratios of the investment being valued.

Adjusting factors used are the Illiquidity Discount which assumes a reduced earning on a private entity in comparison to a publicly quoted entity and the haircut adjustment which assumes a reduced earning for an entity located in Nigeria contributed by lower transaction levels in comparison to an entity in a developed or emerging market. The unobservable inputs used entails average P/B multiples of comparable companies and median of enterprise value to EBITDA ratio (EV/EBITDA) of similar comparable companies.

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Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

Information about fair value measurements using significant unobservable inputs (Level 2)

Description	2022	2021	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Bank						
Nigeria Interbank Settlement Systems	5,872	5,964	Adjusted fair value comparison approach	Median Price to earnings (P/E) ratio of similar comparable companies	P/E ratio 11.97x Illiquidity ratio 19.2%	The higher the P/E ratio of similar trading companies, the higher the fair value
Unified Payment Services Limited	6,683	6,022	Adjusted fair value comparison approach	Median Price to earnings (P/E) ratio of similar comparable companies	P/E ratio 21.74x Illiquidity ratio 19.2%	The higher the EV/EBITDA ratio of similar trading companies, the higher the fair value
AFREXIM Bank	1,180	2,302	Adjusted fair value comparison approach	Median Price to Net book value (P/BV) ratio of similar comparable companies	P/BV 0.91X Illiquidity ratio 19.2%	The higher the P/E ratio of similar trading companies, the higher the fair value
FMDQ OTC Securities Exchange	4,603	4,302	Adjusted fair value comparison approach	Median Price to earnings (P/E) ratio of similar comparable companies	P/E ratio 24.07x Illiquidity ratio 19.2%	The higher the P/E ratio of similar trading companies, the higher the fair value
SANEF (Shared Agent Network Expansion Facility)	50	50				
	18,388	18,640				

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(All amounts in millions of Naira unless otherwise stated)

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
7 Interest income				
7a Interest income calculated using the effective interest method:				
Loans and advances to customers:				
- Term loans	60,809	56,614	60,809	56,614
- Overdraft	10,301	4,303	10,301	4,303
Cash and short term funds	1,982	3,763	1,982	3,763
Investment securities held at amortized cost	25,743	20,345	25,743	20,345
	98,835	85,025	98,835	85,025
7b Interest income on Financial asset at FVTPL				
Financial assets held at FVTPL	414	518	414	518
	414	518	414	518
Gross interest income	99,249	85,543	99,249	85,543
8 Interest expense				
	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Savings deposits	4,308	2,425	4,308	2,425
Time deposits	21,916	14,672	21,916	14,672
Interbank takings	1,062	182	1,062	182
Borrowed funds	1,403	1,066	1,403	1,066
Current deposits	1,726	1,104	1,726	1,104
Leases	328	257	328	257
	30,743	19,706	30,743	19,706
9 Net fee and commission income				
	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current account maintenance charges	3,511	2,557	3,511	2,557
Commission on telex transfer	2,368	2,184	2,368	2,184
Commission on off-balance sheet transactions	731	698	731	698
Remittances fees	1,204	987	1,204	987
Letters of credit commission and fees	368	508	368	508
Commission on cheque book issued	211	217	211	217
Electronic channels commission	5,302	6,028	5,302	6,028
Collection revenue	152	342	152	342
Other Fees and Commissions	798	549	798	549
Total fee and commission income	14,645	14,070	14,645	14,070
Fee and commission expense (Note 9.1)	(7,016)	(6,474)	(7,016)	(6,474)
Net fee and commission income	7,629	7,596	7,629	7,596
Timing of revenue recognition				
At a point in time	13,914	13,372	13,914	13,372
Over time	731	698	731	698
9.1 Fee and commission expense				
NEFT/NIBSS transfer charges	713	600	713	600
E banking expense	6,154	5,713	6,154	5,713
Other fee and commission expense	149	161	149	161
	7,016	6,474	7,016	6,474

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(All amounts in millions of Naira unless otherwise stated)

10 Net trading and foreign exchange gain

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Foreign exchange unrealised translation gains/(losses)	3,000	583	3,000	583
Net trading gain on FVTPL securities	602	3,992	602	3,992
	3,602	4,575	3,602	4,575

11 Other operating income

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Dividend income on fair value through OCI investments	368	768	368	768
Rental income	192	210	192	210
Recoveries*	2,654	2,487	2,654	2,487
Gain on disposal of subsidiary	-	-	-	1,153
Gain on disposal of property and equipment	485	1,601	485	1,601
Sundry income	119	132	119	132
	3,818	5,198	3,818	6,351

* Recoveries comprises of recovery on loan of ₦1.1b (2021 - ₦1.67b) and Other Recoveries of ₦1.5b (2021 - ₦812m)

12 Impairment loss on loans and other financial assets

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Impairment charge on other assets (Note 12.1)	2	1,386	2	1,386
Impairment (write back)/charge on loans and advances (Note 19.1)	1,700	(7,417)	1,700	(7,417)
Impairment (write back)/charge on contingents (note 32(ii))	(3,606)	9,068	(3,606)	9,068
Impairment charge on investment (debt) securities (note 12.2)	972	280	972	280
	(932)	3,317	(932)	3,317

12.1 Impairment charge on other assets includes:

Impairment charge on other receivables (note 23.1)	123	998	123	998
Impairment charge on AMCON receivable (note 23b)	(121)	388	(121)	388
	2	1,386	2	1,386

12.2 Impairment charge on investment (debt) securities includes:

Impairment charge on investment securities at amortized cost (note 17)	912	75	912	75
Impairment charge on placement (note 17)	(40)	95	(40)	95
Impairment charge on assets pledged as collateral (note 22)	101	110	101	110
	972	280	972	280

13 Employee benefit costs

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December 2022</u>	<u>31 December 2021</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Wages and salaries	25,810	25,390	25,810	25,390
Defined contribution	431	434	431	434
Other staff cost (note 13.1)	124	134	124	134
Termination expenses	469	538	469	538
	26,834	26,496	26,834	26,496

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13.1 Other staff cost

Other staff cost represent benefits accruing to employees with respect to loans granted at below market interest rate

13.2 Employees and directors

a Employees

The average number of persons employed by the Group during the period was as follows:

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Executive directors	3	3	3	3
Management	67	108	67	108
Non-management	2,387	2,206	2,387	2,206
	2,457	2,317	2,457	2,317

b Gender analysis of Staff

Total employees

	Gender (Number)			Gender (%)	
	Male	Female	Total	Male	Female
Employees	1,415	1,042	2,457	58%	42%
	1,415	1,042	2,457	58%	42%

Board and top management

Assistant General Managers	23	2	25	92%	8%
Deputy General Managers	6	2	8	75%	25%
General Managers	5	1	6	83%	17%
Non-executive directors	5	3	8	63%	38%
Executive Directors (excluding MD)	2	0	2	100%	0%
Managing Director/CEO	1	0	1	100%	0%
	42	8	50	84%	16%

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

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
N2,000,001 - N2,800,000	333	248	333	248
N2,800,001 - N3,500,000	4	5	4	5
N3,500,001 - N4,000,000	322	316	322	316
N4,000,001 - N5,500,000	490	505	490	505
N5,500,001 - N6,500,000	89	39	89	39
N6,500,001 - N7,800,000	416	408	416	408
N7,800,001 - N9,000,000	360	297	360	297
N9,000,001 and above	440	496	440	496
	2,454	2,314	2,454	2,314

c Directors' emoluments

Remuneration paid to the Directors was:

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Fees and sitting allowances	227	51	227	51
Other director expenses and benefits	13	171	13	171
Total directors' related expenses (note 14)	240	222	240	222
Executive compensation	219	198	219	198
Post-employment benefit	1,546	-	1,546	-
	2,005	420	2,005	420

Fees and other emoluments disclosed above include amounts paid to:

Chairman	107	10	107	10
Highest paid director	577	84	577	84

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(All amounts in millions of Naira unless otherwise stated)

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

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
N5,000,001 and N10,000,000	-	1	-	1
N10,000,001 and N20,000,000	7	4	7	4
N20,000,001 and above	8	3	8	3
	15	8	15	8

14 Administration and general expenses

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Advertising and business promotion	2,040	1,281	2,040	1,281
Communication and operational cost	135	140	135	140
Insurance costs	482	395	482	395
Legal and professional fees	1,685	1,465	1,685	1,465
NDIC insurance premium	4,621	4,210	4,621	4,210
Repairs and maintenance	5,051	3,456	5,051	3,456
Transport, travel, accommodation	585	302	585	302
Stationery and printing	481	398	481	398
Security expenses	1,137	1,106	1,137	1,106
Training expenses	1,147	538	1,147	538
Contract services	7,724	5,834	7,724	5,834
Charities and donations	108	954	108	954
Directors' related expenses	240	222	240	222
Trade Group Subscription	325	294	325	294
AMCON sinking fund expenses	7,257	6,245	7,257	6,245
Utilities	1,024	720	1,024	720
Office expenses	453	490	453	490
Newspapers and periodicals	0	3	0	3
Relocation and recruitment	376	276	376	276
Operational and other losses	62	177	62	177
Rents and rates	428	286	428	286
Auditors remuneration	278	200	278	200
Penalties for non-compliance with banking regulations	2	52	2	52
Cash shipment services	1,037	1,009	1,037	1,009
CBN levy	1,309	-	1,309	-
Other administrative expenses	1,216	789	1,216	789
	39,203	30,842	39,203	30,842

15 Depreciation and amortisation

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Depreciation of property, plant and equipment (note 26)	6,031	5,466	6,031	5,466
Depreciation of right of use asset	491	398	491	398
Amortisation of intangible assets (note 27)	973	398	973	398
	7,495	6,262	7,495	6,262

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16 Cash and balances with central bank

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Cash in vault	23,243	18,384	23,243	18,384
Operating account with the central	57,632	1,174	57,632	1,174
	80,875	19,558	80,875	19,558

16.1 Cash and cash equivalents

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Cash in vault (note 16)	23,243	18,384	23,243	18,384
Operating account with the central banks (note 16)	57,632	1,174	57,632	1,174
Due from banks and other financial institutions excluding long term placements and cash collateral	52,543	52,673	52,543	52,673
	133,418	72,231	133,418	72,231

Cash and cash equivalents does not include restricted cash with the Central Bank of Nigeria (CBN) which is not available for use by the group for normal day to day cash operations.

17 Due from banks and other financial institutions

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Current account balances and placements outside of Nigeria	25,118	32,968	25,118	32,968
Current account balances outside of Nigeria				
Placements with other banks and discount houses				
Placements with other banks	27,480	19,800	27,480	19,800
	52,598	52,768	52,598	52,768
Impairment allowance	(55)	(95)	(55)	(95)
	52,543	52,673	52,543	52,673

17a Movement in impairment allowance on placement

At opening	95	-	95	-
(Write back)/ charge for the year	(40)	95	(40)	95
	55	95	55	95

Current	52,543	52,673	52,543	52,673
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18 Financial assets held at fair value through profit or loss

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Treasury Bills	13,633	654	13,633	654
Bonds	8,323	-	8,323	-
	21,956	654	21,956	654
Current	21,956	654	21,956	654
	21,956	654	21,956	654

Financial assets at fair valued through profit or loss are acquired principally for the purpose of trade in the near term and to take advantages of favourable fluctuations in the market price of the asset. Gains or losses relating to these are disclosed in note 10.

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

19 Loans and advances to customers

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Loans and advances to customers				
Term loans	276,045	261,780	276,045	261,780
Overdrafts	101,744	64,625	101,744	64,625
	377,789	326,405	377,789	326,405
Impairment allowance (note 19.1)	(68,734)	(66,333)	(68,734)	(66,333)
	309,055	260,072	309,055	260,072
Current	152,895	86,231	152,895	86,231
Non-current	156,160	173,841	156,160	173,841
	309,055	260,072	309,055	260,072

19.1 Movement in impairment allowance

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Opening	66,333	94,216	66,333	66,333
Write-offs for the year	(56)	(31,825)	(56)	(31,825)
FX and other movements	757	11,359	757	39,242
(Write back)/Charge for the year	1,700	(7,417)	1,700	(7,417)
Balance at 31 December	68,734	66,333	68,734	66,333

Notes to the financial statements
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

20 Investments held at amortised cost

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Treasury bills	35,836	209,498	35,836	209,498
Federal Government of Nigeria bonds	142,219	93,466	142,219	93,466
Corporate bonds	6,765	3,692	6,765	3,692
State Government bonds	7,931	9,160	7,931	9,160
Eurobonds	2,378	2,249	2,378	2,249
Promisory notes	13,142	12,689	13,142	12,689
Commercial papers	1,810	2,349	1,810	2,349
	210,081	333,103	210,081	333,103
Impairment of debt securities	(3,103)	(2,191)	(3,103)	(2,191)
	206,978	330,912	206,978	330,912
Current	77,022	195,998	77,022	195,998
Non-current	129,956	79,213	129,956	79,213
	206,978	275,211	206,978	275,211
Movement in impairment of debt securities :				
Opening Balance	2,191	2,191	2,191	2,191
Charge for the year	912	-	912	-
Closing Balance	3,103	2,191	3,103	2,191

21 Investment securities at fair value through other comprehensive income

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Quoted equity investment	10	10	10	10
Unquoted equity investment	18,388	18,640	18,388	18,640
	18,398	18,650	18,398	18,650

22 Assets pledged as collateral

In connection with the bank's financing and trading activities, the Bank has pledged assets to secure its borrowings. The Bank is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. The carrying values of the Group's pledged assets are as follows:

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Federal Government of Nigeria Bonds	31,244	34,254	31,244	34,254
Treasury bills	18,432	18,432	18,432	18,432
	49,676	52,686	49,676	52,686
Impairment on assets pledged as collaterals	(211)	(110)	(211)	(110)
	49,465	52,576	49,465	52,576
Current	18,432	18,432	18,432	18,432
Non current	31,033	34,144	31,033	34,144
	49,465	52,576	49,465	52,576

The related liability for assets pledged as collateral include:

Borrowings (Note 30)

Bank of industry	1,447	1,099	1,447	1,099
	1,447	1,099	1,447	1,099

The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies (CBN Clearing, SystemSpec, Interswitch, FMDQ and Etranzact). The pledges have been made in the normal course of business of the bank. In the event of default, the pledgee has the right to realise the pledged assets. Assets pledged as collateral have been classified and measured at amortized cost.

Notes to the financial statements
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

23 Prepayment and other assets

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Financial assets				
Accounts receivable	3,886	5,455	3,886	5,455
Sundry receivables	18,573	14,384	18,573	14,384
Cash Reserve with CBN	401,266	325,879	401,266	325,879
Intercompany receivables	-	-	143	143
Deposit for investment in AGSMEIS	3,768	2,794	3,768	2,794
	427,493	348,512	427,636	348,655
Impairment allowance (see note 23.1)	(5,651)	(5,528)	(5,651)	(5,528)
	421,842	342,984	421,985	343,127
Non-financial assets				
Prepayments	5,230	1,513	5,230	1,513
Inventories	763	1,091	763	1,091
	5,993	2,604	5,993	2,604
Prepayment and other assets	427,835	345,588	427,978	345,731
Current	26,269	12,803	26,412	12,946
Non-current	401,566	332,785	401,566	332,785
	427,835	345,588	427,978	345,731

23.1 Movement in impairment allowance

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
At Opening	5,528	3,830	5,528	4,530
Charge to profit or loss	123	1,698	123	998
Total	5,651	5,528	5,651	5,528

23b Other loans and receivables

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
AMCON receivables	200,690	173,938	200,690	173,938
Impairment allowance on other loans and receivables	(267)	(388)	(267)	(388)
	200,423	173,550	200,423	173,550

23b(i) Movement in impairment allowance on other loans and receivables

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
At opening	388	-	388	-
(Write back)/ charge for the year	(121)	388	(121)	388
	267	388	267	388

Notes to the financial statements
For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

24 Right of Use Assets

This note provides information for leases where the Bank is a lessee.

	Building N'm	Total N'm
Opening balance as at 1 January 2022	3,783	3,783
Additions during the year	85	85
Lease modification	428	428
Closing balance as at 31 December 2022	4,296	4,296
Opening balance as at 1 January 2021	2,776	2,776
Additions during the year	1,340	1,340
Disposals	(333)	(333)
Closing balance as at 31 December 2021	3,783	3,783
Depreciation		
Opening balance as at 1 January 2022	1,434	1,434
Charge for the year	491	491
Closing balance as at 31 December 2022	1,925	1,925
Opening balance as at 1 January 2021	1,036	1,036
Charge for the year	398	398
Closing balance as at 31 December 2021	1,434	1,434
Net book value as at 31 December 2022	2,371	2,371
Net book value as at 31 December 2021	2,349	2,349

25 Lease liabilities

i Lease liabilities

	31 December 2022	31 December 2021
	N'm	N'm
Opening balance as at 1 January	1,798	1,335
Additions	49	822
Interest expense	329	257
Payments made during the period		
-Principal	(153)	(244)
-Interest	(85)	(136)
Lease modification	227	(236)
Closing balance as at 31 December	2,165	1,798
Current lease liabilities	483	401
Non-current lease liabilities	1,682	1,397
	2,165	1,798

ii Amounts recognised in the statement of profit or loss

	31 December 2022	31 December 2021
	N'm	N'm
Depreciation charge on right-of-use assets	491	398
Interest expense	329	257
	820	655

The total cash outflow for leases as at December 2022 was N238 million.

iii Liquidity risk (maturity analysis of lease liabilities) For the year ended 31 December 2022

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total contractual cashflows	Carrying amount
Lease liability	347	347	676	1,429	637	3,436	2,165

For the year ended 31 December 2021

	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Above 5 years	Total contractual cashflows	Carrying amount
Lease liability	394	394	770	1,961	1,116	4,635	1,798

For the period year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

26 Property, plant and equipment

Group and Bank

	Land	Leasehold buildings	Leasehold improvements	Plant & machinery	Furniture & fittings	Motor vehicles	Computer hardware	Property under construction	Total
Cost									
As at 01 January 2022	5,446	28,946	18,344	12,846	2,692	4,507	18,452	5,846	97,080
Additions	-	-	8	168	33	150	737	658	1,754
Reclassification*	-	-	12	412	12	157	1,473	(2,223)	(157)
Disposals/Write-offs	-	(462)	(334)	(54)	(2)	(745)	(43)	(744)	(2,385)
At 31 December 2022	5,446	28,484	18,031	13,372	2,735	4,069	20,619	3,536	96,292
Accumulated depreciation									
As at 01 January 2022	-	5,126	12,844	9,041	2,465	3,440	14,263	2,412	49,590
Charge for the year	-	565	439	1,093	67	497	3,368	0	6,029
Disposals	-	(79)	(331)	(50)	(2)	(527)	(43)	(332)	(1,365)
At 31 December 2022	-	5,611	12,952	10,083	2,530	3,410	17,588	2,080	54,255
Net book amount at 31 December 2022	5,446	22,873	5,079	3,288	205	659	3,031	1,456	42,037

* The reclassification of N157 million is in respect of software solution purchased wrongly entered as Property, plant and equipment.

	Land	Leasehold buildings	Leasehold improvements	Plant & machinery	Furniture & fittings	Motor vehicles	Computer hardware	Property under construction	Total
Cost									
As at 01 January 2021	5,446	31,031	18,672	12,155	2,609	4,528	17,713	4,554	96,708
Additions	-	680	48	1,234	124	325	932	1,968	5,312
Reclassification*	-	-	(13)	13	-	-	-	(20)	(20)
Disposals/Write-offs	-	(2,765)	(363)	(556)	(41)	(346)	(193)	(656)	(4,920)
At 31 December 2021	5,446	28,946	18,344	12,846	2,692	4,507	18,452	5,846	97,080
As at 01 January 2021	-	4,894	12,579	8,718	2,451	3,361	11,400	2,412	45,815
Charge for the year	-	582	482	873	55	420	3,056	-	5,466
Disposals	-	(350)	(217)	(550)	(41)	(341)	(193)	-	(1,691)
Impairment	-	-	-	-	-	-	-	-	-
At 31 December 2021	-	5,126	12,844	9,041	2,465	3,440	14,263	2,412	49,590

The reclassification of N20 million is in respect of software solution purchased wrongly entered as Property, plant and equipment.

Net book amount at 31 December 2021	5,446	23,821	5,500	3,806	227	1,067	4,189	3,434	47,490
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Notes to the financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

27 Intangible assets

	Group	Bank
	Computer	Computer
	software	software
Cost		
At 1 January 2022	14,150	14,150
Additions	228	228
Reclassification*	157	157
At 31 December 2022	14,535	14,535
Amortisation		
At 1 January 2022	10,089	10,089
Amortisation charge	973	973
At 31 December 2022	11,062	11,062
Net book value		
At 31 December 2022	3,473	3,473

* The reclassification of N157 million is in respect of software solution purchased wrongly entered as Property, plant and equipment.

Cost		
At 1 January 2021	11,962	11,962
Additions	2,168	2,168
Reclassification*	20	20
At 31 December 2021	14,150	14,150
Amortisation		
At 1 January 2021	9,691	9,691
Amortisation charge	398	398
At 31 December 2021	10,089	10,089
Net book value		
At 31 December 2021	4,061	4,061

*The reclassification of N20 million is in respect of software solution purchased wrongly entered as Property, plant and equipment.

**Intangible assets are all externally generated

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Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

28 Assets classified as held for sale and discontinued operations

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Discontinued operations (note 28a)	-	-	500	500
Assets of disposal group held for sale (note 28b)	2,016	1,894	-	-
Total assets classified as held for sale	2,016	1,894	500	500
Liabilities of disposal group held for sale	1,038	837	-	-

28a Discontinued operations

The associated assets and the liabilities of the subsidiary has been presented as held for sale having met all the conditions to be classified as such in accordance with IFRS 5 as the carrying amount is expected to be recovered principally by a sale rather than through continuing use. These subsidiaries include:

2022

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by non-controlling interests (%)	Carrying amount
• Mainstreet Bank Estate Company Ltd	Nigeria	Property development	100	-	500
					500

2021

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by non-controlling interests (%)	Carrying amount
• Mainstreet Bank Estate Company Ltd	Nigeria	Property development	100	-	500
					500

28b Asset of disposal group held for sale

The assets and liabilities of the subsidiary held for sale (adjusted for intercompany balances) are as follows;

	MBL Estate	Total
Cash and Cash Equivalent	(0)	(0)
Other Assets and receivables	2,016	2,016
Total Assets	2,016	2,016
Other Liabilities	1,038	1,038
Total Liabilities	1,038	1,038

For consolidation purpose, balances held with or owed to the Parent are eliminated as intercompany balances.

Financial risk management disclosures for non-current assets and non-current liabilities held for sale

In accordance with IFRS 5, the assets and liabilities held for sale were carried at the lower of their fair value less costs to sell and carrying amount. The financial assets are cash and balance balances, investment securities and other assets.

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(All amounts in millions of Naira unless otherwise stated)

28c Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

	31 December 2022	31 December 2021
Net interest income	-	110
Net fee and commission income	-	-
Other operating income	121	2,117
Operating expenses	(201)	(363)
Profit before tax of discontinued operations	(80)	1,864
Loss on sale of subsidiaries	-	(1,134)
Net translation reserve reclassified from OCI to profit or loss due to disposal of foreign subsidiary	-	3,239
Taxation	-	(126)
Profit after tax from discontinued operations	(80)	3,843

29 Deposits from customers

	Group 31 December 2022	Group 31 December 2021	Bank 31 December 2022	Bank 31 December 2021
Current accounts	410,274	317,674	410,292	317,694
Savings account	310,826	288,454	310,826	288,454
Term deposits	331,765	327,757	331,765	327,757
Domiciliary accounts	88,479	87,609	88,479	87,609
	1,141,344	1,021,493	1,141,362	1,021,514
Current	1,141,344	1,021,207	1,141,362	1,021,207
Non-current	-	286	-	307
	1,141,344	1,021,493	1,141,362	1,021,514

30 Borrowings

	Group 31 December 2022	Group 31 December 2021	Bank 31 December 2022	Bank 31 December 2021
CBN - State Bailout Funds (note i)	48,914	52,570	48,914	52,570
CBN - RSSF (note ii)	1,750	2,750	1,750	2,750
CBN/BOI intervention fund (note iii)	1,446	1,099	1,446	1,099
European Investment Bank (note iv)	-	2,297	-	2,297
CBN - Excess Crude Account (note v)	16,760	18,252	16,760	18,252
CBN - CACS (note vi)	68	829	68	829
Foreign loans and borrowings for letters of credits(note vii)	-	6,305	-	6,305
	68,938	84,102	68,938	84,102
Borrowings				
Local	68,938	75,500	68,938	75,500
Foreign	-	8,602	-	8,602
	68,938	84,102	68,938	84,102
Current	3,976	7,836	3,976	7,836
Non-current	64,962	76,266	64,962	76,266
	68,938	84,102	68,938	84,102
Movement in borrowings				
At beginning of the year	84,102	100,920	84,102	100,920
Addition during the year	-	(11,522)	-	(11,522)
Interest expense	1,403	1,066	1,403	1,066
Interest paid	(1,573)	(381)	(1,573)	(381)
Repayments (principal)	(14,994)	(5,981)	(14,994)	(5,981)
At end of year	68,938	84,102	68,938	84,102

- i The amount of N48.91billion represents the outstanding balance on bailout facilities granted to the Bank by the CBN for on-lending to state governments for payment of salaries of the workers of each states. The facility has an average tenor of 22 years with a 2% interest rate per annum payable to the CBN. The Bank is under obligation to disburse the loan at an interest rate of 9% per annum. To cushion the effect of the corona virus pandemic in 2021, the CBN had reviewed the rate on these facilities; effective 1 March 2020, the interest payable to the CBN was adjusted to 1% per annum while the interest receivable from the disbursement to customers was adjusted to 5% per annum. During the year, the CBN reverted to the previous interest rate of 2% payable to the CBN and 9% receivable from disbursement to customer.
- ii The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to stimulate the output growth, productivity and job creation, the Real Sector Support Facility (RSSF) was birthed. The facility is used to support large enterprises and start-ups which requires financing needs of N500 million up to a maximum of N10.0 billion. The RSSF activities is targeted the manufacturing, agricultural value chain and selected service subsectors. The balance of N1.75billion of this facility represents the outstanding balance on the loan granted to Honeywell in 2017. The funds are received from the CBN at 3%, and disbursed at 9% to the beneficiary. Effective September 2022, the CBN reverted to the previous interest rate of 2% payable to the CBN and 9% receivable from disbursement to customer. The principal is repayable quarterly (after a one-year moratorium) and the tenor of the facility is 7 years.

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- iii The amount of N1.45 billion represents outstanding balance on-lending facilities to various customers of the bank availed by the Central Bank of Nigeria (CBN). CBN, in a bid to unlock the credit market in Nigeria during the financial year 2010, approved for disbursement a total sum of N500 billion Debenture Stock through the Bank of Industry (BOI) to various participating banks for onward lending to Nigerian SME/Manufacturing sector. The bank accessed this fund to the tune of N9.5 billion for Agricultural financing, N9.1billion for Manufacturing/SME funds and N263 million on Aviation with a term of 15 years at the rate of 1% and 2% per annum payable to CBN and BOI respectively.
- iv The global credit granted to Polaris bank by European Investment Bank at a rate of 6.27% per annum, for financing small and medium sized investment projects in the productive and human capital sectors in Nigeria matured and was fully paid in May 2022.
- v The amount of N16.76 billion represents outstanding balance on the excess crude account loan granted to the Bank by the Central Bank of Nigeria for on-lending to state governments. The facility has a tenor of 22 years with a 2% interest rate per annum payable to the CBN. The Bank is under obligation to disburse the loan at an interest rate of 9% per annum. To cushion the effect of the corona virus pandemic in 2021, the CBN reviewed the rate on these facilities; effective 1 March 2021, the interest payable to the CBN was adjusted to 1% per annum while the interest receivable from the disbursement to customers was adjusted to 5% per annum. During the year, the CBN reverted to the previous interest rate of 2% payable to the CBN and 9% receivable from disbursement to customer.
- vi The amount of N16.76 billion represents outstanding balance on the excess crude account loan granted to the Bank by the Central Bank of Nigeria for on-lending to state governments. The facility has a tenor of 22 years with a 2% interest rate per annum payable to the CBN. The Bank is under obligation to disburse the loan at an interest rate of 9% per annum. To cushion the effect of the corona virus pandemic in 2021, the CBN reviewed the rate on these facilities; effective 1 March 2021, the interest payable to the CBN was adjusted to 1% per annum while the interest receivable from the disbursement to customers was adjusted to 5% per annum. During the year, the CBN reverted to the previous interest rate of 2% payable to the CBN and 9% receivable from disbursement to customer
- vii The represents borrowings from correspondence banks include loans from foreign banks utilised in funding letters of credits negotiated on behalf of Polaris Bank's customers for international trade.

31 Current tax liability

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Per statement of comprehensive income				
Current income tax	610	-	610	-
Education tax	280	433	280	433
Technology tax	110	163	110	163
Nigeria police trust fund	1	1	1	1
NASENI Levy	27	41	27	41
Capital gains tax	-	26	-	26
Income tax charge	1,028	664	1,028	664
Per statement of financial position				
As at 01 January 2022	1064	597	1,064	597
Income tax charge	1,028	664	1,028	664
Tax Paid	(850)	(197)	(850)	(197)
As at 31 December 2022	1,243	1,064	1,243	1,064

Income tax liability is to be settled within one year

The computation of the Bank's income tax expense and deferred tax was carried out in accordance with the new Finance Act, CITA and other relevant tax laws.

Unrecognised deferred tax asset

Deferred tax assets of N18.2 Billion as at 31 December 2022 has not been recognised because it is not probable that future taxable profits will be available against which they can be utilised.

Unused tax losses for which no deferred tax assets has been recognised was N12.5 billion.

Effective tax rate reconciliation
31 December 2022

	Group		Bank	
	Naira	Rate	Naira	Rate
Profit before tax	10,955	100%	10,955	100%
Income tax using the domestic tax rate	3,287	30%	3,287	30%
Impact Capital Gain	-	0%	-	0%
Impact Education Tax	281	1%	281	1%
Impact NASENI Levy	27	0%	27	0%
Impact Information technology Tax expense	110	1%	110	1%
Impact NPTF Levy/tax	1	0%	1	0%
Effect of permanent differences	(2,678)	(30%)	(2,678)	(30%)
Effective Tax Charge	1,028	9%	1,028	9%

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31 December 2021

	Group		Bank	
	Naira	Rate	Naira	Rate
Profit before tax	22,214	100%	17,442	100%
Income tax using the domestic tax rate	5,233	30%	5,233	30%
Impact capital gain tax	26	0%	26	0%
Impact Education Tax	433	1%	433	1%
Impact NASENI Levy	41	0%	41	0%
Impact Information technology Tax expense	163	1%	163	1%
Impact NPTF Levy/tax	1	0%	1	0%
Effect of permanent differences	(5,233)	(30%)	(5,233)	(30%)
Effective Tax Charge	664	2%	664	2%

32 Accruals and other liabilities

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Financial liabilities				
Accounts payable	37,645	32,478	37,645	32,478
Customer deposits for letters of credit	12,106	11,419	12,106	11,419
Manager's cheque	5,458	5,290	5,458	5,290
Deposit held for sale of subsidiaries	1,157	1,735	1,157	1,735
Uncleared effects	14	14	14	14
Cash card collection settlement	15,897	20,154	15,897	20,154
Other liabilities	6,084	-	6,084	-
	78,361	71,090	78,361	71,090
Non-financial liabilities				
Litigation claims provision (32(i))	7,942	7,942	7,942	7,942
Off Balance Sheet ECL allowance(32(ii))	5,648	9,254	5,647	9,254
Other credit balances(32(iii))	10,549	10,407	10,549	10,407
	24,139	27,602	24,139	27,602
	102,500	98,693	102,500	98,693
Current	95,245	83,551	95,245	83,551
Non-current	7,255	15,142	7,255	15,142
	102,500	98,693	102,500	98,693

32 (i) Movement in litigation claims provision

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Opening balance	7,942	7,785	7,942	7,785
Additional provision	0	157	0	157
Closing balance	7,942	7,942	7,942	7,942

32 (ii) Movement in off balance sheet ECL allowance

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Opening balance	9,254	9,254	9,254	9,254
Additional provision/(write-back)	(3,606)	-	(3,606)	-
Closing balance	5,647	9,254	5,647	9,254

32 (iii) Other credit balances includes:

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Accruals	10,549	8,866	10,549	8,866
Other liabilities		1,541		1,541
	10,549	10,407	10,549	10,407

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(All amounts in millions of Naira unless otherwise stated)

33 Share capital and reserves

a Share capital

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Authorised				
25 billion ordinary shares of N1 each	25,000	25,000	25,000	25,000
(31 December 2021: 25 billion ordinary shares of N1 each)				

Issued and fully paid

The movement on the issued and fully paid up share capital account during the year was as follows:

	Group	Bank
	31 December	31 December
	2022	2022
Opening	25,000	25,000
Balance, end of year	25,000	25,000

b) Earnings Per Share

	Group	Group	Bank	Bank
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Profit after Tax	9,847	19,468	9,927	16,778
Number of shares	25,000	25,000	25,000	25,000
Earnings Per Share (kobo)	39	78	40	67

c) Share premium

Share premium is the excess paid by shareholders over the nominal value of their shares

	Group	Bank
	31 December	31 December
	2022	2022
Opening	25,433	25,433
Transfer from reorganization reserve	-	-
Balance, end of year	25,433	25,433

During the year, the Bank obtained approval from the appropriate authorities to restructure its capital by reducing its share premium. Consequently, the balance of N848billion in the reorganization reserve was transferred to reduce the balance in the share premium account.

d) Other reserves

i Statutory reserve

The banking regulations require the bank and other banking subsidiaries of the bank to make an annual appropriation to a statutory reserve. An appropriation of 30% of profit after taxation is made if the statutory reserve is less than the paid-up share capital and 15% of profit after taxation if the statutory reserve is greater than the paid up share capital.

ii Agric-Business Small and Medium Enterprises Investment Scheme

The AGSMEIS scheme is an initiative of the Banker's Committee of Nigeria which is aimed at supporting the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises. Effective 2017, all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax yearly for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with the Central Bank of Nigeria.

iii Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of FVTOCI investments until the investment is derecognised.

iv Regulatory risk reserve

The risk regulatory risk reserves warehouses the difference between the allowance for impairment losses on balance on loans and advances as determined in accordance with the provisions of Prudential guidelines of Central Bank of Nigeria, when compared with the assessment in line with the requirement of IFRS 9 (expected credit loss model).

v Translation reserve

This represents the group's share of exchange differences relating to the translation of the results and net assets of the group's foreign operations.

vi Intervention fund reserve

This represents 10% of the Gross revenue of the bank.

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

34 Cash generated from operations

	Notes	Group	Group	Bank	Bank
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>Reconciliation of profit before tax to cash generated from operations:</i>					
Operating Profit before tax		10,955	16,289	10,955	17,442
Adjustments for:					
Depreciation of property and equipment	26	6,031	5,466	6,031	5,466
Depreciation of right of use assets	24	491	398	491	398
Amortisation of intangible assets	27	973	398	973	398
Profit from sale of subsidiary		-	(1,153)	-	(1,153)
Gain on disposal of property and equipment	11	(485)	(1,601)	(485)	(1,601)
Net fair value (gain) on financial assets held at fair value through profit or loss	10	(602)	(3,992)	(602)	(3,992)
Impairment on financial assets	12	(932)	3,317	(932)	3,317
Net interest income	7	(68,506)	(65,837)	(68,506)	(65,837)
Unrealised foreign exchange gain on revaluati	10	(3,000)	(583)	(3,000)	(583)
Dividend income	11	(368)	(768)	(368)	(768)
		(55,443)	(46,914)	(55,443)	(46,914)
Changes in operating assets and liabilities					
Financial assets held at fair value through profit or loss		(21,302)	42,433	(21,302)	42,433
Loans and advances to customers		(48,983)	(55,288)	(48,983)	(55,288)
Prepayments and other assets		(109,121)	(88,548)	(109,121)	(88,548)
Changes in operating liabilities					
Deposits from customers		119,848	107,191	119,848	107,191
Accruals and other liabilities		3,808	20,078	3,808	20,078
Interest paid on deposits		(27,614)	(17,536)	(27,614)	(17,536)
Interest received on loans and advances		71,109	60,917	71,109	60,917
		(67,698)	22,334	(67,698)	22,334
		(850)	(197)	(850)	(197)
Income tax paid					
Net cash (used)/generated from operating activities		(68,548)	22,137	(68,548)	22,137

For the year ended 31 December 2022

Notes to the financial statements

(All amounts in millions of Naira unless otherwise stated)

35 Related parties

The Group is wholly controlled by Strategic Capital Investment Limited (SCIL) and Ponglomerape Limited.

(a) Subsidiaries

Transactions between Polaris Bank Ltd and its subsidiaries also meet the definition of related party transactions. These transactions are eliminated on consolidation and disclosed in the consolidated financial statements.

(b) Transactions with key management personnel

The Group's key management personnel, and persons connected with them, are also considered to be related parties. The key management personnel have been identified as executive and non-executive directors of the Group. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Polaris Bank Ltd and its subsidiaries.

Balances and transactions between the bank, and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation. Details of transactions between the Group and other related parties are disclosed below.

35.1 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

35.2 Key management compensation

The compensation paid to key management is shown below:

	Group		Bank	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Short-term employee benefits	2,005	420	2,005	420
	2,005	420	2,005	420

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35.3 Directors' related deposit liabilities

	Directors (and close family members)	
	31 December 2022	31 December 2021
Balance, beginning of year	10,125	4,780
Deposits received during the year	188,877	320,128
Deposits repaid during the year	(179,163)	(314,783)
Balance, end of year	<u>19,839</u>	<u>10,125</u>

The deposit received and repaid by related party in prior year were updated. Restatement of this disclosure does not have any impact on the prior period profit.

35.4 Subsidiaries deposit account balances

Name of company	31 December 2022	31 December 2021
Mainstreet Bank Estate Company Ltd	18	20
	<u>18</u>	<u>20</u>

Interest rates charged on balances outstanding are at rates that would be charged in the normal course of business.

35.5 Loans and advances to related parties

	Directors (and close family members)	
	31 December 2022	31 December 2021
Loans outstanding at 1 January	38,641	37,116
Loans issued during the year	6,014	4,362
Exchange difference/Accrued interest Capitalized	-	-
Loan repayments during the year	(1,522)	(2,837)
Loans Outstanding as 31 December	<u>43,133</u>	<u>38,641</u>

35.6 Other transactions with related parties

	Directors (and close family members)	
	31 December 2022	31 December 2021
Interest income on loans	691	1
Interest expense on deposits	31	1
Fee and commission income	10	1

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35.7 Insider related credits

The Group granted various credit facilities to companies whose directors are also directors of Polaris Bank Limited, at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of N31,646 million was outstanding on these facilities at the end of the period. This disclosure is in compliance with the requirements of the Banking and Other Financial Institutions Act (BOFIA). The table below provides further details:

31 December 2022

Name of company/individual	Name of related interest	Relationship to Reporting Institution	Type	Amount	Loan status	Collateral perfection status	Nature of security and security status
Demanta Nigeria Limited	Mrs Ibiye Ekong	Ex-Director	C/A BAL	89	Lost	Not Perfected	Legal mortgage
FETS FLOAT ACCOUNT	Tunde Ayeni	Ex-Director	C/A BAL	535	Performing	Not Applicable	Not Applicable
Newcross Exploration and Production	Jason Fadeyi	Ex-Director	Term Loan	30,922	Watchlist	Perfected	Debenture on Assets of the
Timothy A Oguntayo	Timothy A Oguntayo	Ex-Director	Mortgage Loan	100	Lost	Not Applicable	Legal mortgage & Domiciliation
				31,646			

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(All amounts in millions of Naira unless otherwise stated)

35.7 Insider related credits

The Group granted various credit facilities to companies whose directors are also directors of Polaris Bank Limited, at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of N25,827 million was outstanding on these facilities at the end of the period. This disclosure is in compliance with the requirements of the Banking and Other Financial Institutions Act (BOFIA). The table below provides further details:

31 December 2021

Name of company/individual	Name of related interest	Relationship to Reporting Institution	Type	Amount	Loan status	Collateral perfection status	Nature of security and security status
Abimbola Izu	Abimbola Izu	Ex-Director	Mortgage Loan	103	Lost	Not Applicable	Legal mortgage & Domiciliation
Abimbola Izu	Abimbola Izu	Ex-Director	Term Loan	17	Lost	Not Applicable	Legal mortgage & Domiciliation
Demanta Nigeria Limited	Mrs Ibiye Ekong	Ex-Director	C/A BAL	100	Lost	Not Perfected	Legal mortgage
Dotun Adeniyi	Dotun Adeniyi	Ex-Director	Mortgage Loan	27	Lost	Not Applicable	Legal mortgage & Domiciliation
Home And You Limited	Tokunbo M. Abiru	Ex-Director	Overdraft	9	Performing	Not Applicable	Lien of Fixed Deposit
Ib. Elect. Distr. Mkt. Co. Ltd	Tunde Aveni	Ex-Director	C/A Bal	3	Performing	Not Applicable	Not Applicable
Ibiye Ekong	Ibiye Ekong	Ex-Director	Mortgage Loan	4	Lost	Not Applicable	Legal mortgage
Ibiye Ekong	Ibiye Ekong	Ex-Director	Auto Loan	4	Lost	Not Applicable	Lien on Asset
Newcross Exploration and Production	Jason Fadeyi	Ex-Director	Term Loan	25,442	Lost	Perfected	Debenture on Assets of the Company
Theodora Amaka Onwughalu	Theodora Amaka Onwughalu	Ex-Director	Mortgage Loan	18	Lost	Not Applicable	Legal mortgage & Domiciliation
Timothy A. Oquntayo	Timothy A. Oquntayo	Ex-Director	Mortgage Loan	100	Lost	Not Applicable	Legal mortgage & Domiciliation
				25,827			

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35.8 Risk assets outstanding

Directors' off balance-sheet engagement

Name of company/Individual	Name of related interest	Type	Loan status	Collateral perfection status	Nature of security and security status	31 December 2022	31 December 2021
Home and You	Mr. Tokunbo Abiru	Bank Guarantee	Performing	Perfected	Legal mortgage	77	116
Ibadan Electricity Distribution Co	Mr. Tunde Ayeni	Bank Guarantee	Performing	N/A	Cash backed	10,980	10,980
Metropolitan Construction Co .Ltd.	Alh. Musiliu Smith	Performance Bond	Performing	N/A	Counter Indemnity	-	287
Metropolitan Construction Co .Ltd.	Alh. Musiliu Smith	APG	Performing	N/A	Lien on expected APG fund	430	1,430
						11,487	12,813

36 Contingent liabilities and commitments

36.1 Legal proceedings

The Group in the ordinary course of business is presently involved in 468 litigation suits. There were contingent liabilities in respect of claims and litigations against the Group as at 31 December 2022 amounting to N320 billion(2021: N323 billion). These claims arose in the normal course of business and are being contested by the Group. The solicitors of the Group are of the view that probable liability which may arise from the cases pending against the bank is not likely to exceed N 7.9 billion. This probable liability has been fully provided for. (Please refer to note 32(i)).

36.2 Capital commitments

At the balance sheet date, the Group had no capital commitments in respect of authorized and contracted capital projects for information technology equipment and software.

36.3 Off-balance sheet engagements

In the normal course of business, the Group is party to financial instruments with off-balance sheet risk - acceptances, performance bonds and indemnities. The instruments are used to meet the credit and other financial requirements of customers.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include transaction related customs and performances bond and are, generally, commitments to third parties which are not directly dependent on the customer's creditworthiness. Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers. The following tables summarises the nominal principal amount of contingent liabilities and commitments.

	Group 31 December 2022	Group 31 December 2021	Bank 31 December 2022	Bank 31 December 2021
Performance bonds and guarantees	115,824	114,332	115,824	114,332
Letters of credit	21,834	28,351	21,834	28,351
	137,659	142,683	137,659	142,683

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37 Statement of prudential adjustment

The reconciliation between the CBN recommended provisions and that under IFRS is as shown in the table below:

	2022		2021	
	Total impairment	Total	Total impairment	Total
Provision per CBN Guidelines	75,277	75,277	86,619	86,619
Impairment allowance per IFRS	91,610	91,610	91,841	91,841
Amount required in regulatory risk reserve	-	-	-	-

38 Events after the reporting period

There were no events after the reporting date.

39 Contraventions of the Banks and Other Financial Institutions Act of Nigeria and CBN circulars

Regulatory Body	Infraction
Central Bank of Nigeria	Sum of N2 million imposed on the bank in respect of the corporate governance scorecard assessment.

For the contraventions mentioned above, the bank was fined in year 2022.

40 Non-audit services

During the year, the Bank's external auditors (Pricewaterhousecoopers) rendered the following non-audit service to the Bank:

(i) Assessment of the Bank's Risk Management, Corporate Governance and Whistle blowing compliance practices. The fee paid by Polaris Bank Limited for this service was N20 million.

(ii) NDIC deposit certification. The fee paid for this service was N1.5 million.

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41 Statement of cash flow reconciliation

41.1 Interest received on investment securities held at amortised cost

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Opening interest receivable	4,726	2,574	4,726	2,574
Interest Income on investment securities	25,742	20,345	25,742	20,345
Interest received	(24,646)	(18,193)	(24,646)	(18,193)
Closing balance	5,822	4,726	5,822	4,726

41.2 Acquisition of investment securities held at amortised cost and pledged assets

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Gross carrying amount as at 1 January	385,679	317,587	385,679	317,587
Additions during the year	226,690	370,968	226,690	370,968
Financial assets that have been derecognised	(355,100)	(302,876)	(355,100)	(302,876)
Gross closing amount as at year end	257,270	385,679	257,270	385,679
Recognised in cash flow	226,690	370,968	226,690	370,968

41.2 Proceeds from sale of properties

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Cost	2,385	4,920	2,385	4,920
Accumulated depreciation	(1,366)	(1,691)	(1,366)	(1,691)
Carrying amount	1,019	3,229	1,019	3,229
Sale Proceed	(1,504)	(4,830)	(1,504)	(4,830)
Profit on disposal	485	(1,601)	485	(1,601)

41.3 Proceeds from disposed and matured investment securities

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Proceed from investment securities amortized cost disposed during the year	333,657	272,976	333,657	272,976
Proceed from assets held as collateral disposed during the year	22,045	33,892	22,045	33,892
Recognised in cash flow	355,702	306,868	355,702	306,868

41.3 Repayment of intervention Fund

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
At beginning of the year	11,054	12,902	11,054	12,902
Payment during the year	(11,054)	(12,902)	(11,054)	(12,902)
Transfer during the year	12,132	11,054	12,132	11,054
At end of the year	12,132	11,054	12,132	11,054

41.4 Dividend income received from:

	<u>Group</u>	<u>Group</u>	<u>Bank</u>	<u>Bank</u>
	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>	<u>31 December</u>
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
UPSL	-	558	-	558
NIBSS	304	210	304	210
Afrexim	64	-	64	0
At end of the year	368	768	368	768

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42 Segment reporting

42.1 Operating segments by business segment

Operating segments are reported in accordance with the internal reports provided to the Bank's Executive Management Committee which is responsible for allocating resources to the operating segments and assessing its performance.

The Bank is divided into three main business segments, as described below, which are the Bank's strategic business units. The strategic business units offer varied products and services and are managed separately based on the Bank Management's structure.

Retail banking

Retail banking incorporates private banking services, private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

Commercial banking

Commercial banking incorporates direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

Treasury, Corporate and Investment banking

Treasury, corporate and investment banking incorporates financial instruments trading, structured financing and corporate leasing.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

No single external customer accounts for 10% or more of the Bank's revenue.

The measurement policies the Bank uses for segment reporting are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

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Bank

31 December 2022

	Treasury, Corporate and Investment banking	Retail banking	Commercial banking	Total
Revenue:				
Derived from external customers	17,385	53,162	50,767	121,314
Derived from other business segments	-	-	-	-
Total revenue	17,385	53,162	50,767	121,314
Interest expenses	(1,845)	(12,916)	(15,981)	(30,743)
Fee and commission expenses	(959)	(3,143)	(2,914)	(7,016)
Net operating income	14,581	37,103	31,872	83,556
Expense:				
Employee benefit and compensation cost	(3,727)	(12,218)	(10,889)	(26,834)
Administration and general expenses	(7,808)	(16,453)	(14,942)	(39,202)
Loan impairment charges and impairment charges on other financial assets	(974)	(1,700)	3,606	932
Depreciation and amortisation	(974)	(3,449)	(3,074)	(7,497)
Total cost	(13,483)	(33,819)	(25,299)	(72,601)
Profit before income tax from reportable segments	1,098	3,284	6,573	10,955
Income tax expense	(103)	(308)	(617)	(1,028)
Profit after income tax from reportable segments	995	2,976	5,956	9,927
Assets				
Loans and advances to customers	88,774	61,191	159,090	309,055
Others	1,091,938	6,452	8,607	1,106,997
Total assets	1,180,713	67,643	167,697	1,416,052
Liabilities				
Deposits from customers	120,925	603,480	416,956	1,141,362
Others	46,348	3,634	124,864	174,846
Total liabilities	167,273	607,114	541,821	1,316,208
Revenue is made up of :				
Interest income calculated using the effective interest method:				98,835
Interest income on Financial asset at FVTPL				414
Fee and commission income				14,645
Net trading and foreign exchange gain				3,602
Other operating income				3,818
				121,314

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Bank

31 December 2021

	Treasury, Corporate and Investment banking	Retail banking	Commercial banking	Total
Revenue:				
Derived from external customers	29,456	41,381	39,702	110,539
Derived from other business segments	-	-	-	-
Total revenue	29,456	41,381	39,702	110,539
Interest expenses	(3,360)	(7,099)	(9,246)	(19,705)
Fee and commission expenses	(948)	(2,931)	(2,595)	(6,474)
Net operating income	25,148	31,351	27,861	84,360
Expense:				
Employee benefit and compensation cost	(3,942)	(12,191)	(10,363)	(26,496)
Administration and general expenses	(7,972)	(12,190)	(10,680)	(30,842)
Loan impairment charges and impairment charges on other financial assets	(2,355)	(569)	(393)	(3,316)
Depreciation and amortisation	(872)	(2,913)	(2,476)	(6,262)
Total cost	(15,141)	(27,865)	(23,912)	(66,916)
Profit before income tax from reportable segments	10,007	3,486	3,951	17,444
Income tax expense	(361)	(142)	(161)	(664)
Profit after income tax from reportable segments	9,647	3,344	3,789	16,780
Assets				
Loans and advances to customers	74,670	42,630	142,772	260,072
Others	924,065	46,622	78,017	1,048,704
Total assets	998,735	89,252	220,790	1,308,776
Liabilities				
Deposits from customers	103,688	545,244	373,041	1,021,972
Others	41,458	5,824	137,916	185,199
Total liabilities	145,146	551,068	510,957	1,207,171
Revenue is made up of :				
Interest income calculated using the effective interest method:				85,025
Interest income on Financial asset at FVTPL				518
Fee and commission income				14,070
Net trading and foreign exchange gain				4,575
Other operating income				6,351
				110,539

Other National Disclosures

Polaris Bank Limited
Consolidated and separate financial statements

For the year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Other National Disclosures

Value added statements

	Group		Bank		Group		Bank	
	31		31		31		31	
Group	December	%	December	%	December	%	December	%
	2022		2022		2021		2021	
Gross income	121,315		121,315		109,386		110,539	
Interest expense	(30,743)		(30,743)		(19,706)		(19,706)	
	90,572		90,572		89,680		90,833	
Administrative overheads:								
- Local	(46,219)		(46,219)		(37,316)		(37,316)	
- Foreign	-		-		-		-	
Value added	44,353		44,353		52,364		53,517	
Distribution								
Employees								
- Wages & salaries and other staff cost	26,834	61%	26,834	61%	26,496	51%	26,496	50%
Government								
- Taxation	1,028	2%	1,028	2%	664	1%	664	1%
The future								
- Asset replacement (depreciation)	6,520	15%	6,520	15%	5,864	11%	5,864	11%
- Local								
- Asset replacement (amortisation)	973	2%	973	2%	398	1%	398	1%
- Local								
- Impairment loss	(932)	-2%	(932)	-2%	3,317	6%	3,317	6%
- Expansion (transfers to reserves)	9,927	22%	9,927	22%	15,625	30%	16,778	31%
	44,350	100%	44,350	100%	52,364	100%	53,517	100%

For year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Other National Disclosures
Financial summary

	Group					Bank				
					4 months ended					4 months ended
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018
Assets:										
Cash and balance with central banks	80,875	19,558	52,995	26,484	28,026	80,875	19,558	52,995	26,484	28,026
Due from banks and other financial institution	52,543	52,673	57,812	62,076	68,966	52,543	52,673	57,812	62,076	68,966
Financial asset held at fair value through profit or loss	21,956	654	43,087	1,264	57	21,956	654	43,087	1,264	57
Loans and advances to customers	309,055	260,072	204,784	188,738	340,050	309,055	260,072	204,784	188,738	340,050
Investment securities:										
Amortised cost	206,978	330,912	275,211	517,071	531,805	206,978	330,912	275,211	517,071	531,805
Fair value through other comprehensive income (FVTOCI)	18,398	18,650	17,821	17,362	14,634	18,398	18,650	17,821	17,362	14,634
Asset pledged as collateral	49,465	52,576	42,164	42,084	58,262	49,465	52,576	42,164	42,084	58,262
Prepayment and other assets	427,835	345,588	220,055	48,046	54,795	427,978	345,731	220,055	48,046	55,580
Other loans and receivable	200,423	173,550	210,677	182,594		200,423	173,550	210,677	182,594	-
Right of use asset	2,371	2,349	1,740	3,637		2,371	2,349	1,740	3,637	-
Property, plant and equipment	42,037	47,490	50,893	51,623	48,311	42,037	47,490	50,893	51,623	48,311
Intangible assets	3,473	4,061	2,271	180	284	3,473	4,061	2,271	180	284
	1,415,409	1,308,133	1,179,510	1,141,159	1,145,190	1,415,552	1,308,276	1,179,510	1,141,159	1,145,975
Asset classified as held for sale	2,016	1,894	14,680	15,485	23,468	500	500	1,656	2,107	4,120
TOTAL ASSETS	1,417,425	1,310,027	1,194,190	1,156,644	1,168,658	1,416,052	1,308,776	1,181,166	1,143,266	1,150,095
Liabilities										
Due to other financial institutions			-	-	25			-	-	25
Deposits from customers	1,141,344	1,021,493	914,323	857,885	861,044	1,141,362	1,021,514	914,323	857,885	861,044
Lease liabilities	2,165	1,798	1,335	2,645	-	2,165	1,798	1,335	2,645	-
Borrowings	68,938	84,102	89,398	100,920	137,694	68,938	84,102	89,398	100,920	137,694
Current tax liability	1,243	1,064	597	819	365	1,243	1,064	597	819	365
Accrual and other liability	102,500	98,693	78,615	97,945	97,076	102,500	98,693	78,615	97,997	97,994
Retirement benefit obligation				11	11				11	11
	1,316,190	1,207,150	1,084,268	1,060,225	1,096,215	1,316,208	1,207,171	1,084,268	1,060,277	1,097,133
Liabilities classified as held for sale	1,038	837	9,984	9,529	13,686	-	-	-	-	13,686
TOTAL LIABILITIES	1,317,228	1,207,987	1,094,252	1,069,754	1,109,901	1,316,208	1,207,171	1,084,268	1,060,277	1,110,819
Equity										
Share capital	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Share premium	25,433	25,433	873,450	873,450	873,450	25,433	25,433	873,450	873,450	873,450
Retained earnings	7,232	12,992	8,613	3,466	(26,004)	7,007	12,686	10,040	4,395	(26,215)
Reorganization reserve	-	-	(848,017)	(848,017)	(848,017)	-	-	(848,017)	(848,017)	(848,017)
Other reserve	42,532	38,615	39,794	31,797	32,767	42,404	38,486	36,426	28,161	28,744
	100,197	102,040	98,840	85,696	57,196	99,844	101,605	96,899	82,989	52,962
Non- controlling interest	-	-	1,098	1,194	1,561	-	-	-	-	-
TOTAL EQUITY	100,197	102,040	99,938	86,890	58,757	99,844	101,605	96,899	82,989	52,962
TOTAL LIABILITIES AND EQUITY	1,417,425	1,310,027	1,194,190	1,156,644	1,168,658	1,416,052	1,308,776	1,181,167	1,143,266	1,150,095
Contingent liabilities	137,659	142,680	67,852	54,845	42,543	137,659	142,680	67,852	54,845	42,543

For year ended 31 December 2022

(All amounts in millions of Naira unless otherwise stated)

Financial summary

	Group					Bank				
	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018	31 Dec. 2022	31 Dec. 2021	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018
Interest income	99,249	85,543	108,501	133,611	24,589	99,249	85,543	108,501	133,611	24,589
Interest expense	(30,743)	(19,706)	(23,132)	(45,814)	(15,212)	(30,743)	(19,706)	(23,132)	(45,814)	(15,212)
Net interest income	68,506	65,837	85,369	87,797	9,377	68,506	65,837	85,369	87,797	9,377
Impairment loss on loan and other financial asset	932	(3,317)	(9,399)	(14,126)	(2,796)	932	(3,317)	(9,399)	(14,126)	(2,796)
	69,438	62,520	75,970	73,671	6,581	69,439	62,520	75,970	73,671	6,581
Net fee and commission income	7,629	7,596	5,635	8,536	2,159	7,629	7,596	5,635	8,536	2,159
Net trading and foreign exchange income (loss)	3,602	4,575	(443)	950	8,820	3,602	4,575	(443)	950	8,820
Other operating income	3,818	5,198	3,096	3,997	1,066	3,818	6,351	9,753	4,484	1,066
Net operating profit	84,487	79,889	84,258	87,154	18,626	84,487	81,042	90,915	87,641	18,626
Employee benefit costs	(26,834)	(26,496)	(27,853)	(26,428)	(6,606)	(26,834)	(26,496)	(27,853)	(26,428)	(6,606)
Administration and general expenses	(39,203)	(30,842)	(28,475)	(28,863)	(8,457)	(39,203)	(30,842)	(28,475)	(28,863)	(8,457)
Depreciation and amortisation	(7,495)	(6,262)	(5,716)	(4,521)	(1,107)	(7,495)	(6,262)	(5,716)	(4,521)	(1,107)
Profit before tax	10,955	16,289	22,214	27,342	2,456	10,955	17,442	28,871	27,829	2,456
Tax expense	(1,028)	(664)	(336)	(479)	(25)	(1,028)	(664)	(336)	(479)	(25)
Profit for the period from continuing operations	9,929	15,625	21,878	26,863	2,431	9,927	16,778	28,535	27,350	2,431
Profit/(loss) for the period from discontinued operation	(80)	3,843	6,212	(573)	425	-	-	-	-	-
Profit for the period	9,849	19,468	28,090	26,290	2,856	9,927	16,778	28,535	27,350	2,431
Profit attributable to:										
Owner of the bank	9,847	19,404	28,037	26,211	2,777	9,927	16,778	28,535	27,350	2,431
Continuing operations	9,927	15,625	21,878	26,863	2,431	9,927	16,778	28,535	27,350	2,431
Discontinued operations	(80)	3,779	6,159	(652)	346	-	-	-	-	-
Non-controlling interests	-	64	53	79	79	-	-	-	-	-
Discontinued operation	-	64	53	79	79	-	-	-	-	-
	9,847	19,468	28,090	26,290	2,856	9,927	16,778	28,535	27,350	2,431
Other comprehensive income										
Items that may be subsequently reclassified to profit or loss										
Exchange differences on translation of discontinued operation	-	-	(268)	(388)	1,880	-	-	-	-	-
Items that will not be reclassified to profit or loss										
Net Change in Fair Value of Equity Investments (FVOCI)	(634)	830	460	2,677	98	(634)	830	460	2,677	98
Other comprehensive income for the period, net of tax	(634)	830	192	2,289	1,978	(634)	830	460	2,677	98
	9,213	20,298	28,282	28,579	4,834	9,293	17,608	28,995	30,027	2,529
Total comprehensive income attributable to:										
Owner of the bank	9,213	20,234	28,229	28,500	4,755	9,293	17,608	28,995	30,027	2,529
- Continuing operations	9,293	16,455	22,070	29,152	4,409	9,293	17,608	28,995	30,027	2,529
- Discontinued operations	(80)	3,779	6,159	(652)	346	-	-	-	-	-
Non-controlling interests	-	64	53	79	79	-	-	-	-	-
- Discontinued operations	-	64	53	79	79	-	-	-	-	-
	9,213	20,298	28,282	28,579	4,834	9,293	17,608	28,995	30,027	2,529