PROVIDUSBANK

Providus Bank Limited

Annual Report and Financial statements for the year ended 31 December 2023

Providus Bank Limited
Financial statements for the year ended 31 December 2023
Contents

Corporate office

Providus Bank Limited
54, Adetokunbo Ademola Street
Victoria Island
Lagos

RC Number 198892

Directors	Capacity	Date of Appointment
Mr. Walter Akpani	Managing Director/ Chief Executive Officer	Jun-16
Mr. Kingsley Aigbokhaevbo	Executive Director/ Deputy Managing Director	Jun-16
Mr. Chuka Eseka	Non-Executive Director	Jun-16
Mr. Maurice Onokwai	Non-Executive Director	Jun-16
Mr. Funmi Agusto	Non-Executive Director	Jun-16
Mrs. Bernadine Okeke	Non-Executive Director (Independent)	Jun-16
Dr. (Mrs.) Diei Belinda Bobby	Non-Executive Director (Independent)	Jun-21
Mr. Adeoye Ojuroye	Executive Director/ Chief Financial Officer	Oct-22

Auditors

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

Registrars

PAC Registrars
No. 122 Bode Thomas Street
Surulere
Lagos

Company secretary

Opi. Opia & Associates
Suite 015 Edo House
Bishop Oluwole Street
Victoria Island
Lagos

Directors report

For the financial year ended 31 December 2023

The Directors of Providus Bank Limited ("the Bank") hereby present their report on the affairs of the Bank, its audited financial statements and the auditor's report for the year ended 31 December 2023.

Legal form and principal activity

Providus Bank Limited was licenced by the Central Bank of Nigeria in May 2016 as a commercial bank with regional authorisation.

The Bank is engaged in commercial and retail banking, and provides a range of banking products and services to its customers. These include payments, collections, cards, trade, lending, treasury, and investment services.

Operating results

	2023	**2022**
	N'000	**N'000**
Gross earnings*	147,348,773	62,861,708
Profit before income tax	42,070,285	8,635,343
Income tax credit/(expense)	1,476,130	(609,458)
Profit for the year	43,546,415	8,025,885

*Gross earnings relates to interest income calculated using effective interest rate, fee and commission income, net trading gains and other operating income.

The Bank has proposed to pay dividend of N2.5 billion for the reporting period (2022: N2 billion).

Directors and their interest

The Bank's directors and their direct holdings in issued share capital of the Bank is disclosed below:

Name	Direct Holdings
	31 December 2023
	Shares at 50k each
Mr .Akpani Walter	1,887,353,335
Mr. Kingsley Aigbokhaevbo	1,500,000,000
Mr. Maurice Onokwai	21,000,000

The distribution of the Bank's issued shares as at 31 December 2023 is as follows:

Share ownership range	Number of Shareholders	% of Shareholder	Number of Holdings	% Shareholding
100,000-50,000,000	11	25.58%	141,094,166	0.36%
50,000,001-1,000,000,000	20	46.51%	5,575,884,427	14.25%
1,000,000,001-20,000,000,000	12	27.91%	33,403,140,872	85.39%
Grand Total	**43**	**100.00%**	**39,120,119,465**	**100.00%**

Substantial shareholdings

Based on the shareholders' register as at 31 December 2023, no shareholder held greater than 5% of the Bank's issued shares except for the following:

Shareholder	Number of shares held	% Shareholding
Northwest Petroleum & Gas Limited	10,030,000,004	25.64%
Maria Katrina Investment Ltd.	3,091,749,804	7.90%
Rosa Mystica Energy Fze	3,137,254,902	8.02%
Vetiva Capital Limited	3,456,224,000	8.83%

Director's remuneration

Remuneration to directors, in compliance with section 26.1 (a)iii of the CBN Corporate Governance Guidelines is disclosed below:

Renumeration class	Description	Timing
Basic Salary	A competitive level of pay reflecting the level of current & potential value to the Bank and its stakeholders. Non-Executive directors are not paid basic salary.	Paid monthly
13th Month Salary	A competitive level of pay reflecting the level of current & potential value to the Bank and its stakeholders. Non-Executive directors are not paid 13th month salaries.	Paid Annually (Last month of the financial year)
Director's fees	Annual payments made to Non-executive directors only at the annual general meeting.	Paid Annually (on the day of the Annual General Meeting)
Sitting allowances	Allowances paid to Non-executive directors only for attending board and board committee meetings.	Paid after each meeting

Events after the reporting period

There were no events after the reporting date which could have a material effect on the profit for the year end and state of affairs of the Bank as at 31 December 2023 that have not been taken account of in these financial statements.

Donations & Charitable gifts

The Bank donated a total of N754 million (2022: N383.33 million) during the year as categorised below:

Sector	Amount(N)
Community Development	729,230,538
Sponsorship	1,010,000
Other donations and charitable gifts	23,797,357
	754,037,895

Property and Equipment

Movements in property and equipment during the period are shown in note 24 of the financial statements. In the opinion of the Directors, the market value of the Bank's property and equipment is not less than the value shown in the financial statements.

Auditors

The auditors, PricewaterhouseCoopers have indicated their interest to continue in office and will do so pursuant to section 401(2) of the Companies and Allied Matters Act.

Human Resource Policy

Recruitment Philosophy
The Bank's recruitment philosophy seeks to engage those who are suitably qualified for employment at various levels as well as those who can find job satisfaction in the Bank. All vacant positions are advertised internally and/or externally. Applications received are treated in accordance with the provision set out in the approved recruitment process. All regulatory confirmation of top management appointments are also duly implemented.

Employee training & development
The Bank ensures there is adequate training at all levels in the Bank. Providus Bank training strategy incorporates the delivery of appropriate training to staff in line with the Bank's strategic direction and outcome of the appraisal process. In addition to the above, the Bank develops a training plan and utilizes a formalized training system to cater for the training needs of every function and grade. Basic training is provided for all employees irrespective of their functional responsibilities to develop business and management skills.

Health, safety and security
The Bank regards the promotion of workplace safety, hygiene and security within its business as an essential part of responsibilities along with its staff members. It is the Bank's policy to do all that is reasonably practicable to prevent personal injury and damage of property and to protect all staff from foreseeable work hazards, including the public in so far as they come in contact with the Bank. In addition, the Bank provides integrated safety and job training for all employees and additional safety and security training, where appropriate.

As part of its commitment to the promotion of health and safety, at work, the Bank undertakes the following measures:
- Provision of fundamental safety gadgets and standard protective apparel
- Provision of standard work tools, materials and equipment
- Provision of fire preventing/ fighting equipment

The Bank requires all staff to be safety conscious as well as observe all safety rules and regulations.

Gender analysis

Analysis of total employees as at 31 December 2023

	Number		Percentage	
	Male	**Female**	**Male**	**Female**
Full staff	366	439	45%	55%
Support staff	156	159	50%	50%
	522	**598**	**47%**	**53%**

Analysis of board and top management staff

	Number		Percentage	
	Male	**Female**	**Male**	**Female**
Board Member (Executive and Non Executive Directors)	7	2	78%	22%
Top Management Staff (AGM-GM)	8	7	53%	47%
	15	**9**	**63%**	**38%**

Further analysis of board and top management staff by gender

	Number		Percentage	
	Male	**Female**	**Male**	**Female**
Assistant General Manager	5	3	63%	38%
Deputy General Manager	2	2	50%	50%
General Manager	1	2	33%	67%
Executive Directors	2	-	100%	0%
Managing Director/CEO	1	-	100%	0%
Non-Executive Directors	4	2	67%	33%
	15	**9**	**63%**	**38%**

BY ORDER OF THE BOARD

Sign.:..................

Opi, Opia & Associates
Company secretary
Suit 015, Edo House, Bishop Oluwole Street, Victoria Island Lagos.
FRC/2022/COY/027192
................March 2024

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

(a) ensuring that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters, the Banks and Other Financial Institutions Act; International Financial Reporting Standards, Financial Reporting Council of Nigeria and relevant CBN guidelines and circulars.

(b) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and

(c) preparing the Bank's financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act and the Financial Reporting Council of Nigeria.

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

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

Kingsley Aigbokhaevbo
Executive Director
28 March 2024
FRC/2016/ICAN/00000014357

Walter Akpani
Managing Director/Chief Executive Officer
28 March 2024
FRC/2013/CIBN/00000005007

Statement of Corporate Responsibility

In line with the provision of Section 405 of CAMA 2020, we have reviewed the audited financial statements of the Bank for the year ended December 31, 2023 and confirm as follows:

(i) The audited financial statements do not contain any untrue statement of material fact or omission 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 December 31, 2023.

(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 2023.

(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.

Adeoye Ojuroye
Executive Director/ Chief Financial Officer
27 March 2024
FRC/2016/ICAN/00000014356

Walter Akpani
Managing Director/Chief Executive Officer
27 March 2024
FRC/2013/CIBN/00000005007

Board of Directors

The Board of Directors (the Board) is accountable and responsible for the performance and affairs of the Company. Directors have a duty of care and loyalty to act in the interest of the company's stakeholders. The Board is the highest governing body in Providus Bank and therefore reports to the shareholders.

The Board is committed to the highest standard of business integrity and ethical values and recognizes the duty of the company to conduct its affairs in the most prudent, fair, and accountable manner with a view to safeguarding the interest of shareholders.
In the board exist a right balance of expertise, skills, and experience and this accounts for the effectiveness of the board and the executive management team. The board has put in place a robust appointment and succession framework to ensure that the company has the right people to drive the business of the company at any point in time.

To aid its effectiveness in carrying out its oversight responsibilities, the Board has five Committees namely: Board Audit Committee, Board Credit Committee, Board Finance and General-Purpose Committee, Board Governance Committee, and Board Risk Management Committee.

Members of the Board of directors are seasoned professionals drawn from various sectors including banking, law, accounting/finance, and corporate strategy. The membership of the Board of Directors comprises three (3) Executive Directors, two (2) independent directors, and four (4) Non- Executive Directors.

The Board of directors must meet at least once every quarter. Decisions are arrived at by way of resolutions, which may be a form of written resolution (in accordance with the Company's Article of Association) in some instances. The Board of Directors met six (6) times during the year ended December 31, 2023.

Responsibilities of the Board

The Board of directors has the primary responsibility of determining the strategic objectives and policies of the company. However, the day-to-day management of the affairs of the company has been delegated to the executive management.

The Board has the key responsibility of providing oversight for the Bank's management on behalf of the shareholders. All major decisions are considered by the Board as a whole. However, certain powers are exclusively reserved for the Board, and they include approval of the quarterly, half year and full-year financial statements (whether audited or not), significant changes in accounting policies and/or practices, major changes to the corporate structure, capital structure, policies for all business areas, etc.

Directors Nomination / Appointment Process

Providus Bank's Board is composed of qualified persons of proven integrity, highly competent, and knowledgeable in business and financial matters in accordance with the extant CBN Guidelines for Fit and Proper Persons.

Candidates for the Board are selected by the Board Governance Committee, and recommended to the full Board for approval, in accordance with guidelines approved by the Board. The selection takes into consideration the overall composition and desired diversity of the Board in terms of the areas of expertise that each Board member can offer. The track record of the appointees is always an eligibility requirement. The assessment for selection cover areas such as integrity, knowledge of business and financial matters, and past performance in accordance with the extant CBN guidelines on the Fit and Proper Persons Regime.

There are established criteria as specified in the Company's Corporate Governance Framework & Policy for the selection/appointment of any category of director, be it executive or non-executive director.

Induction and Continuous Training

The Company ensures that all its directors are provided with the requisite training, exposure, and skill that will enhance the effectiveness of their oversight role and the effectiveness of the Board as a whole.

By way of induction, new Directors are provided with an extensive package of materials relating to the Company, its operations, and the Board together with a meeting with the Chairman of the Board and/or Executive Management. The Induction program will vary depending on the background, experience, and expertise of the new Director(s), but will generally include presentations to familiarize the director with the Company's strategic plans, and its significant financial/accounting and operational issues among other issues.

The Company Secretary has the responsibility to organize and implement the Induction program for new directors within 90 days of the confirmation of appointment.

As part of the process of ensuring that the Company directors are up to date with industry and business-specific issues, an annual retreat is organized for the Board. The retreat focuses on presentations on a wide range of subjects related to the business environment, the company's strategies and/or operations, and an insight into the 'way forward'. The training is done by both external consultants and the relevant internal personnel.

In addition, Directors are also encouraged to attend formal educational/training programs sponsored by external organizations as it relates to each specific director's core focus area on the Board.

Members of the Board of Directors

Name	Capacity	Date of Appointment
Mallam Husiani Dikko	Chairman	June, 2016
Mr. Walter Akpani	Managing Director/Chief Executive Officer	June, 2016
Mr. Kingsley Aigbokhaevbo	Executive Director/Deputy Managing Director	June, 2016
Mr. Chuka Eseka	Non-Executive Director	June, 2016
Mr. Maurice Onokwai	Non-Executive Director	June, 2016
Mr. Funmi Agusto	Non-Executive Director	June, 2016
Mrs. Bernadine Okeke	Non-Executive Director (Independent)	June, 2016
Dr (Mrs.) Diei Belinda Bobby	Non-Executive Director (Independent)	June, 2021
Mr. Adeoye Ojuroye	Executive Director	Oct., 2022

Profile of the Directors

Mallam Hussaini Dikko – Chairman

Alhaji Hussaini Dikko is a graduate of Quantity Surveying from Ahmadu Bello University, Zaria, and a master's degree holder in Business Administration from the University of Lagos. He is a Fellow of the Nigerian Institute of Quantity Surveyors and the institute's president in the year 2000.

He has been at different times, a Member of the Nigeria Institute of Quantity Surveyors Examination Board (1995), Second Vice President of the Nigeria Institute of Quantity Surveyors (1996), Chairman, of the National Strategic Grains Reserve Contract Evaluation Panel (2001), Director, Continental Trust Bank Limited (2003), Member, Governing Board, Abuja Multi-Door Court House (2004), Member, FCT Satellite Town Development Agency Task Force (2005), Member Technical Committee, Sale of Federal Government Houses in Abuja.

Alhaji Dikko is currently the Executive Chairman of El-Rufai & Partners Limited.

Mr. Walter Akpani - Managing Director/CEO

Walter Akpani is a seasoned banker with over two decades experience. He holds a Master of Science degree in Finance from the University of Strathclyde, Scotland.

His career trajectory has been through Natwest Bank UK, ICON Merchant Bank/ICON Stockbrokers, Commercial Trust Bank, Standard Trust Bank Plc, and Platinum Bank Limited. Walter has been actively involved in bank start-ups in Nigeria. He was a pioneer staff member with ICON Stockbrokers, a restructuring team member at Commercial Trust Bank, a pioneer staff at Standard Trust Bank Plc now United Bank for Africa, UBA, and a pioneer staff at Platinum Bank Ltd.

He is a distinguished Treasurer in the Nigerian banking industry, having led the Treasury departments of ICON Stockbrokers and Commercial Trust Bank. He also served as Group Head of, the Financial Institutions department at Standard Trust Bank and Group Head, Investment Banking at Platinum Bank Limited.

Walter disengaged from Platinum Bank Ltd, as Vice President, Institutional Banking, to start United Mortgage Bank Limited which has now metamorphosed into ProvidusBank. A change agent with very strong interpersonal skills and industry depth, Walter Akpani is well respected within and outside the industry and has been able to build up an effective network of contacts and associates in most strategic sectors of the Nigerian economy.

Walter plays tennis and is actively involved in the development of youth tennis in Nigeria.

Mr. Kingsley Aigbokhaevbo - Executive Director

Kingsley Aigbokhaevbo is a Fellow of the Institute of Chartered Accountants of Nigeria, ICAN. He holds a B.Sc. (Honours) degree in Agricultural Economics, graduating with a second-class upper division, from the University of Ibadan and a Master in Banking and Finance (MBF) from the University of Lagos.

Kingsley has over two decades of banking experience with over 10 years at senior management positions. His banking career includes key positions in Internal Control and Audit, Corporate Banking, and Marketing.

He started his banking profession in Zenith Bank Plc, where he spent the bulk of his career. He rose to the position of General Manager/Group Zonal Head, Victoria Island Annex Zone, with responsibilities for driving business initiatives. He left Zenith Bank Plc. in 2007 and joined United Bank for Africa Plc as General Manager. He held two positions namely, Regional Head, Island Bank, and Ikeja Bank with responsibilities to also drive business growth.

In 2011, he joined Ecobank Nigeria Limited as an Executive Director. His responsibilities were to oversee the Bank's Domestic Banking operations in the Lagos and West Region. He left Ecobank in August 2015 to join ProvidusBank.

As Executive Director, ProvidusBank, he superintends Business Banking, Banking services as well as Digital Banking optimization.

Kingsley has a very active interest in tennis and wine tasting.

Mr. Chuka Eseka – Non-Executive Director

Chuka Eseka is an investment banker with a vast experience covering merchant and investment banking activities. A graduate of Accountancy from the University of Lagos, he is a Chartered Accountant and a Fellow of the Chartered Institute of Stockbrokers of Nigeria.

Presently the Managing Director/CEO of Vetiva Capital Management Limited, he is especially formidable in deal origination, structuring, and execution, having been involved in numerous landmark transactions in the financial services and real sectors of the Nigerian economy.

Chuka is regarded as one of the foremost investment bankers in Nigeria and has successfully managed the emergence of Vetiva into one of the most respected, innovative, and efficient investment banking firms in Nigeria.

Mr. Maurice Onokwai - Non-Executive Director

An experienced solicitor, he holds an LL.B degree from the University of Jos, and a master's degree in International and Comparative Business Law from London Guildhall University. Maurice Onokwai specializes in Conveyance mortgages (Residential and Commercial), Company Law, and Litigation.

From 1991 to 2000, he was a partner with Shillingford Partners, conducting matters on behalf of clients and supervising all members of staff and briefs. Maurice moved to Greenland Solicitors in 2001, where he has been a Principal Partner and Head of Department till date. He is widely respected for excellent leadership and interpersonal skills.

Mr. Funmi Agusto - Non-Executive Director

Obafunmilayo (Funmi) Agusto started his career at Arthur Andersen (now KPMG Professional Services) where he worked for 8 years before leaving for IBFC Limited, a Business and Financial Consultancy firm, which he co-founded. Funmi was later appointed the Managing Director of IBFC Limited.

In 1999, IBFC Limited transformed into Alliance Consulting following its merger with the business consulting department of Agusto & Co. Limited in order to deepen the company's activities in financial consulting/advisory services, strategy and process consulting, human resource consulting, solicited market, investment research and risk management consulting services.

Funmi is presently the Managing Director of IBFCAlliance Limited. He facilitates training programs in the areas of financial analysis, stock market analysis, asset and liability management, country risk analysis, credit analysis/risk management, and investment analysis/appraisal.

Mrs. Bernadine Okeke – Independent Non-Executive Director

Bernadine Okeke holds a B.Sc. Accounting degree from Hampton University, Virginia, USA. She also holds an MBA (finance) from Suffolk University Boston, Massachusetts, USA.

She was a former Executive Vice-President and Head, Private Banking at First Bank of Nigeria from where she retired in 2015. Before joining First Bank, she had amassed a wealth of experience in banking from working at the Bank of New England, USA, Savannah Bank, Nigerian-American Merchant Bank, and Victory Merchant Bank in Nigeria.

While heading the private banking division, she was in charge of providing premium banking services to high-net-worth clients on investment and asset management, trust and estate planning, as well as personal banking. She is currently Executive Director, Business Development with Cardinal Developers. Her responsibility at Cardinal Developers includes developing banking business projects in hospitality, multi-family dwellings, and power.
Bernadine combines her creative thinking and strategic business planning capabilities to create sustainable success for new businesses.

Dr. (Mrs.) Diei Bobby Belinda – Independent Non-Executive Director

Dr Diei is widely acknowledged and recognized as a legal luminary, having held prestigious positions including National publicity secretary/editor of the International federation of women congress (FIDA), National secretary of FIDA, sub-editor of FIDA (Africa) and also the distinction of becoming the first and only Nigerian to attain the position of vice president of FIDA. She was called to the Nigerian Bar in 1982.

She is also a member of the International Bar Association and founder of the Women Justice Program, a non-governmental organization accredited to the United Nations.

She is the principal partner of Belinda Bobby Diei & co (Agugua chambers)

Dr. Dei has also held several other positions including director, Imo state tourism board and has served as Chairman of several organizations and has also served as company secretary/legal adviser to several corporate bodies including multi-nationals.

Mr. Adeoye Ojuroye – Executive Director

Deoye is an ICAN and ACCA-qualified finance professional and holds a B.Sc. Honours degree in Computer Science from the University of Lagos.
He has a combined 16 years of financial services experience both in the United Kingdom and Nigeria, with expertise in the areas of retail, commercial and investment banking, insurance, private equity, assets & sales finance and equities brokerage.

Before he was appointed as Executive Director, Deoye was the Chief Financial Officer of the Bank with an additional portfolio to lead business development and formulate corporate strategy.

He joined ProvidusBank in 2015 from PricewaterhouseCoopers, having worked for 8 years in each of the London and Lagos offices of the firm. At PwC, he had responsibility for managing the audit engagements of multinational banking and insurance clients, covering all aspects of the clients' financial reporting process, including assessments of the effectiveness of internal controls over financial reporting.

He has managed several due diligence and finance function effectiveness engagements both in Nigeria and the UK.

Deoye has interest in tennis, music, reading and computer programming.

Board Committees

The Board carries out its function through its committees, and the various committees of the Board have their defined roles and responsibilities. The Board has five standing committees, namely:

a. Board Credit Committee
b. Board Audit Committee
c. Board Risk Management Committee
d. Board Governance Committee
e. Board Finance and General-purpose Committee

The roles, responsibilities, membership, and proceeding at meetings are clearly defined in the respective Committee Charter. The Committees make recommendations to the Board which retains the final decisions. The departmental heads make quarterly presentations to the Committee overseeing their respective departments. Each of the Board committees meet at least once every quarter and on a need basis.

The membership of the different committees is stated below:

Board Credit Committee

The membership of the Committee during the year is as follows:

1. Mr. Chuka Eseka - Chairman
2. Mr. Walter Akpani
3. Mr. Kingsley Aigbokhaevbo
4. Mr. Funmi Agusto
5. Mrs. Bernadine Okeke
6. Mr. Maurice Onokwai
7. Mr. Adeoye Ojuroye

Board Audit Committee

The membership of the Committee during the year is as follows:

1. Mrs. Bernadine Okeke - Chairman
2. Mr. Funmi Agusto
3. Mr. Maurice Onokwai
4. Dr (Mrs). Belinda Diei
5. Mr. Chuka Eseka

Board Risk management committee

The membership of the Committee during the year is as follows:

1. Mr. Funmi Agusto - Chairman
2. Mr. Walter Akpani
3. Mr. Kingsley Aigbokhaevbo
4. Mr. Chuka Eseka
5. Mrs. Bernadine Okeke
6. Dr (Mrs). Belinda Diei
7. Mr. Adeoye Ojuroye

Board Governance Committee

The membership of the Committee during the year is as follows:

1. Dr (Mrs). Belinda Diei - Chairman
2. Mr Bernadine Okeke
3. Mr. Maurice Onokwai
4. Mr. Chuka Eseka

Board Finance and General Purpose Committee

The membership of the Committee during the year is as follows:

1. Mr. Maurice Onokwai - Chairman
2. Mr. Walter Akpani
3. Mr. Kingsley Aigbokhaevbo
4. Dr (Mrs). Belinda Diei
5. Mr. Funmi Agusto
6. Mr. Adeoye Ojuroye

Attendance of Board and Board Committee Meetings

The table below shows the frequency of meetings of the Board of directors and Board Committees as well as members' attendance for the year ended December 31, 2023. The Chairman of the Board of Directors is not a member of any committee and therefore did not attend any meeting of the Board Committees.

S/N	NAME	BOARD (6)	BAC (5)	BCC (5)	BRMC (4)	BGC (4)	BFGP (4)
1	ALHAJI HUSIANI DIKKO	6	nil	nil	nil	nil	nil
2	WALTER AKPANI	6	nil	5	4	nil	4
3	KINGSLEY AIGBOKHAEVBO	6	nil	5	4	nil	4
4	CHUKA ESEKA	6	5	5	4	4	nil
5	FUNMI AGUSTO	5	4	3	3	nil	3
6	BERNADINE OKEKE	6	5	5	4	4	nil
7	MAURICE ONOKWAI	6	5	5	nil	4	4
8	DIEI BELINDA BOBBY	4	5	nil	4	4	4
9	ADEOYE OJUROYE	6	nil	5	4	nil	4

BAC - Board Audit Committee, BCC - Board Credit Committee, BGC - Board Governance Committee, BFGP - Board Finance and General-purpose Committee, BRMC - Board Risk management Committee

Introduction

Providus Bank is passionate about the sustainability of its environment and this has been prominent in its strategies since business commenced in 2017. Our belief in sustainability reflects in the core values and risk principles which underpin our strategy and business activities. As a responsible lender, Providus Bank understands the significance of its business environment in attaining its overall goals and objectives, hence it strives to actively manage environmental and social risks, finance identified business opportunities and reduce operational footprints.

Over the years, Providus Bank has made significant impact in its sustainability journey. This goal becomes attainable through a strong governance evidenced by the development of robust policy and procedures for both the business activities and business operations.

In making financial services easily accessible to our customers, vendors and other stakeholders, our Bank is mindful of the continuity and sustainability of its business environment. Therefore, our key role in driving long term economic development through efficient social and environmental risk assessment cannot be overemphasized. This underscores our activities with customers and vendors in creating sustainable business relationship on one hand and engendering on business practice on the other.

As a responsible lender, we strive to ensure our lending process do not encourage financing businesses that could result in negative environmental and social impacts locally and globally. This is emphasized in our underwriting process and documented in various agreements to drive compliance.

Some notable projects financed by Providus Bank in a bid to ensure positive impact on the environment as well as to complement the CBN's Nigerian Sustainable Banking principles initiative are as detailed below.

Since 2021, Providus Bank has been a formidable financial partner to FREEE RECYCLE LIMITED (Previously known as Freetown Waste Management Recycle Limited) one of Nigeria's First Trye recycling business. The project entails the collection of condemned tyres which are then recycled into useful items such as paving rubber blocks for schools and packs and driveways. The project has been instrumental to providing income for indigenes, creating more useful items while ultimately ensuring a cleaner and more environmentally friendly climate as the alternative would have been to burn or dispose the tyres indiscriminately. we are further encouraged by the fact that the Company is owned and managed by a Woman who is taking her sustainability journey to other countries.

ProvidusBank also facilitated the ENTEC POWER AND UTILITIES COMPANY focused on the generation and distribution of electricity, gas distribution and portable water for domestic and industrial users in Nigeria. The company also provides consultancy services for organizations and government on projects relating to power generation and distribution, gas distribution (as a "cleaner" fossil fuel, used as a viable and cleaner alternative for electricity generation compared to diesel) as well as water provision and treatment services
Tech-Partners Capital Ltd is a company that links up with reputable local and foreign firms to provide homes, offices and communities with the required inputs, equipment's and appliances needed for their daily operations. its major focus is to drive the adoption of the SDG (Sustainable Development Goal) Goal-7. (Affordable and Clean Energy), Goal-9 (Industry, Innovation, and Infrastructure), Goal-11 (Sustainable Cities and Communities), Goal-17 (Partnerships to achieve the Goal).

The Bank also created the SME Product Paper to make access to loan easy. While SMEs are typically modest in size, such businesses contribute significantly to economies and are the vanguard of innovation, output expansion, employment creation, exports, income redistribution and entrepreneurship.

Governance structure

In order to integrate the sustainability initiatives into both the Business Activities and Business Operations, the board of the Bank approved a robust policy to guide the Bank's activities in the Social and Environmental Management Systems. The policy is supported by comprehensive process and procedure for lending activities as well as the Health and Safety and general operations to manage footprint. In line with the governance structure, the board of the Bank has overall responsibility for full oversight of the bank's sustainability journey. The policy also complies fully with the requirements of the CBN's Nigerian Sustainable Banking Principles (NSBP) and communicated bankwide.

While Business Operations relate to other activities outside lending, Business Activities are primarily anchored by Risk Management through the dedicated Social and Environmental Management Systems (SEMS) Officer who reports to the Head, Risk Governance & Reporting.

The SEMS Officer ensures the enforcement of the SEMS policy approved by the Bank's Management and Board. This is achievable through effective integration of the environmental and social risk assessment techniques into the Bank's lending process. The Bank's Management and the Board have also been trained on SEMS. This capacity building on sustainability initiative is a continum to sustain risk education and bankwide awareness.

However, the SEMS activities form part of the inputs into the overall sustainability initiatives of the Bank which is reported to the Central Bank of Nigeria bi-annually through the Sustainability Champion.

2023 SUSTAINABILITY LANDMARK

I. Policy and process development

The approved and updated sustainability policy has been fully integrated into the Bank's lending processes. For instance, detailed project categorisation and risk assessment is ensured as part of the underwriting. This provides clear transaction scoring and mapping as either category A, B or C with detailed recommendation of required action steps. Both categories A and B may require comprehensive environmental impact assessment to guide the Bank's lending process and ability to design acceptable action plans for effective compliance checks. Category C are characterised with minimal risk and borrowers are made to commit to ensuring activities that may culminate into negative impact are avoided. Although the Bank is yet to deploy robust automated reporting system, various management and board reporting templates designed are deployed to support timely management information. The approved policy was complimented by a five-year implementation roadmap which underscored the deployment and institutionalisation of different initiatives as well as the milestone attained by the bank. The revised three-year initiative roadmap was compiled in 2022 to ensure the bank sustains its commitment to sustainable banking. These include continuous capacity building, design of flexible lending criteria for Women owned or Women managed enterprises and other financial inclusion initiatives.

II. Lending process

As part of the lending process in 2023, all transactions are reviewed for compliance with the Social and Environmental Management System (SEMS). This enables the Bank assess those transactions that would require high end risk assessment through the use of E&S assessment tool. The Bank's lending process is embedded in the action points to ensure SEMS issues are properly identified and comprehensively analysed. As part of our Evironmental and Social (E&S) assessment, each lending transaction is screened at on-boarding stage and classified as follows:

• **Category A**: Project is likely to have significant adverse environmental impacts that are sensitive, diverse or unprecedented.

• **Category B**: Project may result in specific environmental impacts, but these impacts are site specific; few in number and largely reversible.

•**Category C**: Project is likely to have minimal or no adverse environmental impacts.

E&S risk validation is done by the underwriters/SEMS officer (in consultation with the CRO). The Bank also onboarded Environmental Impact Assessment (EIA) consultants to partner with especially where the underlying transaction is mapped to high E&S risk i.e. category A.

As part of our E&S risk processes, each obligor is required to attest to affirmation statement that all its activities shall comply with environmental and social standards. This has been embedded in our facility offer letter. In addition to specific capacity building, the Bank enlisted competent professionals and consultants for the risk assessment for categories A and B projects. This enables us to appreciate at underwriting level, the level of E&S risks inherent in each transaction as well as designing acceptable roadmap for grievance procedures and remediations. Comprehensive EIA reports are pre-approval requirements in the Bank's lending process for category A projects.

III. Capacity building and communication

The Bank has institutionalised SEMS principles through regular capacity building in form of e-learning and in-house training programmes. The Bank's staff (including senior management) completed the International finance corporation's (IFC) Sustainability Training on Managing Environmental and Social Performance annually.This enables us to foster general awareness and E&S risk consciousness. This is also complemented by specific trainings for different roles in order to build required competences.

The Bank consistently holds in-house sessions with different groups to further reiterate the principles of the sustainable banking. This covers Relationship Management, Risk Management, Brands & Communication, Admin and Internal Audit teams. The capacity building objective is further entrenched through Train –the – Trainers initiatives on specialized competences provided for our SEMS Officer along with other Credit Underwriters. The Chief Risk Officer trained the Bank's Senior Management and the Board and had consistently deployed initiative to foster bank wide integration.

The Bank also participated in the financial literacy programme where selected staff were sent to secondary schools across Lagos, Asaba, Ondo, Abuja, Ogun State and Abia.

IV. Regulatory reporting

Providus Bank ensures timely activity reporting to the Central Bank of Nigeria. The mandatory half-yearly sustainability report is submitted every 7th day of the succeeding month to the reporting period, precisely July and January of every year.

V. Collaboration

Following the enlistment of ProvidusBank by the International Finance Corporation (IFC) in 2022, we have continued to enjoy the Corporation's collaboration and free advisory engagements . The partnership saw the approval of a Guarantee Trade Finance Product (GTFP) which created a boost into the bank's support to the SME and MSME thus impacting economic growth and development . The bank also has strong synergy with the Development Bank of Nigeria (DBN) in dealing with the funding needs of the Small and Medium Enterprises.

The Bank partnered with the Rotary Club Ijoko for the financial literacy programme, while receiving logistical support from Junior Achievement Nigeria. We also partnered with Jand2Gidi to reward SMEs who entered in an engagement with the videos put out in the digital space to support their businesses with monetary funds.
In the area of proper waste management, the Bank collaborated with the Mannaseh Engineering Company to fight against climate change by entrenching the culture to reduce, reuse and recycle
the Bank also participated in the Marcelle Ruth Cancer Center Day walk and sponsored the Swing for Cancer event to create awareness of the dreaded disease.

VI. Reduction Of Carbon Footprint

The Bank installed dedicated power lines from PHCN at the 3 newly commisioned facilities. This resulted in an additional 429,715.99Kwh to guarantee upto 20 hours of power supply and reduce its dependence on diesel as an alternative source of power.

TARGET FUTURE INITIATIVES

Our Bank plans strong collaboration with other multilateral institutions such as and FMO (Netherlands) with a view to growing capacity on one hand and build strong synergy on the other. The intended collaboration would focus more on specialized trainings to enhance the competence of the Credit Underwriters, the SEMS Officer and Champions. This will also facilitate effective cascade among the frontline officers. We would also continue to take advantage of various webinars periodically organized by IFC to support our practical understanding.

STAKEHOLDER ENGAGEMENT

CUSTOMER FORA – Our Bank currently undertakes periodic hangouts where customers meet with top management for interactive sessions. This enables us to create increased awareness and knowledge improvement programmes to foster enhanced understanding of the initiative. This would be sustained in the new year and extended to all the third party clients and vendors.

FINANCIAL INCLUSION

WOMEN OWNED AND MANAGED TRANSACTIONS – Through our lending process, our Bank pays significant attention to women owned/managed businesses.The Bank launched the product paper tagged the Regal Woman. The Providus Woman's account connotes confidence, independence and the courage required by women to fulfil their aspirations. It is designed to engage, inspire and equip potential and existing women to take bold steps that would launch themselves and their businesses to greater heights.

Reports on the resolution of Customers' Complaints for 2023

Below is a breakdown of complaints received and resolved by the Bank during the year ended 31st December 2023 pursuant to CBN circular dated April 16, 2011:

Description	Number	Amount Claimed	Amount refunded
Pending Complaints from Prior Year	9	116,488,309	-
Received Complaints	22,706	660,991,747	-
Resolved Complaints	22,626	652,698,072	389,904,282
Unresolved Complaints escalated for CBN intervention	-	-	-
Unresolved Complaints pending with the Bank C/F	89	124,781,984	-

Martins Okoro
Internal Audit

Aina Amah
Head, Internal Audit

Audit Committee Report

To the members of Providus Bank Limited

In accordance with the provisions of Section 359 (6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Providus Bank Limited hereby report on the financial statements for the year ended 31 December 2023 as follows:

- We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co-operation of management and staff in the conduct of these responsibilities.

- We are of the opinion that the accounting and reporting policies of the Bank are in accordance with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December, 2023 were satisfactory and reinforce the bank's internal control systems.

- We are satisfied that the bank has considered the provisions of the Central Bank of Nigeria regarding disclosure of director related deposits.

- We have deliberated with the External Auditors, who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to the External Auditor's recommendations on accounting and internal control matters and with the effectiveness of the Bank's system of accounting and internal control.

Mrs. Bernadine Okeke
Chairman, Audit Committee

.... March 2024

Members of the audit committee are:
Mrs. Bernadine Okeke
Mr. Funmi Agusto
Dr. (Mrs.) Belinda Diei
Mr. Maurice Onokwai
Mr. Chuka Eseka

Report of the Independent Consultant to the Board of Directors of Providus Bank Limited on their Appraisal for the Year Ended 31 December 2023.

In compliance with the guidelines of Section 10.1 of the Central Bank of Nigeria (CBN) Corporate Governance Guidelines for Commercial, Merchant, Non-interest And Payment Service Banks in Nigeria ("the CBN Guidelines") and Section 14.1 of the Nigerian Code of Corporate Governance 2018 ("NCCG"), Providus Bank Ltd. ("Providus Bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2023. The CBN Guidelines mandates an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships.

We have performed the procedures agreed with Providus Bank in respect of the appraisal of the Board in accordance with the provisions of the CBN Guidelines and the NCCG. These procedures, which are limited in scope but sufficient for the Board's objectives in line with the CBN Guidelines and the NCCG, are from an external audit. Consequently, no opinion is expressed by us on the activities reported upon.

Our approach to the appraisal of the Board involved a review of the Bank's Board papers and minutes, key corporate governance structures, policies and practices. It also included the review of the corporate governance framework and representations obtained from questionnaires and interviews with members of the Board and Senior Management.

On the basis of our review, the Bank's corporate governance practices are largely in compliance with the key provisions of the CBN Guidelines and the NCCG. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations on succession planning and Committee composition.

Tolu Odukale
Partner and Head, Internal Audit, Governance, Risk & Compliance Services
FRC/2018/ICAN/00000018175
21 March 2024

Independent auditor's report

To the Members of Providus Bank Limited

Report on the audit of the financial statements

Our opinion

In our opinion, Providus Bank Limited's ("the bank's") financial statements give a true and fair view of the financial position of the bank as at 31 December 2023, and of its financial performance and its 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 (Amendment) Act, 2023.

What we have audited

Providus Bank Limited's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
- the statement of financial position as at 31 December 2023
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of material 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 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 Company 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers (refer to notes 2.10, 4a and 19) The estimation of expected credit losses (ECL) on loans and advances to customers is considered to be a key audit matter because of its significance to the financial statements and requires a high level of subjective judgement. The gross balance of loans and advances to customers as of 31 December 2023 was N506.7 billion for the Bank. The associated impairment allowance on loans and advances to customers was N12.5 billion. The measurement of loss allowance is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The significant judgments in the estimation include: • determination of the Bank's definition of default and significant increase in credit risk (SICR); • input assumptions and judgments applied in estimating probability of default (PD), Loss Given Default (LGD), and Exposure At Default (EAD) which are key parameters in the ECL model and • incorporation of macro-economic inputs (such as Monetary Policy Rate and Real GDP growth rate) and forward-looking information into the ECL model and probability weightings applied to them.	We adopted a substantive approach to the audit of the expected credit loss allowance. To assess management's determination of default and significant increase in credit risk, we selected a sample of customers and performed the following procedures: • we examined loan contracts, file memos, correspondences, and account statements to assess management's conclusions relating to default and SICR. • we tested the significant inputs into the ECL model such as outstanding balance, maturity date and applied contractual rate, to verify the accuracy of the inputs. With the assistance of our modelling experts, we: • evaluated the appropriateness of the IFRS 9 impairment methodology as well as the ECL calculation tool for reasonableness. • assessed the value of collateral applied in the calculation of LGD for compliance with the requirements of IFRS 9; • assessed the assumptions relating to estimated timing and amount of forecasted cash flows applied in the calculation of PD and EAD for compliance with the requirements of IFRS 9; • tested the inputs into the model relating to default and loss experience by checking to historical data; • evaluated the appropriateness of forward-looking economic inputs and their associated scenario weights by comparing to available industry information and checking that they have been appropriately incorporated into the ECL model; and • checked the accuracy of ECL computation by performing an independent computation for a selected sample of loan exposures. We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report are General information, Report of the directors, Statement of directors' responsibilities, Statement of corporate responsibility, Corporate Governance Report for the year ended 31 December 2023, Sustainability report & Report on customer complaints, Audit Committee Report, Report of the Independent Consultant to the Board of Directors of Providus Bank Limited on their Appraisal for the Year Ended 31 December 2023, Value added statement and Five-year financial summary, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

The directors are responsible for the preparation of the 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 (Amendment) Act, 2023, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the 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 bank's internal control.

pwc

- 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 bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 profit or loss and other 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 37 to the financial statements; and

v) as disclosed in Note 38 to the financial statements, the bank paid penalties in respect of contraventions of relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2023

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0790927

Chidi Ojechi

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

29 April 2024

Engagement Partner: Chidi Ojechi
FRC/2017/PRO/ICAN/004/00000015955

Statement of profit or loss and other comprehensive income

	Note	31 December 2023 N' 000	31 December 2022 N' 000
Interest income	5	93,401,560	50,190,640
Interest expense	6	(55,087,762)	(28,811,845)
Net interest income		38,313,798	21,378,795
Impairment on financial assets	7	(8,396,095)	(3,243,793)
Net interest income after impairment charges		29,917,703	18,135,002
Fee and commission income	8	14,796,182	8,526,866
Fee and commission expense	9	(1,255,271)	(449,960)
Net fee and commission income		13,540,911	8,076,906
Net trading gains	10	6,724,293	1,645,294
Other income	11	32,426,737	2,498,908
Net operating income		82,609,644	30,356,110
Personnel expenses	12	(10,553,319)	(6,593,225)
Other operating expenses	13	(25,760,379)	(12,055,761)
Deprecation and amortisation	14	(4,225,661)	(3,071,781)
Profit before tax		42,070,285	8,635,343
Income tax credit/(expense)	29	1,476,130	(609,458)
Profit for the year after tax		43,546,415	8,025,885
Profit attributable to:			
Owners of the Bank		43,546,415	8,025,885
Total comprehensive income for the year		43,546,415	8,025,885
Earning per share for profit attributable to owners of the Bank:			
Basic and Diluted			
Earnings per share (kobo):		116	23

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Note	31 December 2023 N '000	31 December 2022 N '000
Assets			
Cash and bank balances	16	7,417,497	76,645,764
Due from other financial institutions	17	134,383,472	32,930,070
Financial assets at Fair value through Profit or Loss	18	75,893,164	-
Loans and advances at amortised cost	19	494,188,761	282,647,938
Other financial assets at amortised cost	20	192,532,300	141,601,993
Cash reserve balance with Central Bank of Nigeria	21	496,902,084	146,458,944
Other assets	22	130,939,571	27,163,795
Investment property	23	3,264,527	3,264,527
Property and equipment	24	31,362,195	22,132,982
Right of use assets	25.1	560,616	519,811
Intangible assets	26	2,118,911	2,427,097
Deferred tax assets	33	2,559,135	15,200
Total Assets		**1,572,122,233**	**735,808,121**
Liabilities			
Deposits from customers	27	1,119,141,707	504,462,667
Borrowed funds	28	181,976,497	46,371,208
Current income tax liability	29	1,340,233	726,489
Debt Securities Issued	30	9,694,859	4,609,162
Other liabilities	31	163,315,825	133,988,560
Lease liabilities	32	393,801	385,298
Total liabilities		**1,475,862,922**	**690,543,384**
Equity			
Share capital	34	19,560,060	18,018,393
Share premium	34.1	21,562,674	13,854,341
Retained Earnings	34.2	17,388,741	32,083
Other reserves	34.4	37,747,837	13,359,919
Total equity		**96,259,311**	**45,264,737**
Total equity and liabilities		**1,572,122,233**	**735,808,121**

The accompanying notes are an integral part of these financial statements. The financial statements were approved and authorized for issue by the Board of Directors on 27 March 2024 and signed on its behalf by:

Adeoye Ojuroye
Executive Director/ Chief Financial Officer
FRC/2016/ICAN/00000014356

Walter Akpani
Managing Director/Chief Executive Officer
FRC/2013/CIBN/00000005007

Alhaji Hussaini Dikko
Chairman
FRC/2017/NIQS/00000016746

Providus Bank Limited

Financial statements for the year ended 31 December 2023

Statement of changes in equity

	Attributable to equity holders							
			Other reserves					
	Share capital	Share premium	Statutory reserve	Regulatory risk reserve	SMEEIS reserve	AGSMEIS reserve	Retained Earnings	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2023	**18,018,393**	**13,854,341**	**6,735,554**	**4,380,135**	**1,136,487**	**1,107,743**	**32,083**	**45,264,736**
Profit for the year	-	-	-	-	-	-	43,546,415	**43,546,415**
Total comprehensive profit for the year	-	-	-	-	-	-	43,546,415	43,546,415
Transfers between reserves	-	-	13,063,924	6,969,352	2,177,321	2,177,321	(24,387,918)	-
Transactions with owners:								
Issue of shares	1,541,667	7,708,333	-	-	-	-	-	9,250,000
Dividend paid							(1,801,839)	(1,801,839)
Balance at 31 December 2023	**19,560,060**	**21,562,674**	**19,799,478**	**11,349,487**	**3,313,808**	**3,285,064**	**17,388,741**	**96,259,312**
Balance at 1 January 2022	**18,018,393**	**13,854,341**	**4,327,788**	**2,602,270**	**735,193**	**706,449**	**(3,005,583)**	**37,238,852**
Profit for the year	-	-	-	-	-	-	8,025,885	**8,025,885**
Total comprehensive profit for the year	-	-	-	-	-	-	8,025,885	8,025,885
Transactions with owners:								
Transfers between reserves	-	-	2,407,766	1,777,865	401,294	401,294	(4,988,219)	-
Balance at 31 December 2022	**18,018,393**	**13,854,341**	**6,735,554**	**4,380,135**	**1,136,487**	**1,107,743**	**32,083**	**45,264,737**

	Note	31 December 2023 N '000	31 December 2022 N '000
Cash flows from operating activities			
Cash (used in) / generated from operations	35	(15,555,606)	37,716,018
Interest received	5	90,166,221	50,190,640
Interest paid		(52,694,167)	(28,759,287)
Income tax paid	29b	(454,061)	(322,328)
Net cash flow (used in) / generated from operating activities		21,462,387	58,825,043
Cash flows from investing activities			
Purchase of property and equipment	24	(12,617,917)	(7,919,139)
Addition to right of use asset	25	(175,848)	-
Proceeds from disposal of property and equipment		6,473	76,931
Purchase of intangible asset	26	(542,111)	(445,167)
Proceeds from disposal of investment property		-	3,769,171
Purchases of investment securities		(225,680,511)	(2,970,173)
Proceeds from matured/disposal of investment securities		97,402,026	-
Net cash flow used in investing activities		(141,607,888)	(7,488,377)
Cash flows from financing activities			
Debt securities issued	30	-	4,609,162
Dividends paid	34.3	(1,801,839)	-
Proceeds from issue of shares	34	9,250,000	
Proceeds from borrowings	28	215,317,240	31,094,347
Repayment of borrowings	28	(79,711,951)	(52,049,232)
Lease payments	32	(71,707)	(47,728)
Net cash flow generated from / (used in) financing activities		142,981,743	(16,393,451)
Net increase in cash and cash equivalents		22,836,242	34,943,215
Cash and cash equivalents at start of year	16.1	86,773,894	51,303,396
Effect of exchange rate fluctuations on cash and cash equivalents	11	32,190,834	527,283
Cash and cash equivalents at end of year	16.1	141,800,970	86,773,894

1. General information

The accompanying financial statements comprise the financial statements of Providus Bank Limited. The Bank was incorporated in Nigeria under the Companies and Allied Matters Act. The address of the Bank's registered office is Plot 54 Adetokunbo Ademola Street, Victoria Island, Lagos.

Providus Bank Limited previously called Providus Bank Plc is a Nigeria registered company incorporated on 16 June 1992 as United Mortgage Bank Plc. The Bank by special resolution of the board changed its name to Providus Bank Plc on 31 December 2015. On 8 July 2021, the Bank transformed from a Public Liability Company to a Limited Liability Company and further changed its name to Providus Bank Limited. The primary activities of the Bank include retail and commercial banking.

2. Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements for the year ended 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements comply with the Companies and Allied Matters Act of Nigeria, and the Financial Reporting Council Act of Nigeria 2020, the Banks and other Financial Institutions Act 2020 and relevant Central Bank of Nigeria circulars.
The financial statements comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes to the financial statements.

2.2 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost concept except for financial assets measured at fair value through profit or loss and investment properties measured at fair value. The financial statements are presented in thousands of Naira and all values are rounded to the nearest thousand, except where otherwise indicated.

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 Bank’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 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 financial statements, are disclosed in Note 4

2.3 Going concern

The Bank’s management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank’s ability to continue as a going concern within twelve months from the end of the reporting period.

Management reviewed the Bank’s budgets and flow of funds forecasts for the next three years and considered the Bank’s ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of economic activities into consideration, including projections of the impact on the Bank’s capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements.

2.3 Going concern (continued)

As part of this assessment, Management considered the sufficiency of the Bank's financial resources throughout the pandemic. The management of the Bank's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the Bank's stated growth and return targets and is driven by the Bank's overall risk appetite. Forecast growth in earnings and statement of financial position risk weighted assets (RWA) is based on the Bank's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the Bank sets targets through different business cycles and

On the basis of this review, and in the light of the current financial position and profitable trading history of the Bank, management is satisfied that the Bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

2.4 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations adopted by the Bank

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

i) IFRS 17 - Insurance contracts
ii) Narrow scope amendments to IAS 1, IFRS Practice Statement 2 - Disclosure of Accounting Policies
iii) Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
iv) Definition of Accounting Estimates - Amendments to IAS 8

The adoption of these standards and amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2023 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 31 December 2023, and have not been applied in preparing these financial statements. None of these are expected to have a significant impact on the financial statements of the Bank.

The Bank did not early adopt any amended standard in 2023.

i) Amendment to IAS 1 – Non-current liabilities with covenants
The new amendment aims to improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants within twelve months after the reporting period.
This amendment is not expected to have any impact on the Bank.

ii) Amendment to IFRS 16 – Leases on sale and leaseback
These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

This amendment is not expected to have a material impact on the Bank because it does not have any sale and leaseback arrangements.

iii) Amendment to IAS 7 and IFRS 7 - Supplier finance
These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

This amendment is not expected to have a material impact on the Bank because it does not have any supplier finance arrangements.

2.4 Changes in accounting policies and disclosures (continued)

iv) Amendments to IAS 21 - Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

These amendments will require companies to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

The Bank is still assessing the impact of this amendment, however, there is no expected material impact as the Bank has transactions in foreign currencies that are readily exchangeable as at the current reporting date.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency').

The financial statements are presented in Naira which is the Bank's functional currency.

(ii) Transactions and balances

Foreign currency transactions 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 profit or loss.

All foreign exchange gains and losses recognised in the statement of profit or loss are presented net in the statement of profit or loss within other operating income or expense.

Changes in the fair value of monetary securities denominated in foreign currency classified at amortised cost 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.

2.6 Property and equipment

Recognition and measurement

Items of property and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses. 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.

2.6 Property and equipment (continued)

Historical cost includes expenditures that are directly attributable to the acquisition of the asset. 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.

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The assets' carrying values are written down where an asset is impaired. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is more than the recoverable amount.

Subsequent costs

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

Depreciation

Depreciation is recognised in the Profit or loss on a straight-line basis to write down the depreciable value of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment.

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.

The estimated useful lives for the assets are as follows:

Assets	Years
Leasehold improvements	the shorter of the lease term and the useful life
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. It is transferred to the relevant asset category upon completion.

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

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in other operating income if its a gain on disposal and other expenses if its a loss on disposal in the year the asset is derecognised.

2.7 Leases

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

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

2.7 Leases (continued)

The Bank primarily leases land and buildings used as office spaces for branch operations.

Lease terms are negotiated on an individual basis and contain different terms and conditions, including extension and termination options. On renewal of a lease, the terms may be renegotiated and the lease terms range from 1 year to 50 years. The lease agreements do not impose any covenants, however, leased assets are not used as security for borrowing purposes.

Where contracts contain lease and non-lease components, the Bank has elected to separate lease and non-lease components and treat them accordingly.

Bank as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability on the date at which the leased asset is available for use by the Bank. Lease payment is used to extinguish the lease obligation.

The Bank does not have any sale and leaseback arrangements.

Right of use asset

Right-of-use assets are initially measured at cost which comprises of the following:

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

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

Lease liability

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

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

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

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

The finance cost is charged to profit or loss over the lease period in order to arrive at a constant periodic rate of interest on the remaining balance of the of the liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. Lease liability is subsequently measured at amortised cost using the effective interest rate method.

Lease payments on existing leases would be used to reduce the lease liability. The lease payments cover the payment of principal and interest portion and is recognised under financing activities in the statement of cash flows.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification or change in the

- assessment of the lease term
- assessment of the option to purchase the underlying asset
- amounts expected to be payable under a residual value guarantee
- future lease payments resulting from a change in an index or rate used to determine those payments.

2.7 Leases (continued)

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets that are have a value less than $5,000 when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense in profit or loss on a straight line basis over the lease term.

Extension and termination options

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

2.8 Intangible assets

Intangible assets other than goodwill are accounted for in accordance with IAS 38 Intangible Assets and IAS 36 Impairment of Assets.

Intangible assets include internally generated software, other software and licenses. They are initially recognised when they are separable or arise from conceptual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use.

Intangible assets are stated at cost less accumulated amortisation and for impairment losses, if any, and are amortised over their useful lives on a straight line basis, using the amortisation periods set out below:

	Amortisation
Licenses (including those related to core banking application)	1 year to 10 years
Other software	4 years

Intangible asset are reviewed for impairment when there are indicators that impairment may have occurred.

2.9 Impairment of non-financial assets

Non- financial assets such as property, plant and equipments are reviewed at each reporting date to determine whether there is any indication of impairment. Additionally, intangible assets that have an indefinite useful life such as goodwill are not subject to amortisation but are tested annually for impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. 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.

An impairment loss is recognised in the Profit or loss 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 or group of assets that generates cash flows that are largely independent from other assets. Impairment losses recognised in respect of cash-generating units (CGU) are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

2.10 Financial instruments (continued)

Recognised financial assets and financial liabilities are initially measured at 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 that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at Fair Value Through Profit or Loss-FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as

• if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss in the statement of profit or loss (i.e. day 1 profit or loss);
• in all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

a. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals. Specifically:

• debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are subsequently measured at amortised cost;

• debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI);

All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in Other Comprehensive Income (OCI). The Bank may also designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair

Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank’s business model for managing the asset.

Contractual cashflow characteristics- Solely payments of principal and interest (SPPI)

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

2.10 Financial instruments (continued)

Business model assessment

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Bank’s business model does not depend on management’s intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis .

The Bank has more than one business model for managing its financial assets which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank’s business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called ‘worst case’ or ‘stress case’ scenarios. The Bank takes into account all relevant evidence available such as:

• how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank’s key management personnel;
• the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
• how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. See (note 3.2)

The Bank considers the policies around sales within the amortised cost category. Sales would be made in response to increase in the asset's credit risk or to manage credit concentration risk.

Financial assets at FVTPL

Financial assets at FVTPL are:

• assets with contractual cash flows that are not SPPI; or/and
• assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
• assets designated at FVTPL using the fair value option

These assets are measured at fair value in the statement of financial position with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 3.8.

Reclassification

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

When reclassification occurs, the Bank relcassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'.

During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made.

2.10 Financial instruments (continued)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the closing rate at the end of each reporting period. Specifically:

• for financial assets measured at amortised cost exchange differences are recognised in statement of profit or loss in the 'other operating income' line item;
• for financial assets measured at FVTPL, exchange differences are recognised in profit or loss either in 'net trading income' if the asset is held for trading.

Impairment of financial assets

In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

• Financial assets at amortised cost (loans and advances to customers, debt investment securities);
• Off-balance sheet loan commitments; and
• Financial guarantee contracts.

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

With the exception of Purchased or originated credit impaired financial assets (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

• 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12months after the reporting date, (referred to as Stage 1); or
• full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 3.2.

The Bank's policy is always to measure loss allowances for lease receivables as lifetime ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR) for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis. More information on measurement of ECLs is provided in note 3.1, including details on how instruments are measured even when they are assessed on a collective basis.

2.10 Financial instruments (continued)

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
• the disappearance of an active market for a security because of financial difficulties; or
• the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 3.2).

The Bank considers the following as constituting an event of default:

• the borrower is past due more than 90 days on any material credit obligation to the Bank; or
• the borrower is unlikely to pay its credit obligations to the Bank in full.

This definition of default is used by the Bank for accounting purposes as well as for internal credit risk management purposes and is broadly aligned to the regulatory definition of default. The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending, a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. More details are provided in note 3.2. Credit impaired assets will include defaulted assets, but will also include other non-defaulted given that the definition of credit impaired is broader than the definition of default.

2.10 Financial instruments (continued)

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information. See note 3.2 for more details about forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to note 3.1).

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list'. An exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD compared to a financial instrument with a higher PD.

As a back-stop, when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is included in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted, if there is evidence of credit-impairment, the assets are included in stage 3 of the impairment model. More information about significant increase in credit risk is provided in note 3.2.

2.10 Financial instruments (continued)

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change in interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified, the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and

If these do not clearly indicate a substantial modification, then a quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10%, the Bank deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Bank considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised, the ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as, if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

-the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
-the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioral indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition, the loss allowance will continue to be measured at an amount equal to lifetime ECL.

2.10 Financial instruments (continued)

If a forborne loan is credit impaired due to the existence of evidence of credit impairment, the Bank performs an ongoing assessment to ascertain if the problems of the exposure are cured to determine if the loan is no longer credit-impaired. An instrument is deemed to be cured when there is a significant reduction in credit risk of the financial instrument. Cured instruments within stage 2 are monitored for a probationary period of 90days to confirm if the credit risk has decreased sufficiently before they can be migrated from stage 2 to stage 1 while cured instruments within stage 3 are monitored for a probationary period of 180days before migration from stage 3 to stage1.The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain or loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification gains or losses for financial assets are included in the profit or loss account in 'Gains or losses on modification of financial assets'. The Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Write-off

Loans and other debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in gains, which will be presented within other income in the statement of profit or loss.

2.10 Financial instruments (continued)

Presentation of allowance for ECL in the statement of financial position

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

• for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
• for loan commitments and financial guarantee contracts: as a provision; and
• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component, the Bank presents a combined loss allowance for both components.

The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

b. Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments (treasury shares) is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities, the amount presented on the statement of financial position represent all amounts payable including interest accruals.

Financial liabilities at FVTPL

Financial liabilities are classified as FVTPL when the financial liability is;
(i) held for trading, or
(ii) it is designated at FVTPL.

A financial liability is classified as held for trading if:

• it has been incurred principally for the purpose of repurchasing it in the near term; or
• on initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
• it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
• it forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cashflows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

2.10 Financial instruments (continued)

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in statement profit or loss incorporates any interest paid on the financial liability.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL, all gains and losses are recognised in profit or loss.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Fair value is determined in the manner described in note 3.8.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including deposits and borrowings, are initially measured at fair value, net of transaction costs. These financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Modification and derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument for another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. To determine if the modified terms of a liability are substantially different to the original terms a similar process with modification of financial assets is followed. The modification is assessed at first on a qualitative basis, factors such as a change in currency or the introduction of a non-closely related embedded derivative that significantly modifies the cash flows are regarded as substantially different. If it is not clear from the qualitative assessment that a modification has resulted in a substantial change in a financial liability, a quantitative assessment is applied. It is assumed that the terms of the financial liability 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 rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification is not substantial, the Bank recalculates the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. The Bank recognises any adjustment to the amortised cost of the financial liability in profit or loss as income or expense at the date of the modification. Modification gains are presented in 'other income' and modification losses are presented in 'other expenses' in the profit or loss.

2.10 Financial instruments (continued)

Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires 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 guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any financial guarantee contracts at FVTPL.

Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies. The Bank issued staff loan and mortgage loan at below-market interest rate.

Commitments to provide a loan below market rate not designated at FVTPL are presented as provisions in the statement of financial position and the remeasurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate at FVTPL.

Establishing groups of assets with similar credit risk characteristics:

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 3.2 for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECL not credit-impaired, or lifetime ECL credit-impaired, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used in estimating ECL:

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3.1 for more details on ECL and note 3.8 for more details on fair value measurement.

Determination of life of revolving credit facilities:

The Bank measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

2.10 Financial instruments (continued)

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:

When measuring ECL, the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 3.2 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

Probability of default (PD):

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD):

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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. The Bank does not have internal data for the modeling of CCF. As a result, the Bank has relied on CCF published by Central Bank of Nigeria.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents include cash, non-restricted balances with the Central Bank of Nigeria, balances held with other Banks and money market placements.

2.12 Revenue recognition

a *Interest income and expense*

Interest income and expense for all interest-earning and interest-bearing financial instruments except those recognised at fair value through profit or loss (FVTPL) are recognised in the profit or loss 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 net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The calculation of the effective interest rate includes contractual fees and points paid or received, transactions 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.
The interest income and all other changes in the fair value of financial instruments carried at fair value through profit or loss are recognised in net trading gains.

Interest income and expense presented in the profit or loss include:
- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis

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

a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

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

2.12 Revenue recognition (continued)

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

b _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.

For other fees and commission income, it is the Bank's policy to recognise revenue from a contract when it has been approved by both parties, rights have been clearly identified, payment terms have been defined, the contract has commercial substance and collectability has been ascertained as probable. Revenue is recognised when control of goods or services have been transferred. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits (potential cash inflows or savings in cash outflows) associated with the asset.
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 adhoc services provided to customers.
Fees and commission income are recognised at a point in time. This includes income earned from account maintenance charges, credit related fees, digital and non-digital banking services.

c _Net trading income_

Net trading income comprises all fair value changes on financial assets measured at fair value through profit or loss, net fair value gain on derivative instrument, and foreign exchange translation and trading gains/losses.

2.13 Employee benefits

2.13. Wages and salaries

Wages, salaries, bonuses and other contributions are accrued for in the period in which the associated services are rendered by employees of the Bank.

2.13. Defined contribution plan

In line with the Pension Reform Act 2014, the Bank operates a defined contribution pension scheme for all its permanent employees. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank 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.

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

2.14 Taxation

2.14. Current income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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 tax laws enacted or substantively enacted at the reporting date in the country, Nigeria, where the Bank operates and generates taxable income. These consist of Company Income Tax, Education Tax, National Agency for Science and Engineering Infrastructure (NASENI) levy, Capital Gain Tax, Police trust fund levy and National Information Technology Development Agency (NITDA) Tax. Company Income Tax is assessed at 30% statutory rate of total taxable profit, Education Tax is computed as 3% of assessable profit , Police trust fund levy is 0.005% of net profit, NASENI rate is 0.25% of Profit Before Tax while NITDA tax is a 1% levy on Profit Before Tax of the Bank. The Bank periodically evaluates positions taken in tax returns; ensuring information disclosed agree with the underlying tax liability which has been adequately provided for in the financial statements.

2.14. 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 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 Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same 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.

2.15 Investment properties

The Bank initially recognises investment property at cost including transaction costs, and subsequently at fair value at each statement of financial position date, reflecting market conditions at the reporting date. Gains and losses on remeasurement are included within other operating income in the statement of profit or loss.

Measurement of fair value - fair value hierachy

The fair values of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair values of the Bank’s investment property portfolio every year.

At the end of each reporting period, the Bank updates the assessment of the fair value taking into account the most recent independent valuations. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Bank considers information from a variety of sources including:

•current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

•discounted cash flow projections based on reliable estimates of future cash flows

•capitalised income projections based on a property’s estimated net market income, and acapitalisation rate

The fair value measurements for all of the investment properties have been categorised as Level 3 fair value measurements.

2.16 Provisions

A provision is recognized if, as a result of a past event, the Bank 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 Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Bank recognizes no provision for future operating losses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of fulfiling 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 Bank recognises any impairment loss on the assets associated with that contract.

Provisions are made for undrawn loan commitments and similar facilities if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

2.17 Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events wholly within the control of the Bank as a result of past event which is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount cannot be reliably estimated.

2.18 Contingent assets and liabilities

Contingent liability is defined as:
a. a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
b. a present obligation that arises from past events but is not recognised because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are never recognized rather they are disclosed in the financial statements when an outflow of economic benefit is possible except when the outcome is considered to be remote.

Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystalise.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are never recognized rather they are disclosed in the financial statements when an outflow of economic benefit is probable.

2.19 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.

Dividends on the Bank's ordinary shares

Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are approved by the Bank’s shareholders.

2.19 Share capital (continued)

Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

Regulatory risk reserve

The regulatory risk reserves warehouses the difference between the impairment 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.

Agri-business/Small and Medium Enterprises Investment Scheme (AGSMEIS)

The Agri-Business/Small and Medium Enterprises Investment Scheme is an initiative of Banker's committee of Nigeria. The contributed funds is meant for supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. In line with this initiative, the Bank will contribute 5% of Profit After Tax yearly to the fund.

Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

The SMEEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this requirement is no longer mandatory. The small and medium scale industries equity investment scheme reserves are non-distributable.

2.20 Earnings/(loss) per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss 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.

2.22 Collateral

The Bank obtains collateral where appropriate from customers to manage their credit risk exposures to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on the assets in the event that the customer defaults.

The Bank may also receive other credit instruments as collateral, such as borrowing contracts and derivative contracts in order to reduce their credit risk. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

2.23 Repossessed collateral

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

2.24 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3 Risk review

3.1 Overview

Providus Bank commenced operations in June 2017 after being licensed by the Central Bank of Nigeria in May 2016. The licensing followed the recapitalisation of the legacy mortgage institution - United Mortgage limited that transited into a full fledged commercial bank.
Generally, as a full fledged commercial bank, Providus Bank was exposed to a wide range of risks among which are credit, liquidity, strategic, compliance, market and operational risks. These have become more intense with the new normal which exposes the Bank to various cyber security challenges.

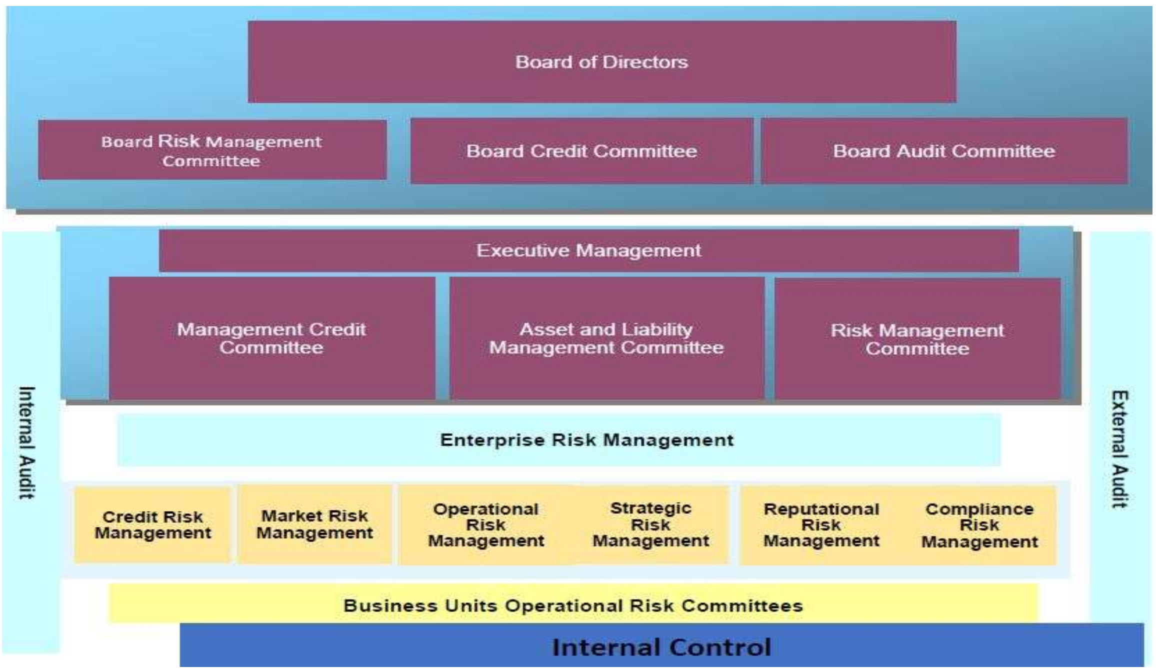
The new business scope necessitated the establishment of an Enterprise Risk Management framework to drive proactive risk identification, assessment, measurement and management of risks the organisation will be exposed to, and is designed to provide appropriate risk monitoring and assessment. The Risk Committees at both the Board and Management levels focus on risk governance and provide a strong forward-looking view of risks and their mitigation. Specific committees defined at the board level have responsibility for oversight and advice to the Board on, inter alia, the Bank’s risk appetite, tolerance and strategy, systems of risk management, internal control and compliance. In carrying out its responsibilities, the various Risk Committees are closely supported by the Chief Risk Officer, together with other business functions within their respective areas of responsibility. Risk culture and governance have been entrenched in the Bank and serves as a tool to drive the Bank in decision taking. The Bank has also entrenched a comprehensive capital management process that enables it to appropriately align its strategies to consistent capital adequacy management. This is reflected in a robust and proactive Internal Capital Adequacy Assessment Process (ICAAP) which not only guarantees adequacy of capital for the level of risk it is currently exposed to but enables the Bank estimate capital buffer through consistent stress-test of internal and external business environments. In line with global standard, the Bank sets its risk tone from the top as this is central to its approach to balancing risk and reward. Risk ownership is entrenched at individual business and support units and reinforced by the Bank’s values.

Providus Bank has an anonymous whistle blowing channel which enables independence of disclosures by staff on areas of concerns and it's strictly confidential. Risk management is communicated bank wide through policies and well documented processes. These are also complemented by mandatory trainings and seminars aimed at disseminating the Bank's risk philosophy across the Bank.

3.1 Risk organisation and governance

Providus Bank's risk organisation and governance defines responsibility for risk management across all levels of authority. The Board of Directors, through its various committees, articulates the vision, sets the tone and provides strategic direction for the management of risk across the Bank. The Executive Management transforms the strategic direction and policies set by the Board into procedures and processes in order to enforce effective implementation and adherence. The Chief Risk Officer oversees the Enterprise Risk Management framework and provides detailed performance reports periodically to the various committees at the management and board levels. Separate frameworks are equally documented for different risk areas to guide implementation and effective risk identification, analysis, monitoring and control. The Risk Management function ensures approved risk appetite is cascaded bank wide and all limits (internal and regulatory) are enforced bank wide. These are strictly monitored at enterprise and business unit levels to ensure compliance.

The chart below describes Providus Bank's risk organisation:



The Enterprise Risk Management is headed by the Chief Risk Officer who reports to the Board Risk Management Committee. The Chief Risk Officer has the primary responsibility for managing these risks on a day to day basis and maintains a consolidated and holistic view of the different risk types.

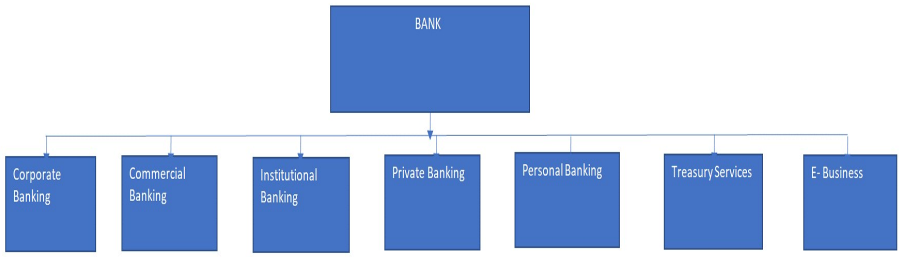
Providus Bank's risk universe described in the above chart derive from the approved business strategy which is also reviewed year-on-year. This is supported by consistent comprehensive enterprise risk management framework for the proactive identification, assessment, measurement and management of these risks. The framework which has been approved by the board puts oversight responsibility in the Board of Directors while enforcement and compliance rests in the Chief Risk Officer.

Business units and risk exposures

Providus Bank's major risk exposures (at commencement) lies in Credit as derived from the core business activities of the legacy bank - United Mortgage Limited which centered largely on the medium to long term mortgage financing. However, this risk has been moderately managed with significant credit portfolio driven by the on-lending National Housing Fund and very stringent selection and prequalification process. Although Credit risk remains the Bank's largest risk exposure, this is significantly mitigated by enhanced policies and procedures which focus on proactive portfolio diversification strategy, sound re-balancing and concentration management techniques. The expanded business scope and intended business strategy of the Bank warranted the definition of acceptable risk appetite across the enterprise. For instance, enhanced focus was placed on the Treasury Services in view of the Bank's take-off strategy which was aimed at a careful assessment of the different business sectors geared towards quality risk asset creation. Various risk mitigation and management action triggers included the predefined limits at Products, Counterparty and Dealer levels. The Bank also emphasised restricted focus on Federal Government traded debt instruments which have significantly low risk while gradually growing its risk asset portfolio.

_3.1_ Risk organisation and governance (continued)

The chart below highlights business units and their respective risk exposures:



	Corporate Banking	Commercial Banking	Institutional Banking	Private Banking	Personal Banking	Treasury Services	E- Business
CREDIT RISK EXPOSURE	High	High	Medium	Low	Low	Low	Low
OPERATIONAL RISK EXPOSURE	Medium	Medium	Medium	Low	Low	Low	Medium
MARKET RISK EXPOSURE	Low	Low	Low	Low	Low	Low	Low

Lines of defense for risk management

Although the overall responsibility for enterprise risk rests with the board of directors, the Bank operates a system that emphasises three lines of defense for the management of enterprise risks as follows:

(i) Oversight function by the Board of Directors and Executive Management and the primary responsibility of the business lines and process owners within the Bank for establishing an appropriate risk and control environment in order to align risk management with business objectives.

(ii) Independent control function over the business processes and related risks to ensure that the business and process owners operate within defined appetite and approved policies and procedures. It is provided by functions such as risk management, internal control, compliance, and finance. These departments develop policies and procedures, risk management processes and controls, monitor and report on risks accordingly for prompt decision making.

(iii) Independent assurance to the Board of Directors on the effective implementation of the risk management framework and validates the risk measurement processes. There are two complementary parts to this - the internal and external audit.

3.1 **Risk organisation and governance (continued)**

Lines of defense for risk management is represented graphically below:

First line of defense

The first line of defense comprises of the Board, Management and the Business line areas. The overall risk appetite that underscores risk taking across the enterprise is set by the Board. This defines level of risk acceptance and tolerance (including mitigating plans) for different risk types. Activities at the board level is undertaken by different committees who have specific responsibilities for proactive risk management. Risk strategies, culture and limits are defined by the Board Risk Management Committee (BRMC) while policy review, target market definitions and portfolio aggregation/management rest with the Board Credit Committee. The Board Audit Committee is responsible for the oversight of enterprise risk through independent and assurance reporting from the Internal Control and Audit Units.

The Risk Management Committee (RMC) is a management committee which reports to the Board Risk Management Committee and has direct responsibility for implementing the enterprise risk management framework and related policies approved by the board through its relevant committees. The RMC charter requires the committee to meet monthly to review all risk exposures (including Key Risk Indicators, credit portfolio reports, market risk exposures etc.) and recommends risk mitigating strategies/actions. The RMC is also responsible for portfolio planning, capital management and providing oversight for all enterprise risk management initiatives.

The Management Credit Committee undertakes detailed credit appraisal to ensures adherence with the approved risk appetite. Asset and Liability Committee also moderates pricing as well as ensuring overall asset and liability management.

The Business line areas have the first line risk ownership with their risk consciousness demonstrated at the selection and on-boarding stages. This facilitates detailed risk identification and assessment in order to protect the Bank from avoidable losses. The business areas also document the Risk Control Self Assessment within an half-yearly frequency. This process enables Risk Management to evaluate residual risks for proactive resolution and enhancement of existing controls. Key Risk Indicators are designed for all business units to prevent avoidable risk from crystalising against the Bank. An Operational risk committee is designed to monitor adherence to the existing controls as well as incidences of crystalised indicators.

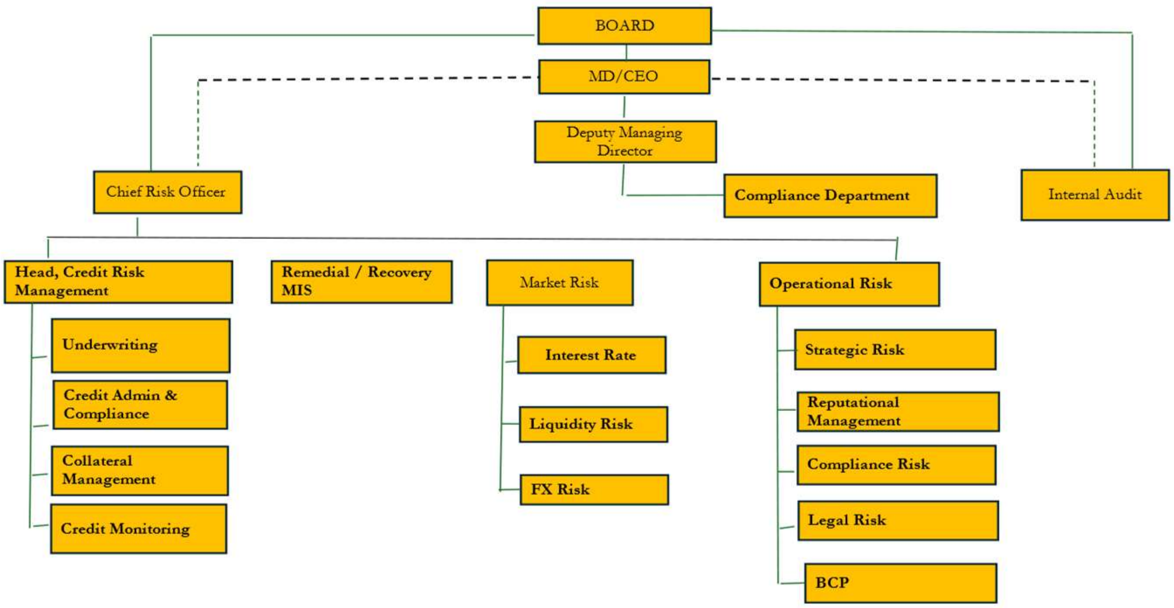
Second line of defense

The second line of defense comprises of Risk Management, Internal Control and Compliance functions. The Risk Management function designs policies and cascade approved limits and appetites. These are enforced bank wide to drive effective risk culture geared towards attaining approved strategies. Internal control and compliance teams work hand-in-hand and are directly responsible for enforcing and confirming compliance with the bank wide policies, procedures and overall business processes. It conducts routine control checks and highlight observed gaps for effective management actions. The Compliance team ensures the bank fully complies with all regulatory requirements such as KYC, Anti-Money Laundering (AML) regulations and indeed all requirements of the Central Bank of Nigeria (CBN) and other regulatory authorities such as Nigerian Deposit Insurance Corporation (NDIC) among others.

The structure of Risk Management has improved significantly to effectively position the Bank for sound risk management practices. Providus Bank now has a diversified risk structure that guarantees strong oversight for all risks that the Bank may be exposed to at every point in time. Risk identification, quantification, assessment and monitoring follow very granular process to foster comprehensive risk analysis and management. For instance, all obligors are rated through dedicated risk rating model which emphasize both qualitative and quantitative criteria. The factors are weighted to produce specific score which is mapped to identified rating grade. The Bank defines proxy Probability of Default (PD) estimates for each risk grade which is validated after 12 months period through comprehensive back-testing methodology. The model validation tests the correlation of PD to the corresponding risk grade and may spur model re-calibration (where warranted). The rating model also enables the Bank to determine the Loss Given Default (LGD) based on the collateral type. Both the PD and the LGD are mapped to produce the Expected Credit Loss (ECL) which dovetails into the Bank's risk-based Pricing model. In compliance with regulatory requirements, our bank transited and fully implemented IFRS 9 - impairment model in January 2018. An Impairment assessment model was designed along 12 months and lifetime Probability of Default (PD) to test for the portfolio staging throughout the lifetime of a facility. With the implementation in January 2018, the bank complies fully with the transition guidelines defined by the CBN.

3.1 Risk organisation and governance (continued)

The structure of risk management is as shown below:



Third line of defense

These are independent functions that provide assurance to the Bank on its enterprise risk management. The Internal Audit is responsible for periodic gap assessment of policies and procedures with a view to escalating exceptions to the Board Audit Committee. Additionally, external auditors appointed by the board ensures regulatory guidelines and procedures are observed by providing assurances to the board of directors at every audit frequency. External Auditors apart from establishing the true and fair position of the Bank's financial position also assess the quality of internal controls through their audit activities and recommendations for necessary improvement. This has significant impact on the Bank's processes, governance and control.

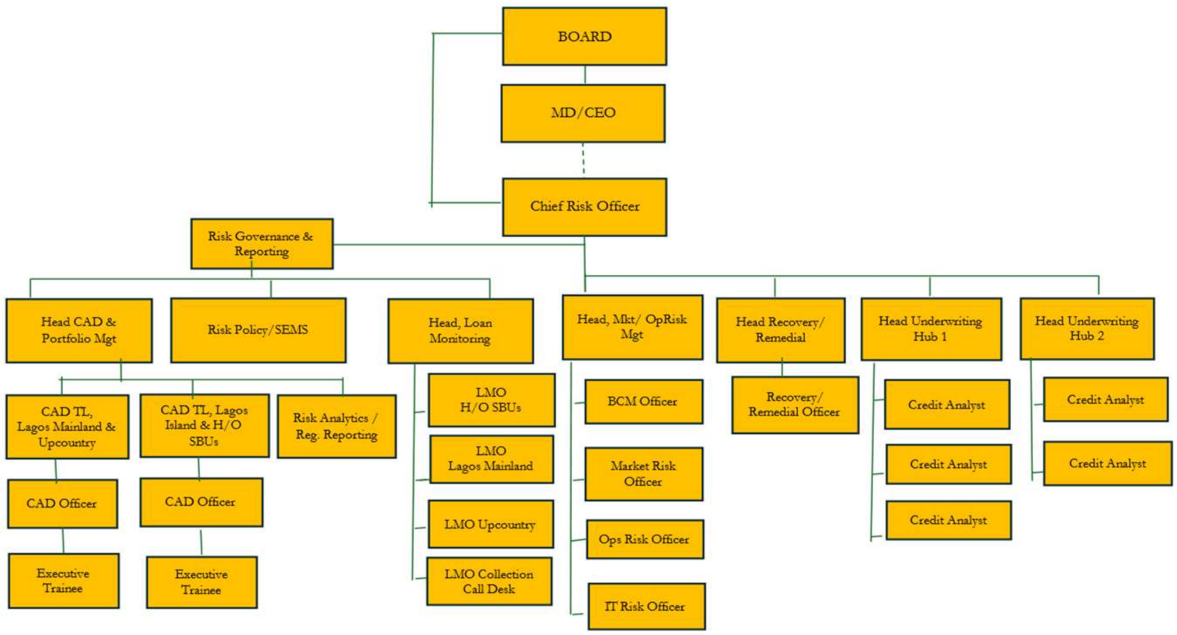
The Enterprise Risk Management describes the governance of the Bank's risk universe with the Chief Risk Officer providing required coordination of all the risks exposed to by the Bank and reports to the Board Risk Management Committee. The Compliance Unit however reports to the Executive Director who has the responsibility for compliance activities within the Bank. The chart below shows the Providus Bank's risk governance pyramid:

The risk governance pyramid:

3.1 Risk organisation and governance (continued)

The advent of COVID 19 during the 2020 financial year changed the Bank's working practice. The 'New Normal' compels the Bank to focus on new areas of vulnerability and strengthen the controls. Business continuity principles were entrenched across the Bank while governance processes were enhanced. The Bank's enterprise risk management technique is summarised in the chart below:

The enterprise risk management organogram:



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 strategies and principles used include:

• Placing emphasis on diversity, quality, and stability of earning after thorough risk assessment
• Leveraging on competitive advantages with focus on core businesses
• Ability to quantify to a very large extent all material risks faced by the bank
• Set up and enforce methodologies for sound capital management
• Making disciplined and selective strategic investments

Risk management objectives

The Bank's risk management objectives include:

• Identify material risks to the Bank and ensure that business activities and plans are consistent with its risk appetite.
• Ensure compliance with policies and procedures as well as adhere to corporate governance standards
• Understand the full range of risks facing the Bank and evaluate the strategies to minimize risks
• Enhance returns by ensuring that the Bank's products and services are priced commensurately
• Ensure that business growth plans are properly supported by effective risk infrastructure and capital.
• Improve the control and co-ordination of risk taking across the enterprise

_3.1_ Risk organisation and governance (continued)

Stress testing and capital management

The Bank has designed a comprehensive road map (approved by the board) for the implementation of the enterprise risk management. The roadmap defines series of initiatives required to rightly position it for effective risk management. For instance, the Bank designs sound capital planning strategy through a robust Internal Capital Adequacy Assessment Process (ICAAP) conducted annually. The process enables the Bank align its capital requirement with business strategies thus assessing required capital buffer to match its business strategies. Appropriate Management Action Triggers (MAT) are designed to ensure proactive steps are in place for efficient capital management. Both the Pillar I and Pillar II risks are comprehensively assessed under realistic assumptions to guide against unwarranted capital gaps in the course of the year. This also provides an enduring process and risk culture for consistently assessing capital buffer required to meet future business strategies. The ICAAP is complemented by robust Stress Testing methodology which focus on Plausible, Mild and Severe scenarios. It embeds the impact on internal and external environment on factors that could impede the Bank's capital and earnings. This also sensitizes the Bank for proactive measures required to mitigate such incidences. The Bank has equally designed the Capital Management framework as well as robust Contingency Funding plan to ensure it is adequately positioned for its business obligations. All the risk initiatives are focused at ensuring preservation of the Bank's capital and earnings.

Risk appetite

The Bank's risk appetite is defined across qualitative and quantitative thresholds for different risk areas. This allows for effective proactive risk assessment and measurement. Qualitative risk appetite statement is set by the board but cascaded at different risk levels through limits, tolerance and risk indicators. The limits are monitored at Green, Amber and Red thresholds and actual performance is measured proactively to prevent risks from crystalising against the Bank. This provides a granular methodology for tracking compliance with the overall enterprise risk management framework and supports the Bank's objectives of maximizing its earnings and shareholders value. In recognising the level of risks the Bank is now exposed to and in view of the expanded business scope, Providus Bank exhibits a “moderate” appetite for risk. This is reflective in the conservative limits set at sector, product, portfolio and transaction levels. For instance, all credit requests are approved at management or board committee levels based on specific limit. This enables the Bank set strong risk management culture across the Bank.

Risk appetite definition approach

Risk element	**Risk appetite definition approach**	
	Qualitative	Quantitative-key risk indicators
Enterprise risk	ü	ü
Credit risk	-	ü
Market risk	-	ü
Liquidity risk	-	ü
Legal risk	ü	ü
Strategic risk	ü	ü
Compliance risk	ü	ü

Providus Bank's risk appetite is as shown below:

Key risk area	**Definition**	**Risk appetite**	**Tolerance**
Enterprise risk	Bank rating	Minimum Bank rating of BBB+	Bank's rating shall not fall below BBB-
	Composite risk rating	Moderate risk	Above average
	Capital adequacy	Minimum capital adequacy ratio (CAR) of 12%	Capital adequacy ratio (CAR) not lower than 11%
	Deviation from profit before tax (PBT)	Maximum of 7.5% deviation from profit before tax (PBT)	Not more than 10% deviation from profit before tax (PBT)
Credit risk	Criticised Assets	Maximum non-performing loan (NPL) ratio of 3%	Non-performing loan (NPL) will not exceed 5%
	Cost of Risk	Maximum cost of risk of 2%	Cost of risk will not exceed 3%
	Single Obligor	Maximum of 18% of	Regulatory Limit of 20% of shareholders fund
	Aggregate Large Exposure	Maximum of 600% of shareholders fund	Regulatory limit of 800% of shareholders fund
	WaRR	B+	B
	Sector Concentration	20% at sub-sector level excluding Public Sector which is set at 10% by CBN	Regulatory Limit of 10% of total loan book for Public Sector and 20% for others (including sub-sectors)
	Unsecured exposures	100% of total exposure must be secured	Minimum of 90% of total exposure must be secured
	Single employer limit	Maximum of 4% of personal portfolio	Single employer Limit shall not exceed 5% of 'Personal' portfolio
	Single employer non-performing loan (NPL)	Maximum of 3% of consumer exposure	Single employer non-performing loan (NPL) shall not exceed 5% of consumer portfolio

3.1 **Risk organisation and governance (continued)**

Key risk area	Definition	Risk appetite	Tolerance
Market risk	Net Interest Margin (NIM)	Minimum NIM of 7.5%	NIM will not be below 6.5%
	Low Cost Deposit	Low cost deposit as a percentage of total deposit is	Low cost deposit should not be less than 70% of total deposit
	IRR Trading Limit	IRR Trading Limits (Fixed Income) = 1% of SHF	IRR Trading Limits (Fixed Income) is 1.2% of shareholders fund
	Aggregate IRR	IRR Ratio = Aggregate interest rate risk of 1.5% of SHF	IRR Ratio = Aggregate interest rate risk of 2% of SHF
	Trading Stop Loss Limit	Trading Stop Loss Limit = N7.5m on portfolio (for both FX	Trading Stop Loss Limit = N7m on portfolio (for both FX and Fixed Income)
	Net Open Position	Foreign Currency Net Open Position Limits = 0.75% of SHF	Regulatory Limit of 1% of SHF
	Foreign Borrowing Limit	Maximum Limit of 100% of SHF	Regulatory Limit of 125% of SHF
Liquidity risk	Liquidity ratio	Liquidity Ratio of 35%	Regulatory ratio of 32%
	Funding Gap	Maximum funding gap of 7.5% of Total Liabilities	Maximum funding gap of 10% of total liabilities
Operational risk	Oprisk Loss Hedged by Insurance	0.0% of Gross Income	0.1% of Gross Income
	Other Operational Risk Losses	Total Operational Risk Losses as a % of Gross Income should not exceed 0.23%	Total Operational Risk Losses as a percentage of Gross Income should not exceed 0.2%
	Fraud Losses	Total Fraud Losses as a % of Gross Income should not exceed 0.05%	Total Fraud Losses as a % of Gross Income should not exceed 0.065%

Performance report is presented to the Risk Management Committee monthly to assess compliance with the risk appetite and limits. This may warrant policy changes on portfolio re-balancing among others. The Board Risk Management committee sits quarterly to assess compliance level.

Measuring the Expected Credit Loss (ECL)

Definition of default

The Bank defines default as an event that leads to a detrimental impact on the estimated future cash flows of the financial asset. The Bank considers the following as constituting an event of default; the borrower is past due more than 90 days on any material credit obligation to the Bank; or the borrower is unlikely to pay its credit obligations to the Bank in full.

Determining ECL

Providus Bank recognises an allowance depending on whether there has been a significant increase in credit risk since initial recognition or the financial asset was credit-impaired on initial recognition. A key assessment is, therefore, whether a significant increase in the credit risk of a financial asset occurred between initial recognition and their relevant reporting date. The guiding principle of the Expected Credit Loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial assets. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk. The bank's assessment of the Expected Credit Loss is driven by the following:

• 12-month ECLs (Stage 1), which applies to all financial assets (from initial recognition) that have not experienced a significant increase in credit risk; and
• Lifetime ECLs, which applies when a significant increase in credit risk has occurred on an individual or collective basis (Stage 2) or when there is an objective evidence of impairment (stage 3), as a result of one or more events that occurred before or after the initial recognition of the financial asset.

The Bank maintains very strong governance structure on its ECL framework with the board having the oversight role which it enforces through the Board Risk Management Committee. The framework also ensures effective model performance review by both the Internal Control and Audit to ensure consistency in the default assessment. Of course, the model also recognises the market dynamics by validating the default with the changes in the relevant macro-economic factors.

The Bank considers the following quantitative and qualitative variables in the determination of Significant Increase in Credit Risk (SICR):

i. Changes in the Obligor's risk rating either within or outside a rating bank

ii. Absolute or relative changes in the Obligor's PD

iii. Evidence of restructure or forbearance

iv. Days Past Due

3.2 Credit risk

Credit risk management

Credit risk arises where an obligor/counterparty fails to perform in accordance with agreed terms or where the counterparty's ability to meet such contractual obligation is impaired. Lending forms the core business of the Bank and in recognition of this, great emphasis is placed on effective management of its exposure to credit risk. The Bank drives the credit risk management processes using appropriate scalable technology to achieve global best practices. It also emphasises strong competences and experience in its manning process for Risk Management.

Credit risk identification commences from the Bank's selection strategies which ensures critical analysis of target markets and segments. Products development is interfaced with approved appetite to ensure adequate risk assessment and control. The Bank predefines acceptable sectors and industries based on comprehensive parameters that focus on historical performance and future outlook. These underguards the limit definition for each sector across product and portfolio. Risk identification is supported by intensive credit underwriting which ensures risk quantification at obligor and facility levels. Both quantitative and qualitative criteria are evaluated to assess the risk of each obligor in order to ensure adequate congruence with the Weighted Average Risk Rating (WaRR) threshold set by the board. The comprehensive underwriting process enables the Bank to proactively assess the Probability of Default, Loss Given Default as well as the expected loss for each transaction and obligor. This is conducted through a rating model specifically designed for the SME and emerging corporate segments in line with the Bank's business focus. The rating model is linked to a 21 grade grid which is mapped to proxy PDs using the comparative rating scale of Fitch, S&P and Moody's KMV. This enables the Bank to institute an enduring credit data gathering process and build reliable internal model that not only reflects the business environment but the bank's specific experience. The deployment and use of model will however continue to be supported by strong expert judgement and governance. Providus Bank's 21 grade grid is as shown below:

COMPARATIVE RATING GRID: MOODYS' S & P, AND FITCH				Providus Bank	
Moody's	**S & P**	**Fitch**	**PD**	**Grade**	**Counterparty**
Aaa	AAA	AAA	0.02%	AAA	A
Aa1	AA+	AA+	0.03%	AA	A
Aa2	AA	AA	0.05%	AA-	A
Aa3	AA-	AA-	0.09%	A+	A
A1	A+	A+	0.14%	A	A
A2	A	A	0.18%	A-	A
A3	A-	A-	0.22%	BBB+	A
Baa1	BBB+	BBB+	0.28%	BBB	A
Baa2	BBB	BBB	0.43%	BBB-	A
Baa3	BBB-	BBB-	0.66%	BB+	B
Ba1	BB+	BB+	1.10%	BB	B
Ba2	BB	BB	1.65%	BB-	B
Ba3	BB-	BB-	2.48%	CCC+	C
B1	B+	B+	3.71%	CCC	C
B2	B	B	5.57%	CCC-	C
B3	B-	B-	8.35%	CC+	C
Caa1	CCC+	CCC	10.20%	CC	N/A
Caa2	CCC	CCC	13.80%	CC-	N/A
Caa3	CCC-	CCC	100.00%	C+	N/A
Ca	CC	CCC	N/A	C	N/A
	C	CCC	N/A	C-	N/A
C	D	DDD	N/A	N/A	N/A
N/A	N/A	DD	N/A	N/A	N/A
N/A	N/A	D	N/A	N/A	N/A

The Bank adopts a predictive loan monitoring process designed to drive early warning signals that foster preventive rather than reactive steps. Imminent maturing obligations are rolled out to relationship managers 14 days before such obligations fall due to stimulate follow up and adequate funding for repayment. This consistently enhances the portfolio quality and credit risk ownership among the front line officers. The Portfolio monitoring activities also include detailed Management Information System (MIS) at management and board levels. This facilitates prompt decision at various levels especially in relation to the approved framework.

Credit approval limits

The credit approval is restricted to the credit committees at Board and Management levels as shown below:

Approval levels	Obligor limits
Full Board	All requests of above 18% of Shareholders fund (SHF) unpaid by losses.
Board Credit and Investment Committee	All requests of above N1 billion but capped at 18% of SHF unpaid by losses.
Management Credit and Investment Committee	Up to N1 billion

3.2 Credit risk (continued)

Collateral policies

The Bank has put in place a comprehensive collateral risk management framework that defines acceptable collateral and haircuts. The framework covers parameters for testing eligibility, adequacy, coverage, quality realisability and of collaterals used as mitigants for credit exposures. This ensures that the Bank has strong fall-back position for all classes of its assets. The collateral framework provides guidelines for mark-to-market and the application of haircuts by collateral type and location, this is also embedded in the Facility Risk Rating model. The grid below shows the bank's acceptable collateral mapped to coverage and haircut percentage.

S/N	Collateral type	Collateral coverage	% Haircut
1	Cash	125%	0%
2	Treasury Bills and Government Securities (FGN	125%	0%
3	Financial Guarantees of acceptable counterparties	125%	20%
4	Receivables of Companies rated BB- and above	142%	20%
5	Traded Commodities	200%	20%
6	Stock & Shares of blue chip companies	200%	20%
7	Residential Legal Mortgage	150%	50%
8	Commercial Legal Mortgage	150%	50%
9	Debentures	150%	50%

Mark-to-market and revaluation frequencies is defined along collateral types as follows:

S/N	Collateral type	Collateral coverage
1	Properties with registrable titles	2 years with yearly update by designated valuer
2	Leased Assets	Annual
3	Debentures	Annual
4	Shares	Daily
5	Commodities	Daily
6	Stock	Monthly
7	Cash	N/A (Would be considered daily for volatility where denominated in foreign currency)
8	Treasury Bills	Daily
9	Fixed Income Instruments	Daily
10	Other Forms of Collateral	As applicable

Write-off policy

Write-off decisions are carefully scrutinised and tested against borrower's current and future cashflows to ascertain weaknesses that may warrant either partial or full write-off. Actual Write-off experience would be validated with the estimated Loss Given Defaults to further tweak the collateral management policy and the haircut thresholds. The bank shall (as part of foreclosure process) fall back on collaterals through realisation in order to reduce the loss experience on its exposures. 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 profit or loss within other income.

Maximum exposure to credit risk before collateral held or credit enhancements

The Bank's maximum exposure to credit risk at 31 December 2023 and 31 December 2022 respectively is represented by the gross amounts of the financial assets in the statement of financial position.

Credit risk maximum exposure relating to on-balance sheet

Figures in thousands of naira	31 December 2023	31 December 2022
Cash and bank balances (note 16)	7,417,497	76,645,764
Due from other financial institutions (note 17)	134,383,472	32,930,070
Financial asset at fair value through profit or loss (note 18)	75,893,164	-
Financial assets at amortised cost (note 20)	194,158,818	142,430,868
Cash reserve balance with Central Bank of Nigeria (note 21)	496,902,084	146,458,944
Other financial assets (note 22)	108,643,893	20,941,294
Loans and advances at amortised cost:		
-Term loans (note 19)	418,149,164	222,187,516
-Overdraft (note 19)	88,504,359	66,149,986
	506,653,522	288,337,502
	1,524,052,450	707,744,442

The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2023 and 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.

Maximum credit risk exposure on financial assets held at fair value through profit or loss excludes equity investments.

3.2 Credit risk (continued)

Credit exposure relating to off-balance sheet items

Figures in thousands of naira	31 December 2023	31 December 2022
Bonds and guarantees	98,614,789	105,630,516
Letters of credit	118,910,752	18,739,481
	217,525,541	124,369,997

Credit quality of financial assets

The following tables set out information about the credit quality of financial assets measured at amortised cost, lease receivables and FVOCI debt investments without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

The Bank uses the following description to indicate the credit quality of financial assets:

S/N	Internal rating band	Grade band	Description
1	Extremely low risk	A+ to AAA	Highest asset quality. Asset will be recovered in full. Risk of loss is remote.
2	Very low risk	BBB to A	Superior asset quality. Asset will be recovered in full. Risk of loss is remote.
3	Low risk	B- to BB+	Asset quality is reliable, but with considerable risk. Risk of loss is doubtful.
4	Acceptable risk	CC+ to CCC+	The quality of the Asset is acceptable with some potential weakness. While the asset is currently protected, it is considered potentially weak.
5	Moderately high risk	CC- to CC	Asset quality is unreliable with strong tendency for failure/loss. Imminent weakness with slim chance of survival.
6	High risk	C- to C+	Asset recovery is of great concern. The risk of loss is more imminent and pronounced.

The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative. The table below summarises per type of asset the range above which an increase in lifetime PD is determined to be significant, as well as some indicative qualitative indicators assessed.

Credit quality of on-balance sheet items				31 December 2023			
	Extremely low risk	**Very low risk**	**Low risk**	**Acceptable Risk**	**Moderately High Risk**	**High Risk**	**Maximum exposure to credit risk**
**Figures in thousands of Naira**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and bank balances	-	-	-	7,417,497	-	-	7,417,497
Due from other financial institutions	5,013,416	537,486	30,486,298	98,346,272	-	-	134,383,472
Financial asset at fair value through profit or loss	-	-	-	75,893,164	-	-	75,893,164
Financial assets at amortised cost	-	-	-	194,158,818	-	-	194,158,818
Cash reserve balance with Central Bank of Nigeria	-	-	-	496,902,084	-	-	496,902,084
Other financial assets	-	108,643,893	-	-	-	-	108,643,893
Loans and advances at amortised cost:							
- Term loans	312,603	5,566,319	273,593,422	138,259,949	416,871	-	418,149,164
- Overdraft	-	2,972,504	53,447,749	32,007,808	76,298	-	88,504,359
	5,326,019	117,720,201	357,527,470	1,042,985,592	493,170	-	1,524,052,451

Credit quality of on-balance sheet items				31 December 2022			
	Extremely low risk	**Very low risk**	**Low risk**	**Acceptable Risk**	**Moderately High Risk**	**High Risk**	**Maximum exposure to credit risk**
**Figures in thousands of Naira**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Cash and bank balances	-	76,645,764	-	-	-	-	76,645,764
Due from other financial institutions	-	32,930,070	-	-	-	-	32,930,070
Financial assets at amortised cost	-	142,430,868	-	-	-	-	142,430,868
Cash reserve balance with Central Bank of Nigeria	-	146,458,944	-	-	-	-	146,458,944
Other financial assets	-	20,941,294	-	-	-	-	20,941,294
Loans and advances at amortised cost:							
- Term loans	-	-	145,499,963	73,443,126	10,204,226	-	229,147,314
- Overdraft	-	-	49,620,108	9,224,895	345,187	-	59,190,189
	-	419,406,940	195,120,071	82,668,021	10,549,413	-	707,744,443

3.2 Credit risk (continued)

Credit quality of off-balance sheet items				**31 December 2023**		
Figures in thousands of Naira	**Very low risk N'000**	**Low risk N'000**	**Acceptable Risk N'000**	**Moderately High Risk N'000**	**High Risk N'000**	**Maximum exposure to credit risk N'000**
Bonds and Guarantees	-	98,614,789	-	-	-	98,614,789
Letters of credit	-	118,910,752	-	-	-	118,910,752
	-	**217,525,541**	**-**	**-**	**-**	**217,525,541**

Credit quality of off-balance sheet items				**31 December 2022**		
Figures in thousands of Naira	**Very low risk N'000**	**Low risk N'000**	**Acceptable Risk N'000**	**Moderately High Risk N'000**	**High Risk N'000**	**Maximum exposure to credit risk N'000**
Bonds and Guarantees	-	105,630,516	-	-	-	105,630,516
Letters of credit	-	18,739,481	-	-	-	18,739,481
	-	**124,369,997**	**-**	**-**	**-**	**124,369,997**

Loans and advances to customers at amortised cost 31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Grades A+ -AAA: Extremely Low Risk	312,602	-	-	312,602
Grades BBB- A: Very Low risk	8,061,924	-	476,900	8,538,824
Grades B--BB+: Low risk	262,622,413	68,668,363	5,789,817	337,080,593
Grades CC+-CCC+: Acceptable Risk	132,356,987	23,175,946	4,695,457	160,228,390
Grades CC--CC: Moderately High Risk	20,693	-	472,421	493,114
Grades C--C+: High Risk	-	-	-	-
Total gross carrying amount	403,374,619	91,844,309	11,434,595	506,653,523
Loss allowance	(6,555,600)	(2,533,399)	(3,375,763)	(12,464,762)
Carrying amount	396,819,019	89,310,910	8,058,831	494,188,761

Loans and advances to customers at amortised cost 31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	N'000	**N'000**	**N'000**	**N'000**
Grades A+ -AAA: Extremely Low Risk				-
Grades BBB- A: Very Low risk				-
Grades B--BB+: Low risk	177,071,462	14,763,604	3,285,004	195,120,070
Grades CC+-CCC+: Acceptable Risk	71,930,430	3,433,614	7,303,977	82,668,021
Grades CC--CC: Moderately High Risk	6,300,877	3,919,261	329,274	10,549,412
Grades C--C+: High Risk	-	-	-	-
Total gross carrying amount	255,302,769	22,116,479	10,918,255	288,337,503
Loss allowance	(3,597,337)	(154,157)	(1,938,072)	(5,689,566)
Carrying amount	251,705,432	21,962,322	8,980,183	282,647,937

Loss allowance distribution		**31 December 2023**			**31 December 2022**	
	Exposure at default	**Average PD**	**Average LGD**	**Exposure at default**	**Average PD**	**Average LGD**
Bank rating						
Grades A+ -AAA: Extremely Low Risk	312,602	0.0%	75.0%	-	-	-
Grades BBB- A: Very Low risk	8,538,824	0.1%	73.0%	-	-	-
Grades B--BB+: Low risk	337,080,593	4.1%	75.0%	195,120,070	3.84%	75%
Grades CC+-CCC+: Acceptable Risk	160,228,390	5.2%	97.0%	82,668,021	4.03%	75%
Grades CC--CC: Moderately High Risk	493,114	10.8%	80.0%	10,549,412	6.75%	60%
Grades C--C: High Risk	-			-		

3.2 Credit risk (continued)

The above distribution aligns with the Bank's business strategy which is targeted at the SMEs, local and emerging corporates with limited presence among the large corporates. This recognises its focus on creating value for the underserved and to a large extent, the unbanked. A robust shared service initiative enables the Bank to address the significant ownership structure through deliberate success above distribution plan and gradually decentralized ownership structure. This enhances the obligor's risk profile as well as the portfolio Weighted Average Risk Rating (WaRR).

Financial assets at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Year ended 2023 Total**	**Year ended 2022 Total**
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
Grades A--AAA: Very Low risk	-	-	-	-	-
Grades BB--BBB+: Low risk	194,158,818	-	-	194,158,818	142,430,868
Total gross carrying amount	194,158,818	-	-	194,158,818	142,430,868
Loss allowance	(1,626,518)	-	-	(1,626,518)	(828,875)
Carrying amount	192,532,300	-	-	192,532,300	141,601,993

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 Bank 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 Bank complies fully with all regulatory portfolio concentration limits as determined by the CBN. The Bank 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 Bank 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 Bank employs its management information system in monitoring these limits and remedial actions are set in motion at determined thresholds.

IFRS 7 requires disclosures about concentrations of credit risk. 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.

3.2 Credit risk (continued)

Industry sectors

The following table breaks down the Bank'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

31 December 2023

Figures in thousands of Naira

Sector	Cash and bank balances & Cash reserve balance with CBN	Financial assets at amortised cost	Financial assets at FVTPL	Loans and advances to customers	Other financial assets	Total
Activities of Extra Territorial Organizations and Bodies	-	-	-	-	-	-
Administrative and Support Service Activities	-	-	-	4,516,233	-	4,516,233
Agriculture	-	-	-	16,496,961	-	16,496,961
Arts, Entertainment and Recreation	-	-	-	441,407	-	441,407
Capital Market	-	-	75,893,164	-	-	75,893,164
Construction	-	-	-	12,645,949	-	12,645,949
Education	-	-	-	4,772,781	-	4,772,781
Finance and Insurance	138,832,088	-	-	37,645,825	27,357,331	203,835,245
General (others)	-	-	-	64,707,258	7,283,710	71,990,968
General Commerce	-	-	-	52,160,294	-	52,160,294
Government	499,870,965	194,158,818	-	348,890	74,002,852	768,381,525
Human Health and Social Work	-	-	-	570,633	-	570,633
Information and Communication	-	-	-	6,779,142	-	6,779,142
Manufacturing	-	-	-	65,193,979	-	65,193,979
Mining and Quarrying	-	-	-	54,004	-	54,004
Oil and Gas	-	-	-	90,634,287	-	90,634,287
Power and Energy	-	-	-	9,618,688	-	9,618,688
Professional, Scientific and Technical Activities	-	-	-	14,127,066	-	14,127,066
Public Utilities	-	-	-	-	-	-
Real Estate	-	-	-	100,814,692	-	100,814,692
Transportation and Storage	-	-	-	23,363,257	-	23,363,257
Water Supply; Sewerage, Waste Management And Remediation Activities	-	-	-	1,762,176	-	1,762,176
Total	638,703,053	194,158,818	75,893,164	506,653,523	108,643,892	1,524,052,451

31 December 2022

Figures in thousands of Naira

Sector	Cash and bank balances & Cash reserve balance with CBN	Financial assets at amortised cost	Financial assets at FVTPL	Loans and advances to customers	Other financial assets	Total
Administrative and Support Service Activities	-	-	-	2,753,595	-	2,753,595
Agriculture	-	-	-	14,801,074	-	14,801,074
Arts, Entertainment and Recreation	-	-	-	440,937	-	440,937
Construction	-	-	-	9,658,172	-	9,658,172
Education	-	-	-	5,773,466	-	5,773,466
Finance and Insurance	35,370,977	-	-	28,856,592	13,602,937	77,830,506
General (others)	-	-	-	37,625,535	7,312,851	44,938,386
General Commerce	-	-	-	27,281,353	-	27,281,353
Government	220,663,800	142,430,868	-	563,057	25,510	363,683,235
Human Health and Social Work Activities	-	-	-	419,503	-	419,503
Information and Communication	-	-	-	1,251,124	-	1,251,124
Manufacturing	-	-	-	32,714,374	-	32,714,374
Oil and Gas	-	-	-	57,039,004	-	57,039,004
Power and Energy	-	-	-	9,290,008	-	9,290,008
Professional, Scientific and Technical Activities	-	-	-	4,245,206	-	4,245,206
Real Estate	-	-	-	39,283,215	-	39,283,215
Transportation and Storage	-	-	-	14,775,831	-	14,775,831
Water Supply; Sewerage, Waste Management And Remediation Activities	-	-	-	1,565,457	-	1,565,457
Total	256,034,777	142,430,868	-	288,337,503	20,941,297	707,744,446

The Bank does not hold any collateral against its other financial assets exposed to credit risk.

3.2 Credit risk (continued)

Sensitivity - loan loss impairment

The ECL are sensitive to judgements and assumptions made regarding formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

In sensitising the variables above to determine their impact on Expected Credit Losses (ECL), the Bank adjusted its forward-looking Information forecast as follows:

In 2023;
• 10% Increase / Decrease in prime lending rate
• 10% Decrease / Increase in crude oil price

In 2022;
• 10% Increase / Decrease in forecasted GDP growth rate
• 10% Decrease / Increase in Monetary Policy Rate

Set out below are the changes to the ECL that would result from the possible changes in these parameters from the actual assumptions used in the Bank's economic variables assumption.

Figures in thousands of Naira		31 December 2023		
		Prime lending rate		
		+10%	Constant	-10%
Crude oil price	+10%	638,167	(177,171)	(992,508)
	Constant	815,337	-	(815,337)
	-10%	992,508	177,171	(638,167)

Figures in thousands of Naira		31 December 2022		
		Monetary Policy rate		
		+10%	Constant	-10%
GDP growth rate	+10%	(514,880)	118,717	752,315
	Constant	(594,295)	-	672,900
	-10%	(673,710)	(40,113)	593,485

Collateral repossessed

The Bank holds collateral and other credit enhancements against certain of its credit exposures arising from loans and advances to customers. The following tables sets out the principal types of collateral held against different types of financial assets.

Upon initial recognition of repossessed collateral, 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 indices of similar assets.

The table below details the collaterals repossessed during the year. Figures for comparative periods are also disclosed:

Figures in thousands of naira	**31 December 2023**	**31 December 2022**
Repossessed property	2,030,000	2,030,000

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures arising from loans and advances to customers. The following tables sets out the principal types of collateral held against different types of financial assets.

Summary of collaterals held against loans and advances to customers

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers is shown below:

31 December 2023 ***Figures in thousands of Naira***	**Gross amount**	**Collateral**
Against 12 months ECL	403,374,619	945,230,278
Against Lifetime ECL not credit-impaired	91,844,309	155,616,350
Against Lifetime ECL credit-impaired	11,434,595	45,202,553
Total	**506,653,523**	**1,146,049,181**

31 December 2022 ***Figures in thousands of Naira***	**Gross amount**	**Collateral**
Against 12 months ECL	255,302,769	349,509,518
Against Lifetime ECL not credit-impaired	22,116,479	44,275,393
Against Lifetime ECL credit-impaired	10,918,255	16,849,943
Total	**288,337,503**	**410,634,854**

3.2 Credit risk (continued)

The type of collaterals and other security enhancement held against loans and advances to customers are disclosed in gross amounts in the table below:

31 December 2023

Figures in thousands of Naira	**Gross amount**	**Collateral**
Against Lifetime ECL credit-impaired		
Property	130,432,749	249,538,672
Cash	142,337,361	275,655,494
Others	130,604,509	350,915,695
Total	**403,374,619**	**876,109,861**
Against Lifetime ECL not credit-impaired		
Property	51,140,779	88,261,409
Cash	17,415,317	20,630,000
Others	23,288,212	42,688,807
Total	**91,844,308**	**151,580,216**
Against Lifetime ECL credit-impaired		
Property	5,055,127	52,325,445
Cash	660,378	6,835,551
Others	5,719,090	59,198,108
Total	**11,434,595**	**118,359,104**
Grand total	**506,653,522**	**1,146,049,181**

The Bank does not hold any collateral against its other financial assets exposed to credit risk.

The loss allowance for financial assets as at 31 December reconcile to the opening loss allowance as follows:

	Loans and advances to customers		**Factored loans**	
	2023	**2022**	**2023**	**2022**
	N'000	**N'000**	**N'000**	**N'000**
Opening loss allowance as at 1 January	5,689,564	2,521,586	112,337	-
Increase in loss allowance recognised in profit or loss during the year	6,775,198	3,236,350	785,600	112,337
Reclassification of impairment	-	(68,372)		
Closing loss allowance as at 31 December	12,464,762	5,689,564	897,937	112,337

	Financial assets at amortised cost		**Off-balance sheet items**	
	2023	**2022**	**2023**	**2022**
	N'000	**N'000**	**N'000**	**N'000**
Opening loss allowance as at 1 January	828,875	741,375	361,044	553,438
Increase/(decrease) in loss allowance recognised in profit or loss during the year	797,643	87,500	37,654	(192,394)
Closing loss allowance as at 31 December	1,626,518	828,875	398,698	361,044

3.3 Risk Review - Liquidity Risk

Liquidity risk is the risk to an institution's financial condition or safety and soundness, arising from its inability (whether real or perceived) to meet its contractual obligations. Liquidity risk is a major risk for a bank. It arises when the cushion provided by the liquid assets are not sufficient enough to meet the bank's obligation. In such a situation a bank often meets its liquidity requirements from the interbank market. However conditions of funding through the market depends upon liquidity in the market.

Liquidity risk may not be seen in isolation, because financial risk are not mutually exclusive and liquidity risk is often triggered by consequences of other financial risks, such as, credit risk, market risk etc. For instance, a bank increasing its credit risk through asset concentration may be increasing its liquidity risk as well.

Liquidity risk management process

The Bank's liquidity is a measure of the ratio of its liquid assets to total customer deposits and the Central bank of Nigeria has set a minimun ratio of 30% for Commercial Banks. However, ProvidusBank operates with an internal limit which provides a buffer above the regulatory minimum. The bank has also documented a comprehensive Liquidity risk management framework which defines clear guidelines for mitigating likelihood of liquidity gap. This is also supported by the contingency funding plan approved by the board.

Furthermore, the Bank's Asset and Liability Committee (ALCO), which has responsibility for effective management of daily liquidity positions has put in place an effective management information system (MIS) which is essential for sound liquidity management decisions. Requirement of the MIS include capability to:

• Provide timely and relevant information with respect to the Bank's liquidity positions.
• Produce reports in a form and content that is relevant to the nature, scale and complexity of the Bank.
• Enable the Treasurer and the Market & Liquidity Risk Management department to monitor compliance with established policies and limits.
• Accommodate appropriate liquidity stress testing and scenario analysis.

Additionally, the market & liquidity risk management team, ensures compliance to the board-approved liquidity management policy and it 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 2023	31 December 2022
	%	%
At end of year	45	52
Average for the year	63	38
Maximum for the year	87	52
Minimum for the year	32	27
Regulatory requirement	30	30

To ensure that the Bank's liquidity is adequate at all times, limits have been set across relevant indices which entrenches an effective well diversified funding strategy. An example of which is investments in liquid assets (such as Government Bonds and Treasury Bills), held for the purpose of managing liquidity risk management. These activities are guided by the Liquidity Risk Management Policy/Framework.

A three level liquidity governance structure has also been documented and approved to guide the activities of the Bank. This includes the Board, Management and relevant departments (Treasury, Risk Management and Internal Control). The Bank's liquidity behavior 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.

The Bank's funding sources are reviewed regularly by the Market & Liquidity Risk Management team to ensure diversification funding by geography, provider, product and term to maturity. A Contingency funding plan is also in place as fall-back strategy in the unlikely condition of a liquidity stress situation.

Liquidity Risk Measurement

The measure of the Bank'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 and other financial institutions;
• Investment Securities-Government bonds and Treasury bills;
• Highly liquid instruments in the Bank's trading portfolio (FVTPL Financial Assets)

Asset and liability mix	**31 December 2023**		**31 December 2022**	
Asset components	**% Proportion**	**N'000**	**% Proportion**	**N'000**
Cash and bank balances (note 16)	0%	7,417,497	11%	76,645,764
Due from other financial institutions (note 17)	5%	69,319,378	3%	24,307,481
Cash reserve balance with Central Bank of Nigeria (note 21)	33%	496,902,084	21%	146,458,944
Financial assets at FVTPL (note 18)	5%	75,893,164	0%	-
Loans and advances at amortised cost (note 19)	33%	506,653,522	41%	288,337,502
Other assets (note 22)	7%	108,643,893	3%	20,941,294
Financial assets at amortised cost (note20)	13%	194,158,818	20%	142,430,868
Placements (note 17)	4%	65,064,094	1%	8,622,589
Total	100%	1,524,052,450	100%	707,744,442

3.3 Risk Review - Liquidity Risk (continued)

Liability components	% Proportion	N'000	% Proportion	N'000
Current accounts (note 27)	55%	616,636,779	54%	273,377,745
Savings accounts (note 27)	7%	72,771,086	5%	26,813,668
Term deposits (note 27)	1%	8,248,630	30%	151,541,676
Domicilliary accounts (note 27)	38%	421,485,212	11%	52,729,578
Total	100%	1,119,141,706	100%	504,462,667

Contractual maturity of financial assets and liabilities

The following tables show the contractual maturity of the Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity.

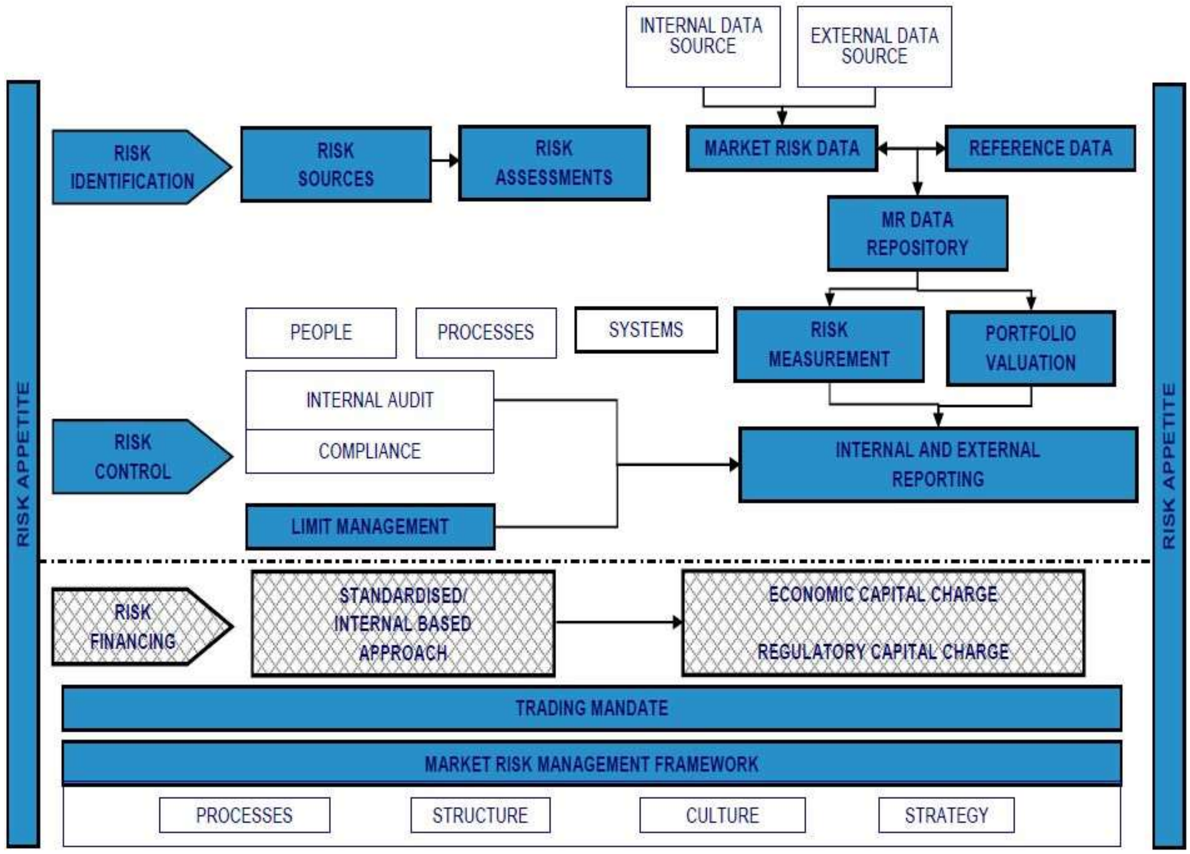
31 December 2023	Carrying amount	Gross nominal inflow/(outflow)	Less than 90 days	91 - 180 days	181 - 365 days	Over 1 year but less than 5 years	Over 5 years
Financial assets							
Cash and bank balances (note 16)	7,417,497	7,417,497	7,417,497	-	-	-	-
Due from other financial institutions (note 17)	134,383,472	134,866,052	129,861,737	5,004,315	-	-	-
Financial assets at FVTPL (note 18)	75,893,164	78,710,753	22,015,522	19,680,200	24,161,855	1,461,735	11,391,441
Other assets (note 22)	108,643,893	108,643,893	100,174,275	37,870	93,224	8,338,524	-
Loans and advances at amortised cost (note 19)	506,653,522	506,653,522	152,739,438	32,676,852	73,931,900	179,346,165	67,959,168
Financial assets at amortised cost (note20)	192,532,300	199,502,008	65,947,875	39,936	52,893	48,889,932	84,571,372
Cash reserve balance with Central Bank of Nigeria (note	496,902,084	496,902,084	-	-	-	496,902,084	-
	1,522,425,932	1,532,695,809	478,156,343	57,439,173	98,239,872	734,938,440	163,921,981
Financial liabilities							
Deposit from customers (note 27)	1,119,141,707	1,123,404,779	1,083,790,916	33,006,945	6,606,443	-	476
Borrowed funds (note 28)	181,976,497	183,630,167	177,414,783	686,307	5,529,077	-	-
Debt securities issued (note 30)	9,694,859	12,373,271	237,948		237,948	1,903,580	9,993,795
Other liabilities* (note 31)	161,825,471	161,825,471	58,785,748	13,537,545	47,009,435	42,492,744	-
Lease liabilities (note 32)	393,801	490,448	916	-	140,580.00	312,102.50	36,850.00
	1,473,032,335	1,481,724,136	1,320,230,311	47,230,797	59,523,482	44,708,426	10,031,121
Gap (asset - liabilities)	49,393,597	50,971,673	(842,073,968)	10,208,377	38,716,390	690,230,014	153,890,860
Cumulative liquidity gap			(842,073,968)	(831,865,591)	(793,149,201)	(102,919,187)	50,971,673

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 bank balances (note 16)	76,645,764	76,645,764	76,645,764	-	-	-	-
Due from other financial institutions (note 17)	32,930,070	32,962,363	32,962,363	-	-	-	-
Financial assets at FVTPL (note 18)	-	-	-	-	-	-	-
Other assets (note 22)	20,941,294	20,941,298	12,803,985	95,050	128,300	7,913,963	-
Loans and advances at amortised cost (note 19)	282,647,938	288,337,503	68,389,107	18,153,306	69,819,311	77,034,171	54,941,609
Financial assets at amortised cost (note20)	141,601,993	209,852,387	38,905,744	27,105,461	5,141,572	39,068,460	99,631,150
Cash reserve balance with Central Bank of Nigeria (note	146,458,944	146,458,944	-	-	-	146,458,944	-
	701,226,003	775,198,259	229,706,963	45,353,817	75,089,183	270,475,538	154,572,759
Financial liabilities							
Deposit from customers (note 27)	504,462,668	506,363,736	494,018,077	10,533,758	1,811,425	-	476
Borrowed funds (note 28)	46,371,208	46,825,255	46,718,351	106,904	-	-	-
Debt securities issued (note 30)	4,609,162	6,136,966	113,648	-	113,648	909,180	5,000,490
Other liabilities* (note 31)	162,285,833	162,285,833	59,061,382	13,722,272	47,009,435	42,492,744	-
Lease liabilities (note 32)	385,298	533,480	10,288	49,863	-	443,080	30,250
	718,114,169	722,145,270	599,921,746	24,412,797	48,934,508	43,845,004	5,031,216
Gap (asset - liabilities)	(16,888,166)	53,052,989	(370,214,783)	20,941,020	26,154,676	226,630,534	149,541,543
Cumulative liquidity gap			(370,214,783)	(349,273,763)	(323,119,087)	(96,488,553)	53,052,990

*Other liabilities exclude witholding tax payable and ECL provision on off balance sheet items as these are non financial instruments.

3.4 Market Risk

Market risk is the risk that the Bank will suffer a loss to earnings and diminution in capital due to the adverse movements in market rates or prices of its balance sheet positions. Market risk arises from changes in market rates or prices. Exposure to this risk can result from market-making, dealing, and position-taking activities in the financial markets.



Typically, the Bank trades in the following financial instruments:

1. Treasury bills
2. Money market products
3. Bonds

In order to accurately estimate the market risk inherent in the bank's portfolio, Providus Bank delineates and manages its market risks under two broad categories - the trading book and the banking book.

The way and manner of measuring, managing and controlling the market risks will depend on the categorization and/or source of the risks. Providus Bank regularly and consistently identifies and measures market risks emanating from both its trading and banking books using the Earnings at Risk (EaR) or Sensitivity Analysis.

Providus Bank's market risk exposures are largely interest and exchange rate induced. The market risk management function is centralized and located in the Head Office. It performs the middle office role between the Front Office (Treasury) and the Back Office (Treasury Operations). The unit is responsible for daily management of risk associated with the volatility of market factors, being interest and exchange rates. The process entails risk identification, measurement, monitoring controlling and reporting.

The Bank has developed holistic processes for the effective identification, assessment, monitoring and control of market risks inherent in the Bank's trading and banking books (on and off balance sheet). The Enterprise risk management framework which is approved by the Board drives the implementation of enabling policies/methodologies and tools to facilitate the risk management objectives including market risk.

The market risk management strategy of Providus Bank clearly articulates the principles that implements and sustains a pro-active approach of its risk exposure management processes, within the defined risk appetite of the Bank in the running of its daily activities.

The market and liquidity risk function reports daily to the CRO weekly or as the need arises to ALCO and quarterly to both the Risk Management and Board Risk Committees.

3.4 Market Risk (continued)

Statement of financial position view of trading and banking books (Market Risk)

The statement of financial position split by trading book and banking book is shown below:

	2023			2022		
Figures in thousands of Naira	**Banking book**	**Trading book**	**Total**	**Banking book**	**Trading book**	**Total**
As at 31 December	**(N'000)**	**(N'000)**	**(N'000)**	**(N'000)**	**(N'000)**	**(N'000)**
Cash and bank balances	7,417,497	-	7,417,496.71	76,645,764	-	76,645,764
Due from other financial institutions	134,383,472	-	134,383,472	32,930,070	-	32,930,070
Financial asset at fair value through profit or loss	75,893,164	-	75,893,164	-	-	-
Loans and advances at amortised cost	506,653,522	-	506,653,522	288,337,502	-	288,337,502
Financial assets at amortised cost	194,158,818	-	194,158,818	142,430,868	-	142,430,868
Cash reserve balance with Central Bank of Nigeria	496,902,084	-	496,902,084	146,458,944	-	146,458,944
Other assets	130,939,571	-	130,939,571	27,163,795	-	27,163,795
Investment properties	3,264,527	-	3,264,527	3,264,527	-	3,264,527
Property and equipment	9,601,618	-	9,601,618	22,132,982	-	22,132,982
Right of use assets	560,616	-	560,616	519,811	-	519,811
Intangible assets	2,427,097	-	2,427,097	2,427,097	-	2,427,097
Deferred tax assets	6,283,440	-	6,283,440	2,311,590	-	2,311,590
Total assets	1,568,485,426	-	1,568,485,426	744,622,950	-	744,622,950
Deposits from customers	1,119,141,707	-	1,119,141,707	504,462,667	-	504,462,667
Debt securities issued	9,694,859	-	9,694,859	4,609,162	-	4,609,162
Borrowings funds	181,976,497	-	181,976,497	46,371,208	-	46,371,208
Current tax liability	1,340,233	-	1,340,233	726,489	-	726,489
Other liabilities	163,315,825	-	163,315,825	133,988,560	-	133,988,560
Lease liabilities	393,801	-	393,801	385,298	-	385,298
Deferred tax liability	3,724,305	-	3,724,305	2,296,390	-	2,296,390
Total liabilities	1,479,587,227	-	1,479,587,227	692,839,774	-	692,839,774

Non - traded market risk review

Overview

The non-traded market risk framework covers exposures in the banking book, mostly consisting of exposures relating to instruments held till maturity. The potential volatility of the net interest income of the bank is measured by an Annual Earnings at Risk (AEaR) metric that is monitored regularly and reported to Executive Management and the Board Risk Committee.

Net interest income sensitivity

The table below shows a sensitivity analysis on pre-tax net interest income for non-trading financial assets and liabilities. The sensitivity has been measured using the Annual Earnings at Risk (AEaR) methodology. Note that this metric assumes an instantaneous parallel change to interest rate forward curves.

Net interest income sensitivity (AEaR)	**PBT increase**	**PBT decrease**
Figures in thousands	**Naira**	**Naira**
As at 31 December 2023		
+25bps	719,643	
-25bps		(719,643)
As at 31 December 2022		
+25bps	53,447	
-25bps		(53,447)

3.5 Foreign Exchange Risk

The Bank is exposed to transactional foreign exchange exposures which represent exposure on banking assets and liabilities, denominated in currencies other than the naira. Regulatory requirements and risk management policies prevent the holding of significant open positions in foreign currencies.

The Central Bank of Nigeria announced operational changes to the foreign exchange market with the re-introduction of the "Willing Buyer, Willing Seller" model at the importers and exporters foreign exchange window in June 2023. This has led to significant fluctuations in the foreign exchange rates. The Bank's foreign exchange risk is monitored on a daily basis by the Market risk function.

Financial instruments by currency

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

31 December 2023

Figures in thousands	Total	Naira	USD	GBP	Euro	CNY
Financial assets						
Cash and bank balances (note 16)	7,417,497	3,934,799	2,773,258	423,110	286,330	-
Due from other financial institutions	134,383,472	38,342,102	90,718,434	3,899,705	650,871	772,360
Financial asset at fair value through profit or loss (note 18)	75,893,164	75,893,164	90,718,434	3,899,705	650,871	772,360
Loans and advances at amortised cost (note 19)	506,653,522	454,203,347	51,868,813	581,360	2	-
Financial assets at amortised cost (note 20)	194,158,818	178,702,641	15,456,177	-	-	-
Cash reserve balance with Central Bank	496,902,084	496,902,084	-	-	-	-
Other financial assets (note 22)	108,643,893	103,948,520	95,179	4,600,194	-	-
	1,524,052,450	1,351,926,657	251,630,294	13,404,074	1,588,074	1,544,720
Financial liabilities						
Deposit from customers (note 27)	1,119,141,707	888,754,230	226,725,952	2,914,874	746,651	-
Borrowed funds (note 28)	181,976,497	181,976,497	-	-	-	-
Debt securities issued (note 30)	9,694,859	-	9,694,859	-	-	-
Other liabilities* (note 31)	161,825,471	104,302,169	57,109,634	51,974	319,954	41,742
Lease liabilities (note 32)	393,801	393,801	-	-	-	-
	1,473,032,335	1,175,426,698	293,530,444	2,966,847	1,066,605	41,742

31 December 2022

Figures in thousands	Total	Naira	USD	GBP	Euro	CNY
Financial assets						
Cash and bank balances (note 16)	76,645,764	52,624,881	23,865,593	50,056	105,234	-
Due from other financial institutions	32,930,070	4,539,388	25,139,025	1,557,718	1,318,756	375,183
Loans and advances at amortised cost (note 19)	288,337,502	258,795,028	29,198,332		344,142	-
Financial assets at amortised cost (note 20	142,430,868	136,223,152	6,207,716	-	-	-
Cash reserve balance with Central Bank of Nigeria (note 21)	146,458,944	146,458,944	-	-	-	-
Other financial assets (note 22)	20,941,294	20,911,967	29,325	2	-	-
	707,744,442	619,553,360	84,439,991	1,607,776	1,768,132	375,183
Financial liabilities						
Deposit from customers (note 27)	504,478,503	451,973,066	50,201,919	1,875,665	427,853	-
Borrowed funds (note 28)	46,371,207	46,371,207	-	-	-	-
Debt securities issued (note 30)	4,609,162	-	4,609,162	-	-	-
Other liabilities* (note 31)	133,210,217	126,558,100	6,307,391	46,605	133,359	164,762
Lease liabilities (note 32)	385,298	385,298				
	689,054,387	625,287,671	61,118,472	1,922,270	561,212	164,762

*Other liabilities exclude witholding tax payable and ECL provision on off balance sheet items as these are non financial instruments.

Sensitivity of foreign exchange currencies and impact on profit and equity

At 31 December 2023, a change of +/- 50% against the foreign currency with all other variables held constant, the profit for the year would have increased/(decreased) as set out in the table below mainly as a result of foreign exchange gains or losses on the translation.

	31 December 2023	31 December 2022
Figures in thousands of Naira	Pre tax	Pre tax
Dollar		
Naira strengthens by 50% (2022: 5%) - decrease in profit and equity	(15,583)	(917)
Naira weakens by 50% (2022: 5%) - increase in profit and equity	15,583	917
GBP		
Naira strengthens by 30% (2022: 5%) - decrease in profit and equity	(8,482)	(761)
Naira weakens by 30% (2022: 5%) - increase in profit and equity	8,482	761
Euro		
Naira strengthens by 20% (2022: 5%) - decrease in profit and equity	(7,046)	(859)
Naira weakens by 20% (2022: 5%) - increase in profit and equity	7,046	859

3.6 Interest rate risk

The Bank is exposed to a considerable level of interest rate risk especially on the banking book (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Interest rate was quite volatile within the period under review. The Bank has a notable portion of its liabilities in non-rate sensitive liabilities. This helps it in minimizing the impact of the exposure to interest rate risks. The Bank also enjoys some form of flexibility in adjusting both lending and deposits rates to reflect market realities.

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

At 31 December 2023

In thousands of naira	Carrying amount	Rate sensitive	Non rate sensitive
Assets:			
Cash and bank balances (note 16)	7,417,497	-	7,417,497
Due from other financial institutions (note17)	134,383,472	-	134,383,472
Financial asset at fair value through profit or loss (note 18)	75,893,164	75,893,164	-
Other financial assets at amortised cost (note 20)	194,158,818	-	194,158,818
Cash reserve balance with Central Bank of Nigeria (note 21)	496,902,084	-	496,902,084
Other financial assets (note 22)	108,643,893	-	108,643,893
Loans and advances at amortised cost:		-	-
-Term loans (note 19)	418,149,164	418,149,164	-
-Overdraft (note 19)	88,504,359	88,504,359	-
	1,524,052,450	582,546,686	941,505,764
Liabilities:			
Deposit from customers (note 27)	1,119,141,707	418,440,976	700,700,731
Debt securities issued (note 30)	9,694,859	9,694,859	-
Borrowed funds (note 28)	181,976,497	181,934,921	41,577
Other liabilities (note 31)	161,825,471	32,228,454	129,597,018
	1,472,638,534	642,299,210	830,339,326
Interest repricing gap	51,413,916	(59,752,524)	111,166,438

At 31 December 2023 *In thousands of naira*	Up to 1 month	More than 1 month - Less than 3 months	More than 3 months - Less than 6 months	More than 6 months - Less than 12 months	Over 1 year	Total rate sensitive
Assets:						
Financial asset at fair value through profit or loss (note 18)	75,893,164	-	-	-	-	75,893,164
Other financial assets (note 22)	4,999,193	60,553,018	1,218,133	-	103,461,229	170,231,573
Loans and advances at amortised cost (note 19)	62,417,220	88,328,071	32,860,971	74,348,473	248,698,787	506,653,522
	143,309,577	148,881,089	34,079,104	74,348,473	352,160,016	752,778,259
Liabilities:						
Deposit from customers (note 27)	261,243,094	118,245,181	32,111,208	6,348,040	-	417,947,523
Debt securities issued (note 30)	-	-	-	-	9,694,859	9,694,859
Borrowed funds (note 28)	152,114,755	29,021,633	480,023	318,510	-	181,934,921
Other liabilities (note 31)	-	31,133,068	-	-	1,095,386	32,228,454
	413,357,849	147,266,814	32,591,231	6,666,550	9,694,859	609,577,303
Interest repricing gap	(270,048,272)	1,614,276	1,487,873	67,681,923	342,465,157	143,200,956

At 31 December 2022

In thousands of naira	Carrying amount	Rate sensitive	Non rate sensitive
Assets:			
Cash and bank balances (note 16)	76,645,764	-	76,645,764
Due from other financial institutions (note17)	32,930,070	5,622,589	27,307,481
Other financial assets at amortised cost (note 20)	141,601,993	141,601,993	-
Cash reserve balance with Central Bank of Nigeria (note 21)	146,458,944	-	146,458,944
Other financial assets (note 22)	20,941,298	-	20,330,134
Loans and advances at amortised cost:			
-Term loans (note 19)	216,825,969	216,825,969	-
-Overdraft (note 19)	65,821,969	65,821,969	-
	701,226,007	429,872,520	270,742,323
Liabilities:			
Deposit from customers (note 27)	504,462,667	173,011,740	331,450,927
Debt securities issued (note 30)	4,609,162	4,609,162	-
Borrowed funds (note 28)	46,371,207	46,371,207	-
Other liabilities (note 31)	133,210,218	523,174	132,687,044
	688,653,254	224,515,283	464,137,971
Interest repricing gap	12,572,753	205,357,237	(193,395,648)

3.6 Interest rate risk (continued)

At 31 December 2022 *In thousands of naira*	**Up to 1 month**	**More than 1 month - Less than 3 months**	**More than 3 months - Less than 6 months**	**More than 6 months - Less than 12 months**	**Over 1 year**	**Total rate sensitive**
Assets:						
Due from other financial institutions (note17)	1,826,372	3,796,217	-	-	-	5,622,589
Other financial assets at amortised cost (note 20)	38,905,744	-	27,105,461	5,141,572	70,449,216	141,601,993
Loans and advances at amortised cost (note 19)	27,113,814	26,809,426	25,576,511	82,848,410	120,299,777	282,647,938
	67,845,930	30,605,643	52,681,972	87,989,982	190,748,993	429,872,520
Liabilities:						
Deposit from customers (note 27)	105,850,719	55,200,239	10,253,779	1,707,003	-	173,011,740
Debt securities issued (note 30)	-	-	-	4,609,162	-	4,609,162
Borrowed funds (note 28)	35,290,354	10,980,239	100,614	-	-	46,371,207
Other liabilities (note 31)	-	-	-	-	523,174	523,174
	141,141,073	66,180,478	10,354,393	6,316,165	-	223,992,109
Interest repricing gap	(73,295,143)	(35,574,835)	42,327,579	81,673,817	190,748,993	205,880,411

The management of interest risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 100 basis points, with all other variables held constant.

In thousands of Naira	**31 December 2023**	**31 December 2022**
Effect of 100 basis points movement on profit before tax		
Upward movement	1,907,490	2,058,804
Downward movement	(1,907,490)	(2,058,804)

The effect of 100 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjusting rates on loans and deposits.

3.7 Commodity price risk

The Bank does not deal in commodities and is therefore not exposed to any commodity price risk.

3.8 Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

3.8 Determining fair values (continued)

Quoted market prices - Level 1
Assets and liabilities are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs - Level 2
Assets and liabilities classified as Level 2 are valued using models whose inputs are observable either directly or indirectly. Valuations based on observable inputs include assets and liabilities such as swaps and forwards which are valued using market standard pricing techniques, and options that are commonly traded in markets where all the inputs to the market standard pricing models are observable.

Valuation techniques using significant unobservable inputs - Level 3
Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined via reference to observable inputs, historical observations or using other analytical techniques such as discounted cash flows.

Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral – dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Financial assets and liabilities carried at fair value

Financial instruments at fair value 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 prices e.t.c.

The following table shows the Bank's financial instruments held at fair value disaggregated by valuation technique (fair value hierarchy) and statement of financial position classification.

Financial assets and liabilities held at fair value

Figures in thousands of naira	**Level 1** Quoted market prices	**Level 2** Observable inputs	**Level 3** Significant unobservable inputs	**Total**
As at 31 December 2023				
Financial Assets FVTPL (note 18)	64,947,439	10,945,724	-	75,893,163
Total assets	64,947,439	10,945,724	-	75,893,163
As at 31 December 2022				
Financial Assets FVTPL (note 18)	-	-	-	-
Total assets	-	-	-	-

There were no financial liabilities held at fair value as at 31 December 2023 (2022: nil)

There were no transfers between levels during the year (2022: nil)

3.8 Determining fair values (continued)

Financial assets and liabilities not measured at fair value

31 December 2023	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash and bank balances (note 16)	7,417,497	-	-	7,417,498	7,417,498
Due from other financial institutions (note 17)	134,383,472	-	-	134,383,472	134,383,472
Balances with CBN excluding mandatory reserve deposit (note 21)	496,902,084	-	-	496,902,084	496,902,084
Loans and advances at amortised cost (note 19)	506,653,522	-	-	506,653,522	506,653,522
Financial assets at amortised cost (note 20)	194,158,818	137,547,794	35,119,756	-	172,667,551
Other financial assets (note 22)	108,643,893	-	-	108,643,893	108,643,893
	1,448,159,286	137,547,794	35,119,756	1,254,000,469	1,426,668,020
Financial liabilities					
Deposits from customers (note 27)	1,119,141,707	-	-	1,119,141,707	1,119,141,707
Debt instrument issued (note 30)	9,694,859	-	-	11,049,708	11,049,708
Borrowed funds (note 28)	181,976,497	-	-	182,478,779	182,478,779
Other liabilities (note 31)	161,825,471	-	-	161,825,471	161,825,471
	1,472,638,534	-	-	1,474,495,665	1,474,495,665

31 December 2022	Carrying amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Cash and bank balances (note 16)	76,645,764	-	76,645,764	-	76,645,764
Due from other financial institutions (note 17)	32,930,070	-	32,930,070	-	32,930,070
Balances with CBN excluding mandatory reserve deposit (note 21)	146,458,944	-	146,458,944	-	146,458,944
Loans and advances at amortised cost (note 19)	282,647,938	-	-	282,647,938	282,647,938
Financial assets at amortised cost (note 20)	142,430,868	129,205,238	14,569,820	9	143,775,067
Other financial assets (note 22)	20,941,294	-	-	20,941,294	20,941,294
	702,054,878	129,205,238	270,604,598	303,589,241	703,399,077
Financial liabilities					
Deposits from customers (note 27)	504,462,668	-	-	504,462,668	504,462,668
Debt instrument issued (note 30)	4,609,162	-	-	5,277,516	5,277,516
Borrowed funds (note 28)	46,371,207	-	-	46,371,207	46,371,207
Other liabilities (note 31)	133,210,217	-	-	133,210,218	133,210,218
	688,653,254	-	-	689,321,609	689,321,609

Financial instruments 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 **Investment securities**
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.

ii **Others**
The carrying amounts of cash and bank balances, due from other financial institutions, balances with CBN, loans and advances, deposits from customer, other assets and other liabilities are reasonable approximation of their fair value.

3.8 Determining fair values (continued)

Classification and measurement of all financial assets and liabilities on the statement of financial position:

Figures in thousands of naira	Fair value through profit or loss	Amortised cost	Total carrying amount
31 December 2023			
Financial assets			
Cash and bank balances	-	7,417,497	7,417,497
Due from other financial institutions	-	134,383,472	134,383,472
Cash reserve balance with Central Bank of Nigeria	-	496,902,084	496,902,084
Financial asset at fair value through profit or loss	75,893,164	-	75,893,164
Financial assets at amortised cost	-	194,158,818	194,158,818
Other financial assets	-	108,643,893	108,643,893
Loans and advances at amortised cost	-	506,653,522	506,653,522
	75,893,164	1,448,159,286	1,524,052,450
Financial liabilities			
Deposits from customers	-	1,119,141,707	1,119,141,707
Debt instrument issued	-	9,694,859	9,694,859
Borrowed funds	-	181,976,497	181,976,497
Lease liabilities	-	393,801	393,801
Other liabilities	-	161,825,471	161,825,471
	-	1,473,032,335	1,473,032,335

Figures in thousands of naira	Fair value through profit or loss	Amortised cost	Total carrying amount
31 December 2022			
Financial assets			
Cash and bank balances	-	76,645,764	76,645,764
Due from other financial institutions	-	32,930,070	32,930,070
Cash reserve balance with Central Bank of Nigeria	-	146,458,943	146,458,943
Financial assets at amortised cost	-	142,430,868	142,430,868
Other financial assets	-	20,941,294	20,941,294
Loans and advances at amortised cost	-	282,647,938	282,647,938
	-	702,054,877	702,054,877
Financial liabilities			
Deposits from customers	-	504,462,667	504,462,667
Debt instrument issued	-	4,609,162	4,609,162
Borrowed funds	-	46,371,207	46,371,207
Lease liabilities	-	385,298	385,298
Other liabilities	-	133,210,217	133,210,217
	-	689,038,551	689,038,551

3.9 Risk Review - Capital Risk Management

Capital management is central to the Bank's financial stability and sustainability. The Bank endeavours to maintain the appropriate level of capital that is adequate to support our risk profile, regulatory requirements and business needs.

The Bank'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 Bank'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 Bank, capital allocations are approved at the Board level and are monitored daily by the Bank'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 Bank ensures that it has sufficient capital above the regulatory capital to hedge against any unanticipated shocks.

The Bank's regulatory capital comprises of two tiers:

• Tier 1 capital: share capital, statutory reserve, retained earnings, reserves created by appropriations of retained earnings and other disclosed reserves.

• Tier 2 capital: qualifying subordinated debt, unrealized gains arising on the fair valuation of equity instruments held through other comprehensive income (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 Bank's capital adequacy ratio is the quotient of its capital to the risk weighted asset. The Central Bank of Nigeria requires a minimum limit of 10% of total qualifying capital to Risk weighted assets maintained by a Nigerian bank with regional authorisation.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years presented below:

Figures in thousands of Naira	**31 December 2023**	**31 December 2022**
Tier 1 capital		
Share capital	19,560,060	18,018,393
Share premium	21,562,674	13,854,341
Statutory reserves*	26,398,350	8,979,784
Retained earnings	17,388,741	32,083
Total qualifying for tier 1 capital	**84,909,825**	**40,884,602**
Less regulatory deductions		
Intangible assets	(2,118,911)	(2,427,097)
Under impairment	-	-
Deferred tax asset	(6,283,440)	(2,311,590)
Adjusted Total qualifying Tier 1 capital	**76,507,474**	**36,145,915**
Tier 2 capital		
Other Qualifying Capital	9,694,859	4,609,162
Fair value reserves	-	
Adjusted Total qualifying Tier 2 capital	9,694,859	4,609,162
Total regulatory capital	**86,202,333**	**40,755,077**

* Statutory reserve comprises of SMEEIS reserve, AGSMEIS reserve and statutory reserve.

Figures in thousands of Naira	**31 December 2023**	**31 December 2022**
Risk weighted amount for credit risk	320,235,924	274,883,927
Risk weighted amount for operational risk	71,549,404	45,408,956
Risk weighted amount for market risk	7,562,581	2,758,518
Total risk-weighted assets	**399,347,909**	**323,051,401**
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	21.59%	12.62%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19.16%	11.19%

3.10 Operational Risk

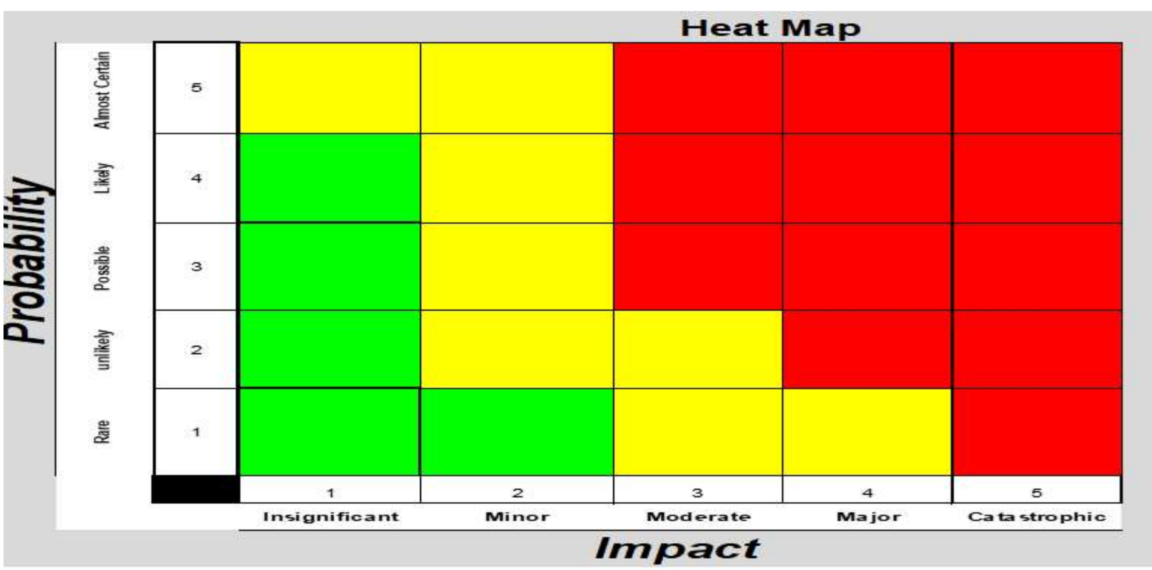
Providus Bank defines Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our operational risk processes capture the following major types of losses:

- Fraud (internal and external)
- Fines, penalties or expenses incurred as a result of settlement delays and regulatory infractions
- Losses arising from litigation processes including out-of-court settlements
- Un-reconciled cash (Teller, Vault, ATM) shortages written-off in the course of the year
- Losses incurred as a result of damages to assets
- Losses incurred as a result of system downtime, malfunction and/or disruption

The Bank has a broad and adequate Operational Risk management framework which defines the set of activities designed to proactively identify, assess and manage all operational risk components by driving an alignment along its people, technology and processes using best risk management practises with the aim of sustaining and enhancing stakeholders value and industry significance.The Bank's appetite for operational risk losses is set by the Board Risk Management Committee and would be reviewed every 2 years or when the need arises. This sets the tone for operational risk management practices for each year and is vigorously pursued by the Chief Risk Officer. The Bank continues to maintain a conservative approach to risk and losses and this is adequately monitored across the Bank's branches and H/O, through effective KRI (Key Risk Indicators) and loss data collation. This conservative approach to risk drives the required culture for risk ownership and consciousness across the Bank.

Providus Bank through its operational risk team constantly conducts reviews to identify and assess it's inherent risk in all processes, systems, products, activities and businesses. This is achieved through the Risk and control self assessment (RCSA) process which is carried out in conjunction with the risk owners and stems from the objective of ensuring risk ownership across all the areas of the Bank.This further accentuates the right culture to risk across the organisation. The RCSA provides detailed overview of the dimensions of risks as well as understanding the level of existing controls available to manage such risks. Providus Bank has documented robust Risk and Control Self Assessment (RCSA) across all its functions (sales and support). The document which will be updated annually enables the bank to assess the adequacy of existing controls and attendant actions required to manage residual risks. Key Risk Indicators (KRIs) have also been developed at enterprise and functional levels to proactively evaluate the likelihood and impact of a risk crystalising on the bank. Both the RCSA and KRIs are measured in the Key Performance Indicators (KPIs) designed for all staff to ensure Operational risk losses are significantly managed within the tolerance limit defined by the board.

The Bank has set minimum requirements for managing operational risk through the Bank’s risk management and governance standards. These requirements have been fully implemented and embedded across the Bank's operations. In addition to meeting the Bank minimum standards, the operational risk framework sets out a structured and consistent approach for managing operational risk across the Bank. The enterprise KRIs are reported monthly in a dashboard format to the Risk Management Committee for preventive actions. This will be notified to the board quarterly in line with the Bank's governance structure. The heat map that guides the tracking of operational risk losses along the likelihood of occurrence and severity of impact is as shown below:



4 Use of estimates and judgements

The Bank's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparing the financial statements. The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Accounting policies and management's judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

Sources of estimation uncertainties

A Impairment losses on loans and advances

Measurement of the expected credit loss allowance for financial assets

The measurement of the expected credit loss allowance for 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 estimation techniques used in measuring ECL is further detailed in note 2.10 and 3.2.

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;
- Determining the credit risk grades;
- Generating the term structure of the probability of default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in note 2.10 and 3.2.

B Fair value measurement

The valuation techniques for fair value measurement of financial instruments have been assessed by the respective valuation committees at a business unit and Bank level to determine the impact that the market volatility has had on the fair value measurements of these instruments.

When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to Bank-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.

C *Income taxes*

The Bank is subject to income taxes under Nigeria tax laws. Significant estimates are required in determining the bankwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities

The deferred tax assets and liabilities recognized by the Bank is dependent on the availability of taxable profit in the foreseeable future to utilize the deferred tax. The Bank reviews the carrying amount of the deferred tax at the end of each reporting period and recognizes an amount such that it is probable that sufficient taxable profit will be available which the Bank can use the benefit therefrom.

In determining the deferred tax assets recognized in the financial statements, the Bank has applied judgement in estimating the deferred tax recoverable in the foreseeable future. This involves the estimation of future income and expenses, and the consideration of non-taxable income and disallowable expenses in order to arrive at the future taxable profit / loss.

D Prudential adjustments

Provisions under prudential guidelines are determined using the time-based provisioning specified by the revised Prudential Guidelines issued by the Central Bank of Nigeria. This is at variance with the expected credit loss (ECL) model required under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS when IFRS is adopted. However, Banks would be required to comply with the following:

(a) Expenses for loan losses recognised in the profit or loss account should be determined based on the relevant IFRS. However, the allowance for loan losses determined under the IFRS should be compared with the loan loss provisions determined under the prudential guidelines. The differences between both provisions should be treated as follows:

(i) Where prudential provisions is greater than IFRS provisions, the resulting difference should be transferred from the general reserve account to a non- distributable regulatory credit risk reserve.
(ii) Where prudential provisions is less than IFRS provisions, the IFRS determined provision is charged to the statement of statement of profit or loss. The cumulative balance in the regulatory risk reserve is thereafter transferred to the general reserve account.

(b) The non-distributable reserve is classified under Tier 1 as part of the core capital for the purpose of determining capital adequacy.

In the guidelines to IFRS implementation, the Central Bank of Nigeria (CBN) directed banks to maintain a regulatory credit risk reserve in the event that the impairment on loans determined using the CBN prudential guideline is higher than the impairment determined using IFRS principles. As a result of this directive, the Bank holds no credit risk reserves as at December 31, 2023.

Provision for loan losses per prudential guidelines

	31 December
In thousands of Naira	**2023**
Loans and advances:	
-Lost	10,112,051
-Doubtful	5,316,223
-Substandard	2,672,736
-Watchlist	2,834,900
-Performing	6,405,829
Other financial assets*	471,709
(A)	27,813,448

*Included in the CBN prudential provision for other financial assets is fraud and forgeries of N24.5m which has been fully provided for.

	31 December
	2023
Impairment assessment under IFRS	
Loans and advances	
12-months ECL credit	4,995,193
Life-time ECL not impaired	3,216,650
Life- time ECL credit impaired	4,252,919
	12,464,762
Due from Banks- 12 months ECL	
Investment securities- 12 months ECL	1,626,518
Other financial assets- ECL allowance	1,973,984
Off Balance Sheet Exposures- 12 months ECL	398,698
(B)	16,463,962
Required Amount in Risk Reserve : (D) = (A) - (B)	11,349,487
Amount in Regulatory Risk Reserve1 SOCIE – (Note 35.4a)	4,380,135
Reversal from retained earnings at year end	6,969,352

Regulatory Risk Reserve refers to the difference between the Provision assessment under CBN Prudential Guideline and impairment assessment under IFRS.

5 Interest income

	31 December 2023 N'000	31 December 2022 N'000
Cash and bank balances	4,997,592	1,012,423
Loans and advances to customers:		
-Term loans	50,275,122	29,683,626
-Overdraft	23,365,514	12,640,963
Other financial assets at amortised cost	14,763,333	6,853,628
	93,401,560	50,190,640
Interest income	93,401,560	50,190,640
	93,401,560	50,190,640
Geographical location		
Interest income earned in Nigeria	93,401,560	50,190,640

6 Interest expense

	31 December 2023 N'000	31 December 2022 N'000
Deposits from customers	35,241,292	24,246,153
Debt securities issued	344,657	59,015
Borrowed funds	18,987,498	4,414,369
Lease liabilities	58,933	52,558
Trade related obligations*	455,383	39,750
	55,087,762	28,811,845

* Trade related obligations relate to interest expense on obligations due to foreign financial institutions.

7 Impairment on financial assets

		31 December 2023 N'000	31 December 2022 N'000
Impairment on loans and advances to customers	note 19.1	6,775,198	3,236,350
Impairment charge/(Write-back) on factored loan	note 22.1	785,600	112,337
Impairment charge on financial assets at amortised cost	note 20.1	797,643	87,500
ECL charge/(reversal) on off balance sheet items	note 31	37,654	(192,394)
		8,396,095	3,243,793

8 Fee and commission income

	31 December 2023 N'000	31 December 2022 N'000
Fee and commission income from providing financial services at a point in time:		
Credit related fees	2,282,580	3,192,695
Account maintenance charge	2,858,702	1,611,925
Non-digital banking services	3,922,113	2,199,254
Digital banking services	5,727,522	1,509,821
Other fees and commission income	5,265	13,171
Total revenue from contracts with customers	14,796,182	8,526,866

9 Fee and commission expense

	31 December 2023 N'000	31 December 2022 N'000
Bank charges	647,302	385,700
Other fees and commission expense	607,968	64,260
	1,255,271	449,960

10 Net trading gains

		31 December 2023 N'000	31 December 2022 N'000
Fair value gain on bonds at FVTPL		187	-
Fair value gain on investment securities at FVTPL		1,003,711	1,130,250
Fair value gain on treasury bills at FVTPL		5,720,396	537,172
Write off of Financial assets at fair value through profit or loss	note 18	-	(22,128)
		6,724,293	1,645,294

11	**Other income**	**31 December 2023 N'000**	**31 December 2022 N'000**
	Non-operating income		
	Fair value gain on investment property	-	450,608
	Gain on disposal of property and equipment	6,473	55,833
	Gain on disposal of investment property	-	1,157,353
		6,473	1,663,794
	Operating income		
	Revaluation gain on repossessed assets	-	123,437
	Foreign exchange gain	32,190,834	527,283
	Other income	229,430	184,394
		32,420,264	835,114
		32,426,737	2,498,908

12	**Personnel expenses**	**31 December 2023 N'000**	**31 December 2022 N'000**
	Wages and salaries	10,313,291	6,433,061
	Contibutions to defined contribution plans	240,028	160,164
		10,553,319	6,593,225

12.1	**Employees, other than directors, received remuneration in the following ranges:**	**31 December 2023 N'000**	**31 December 2022 N'000**
	N900,001 - N3,990,000	327	179
	N3,900,001 - N10,990,000	523	545
	N10,990,001 - N30,990,000	237	41
	N30,990,001 - N40,910,000	38	16
	N40,910,001 - N50,910,000	8	8
	N50,910,001 - N60,910,000	7	4
	N60,910,001 - N70,910,000	-	-
	N70,910,001 - N80,910,000	2	2
	N80,910,001 - N90,910,000	1	1
		1,143	**796**
	The number of persons other than directors, in employment at the bank as at the year comprise:		
	Managerial	116	44
	Other staff	1,027	752
		1,143	**796**

13	**Other operating expenses**		**31 December 2023 N'000**	**31 December 2022 N'000**
	Advertising and business promotion		1,485,473	666,903
	Loyalty rewards paid to customers		6,480,287	3,008,510
	Transport, travel, accommodation		2,179,394	392,044
	Human capital related expenses		389,623	146,822
	Insurance costs		266,341	116,492
	Legal fees		194,415	85,824
	Professional fees		856,126	423,783
	NDIC insurance premium		1,990,825	1,360,390
	Repairs and maintenance		6,371	295,911
	Motor vehicle repairs cost		823,980	67,690
	Stationery and printing		268,057	123,631
	Contract staff expenses		1,354,487	560,421
	Contract services		239,756	171,992
	Staff training cost		338,466	137,650
	Charities and donations		754,038	383,325
	Directors' related expenses		352,775	110,500
	Office expenses		906,949	550,971
	Short term leases*		49,952	116,276
	Occupancy cost- Rates		509,883	236,269
	Auditors remuneration		114,300	72,000
	ICT Expense		1,822,556	833,221
	Bank and Swift Charges		1,582,880	532,164
	POS acquirer expense		362,596	221,041
	Penalties for non-compliance with banking regulations	note 38	38,500	16,000
	Corporate Social Responsibility		1,750	13,649
	AGM Expenses		5,275	14,683
	Administrative expenses**		2,385,323	1,397,599
			25,760,379	12,055,761

*Short term leases relate to rental agreements for less than one year (12 months)
** Administrative expenses include business development expense, strategy & related expenses, entertainment & related expenses.

14 Depreciation and amortisation

		31 December 2023 N'000	31 December 2022 N'000
Depreciation of property and equipment	note 24	3,302,422	2,265,683
Depreciation right-of-use-asset	note 25	156,321	148,815
Amortisation of intangible assets	note 26	766,918	657,283
		4,225,661	3,071,781

15 Earnings per share

Earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	31 December 2023 N'000	31 December 2022 N'000
Profit attributable to equity holders N'000	43,546,415	8,025,885
Number of ordinary shares in issue as at year end	39,120,119	36,036,786
Time weighted average number of ordinary shares	37,578,453	36,036,786
Earnings per share (kobo)	116	23

The Bank does not have any dilutive potential ordinary shares. Therefore, Basic EPS and Diluted EPS operations are the same for the Bank.

16 Cash and bank balances

	31 December 2023 N'000	31 December 2022 N'000
Cash in vault	4,448,616	2,440,907
Unrestricted balances with central bank	2,968,881	51,402,917
Other deposits with central bank*	-	22,801,940
	7,417,497	76,645,764

The cash and bank balances are assessed to be in stage 1, however the identified impairment loss is considered immaterial and has not been recognised.

* The balance of N22.8bn in 2022 represents the nominal value of outstanding forward contracts entered on behalf of customers with the Central Bank of Nigeria.

16.1 Cash and cash equivalents in statements of cashflows include:

	31 December 2023 N'000	31 December 2022 N'000
Cash in vault	4,448,617	2,440,907
Unrestricted balances with central bank	2,968,881	51,402,917
Balances held with other banks	69,319,378	24,307,481
Money market placements	65,064,094	8,622,589
	141,800,970	86,773,894

17 Due from other financial institutions

	31 December 2023 N'000	31 December 2022 N'000
Balances held with other banks	69,319,378	24,307,481
Money market placements	65,064,094	8,622,589
	134,383,472	32,930,070
Impairment on placements	-	-
	134,383,472	32,930,070

All balances are assessed to be in stage 1, as such impairment charge are assessed to be immaterial and has not been recognised.

18 Financial assets at fair value through profit or loss

	31 December 2023 N'000	31 December 2022 N'000
Gross Amount		
Treasury bills at FVTPL	63,252,560	-
Bonds at FVTPL	12,640,604	
Total Gross Amount	75,893,164	-
Movement of Financial assets at fair value through profit or loss		
Opening balance	-	507,790
Additions to Treasury bills at FVTPL	63,252,560	-
Additions to Bonds at FVTPL	12,640,604	
Disposal of Treasury bills at FVTPL	-	(485,663)
Write off of Financial assets at fair value through profit or loss	-	(22,127)
Closing balance	75,893,164	-
Current	63,252,560	-
Non-current	12,640,604	-
	75,893,164	-

19	Loans and advances at amortised cost	31 December 2023 N'000	31 December 2022 N'000
	Term loans	418,149,164	222,187,516
	Overdrafts	88,504,359	66,149,986
	Gross loan	506,653,522	288,337,502
	Impairment allowance: Term loans	(10,048,106)	(5,361,547)
	Impairment allowance: Overdrafts	(2,416,655)	(328,017)
	Total impairment	(12,464,762)	(5,689,564)
	Net loans and advances to customers		
	Term loans	408,101,057	216,825,969
	Overdrafts	86,087,703	65,821,969
	Carrying amount	494,188,761	282,647,938
19.1	**Movement in impairment on loans and advances**		
	Opening balance	5,689,564	2,521,586
	Charge for the year	6,775,198	3,236,350
	Reclassification of impairment* note 22.1	-	(68,372)
	Closing balance	12,464,762	5,689,564
	Current	253,392,651	152,703,130
	Non-current	240,796,110	129,944,808
		494,188,761	282,647,938

*Reclassification of impairment relates of loan and advances that are not recoverable and as been reclassified to deferred write-off pending board approval.

19.2 Loan loss allowance reconciliation for current period:

Figures in thousands of naira	Stage 1	Stage 2	Stage 3	Total
December 2023	**N'000**	**N'000**	**N'000**	**N'000**
Term loans	340,156,747	73,567,742	4,424,675	418,149,164
Overdrafts	63,217,872	18,276,567	7,009,920	88,504,359
Gross Loan	403,374,619	91,844,309	11,434,595	506,653,522
Impairment charge	(6,555,600)	(2,533,399)	(3,375,762)	(12,464,762)
Carrying amount	396,819,018	89,310,910	8,058,832	494,188,761
Impairment				
Opening balance	3,597,335	154,157	1,938,072	5,689,564
Movement in impairment	2,958,265	2,379,242	1,437,690	6,775,197
Closing balance	6,555,600	2,533,399	3,375,762	12,464,762

19.3 Loan loss allowance reconciliation for comparative period:

Figures in thousands of naira	Stage 1	Stage 2	Stage 3	Total
December 2022	**N'000**	**N'000**	**N'000**	**N'000**
Term loans	204,205,847	17,016,783	7,925,052	229,147,682
Overdrafts	51,096,920	5,099,696	2,993,204	59,189,820
Gross Loan	255,302,767	22,116,479	10,918,256	288,337,502
Impairment charge	(3,597,335)	(154,157)	(1,938,072)	(5,689,564)
Carrying amount	251,705,432	21,962,322	8,980,184	282,647,938
Impairment				
Opening balance	1,378,683	38,709	1,104,194	2,521,586
Movement in impairment	2,218,652	115,448	833,878	3,167,978
Closing balance	3,597,335	154,157	1,938,072	5,689,564

20 Financial assets at amortised cost

	31 December 2023 N'000	31 December 2022 N'000
Treasury bills	65,552,211	60,328,159
FGN bonds	98,325,969	74,398,724
State bonds	6,742,820	5,391,705
Promissory note	23,537,818	2,312,280
Gross investment securities	194,158,818	142,430,868
Total impairment charge on financial assets at amortised cost	(1,626,518)	(828,875)
Net financial assets at amortised cost	192,532,300	141,601,993
Non-current	89,090,029	70,632,442
Current	103,442,271	70,969,551
	192,532,300	141,601,993

20.1 Movement in impairment charge

	2023			2022		
	Opening balance	**Charge/ (Writeback)**	**Closing balance**	**Opening balance**	**Charge/ (Writeback)**	**Closing balance**
Impairment charge on treasury bills	176,185	- 21,158	155,027	114,576	61,609	176,185
Impairment charge on FGN bonds	581,950	654,436	1,236,386	489,951	91,999	581,950
Impairment charge on State bonds	63,699	- 41,431	22,268	136,848	- 73,149	63,699
Impairment charge on promissory notes	7,041	205,796	212,837	-	7,041	7,041
Total impairment charge on investment securities	828,875	797,643	1,626,518	741,375	87,500	828,875

21 Cash reserve balance with Central Bank of Nigeria

	31 December 2023 N'000	31 December 2022 N'000
Balances with CBN	496,902,084	146,458,944
Non-current	496,902,084	146,458,944

This represents mandatory cash deposit held with the Central Bank of Nigeria as a regulatory Cash Reserve Requirements (CRR) N496.902 billion (2021: N146.459 billion). Mandatory reserve deposits are not available for use in the Bank's day-to-day operations.

22 Other assets

	31 December 2023 N'000	31 December 2022 N'000
Non-financial assets		
Prepayments	4,522,272	2,823,205
Prepaid employee benefits	2,269,664	1,291,817
Repossessed assets	2,030,000	2,030,000
Currency position	1,384	115,878
Other accounts receivable	15,446,342	572,761
	24,269,662	6,833,661
Financial assets		
Factored Loan	898,699	898,699
Settlement balances with NEFT	7,711,373	730,970
LC Settlement receivable	212,776	181,413
Other receivables*	268,007	268,783
Other financial assets**	98,445,322	18,155,007
Contribution to AGSMEISE***	1,107,717	706,422
	108,643,893	20,941,294
Impairment allowance on other assets****	(1,973,984)	(611,160)
	106,669,909	20,330,134
Total other assets	130,939,571	27,163,795
Current	120,273,982	16,423,299
Non-current	10,665,589	10,740,499
	130,939,571	27,163,795

*Other receivables includes loan and advances that have been fully provided for which are pending board approval for write-off.

**Other financial assets includes receivables from third parties.

***Contribution to AGSMEISE is maintained to support 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 for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

****Included in the impairment allowance on other assets is fraud and forgeries of N62.4m (2022: N18.3m) which has been fully provided for.

22.1 Movement in impairment of other assets

	2023				2022			
	Factored loans	**Other receivables**	**Other financial assets**	**Total**	**Factored loans**	**Other receivables**	**Other financial assets**	**Total**
Opening balance	112,337	268,783	230,040	611,160	-	-	430,451	430,451
Charge/(Reversals) to profit or loss (note 12)	785,600	268,007	578,000	1,631,607	112,337	-	-	112,337
Reclassification of impairment (note		(268,783)	-	(268,783)	-	268,783	(200,411)	68,372
Closing balance	897,937	268,007	808,040	1,973,984	112,337	268,783	230,040	611,160

23 Investment properties

	31 December 2023 N'000	**31 December 2022 N'000**
Opening balance	3,264,527	5,425,737
Disposal during the year	-	(2,611,818)
Revaluation gain	-	450,608
	3,264,527	3,264,527
Non-current	3,264,527	3,264,527

Investment property comprises a commercial property held for the purpose of capital appreciation and rental income and are carried at fair value. The valuation determined by external, independent professional valuers, Messrs. Wale Opejin & Co (FRC/2013/NIESV/00000003505) as at 30th March 2023, has been assessed as valid as at year end (31 December 2023).

There was no rental income earned on investment property during the year. Also, no direct operating expenses were incured on the investment properties.

24 Property and equipment

Figures in thousands of Naira	**Leasehold land & buildings**	**Leasehold improvements**	**Plant & machinery**	**Furniture & fittings**	**Motor vehicles**	**Computer hardware**	**Work-in-progress**	**Total**
Cost								
At 1 January 2023	973,874	7,200,814	3,568,389	1,232,513	3,744,290	2,426,497	9,601,618	28,747,995
Additions	-	366,373	1,459,065	1,117,595	3,339,640	423,379	5,911,865	12,617,917
Reclassification from CWIP to PPE	476,445	3,456,063	2,166,704	1,079,557	278,425	-	(7,457,194)	-
Reclassification to intangibles	-	-	-	-	-	-	(18,813)	(18,813)
Disposals	-	-	-	-	(38,280)	-	-	(38,280)
Writeoff	-	-	-	-	-	-	(67,464)	(67,464)
At 31 December 2023	**1,450,319**	**11,023,250**	**7,194,158**	**3,429,665**	**7,324,075**	**2,849,876**	**7,970,012**	**41,241,355**
Accumulated depreciation								
At 1 January 2023	51,734	1,458,571	1,717,821	765,001	1,787,856	834,028	-	6,615,013
Charge for the year	19,476	301,275	789,119	233,853	1,147,074	811,630	-	3,302,427
Disposals	-	-	-	-	(38,280)	-	-	(38,280)
At 31 December 2023	**71,210**	**1,759,846**	**2,506,940**	**998,854**	**2,896,650**	**1,645,658**	**-**	**9,879,160**
Net book value at 31 December 2023	**1,379,109**	**9,263,404**	**4,687,217**	**2,430,811**	**4,427,425**	**1,204,218**	**7,970,012**	**31,362,195**

24.1 Property and equipment (continued)

Figures in thousands of Naira	Leasehold land & buildings	Leasehold improvements	Plant & machinery	Furniture & fittings	Motor vehicles	Computer hardware	Work-in-progress	Total
Cost								
At 1 January 2022	677,724	6,531,884	2,643,491	925,747	2,539,166	500,290	7,209,387	21,027,689
Additions	22,475	183,705	751,840	181,729	838,424	1,926,207	4,014,759	7,919,139
Reclassification from CWIP to PPE	273,675	485,225	173,058	125,037	420,000	-	(1,476,995)	-
Reclassification to intangibles	-	-	-	-	-	-	(145,533)	(145,533)
Disposals	-	-	-	-	(53,300)	-	-	(53,300)
At 31 December 2022	**973,874**	**7,200,814**	**3,568,389**	**1,232,513**	**3,744,290**	**2,426,497**	**9,601,618**	**28,747,995**
Accumulated depreciation								
At 1 January 2022	37,899	1,200,962	1,140,313	586,450	1,126,797	289,109	-	4,381,532
Charge for the year	13,835	257,609	577,508	178,551	693,261	544,919	-	2,265,683
Disposals	-	-	-	-	(32,202)			(32,202)
At 31 December 2022	**51,734**	**1,458,571**	**1,717,821**	**765,001**	**1,787,856**	**834,028**	**-**	**6,615,013**
Net book value at 31 December 2022	**922,140**	**5,742,243**	**1,850,568**	**467,512**	**1,956,434**	**1,592,469**	**9,601,618**	**22,132,982**

	31 December 2023 N'000	31 December 2022 N'000
Non-current	31,362,195	22,132,982

25 Right of use assets

	31 December 2023 N'000	31 December 2022 N'000
At January	817,441	1,031,434
Addition	197,125	-
Derecognition of right of use assets	-	(213,993)
At 31 December	1,014,566	817,441

Reconciliation to statement of cash flows

Additions to right of use assets	197,125	-
Additions to lease liability	(21,277)	-
	175,848	-

25.1 Depreciation charge

	31 December 2023 N'000	31 December 2022 N'000
Accumulated depreciation at 1 January	297,630	362,808
Charge for the year	156,320	148,815
Depreciation reversal on derecognised right of use	-	(213,993)
Accumulated depreciation at 31 December	453,950	297,630
Net carrying amount	560,616	519,811
Non-current	560,616	519,811

Right of use asset includes office buildings and ATM space.

26 Intangible assets

Figures in thousands of Naira	Software	Capital work in progress	Total
Cost at 1 January 2023	5,005,430	105,091	5,110,521
Addition	542,111	-	542,111
Reclassification from capital work in progress (PPE)	18,813	-	18,813
Writeoff	-	(102,191)	(102,191)
	5,566,354	**2,900**	**5,569,254**
Amortisation			
Opening balance	2,683,424	-	2,683,424
Charge for the year	766,918	-	766,918
Total amortisation at 31 December	**3,450,342**	**-**	**3,450,342**
Net book value of intangible assets	**2,116,011**	**2,900**	**2,118,911**
Non-current	**2,116,011**	**2,900**	**2,118,911**

26.1 Intangible assets (continued)

Figures in thousands of Naira	Software	Capital work in progress	Total
Cost at 1 January 2022	4,519,821	-	4,519,821
Addition	445,167	-	445,167
Reclassification from capital work in progress (PPE)	-	145,533	145,533
Reclassification from capital work in progress (Intangible)	40,442	(40,442)	-
	5,005,430	**105,091**	**5,110,521**
Amortisation			
Opening balance	2,026,141	-	2,026,141
Charge for the year	657,283	-	657,283
Total amortisation at 31 December	**2,683,424**	**-**	**2,683,424**
Net book value of intangible assets	**2,322,006**	**105,091**	**2,427,097**
Non-current	**2,322,006**	**105,091**	**2,427,097**

27 Deposits from customers

	31 December 2023 N'000	31 December 2022 N'000
Current accounts	551,999,014	272,850,996
Savings account	65,825,496	26,813,668
Term deposits	344,444,500	152,308,183
Domiciliary accounts	156,872,697	52,489,820
	1,119,141,707	504,462,667
Current	1,119,141,231	504,462,191
Non-current	476	476
	1,119,141,707	504,462,667

28 Borrowed funds

	31 December 2023 N'000	31 December 2022 N'000
Individual*	10,874,473	6,775,748
On lending facilities**	10,123,288	507,753
Non-Individual*	160,978,736	39,087,707
	181,976,497	46,371,208
Non-current	41,576	-
Current	181,934,921	46,371,208
	181,976,497	46,371,208

28.1 Movement in borrowed funds

Opening balance	46,371,208	67,326,093
Additions	215,317,240	31,094,347
Repayments	(79,711,951)	(52,049,232)
	181,976,497	46,371,208

*Individual and Non-individual borrowing relate to fixed term deposits from customers, high interest bearing product as at 31 December 2023 N171.9b (2022: N45.8b).

**On lending facilities relates to borrowings from the Development Bank of Nigeria. Differentiated Cash Reserve Requirement (DCRR) has been disclosed as part of the restricted balances with CBN.

The Bank did not have any defaults of principal or interest or other breaches with respect to its borrowing during the years ended 31 December 2023 and 31 December 2022.

29 Taxation
a Income tax (credit) / expense

	31 December **2023** **N'000**	31 December **2022** **N'000**
Company income tax	415,249	407,544
Tertiary education tax	124,575	101,896
Information technology tax	420,703	85,878
Nigerian police trust fund levy	2,104	429
Capital gains tax	-	12,730
NASENI Levy	105,176	21,470
Current income tax	1,067,806	629,947
Deferred tax credit for the year	(2,543,935)	(20,489)
Total tax (credit) / expense	(1,476,130)	609,458

29 Taxation (continued)

	31 December 2023 N'000	31 December 2022 N'000
b Current tax liability		
At 1 January	726,489	418,870
Payment during the year	(454,061)	(322,328)
Income tax charge for the year	1,067,805	629,947
	1,340,233	726,489

	31 December 2023 N'000	31 December 2022 N'000
c _Reconciliation of effective tax rate_		
Profit before income tax	42,070,285	8,635,343
Tax calculated at the company income tax rate of 30% (2021: 30%)	(12,621,086)	(2,590,603)
Tax effect of adjustments on taxable income:		
Non-deductible expenses	(3,367,596)	(1,962,408)
Tax exempt income	14,742,936	3,316,004
Information technology levy	420,703	85,878
Tertiary education tax	124,575	101,896
Police trust fund levy	2,104	429
Minimum tax	415,249	407,544
Capital gains tax	-	12,730
NASENI Levy	105,176	21,470
Deferred tax credit	2,543,935	20,489
Effect of tax loss brought forward	(889,865)	(22,887)
Total tax (credit) / expense)	**(1,476,130)**	**609,458**

30 Debt Securities Issued

	31 December 2023 N'000	31 December 2022 N'000
Eurobond debt securities	9,694,859	4,609,162
	9,694,859	**4,609,162**
Non-Current Debt Securities	9,694,859	4,609,162
	9,694,859	**4,609,162**

Movement in Debt securities issued:	31 December 2023 N'000	31 December 2022 N'000
Net debt as at 1 January	4,609,162	-
Debt securities issued	-	4,545,900
Total changes from financing cash flows	4,609,162	4,545,900
The effect of changes in foreign exchange rates	5,216,935	4,248
Interest expense	344,657	59,015
Interest paid	(475,895)	-
Balance as at 31 December	**9,694,859**	**4,609,162**

The debt security relates to US$10,000,000 notes of 5% interest issued on 20 September 2022 with a maturity date of 20 September 2029.

31 Other liabilities

	31 December 2023 N'000	31 December 2022 N'000
Non-financial liabilities		
Withholding tax	1,091,656	417,289
ECL provision on off balance sheet items*	398,698	361,044
	1,490,354	778,333
Financial liabilities		
Account payable**	1,057,542	47,417,529
Settlement balances with payment switches	34,623,385	18,381,698
Accrued expenses	911,758	524,000
Liability for defined contribution plan	53,329	38,033
Unclaimed fund	1,086,117	2,307,081
Other sundry liabilities***	68,370,895	52,451,347
Trade related obligations from foreign banks	11,658,341	5,658,241
Customers' deposit for Retail FX bids	42,977,034	5,943,448
Manager's cheque	1,087,070	484,889
Customers' deposit for guarantee	-	3,961
	161,825,471	133,210,227
Total other liabilities	163,315,825	133,988,560
Current	120,823,078	120,571,422
Non-current	42,492,747	13,417,138
	163,315,825	133,988,560

*Movement in the ECL provision/(reversal) of N37.7m (2022: (192.4m)) on off balance sheet items has been recognised as an expense (note 7).
**Included in account payable is remita payable of N800 million (2022:N46.9 billion).
***Included in other sundry liabilities are collateral for FGN bond of N39 billion (2022:N39 billion) and Bank of Industry intervention fund of N3.7 billion (2022:N4 billion) held for disbursement in line with the contract milestones.

31.1 Defined pension contribution plan

The Bank operates a defined contributory plan for all qualifying employees in its service. The assets of the plans are held by government regulated pension fund administrators (PFA). The Bank is required to contribute a specified percentage of payroll costs to the PFAs to fund the benefits. There are no further legal or constructive obligations with respect to the contributory plan. The payable outstanding as at year end represents contributions yet to be paid over to the PFAs which were paid subsequent to the end of the reporting year.

Movement in defined contribution liability recognised in the statement of financial position:

	31 December 2023 N'000	31 December 2022 N'000
Opening balance	38,033	29,077
Charge to profit or loss	240,028	160,164
Contributions remitted (PFAs/trustees)	(224,732)	(151,208)
	53,329	38,033
Current	53,329	38,033

32 Lease liability

	31 December 2023 N'000	31 December 2022 N'000
At 1 January	385,298	380,468
Additions during the year	21,277	-
Interest expense for the period	58,933	52,558
Payment during the year	(71,707)	(47,728)
	393,801	385,298
Current	6,795	58,050
Non-current	387,006	327,248
	393,801	385,298

a *Amounts recognised in profit or loss*

	31 December 2023 N'000	31 December 2022 N'000
Interest on lease liabilities	58,933	52,558
Expenses relating to short-term leases	49,952	116,276
Depreciation on right of use assets	156,321	148,815
	265,206	317,649

b *Amounts recognised in statement of cash flows*

	31 December 2023 N'000	31 December 2022 N'000
Total cash outflow for leases	71,707	47,728

c The future minimum lease payments on the lease liabilities extend over a number of years. The undiscounted value of lease liabilities is as follows at the end of the year:

31 December 2023	**0 - 30 days**	**31 - 90 days**	**91-180 days**	**181 - 365 days**	**Over 1 year, but less than 5 years**	**Over 5 years**	**Total**
Figures in thousands of naira							
Lease liability	-	916	-	140,580	312,103	36,850	490,448

31 December 2022	**0 - 30 days**	**31 - 90 days**	**91-180 days**	**181 - 365 days**	**Over 1 year, but less than 5 years**	**Over 5 years**	**Total**
Figures in thousands of naira							
Lease liability	6,600	3,688	49,863	-	443,080	30,250	533,480

There are no further potential cashflows to which the Bank is exposed from the exercise of termination and extension options as these have been considered in the measurement of the lease.

33 Deferred tax assets and liabilities

Deferred income tax assets are attributable to the following items:	31 December 2023 N'000	31 December 2022 N'000
Property, plant and equipments	-	2,272,034
Allowance for loan losses	2,290,074	39,556
Unused tax credit	3,993,366	-
	6,283,440	2,311,590
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	6,283,440	2,311,590
Deferred tax assets to be recovered within 12 months	-	-
	6,283,440	2,311,590

33 Deferred tax assets and liabilities (continued)

Deferred income tax liabilities are attributable to the following items:	31 December 2023 N'000	31 December 2022 N'000
Property and equipment	1,313,995	2,081,307
Unrealised exchange gain	-	171,367
Right of use/Lease Liability	-	43,716
Fair value gain on treasury bills	331,225	-
Fair value gains on investment property	2,079,085	-
	3,724,305	2,296,390
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	-	-
Deferred tax liabilities to be settled within 12 months	3,724,305	2,296,390
	3,724,305	2,296,390
Net Deferred tax impact	2,559,135	15,200

The Bank's deferred tax asset which typically arise from un-utilized capital allowance and ECL allowance on not credit impaired financial instruments is nil as at 31 December 2023 (2022: N1.25 billion). The bank has assessed based on its profit forecast, the extent to which there will be future taxable profits against which the deferred tax assets recognised can be utilised, and has chosen to not recognise deferred tax assets as at 31 December 2022. The amount of deductible temporary differences for which no deferred tax asset is recognised is detailed below:

	31 December 2023		31 December 2022	
	Gross Amount	Tax impact	Gross Amount	Tax impact
Property and equipment and capital allowance	-	-	-	-
ECL Allowance on financial instruments not-credit impaired	-	-	4,156,393	1,246,918
Unrelieved losses	-	-	-	-
Lease liabilities	-	-	-	-
Unrealised foreign exchange loss	-	-	-	-
Balance at end of the year	-	-	4,156,393	1,246,918

The Bank will continue to assess the recoverability of its deferred tax assets, and to ensure that only amount considered recoverable are recognised in the books and presented in the statement of financial position.

34 Share capital and other reserves

Authorised	31 December 2023 N'000	31 December 2022 N'000
40 billion ordinary shares of 50 kobo each.	20,000,000	20,000,000
Issued and fully paid		
At 1 January (36,036,786 shares of 50 kobo each)	18,018,393	18,018,393
Additions during the year (3,083,333 shares of 50 kobo each) (note 34.1)	1,541,667	-
At 31 December	19,560,060	18,018,393

34.1 Share premium

Share premium is the excess paid by shareholders over the nominal value of their shares.

	31 December 2023 N'000	31 December 2022 N'000
At 1 January	13,854,341	13,854,341
Issue of shares	7,708,333	
	21,562,674	13,854,341

34.2 Retained Earnings

	31 December 2023 N'000	31 December 2022 N'000
At 1 January	32,083	(3,005,583)
Profit for the year	43,546,415	8,025,885
Transfer between reserves	(24,387,918)	(4,988,219)
Dividend paid	(1,801,839)	-
	17,388,741	32,083

34.3 Dividends

	31 December 2023 N'000	31 December 2022 N'000
i Ordinary shares		
Final dividend for the year ended 31 December 2022 of 50k per fully paid share	1,801,839	-
	1,801,839	-

ii Dividends not recognised at the end of the reporting period
The aggregate amount of proposed dividend expected to be paid by the Bank, but not recognised as a liability at year end, is nil (2022: N2 billion).

34.4 Other reserves

	2023			2022		
	Opening balance	**Movement**	**Closing balance**	**Opening balance**	**Movement**	**Closing balance**
Statutory reserve	6,735,554	13,063,924	19,799,478	4,327,788	2,407,766	6,735,554
Regulatory risk reserve	4,380,135	6,969,352	11,349,487	2,602,271	1,777,865	4,380,135
SMEEIS reserve	1,136,487	2,177,321	3,313,808	735,193	401,294	1,136,487
AGSMEIS reserve	1,107,743	2,177,321	3,285,064	706,449	401,294	1,107,743
	13,359,919	24,387,918	37,747,837	8,371,701	4,988,219	13,359,919

i Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S16(1) of the Bank and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria (amended), 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 Regulatory reserve

The regulatory risk reserves records the difference between the allowance for impairment losses on balance on loans and advances based on Central Bank of Nigeria prudential guidelines compared with the impairment losses under IFRS 9 expected credit loss model. The key component of CBN Prudential Guidelines (PG) is the setting aside of additional 2% provision on all performing loans assessed under the Prudential Guidelines. This 2% provision is not required under IFRS 9.

Statement of prudential adjustment

The reconciliation between December 2023 CBN recommended provisions and that under IFRS as at December 2023 is as shown in the table below:

	Reference	**Individual/ Specific**	**Collective/ General**	**Total**
Figures in thousands of Naira				
a. Loans and advances				
Provision per CBN Guidelines		21,407,620	6,405,829	27,813,449
Impairment allowance on loan per IFRS 9	Note 19.1	-	(12,464,762)	(12,464,762)
Impairment on off balance sheet items	Note 31	-	(398,698)	(398,698)
Impairment allowance on other assets	Note 22	-	(1,973,984)	(1,973,984)
Impairment on financial assets at amortised cost	Note 20.1	-	(1,626,518)	(1,626,518)
Amount required in regulatory risk reserve		21,407,620	(10,058,133)	11,349,487
2022				
Provision per CBN Guidelines		6,635,315	5,327,047	11,962,362
Impairment allowance on loan per IFRS 9	Note 19.1	-	(5,689,564)	(5,689,564)
Impairment on off balance sheet items	Note 31	-	(361,044)	(361,044)
Impairment allowance on other assets	Note 22	-	(611,160)	(611,160)
Impairment on financial assets at amortised cost	Note 20.1	-	(828,875)	(828,875)
Write off of Financial assets at fair value through profit or loss:		(91,584)	-	(91,584)
Amount required in regulatory risk reserve		6,543,731	(2,163,596)	4,380,135

iii SMEEIS AND AGSMEIS

This reserve represents the aggregate amount of appropriations from profit after tax to finance equity investments in compliance with the directives issued by the Central Bank of Nigeria (CBN). The SMIEIS reserve was maintained in compliance with the Central Bank of Nigeria's requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline issued in July 2006, the contributions were 10% of profit after tax and were expected to continue after the first 5 years after which banks' contributions were to reduce to 5% of profit after tax.

In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agriculture/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation.

The small and medium scale industries equity investment scheme reserves are non-distributable.

35 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:		31 December 2023 N'000	31 December 2022 N'000
Profit before tax		42,070,285	8,635,343
Adjustments for:			
Interest income	note 5	(93,401,560)	(50,190,640)
Interest expense	note 6	55,087,762	28,811,845
Depreciation of property and equipment	note 14	3,302,427	2,265,683
Depreciation on right of use asset	note 14	156,320	148,815
Amortisation of intangible assets	note 14	766,918	657,283
Write off of property and equipment	note 24	67,464	-
Write off of intangible assets	note 26	102,191	-
Gain on disposal of property and equipment	note 11	(6,473)	(55,833)
Gain on disposal of investment property	note 11	-	(1,157,353)
Fair value gain on investment property	note 11	-	(450,608)
Foreign exchange revaluation gain	note 11	(32,190,834)	(527,283)
Net fair value gain on financial assets at FVTPL	note 10	(6,724,293)	(1,645,294)
Foreign exchange loss on debt securities	note 31	5,216,935	-
Impairment on loans and advances	note 7	6,775,198	3,236,350
Impairment charge/(reversal) on other financial assets		1,620,897	268,209
		(17,156,764)	(10,003,483)
Changes in operating assets			
Financial assets at FVTPL		-	2,153,084
Loans and advances to customers		(207,699,015)	(119,937,929)
Prepayments and other assets		(104,561,376)	(14,161,363)
Change in restricted balance with CBN		(350,443,140)	1,636,836
Change in other deposits with central bank		22,801,940	(22,801,940)
Changes in operating liabilities			
Deposits from customers		612,668,522	164,162,700
Accruals and other liabilities		28,834,227	36,668,113
Net cash flow (used in)/generated from operating activities		**(15,555,606)**	**37,716,018**

36 Related parties

a Related party transactions

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

b Transactions with key management personnel

The Bank's key management personnel, and persons connected with them to such an extent that they hold a degree of influence, are also considered to be related parties. The key management personnel have been identified as directors of the Bank as well as their close family members. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Providus Bank Limited.

36.1 Key management compensation

	31 December 2023 N'000	31 December 2022 N'000
Directors' renumeration		
Non-executive directors		
Allowances	352,775	110,500
Executive directors		
Short-term employee benefits	535,392	356,545
Pension contributions	39,648	25,324
	927,815	492,369

36.2 Companies'/directors' related deposit liabilities

	31 December 2023 N'000	31 December 2022 N'000
Balance, at 1 January	996,058	138,237
Net movement during the year	(398,508)	857,821
	597,550	996,058

There are no special considerations for the related party deposits. Deposits from related parties are taken at arms length.

37 Insider related transactions

The Bank's principal exposure to all of its directors as at 31st December 2022 is N811m. Below is the schedule showing the Bank's director-related lending for the year ended 31st December 2023:

S/N	Name of borrower	Relationship to reporting institution	Name of related directors	Facility type	Outstanding principal	Status
1	Obafunmilayo & Funmito Agusto	Non Executive Director	Funmi Agusto	Secured Overdraft Facility (Shares Backed)	48,143,886	Performing
2	Vetiva Securities Ltd	Non Executive Director	Chuka Eseka	Overdraft Facility - Cashbacked	70,805,275	Performing
3	Opi, Opia And Associates	Related Party	Company Secretary	Secured Time Loan	291,728,220	Performing
4	Docklands Enterprises	Related Party	Adeoye Ojuroye	Time Loan -Cashbacked	317,852,055	Performing
5	Docklands Enterprises	Related Party	Adeoye Ojuroye	Secured Time Loan (Cash Backed)	340,109,589	Performing
					1,068,639,024	

38 Compliance with banking regulations

The Bank contravened some banking regulations in the course of the year, this contravention attracted a penalty of N38.5 million for the year 2023 (2022: N16 million). Details of the banking regulation which the Bank contravened during the year are as follows:

Regulatory body	Nature of contravention	Penalties N'000
Central Bank of Nigeria	Penalty in respect of 2022 Audited Financial Statement	2,000
Central Bank of Nigeria	Penalty in respect of Spot Check of AML/CFT/CPF Compliance on Politically Exposed Persons (PEPS)	4,000
Central Bank of Nigeria	Penalty in respect of Code of Corporate Governance Compliance Scorecard Assessment (January 1st - 31st, 2022)	2,000
Central Bank of Nigeria	CBN Penalty charges in respect of late submission of the bank’s cybersecurity self-assessment in 2022	10,250
Central Bank of Nigeria	Penalty in respect of failing to appoint a CISO of the status of AGM or above	20,250
		38,500

39 Contingent liabilities

39.1 Claims and litigations

The Bank in the ordinary course of business is presently involved in 59 litigations (2022: 37 litigations). In 11 of the 59 litigations, the bank is the plaintiff (2022: 4 litigations) while the bank is the defendant in 48 litigations (2022: 33). Other cases were third party cases for the bank. The total amount of cases claimed against the bank is 48 litigations with an estimated amount of approximately N4 billion. (31 December 2022: N1.461b) while the total amount claimed in the 11 cases instituted by the Bank is N1.5 b (31 December 2022: N1.5b). As the probability that the bank will incur any loss regarding the litigations against it is remote as confirmed by solicitors, no provisions for litigations is required to be recorded in the current year.

39.2 Capital commitments

The Bank had capital commitments of N899.6 million as at 31 December 2023 (2022: N960.9 billion).

39.3 Acceptance, Bonds and Guarantees

	31 December 2023 N'000	31 December 2022 N'000
Bonds & guarantees	98,614,789	105,630,516
Letters of Credit	118,910,752	18,739,481

40 Dividends

The Bank has not proposed to pay dividend for the reporting period (2022: N2 billion).

41 Non-audit services

During the year, the Bank's auditor, PricewaterHouseCoopers, was awarded the contract below;

	Service	Description	Amount N'000
1	NDIC Agreed Upon procedures	PwC was requested to certify the total deposit liabilities standing in the books of the Bank as at 31 December 2022 in line with the provision of Nigeria Deposit Insurance Corporation (NDIC) Act.	1,500

In the Bank's opinion, the provision of this service to the Bank did not impair the independence and objectivity of the external auditor.

Other National Disclosures

Value added statement	**31 December 2023 N'000**	**%**	**31 December 2022 N'000**	**%**
Gross income	147,348,773		62,861,708	
Interest expense	(55,087,762)		(28,811,845)	
Value added	92,261,011		34,049,863	
Administrative overheads:				
- Local	(28,318,346)		(12,505,721)	
Value added	63,942,665	100	21,544,142	100
Distribution				
Employees				
-Wages & salaries and other staff cost	10,553,319	(17)	6,593,225	(31)
Government				
-Taxation	(1,476,130)	2	609,458	(3)
The future				
-Asset replacement (depreciation)				
-Local	2,265,683	(4)	2,414,498	(11)
-Asset replacement (amortisation)				
-Local	657,283	(1)	657,283	(3)
-Impairment loss	8,396,095	(13)	3,243,793	(15)
Profit for the year	43,546,415	(68)	8,025,885	(37)
Expansion (transfers to reserves)	-	-	-	-
	63,942,665	(100)	21,544,142	(100)

Five-year financial summary	**31 December 2023**	**31 December 2022**	**31 December 2021**	**31 December 2020**	**31 December 2019**
Statement of financial position	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Assets:					
Cash and bank balances	7,417,497	76,645,764	24,660,678	13,669,629	6,363,651
Due from other financial institutions	134,383,472	32,930,070	26,642,717	20,175,426	13,310,907
Financial asset at fair value through profit or loss	75,893,164	-	507,790	48,709	9,572,111
Loans and advances at amortised cost	494,188,761	282,647,938	165,946,359	101,373,092	40,169,011
Financial assets at amortised cost	192,532,300	141,601,993	138,719,320	121,888,575	2,733,297
Cash reserve balance with Central Bank of Nigeria	496,902,084	146,458,944	148,095,780	89,567,141	16,599,346
Other Assets	130,939,571	27,163,795	13,183,141	6,345,488	3,616,299
Investment Properties	3,264,527	3,264,527	5,425,737	6,655,530	8,468,642
Property and equipment	31,362,195	22,132,982	16,646,156	11,299,851	8,449,408
Right of use assets	560,616	519,811	668,626	354,205	234,132
Intangible assets	2,118,911	2,427,097	2,493,680	1,890,220	1,985,650
Deferred tax assets	2,559,135	15,200	76,508	76,508	76,508
Total assets	**1,572,122,233**	**735,808,121**	**543,066,492**	**373,344,374**	**111,578,962**
Liabilities:					
Due to other financial institutions	-	-	-	-	-
Deposits from customers	1,119,141,707	504,462,667	340,299,967	225,758,887	77,481,394
Borrowed funds	181,976,497	46,371,208	67,326,091	70,735,579	13,483,721
Current tax liability	1,340,233	726,489	418,870	290,795	100,601
Debt Securities Issued	9,694,859	4,609,162	-	-	-
Other liabilities	163,315,825	133,988,560	97,320,447	52,762,061	7,904,182
Lease liabilities	393,801	385,298	380,468	88,963	92,511
Deferred tax liabilities	-	-	81,797	81,797	81,797
Total liabilities	**1,475,862,922**	**690,543,384**	**505,827,640**	**349,718,082**	**99,144,206**
Equity:					
Share capital	19,560,060	18,018,393	18,018,393	12,863,726	12,863,726
Deposit for shares	-	-	-	8,964,000	4,214,000
Share premium	21,562,674	13,854,341	13,854,341	3,545,008	3,545,008
Retained earnings and other reserves	55,136,577	13,392,003	5,366,118	(1,746,442)	(8,187,978)
Total equity	**96,259,311**	**45,264,737**	**37,238,852**	**23,626,292**	**12,434,756**
Total liabilities and equity	**1,572,122,233**	**735,808,121**	**543,066,492**	**373,344,374**	**111,578,962**

Five-year financial summary	31 December 2023 N'000	31 December 2022 N'000	31 December 2021 N'000	31 December 2020 N'000	31 December 2019 N'000
Statement of total comprehensive income					
Interest income	93,401,560	50,190,640	29,394,929	13,181,476	5,238,212
Interest income on financial assets at fair value through profit or loss	-	-	-	1,085,259	103,874
Interest expense	(55,087,762)	(28,811,845)	(17,180,574)	(6,094,847)	(4,560,220)
Net interest income/(expense)	38,313,798	21,378,795	12,214,355	8,171,888	781,866
Impairment on financial assets	(8,396,095.25)	(3,243,793)	(1,018,297)	(1,260,703)	(240,920)
Net interest income/(expense) after loan impairment charges	29,917,703	18,135,002	11,196,058	6,911,185	540,946
Fee and commission income	14,796,182	8,526,866	7,011,919	3,572,500	2,630,274
Fee and commission expense	(1,255,271)	(449,960)	(461,703)	(294,821)	(340,230)
Net fee and commission income	13,540,912	8,076,906	6,550,216	3,277,679	2,290,044
Net trading gains	6,724,293	1,645,294	1,031,456	1,501,810	2,775,205
Other operating income	32,426,737	2,498,908	2,268,211	302,420	660,693
Impairment charge on financial assets	-	-	(383,609)	(464,138)	(363,110)
	39,151,031	4,144,202	2,916,058	1,340,092	3,072,788
Net operating income	82,609,645	30,356,110	20,662,332	11,528,956	5,903,778
Personnel expenses	(10,553,319)	(6,593,225)	(4,810,872)	(2,906,060)	(2,181,198)
Other operating expenses	(25,760,379)	(12,055,761)	(6,194,105)	(3,471,842)	(2,042,632)
Depreciation and amortisation	(4,225,661)	(3,071,781)	(2,204,647)	(1,677,001)	(1,346,359)
Total operating expenses	(40,539,359)	(21,720,767)	(13,209,624)	(8,054,903)	(5,570,189)
Profit/(loss) before tax	42,070,285	8,635,343	7,452,708	3,474,053	333,589
Tax expense	1,476,130	(609,458)	(340,150)	(232,020)	(98,246)
Profit/(loss) for the year	**43,546,415**	**8,025,885**	**7,112,558**	**3,242,033**	**235,343**
Earnings/(loss) per share from continuing operations					
Basic (kobo per share)	116	23	23	13	2
Diluted (kobo per share)	116	23	23	13	2