



**NOVA COMMERCIAL BANK LIMITED**

Annual report and financial statements  
for the year ended 31 December 2025


**FOR THE YEAR ENDED 31 DECEMBER 2025**

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## CORPORATE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2025

### Directors

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

Name	Position	
Mr. Phillips Oduoza	Chairman	
Chief Malachy Nwaiwu	Independent Non-Executive Director	
Mrs. Ijeoma Onwegbule	Independent Non-Executive Director	Appointed November 2025
Mrs. Funmi Oyetunji	Independent Non-Executive Director	Retired October 2025
Mr. Chinedu Uzoho	Non-Executive Director	
Mrs. Gbemisola Laditan	Independent Non-Executive Director	Retired October 2025
Mr. Jude Anele	Managing Director/CEO	Appointed February 2026
Mrs Chinwe Iloghalu	Executive Director	
Dr David Isiauwe	Executive Director	

### Registered Office:

23 Kofo Abayomi Street,  
Victoria Island,  
Lagos,  
Nigeria  
Email: [info@novambl.com](mailto:info@novambl.com)  
Telephone: +234 1 280 400  
Website :  
<https://www.novabank.com>

### Auditor:

PricewaterhouseCoopers  
(Chartered Accountants)  
FF Millenium Towers  
13/14 Ligali Ayorinde Street  
Victoria Island  
Lagos

## FOR THE YEAR ENDED 31 DECEMBER 2025

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

The Board is of the opinion that Nova has in all material respects, complied with the requirements of the CBN code, and its own governance charters, during the 2025 financial year.

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

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

As at December 31, 2025, the Board comprised a Non-Executive Chairman, four (5) Non-Executive Directors and two (2) Executive Directors, all of whom bring a wide range of skills and experience to the Board.

The Board of Directors carries out its responsibility through its standing Committees. These are the Board Audit Committee, the Board Finance and General Purpose Committee, the Board Nomination and Governance Committee and the Board Credit and Risk Committee. Through the workings of these committees, the Board sets broad policy guidelines and ensures the proper management and direction of the Bank.

In addition to the Board Committees, there are a number of Management Committees which ensure effective and good corporate governance at the managerial level.

## A. THE BOARD

The Board presently consists of 8 members, 2 of whom, inclusive of the MD/CEO are Executive Directors and 6 Non-Executive Directors. All the Directors have the requisite integrity, skills and experience to bring to bear on Board deliberations and discussions.

### Responsibility

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

Executive Management is accountable to the Board for the development and implementation of strategy and policies. The Board regularly reviews the Bank's performance, matters of strategic concern and any other matters it regards as material.

The Board meets quarterly and additional meetings are convened as the need arises. In 2025, the Board met 7 times.

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

### Appointments & Retirements

During the course of the year, Mrs Ijeoma Onwegbule was appointed as Independent Non- executive directors while Mrs Funmi Oyetunji and Mrs Gbemisola Laditan retired as Independent Non-executive directors.

### Professional Independent Advice

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

## B. ACCOUNTABILITY AND AUDIT

### Financial Reporting

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

**FOR THE YEAR ENDED 31 DECEMBER 2025**

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

PricewaterhouseCoopers acted as external auditors to the Bank during the 2025 financial year. Their report is contained on page 22 of this Annual Report.

**Internal Controls**

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

**C. CONTROL ENVIRONMENT**

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

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

**D. SHAREHOLDER RIGHTS**

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

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

**E. BOARD COMMITTEES**

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

**Board Audit & Compliance Committee**

The Board Audit & Compliance Committee is comprised as follows:

1. Mrs. Funmi Oyetunji - Chairperson
2. Mr Chinedu Uzoho - Member
3. Mrs. Gbemisola Laditan - Member

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

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

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

**Board Credit and Risk Committee**

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

1. Mrs. Gbemisola Laditan - Chairperson
2. Chief Malachy Nwaiwu - Member
3. Mrs. Funmi Oyetunji - Member

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mrs. Gbemisola Laditan	7	7
2	Chief Malachy Nwaiwu	7	7
3	Mrs. Funmi Oyetunji	7	5

**FOR THE YEAR ENDED 31 DECEMBER 2025**

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

**Board Nomination and Governance Committee**

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

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

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

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Chief Malachy Nwaiwu	5	5
2	Mr. Chinedu Uzoho	5	5
3	Mrs. Gbemisola Laditan	5	4

**Finance and General Purpose Committee**

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

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

1. Mr. Chinedu Uzoho - Chairman
2. Chief. Malachy Nwaiwu - Member
3. Mrs. Funmi Oyetunji - Member

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mr. Chinedu Uzoho	5	5
2	Chief Malachy Nwaiwu	5	5
3	Mrs. Funmi Oyetunji	5	3

**Attendance at Board Meetings**

Membership and attendance at Board Meetings are set out below:

S/N	MEMBERS	NUMBER OF MEETINGS HELD	NUMBER OF MEETINGS ATTENDED
1	Mr. Phillips Oduoza	7	7
2	Mrs. Chinwe Iloghalu	7	7
3	Chief Malachy Nwaiwu	7	7
4	Mrs. Gbemisola Laditan	7	6
5	Mrs. Funmi Oyetunji	7	6
6	Mr. Chinedu Uzoho	7	7
7	Mrs. Ijeoma Onwuegbule	7	2
8	Dr. David Isiavwe	7	7

**Executive Management Committees**

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

The Directors present their report on the affairs of Nova Commercial Bank Limited ("the Bank") and the Bank's Audited Financial Statements with Auditor's Report for the year ended 31 December 2025.

During the course of the year, the bank disposed of its subsidiaries NovaMBL Asset Management Limited and NovaMBL Securities Limited.

#### Legal form

Nova Commercial Bank Limited ("the Bank") was Incorporated on May 17, 2017, in Nigeria as a Merchant Bank. It transitioned to a Commercial Bank in July 2024 and currently operates in Nigeria, providing Commercial Banking services as prescribed by the Central Bank of Nigeria (CBN).

The bank's head office is situated at no. 23 Kofo Abayomi Street, Victoria Island, Lagos. The operations of the bank is domiciled in Nigeria.

#### Major activities and business review

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

#### Results at a glance

	31 31 December 2025	31 31 December 2024
	N'000	N'000
Profit before tax	2,243,979	11,390,937
Taxation	(390,905)	(3,359,702)
Profit after tax	<b>1,853,074</b>	<b>8,031,235</b>
Other comprehensive loss for the year net of tax	(173,630)	(164,075)
Total comprehensive income for the year	<b>1,679,444</b>	<b>7,867,160</b>

#### Proposed dividend

The Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act (CAMA) 2020 of Nigeria, proposed in 2025 nil dividend.

#### Post balance sheet events

During the reporting period, the Bank undertook a capital raising exercise aimed at strengthening its capital base. Although the transaction was initiated before year-end, the required regulatory approval was obtained subsequent to the reporting date, on 5 March 2026. This event is considered a non-adjusting subsequent event, as it does not relate to conditions existing at the reporting date. However, it is disclosed to provide users with relevant information regarding the Bank's capital position and future financial stability.

#### Directors' interest in shares

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

Name	Direct holding ('000)	Indirect holding ('000)
Phillips Oduoza	11,315,510	1,814,865

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

Name	Company	Indirect holding ('000)
Phillips Oduoza	BOP Integrated Investments Limited	257,433
	Benix Nigeria Limited	257,433
	PUE Financial Services Limited	1,300,000

#### Analysis of shareholdings

The details of the shareholding of the Bank as at 31 December 2025 is as detailed below:

Range ('000)	Holdings	Holders %	Cumm	Unit ('000)	Units %	Units ('000)
1 - 1,000,000		2 29%	2	514,865	2%	250,000
1,000,001 - 3,000,000		1 14%	3	1,300,000	5%	1,814,865
3,000,001 - 5,000,000		2 29%	5	6,435,813	25%	8,250,678
5,000,001 - 7,000,000		2 29%	7	17,749,322	68%	26,000,000
		7 100%		26,000,000	100%	

**Substantial interest in shares: shareholding of 5% and above**

According to the register of shareholders as at 31 December 2025, the following shareholders held more than 5% of the issued share capital of the Bank.

Shareholders	December 2025		December 2024	
	Shareholding ('000)	% Holding	Shareholding ('000)	% Holding
Afriglobal Investment Holding	3,217,906	12.377%	3,217,906	12.377%
Five Star Associate Limited	3,217,906	12.377%	3,217,906	12.377%
Carbon Commodities DMCC	6,435,812	24.753%	6,435,812	24.753%
Phillips Oduoza (Direct and Indirect Holding)	13,128,375	50.494%	13,128,375	50.494%

**Directors' interest in contracts**

None of the directors has declared any direct or indirect interest in contracts or proposed contracts with the Bank during the year ended 31 December 2025.

**Human resources**

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

**Composition of employees by gender**

	Bank
Male	111
Female	92
<b>Total</b>	<b>203</b>

**Senior Management's composition by gender**

	Bank
Male	4
Female	4
<b>Total</b>	<b>8</b>

**Board Member's composition by gender**

	Bank
Male	4
Female	4
<b>Total</b>	<b>8</b>

**Health and safety**

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

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

**Employee involvement**

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

**Training and development**

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

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

**Donations**

The Bank made a donation of N78m (2024: N77.7m) during the year. The details of the donation are as listed below:

Description	Organisation	Amount (N'000)
2025 Annual Bankers Committee Conference	Bankers Committee	100
2025 Annual Bankers Committee Dinner	Bankers Committee	24,320
Body of Banks CEO	Bankers Committee	4,899
Donation to Support Financial Literacy and Public Enlightenment	CBN	10,000
2025 Annual Bankers Committee Retreat	Bankers Committee	19,200
Donation to Support Church	Church	5,382
Sponsorship for Golf sport	Pep Nig	11,000
Donation to Support Judges on Banking and Allied Matters	Bankers Committee	3,101
		<b>78,002</b>

**Claw Back**

There was no claw back during the year

**Auditor**

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

**By order of the Board**

**Nnadozie Ohaji**  
Company Secretary/General Counsel  
**FRC/2020/004/00000020376**  
**16 May 2026**



## REPORT OF THE AUDIT COMMITTEE

### FOR THE YEAR ENDED 31 DECEMBER 2025

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

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

- In our opinion, the plan and scope of the audit for the year ended December 31, 2025 were adequate. We have reviewed the Auditors' findings and we are satisfied with the Management responses thereon.
- We also confirm that the accounting and reporting policies of the Bank are in accordance with legal requirements and ethical practices.

As required by the provisions of the Central Bank of Nigeria circular 85D/1//2004 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as analysed in the financial statements as at December 31, 2025.

Mrs. Ijeoma Onwuegbule

**FRC/2026/PRO/DIR/003/847793**

#### MEMBERS OF THE AUDIT COMMITTEE ARE:

- |                           |             |                         |
|---------------------------|-------------|-------------------------|
| 1. Mrs. Funmi Oyetunji    | Chairperson | Resigned October 2025   |
| 2. Mr. Chinedu Uzoho      | Member      |                         |
| 3. Mrs. Gbemisola Laditan | Member      |                         |
| 4. Chief Malachy Nwaiwu   | Member      |                         |
| 5. Ijeoma Onwuegbule      | Chairperson | Appointed November 2025 |

## RISK MANAGEMENT

### Introduction

The Bank's activities expose it to a broad spectrum of risks, including credit, market, liquidity, operational and reputational risks. Effective risk management therefore remains central to the Bank's strategy and operations. The operating environment in 2025 continued to present significant challenges, characterised by persistent insecurity, elevated inflationary pressures, volatility in foreign exchange markets, and broader macroeconomic uncertainties affecting both global and domestic economic conditions.

Despite these pressures, the Bank demonstrated resilience and maintained operational stability throughout the year. The ability to navigate a demanding operating environment with minimal disruption underscores the robustness of the Bank's risk management framework, governance structures, and business continuity arrangements. The year further reinforced the importance of proactive risk identification, disciplined execution of mitigation strategies, and continuous enhancement of contingency planning as the Bank operated fully as a stand-alone institution following the disposal of its subsidiaries.

Risk management has had to ensure that the Bank reacted appropriately to the challenges occasioned by a changing operating environment ranging from FX market reforms (unifying exchange rates), FX volatility, MPR hikes, CRR adjustment, and Banking sector capitalization review amongst others whilst remaining profitable and competitive. Businesses and individuals had to embrace the CBN cashless policy and the expectations that the CBN, and banks have a lot to do to improve the existing cashless economy infrastructure and provide solutions to the negative experiences customers face when using electronic payment options. The CBN's effort to stabilize Nigeria's economy, tackle inflation, and improve the financial system meant enhancement of the CRR, restriction on cash withdrawal over the counter to promote digital transactions and financial inclusion as well as actively participating in the Open Market Operations (OMO). The CBN kept the rates on Government securities as Treasury Bills relatively high for most parts of the year amidst increased government borrowings. Key areas of concern for risk management are:

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

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

A period in which compliance risk took the front seat as regulators stepped up enforcement actions and political exposure received closer attention. This was seen in the number of Policy releases by the CBN

### Enterprise Risk Management Framework

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

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

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

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

### Risk Management Framework

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

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

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

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

A firm understanding and application of risk management principles, coupled with continuously monitoring and improving our controls constitute the fulcrum that is central to the delivery of our strategic objectives. The Board's risk committees play an active role in ensuring that we undertake well-measured, profitable risk-taking activities that support long-term sustainable growth and the composition and oversight is dynamic and adapting to change as the organisation evolves.

#### **Balancing Risk and Return**

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

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

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

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

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

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

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

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

#### **Risk Appetite**

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

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

#### **Risk management objectives**

The broad risk management objectives of the Bank are:

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

#### **Scope of risks**

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

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

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

#### **Responsibilities**

The responsibilities of the Risk Management Division are highlighted below:

#### **Risk Management Governance Framework**

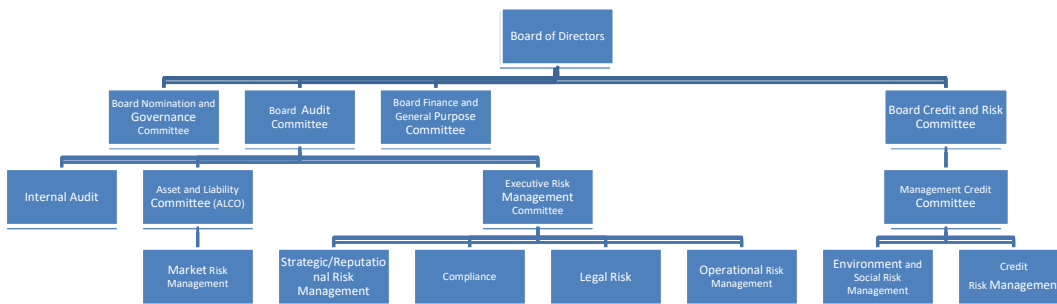
The framework details Nova Bank's risk universe and governance structure comprising three distinct layers:

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

### Risk Management Governance Structure

#### Risk Management Organisational Framework

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



#### The Board and management committees

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

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

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

#### Operational Risk Management

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

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

This framework includes:

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

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

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

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

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

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

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

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

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

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

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

#### ***The Bank's operational risk framework***

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

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

#### ***Management and control responsibilities***

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

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

#### ***Measuring and managing operational risk***

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

#### ***Risk event data collection and reporting***

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

#### ***Risk and control self-assessments (RCSA)***

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

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

#### ***Key risk indicators (KRIs)***

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

#### ***Reporting***

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

#### ***Information Security and Continuity of Business***

Information security and the protection of confidential and sensitive customer data are a priority of Nova Bank. The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information.

The Bank mitigates business continuity risks by reviewing and testing recovery procedures. Regular awareness campaigns are also used to drive information security and business continuity culture in the Bank.

#### ***Strategic Risk Management***

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

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

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

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

The strategic risk management functions support the Board and senior management in managing strategic risk and other related processes in the Bank.

Strategic plans are approved and monitored by the Board. Regular environmental scan, business strategy sessions and workshops are set up to discuss business decisions, close monitoring to ensure that strategic plans are properly aligned with the business model, regular performance review by EXCO and business plans are approved by the Board.

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

#### Reputational Risk Management

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

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

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

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

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

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

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

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

#### Customer Complaints report

In line with the CBN's directive on the disclosure of customer complaints in the financial statement, Nova Bank limited provides the following summary of customer received, resolved and outstanding as at December 31, 2025:

During the year, a total of 524 customer complaints were received across the banks branches and digital channels. Out of these, 514 complaints were fully within the regulatory timelines, while 14 complaints remained unresolved as at year-end and are under active investigation.

	2025	2024
Total Number of Complaints received	528	10
Total number of complaints resolved	514	8
Total number of complaints unresolved	14	2

The Bank is committed to maintaining high service standards and addressing all customer issues promptly. Nova Bank continues to strengthen its complaint resolution framework through:

1. Investment in Omnichannel complaints logging platform
2. Increased staff training on customer engagement and resolution
3. Regular monitoring of service performance indicators

All unresolved complaints are being handled in accordance with CBN's consumer protection guidelines.

#### Fraud and Forgeries report

In compliance with the Central Bank of Nigeria (CBN) circular on the mandatory disclosure of fraud and forgery in the financial statements of banks, during the financial year 2025, Nova Bank recorded one (1) case of fraud and forgery during the financial year in the sum of N 1,549,046,746. The bank has recovered a total of N 939,509,930 before the end of the year.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2025**

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

- i Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;
- ii Establishes adequate internal controls to safeguard its assets and to detect and prevent fraud and other irregularities; and
- iii Prepares financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

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

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

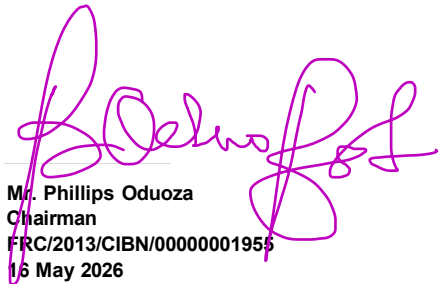
The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of the financial performance and cash-flows for the period. The directors further accept responsibility for the maintenance of accounting records that may be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

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

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**



**Mr. Jude Anele**  
Managing Director/CEO  
FRC/2026/PRO/DIR/003/888518  
16 May 2026



**Mr. Phillips Oduoza**  
Chairman  
FRC/2013/CIBN/00000001955  
16 May 2026

**STATEMENT OF CORPORATE RESPONSIBILITY  
FOR THE YEAR ENDED 31 DECEMBER 2025**

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director and Chief Financial Officer, hereby certify the financial statements of Nova Bank Limited for the year ended 31 December 2025 as follows:

- a That we have reviewed the audited financial statements of the Bank for the year ended 31 December 2025.
- b That the audited financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the statements misleading, in the light of the circumstances under which such statement was made.
- c That the audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for, the year ended 31 December 2025.
- d That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Bank and its subsidiaries is made known to us by other officers of the companies, during the period end 31 December 2025.
- e That we have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date of audited consolidated and separate financial statements, and certify that the Bank's internal controls are effective as of that date.
- f That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.
- g That we have disclosed the following information to the Bank's Auditors and Audit Committee:
  - i there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and
  - ii there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**



**Mr. Jude Anele**  
**Managing Director/CEO**  
**FRC/2026/PRO/DIR/003/847793**  
**16 May 2026**



**Mr. Abayomi Adeoye**  
**Ag. Chief Financial Officer**  
**FRC/2026/PRO/ICAN/001/756059**  
**16 May 2026**

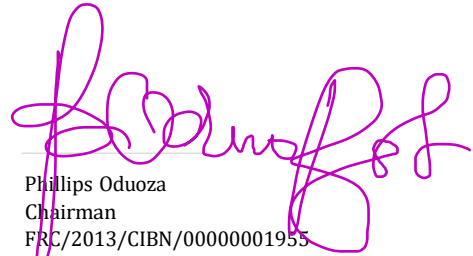
**MANAGEMENT'S ANNUAL ASSESSMENT OF, AND REPORT ON, NOVA COMMERCIAL BANK LIMITED'S INTERNAL CONTROL OVER FINANCIAL REPORTING FOR THE YEAR ENDED 31 DECEMBER 2025**

To comply with the assessment requirements of the FRC Guidance on Management Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria, we hereby make the following statements regarding the Internal Controls of Nova Commercial Bank Limited for the year ended 31 December 2025:

- a** Nova Commercial Bank Limited's management is responsible for establishing and maintaining a system of internal control over financial reporting ("ICFR") that provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.
- b** Nova Commercial Bank Limited's management used the Committee of Sponsoring Organization of the Treadway Commission (COSO) Internal Control-Integrated Framework to conduct the required evaluation of the effectiveness of the entity's ICFR;
- c** Nova Commercial Bank Limited's management has assessed that the entity's ICFR as of the end of 31 December 2025 is effective.
- d** Nova Commercial Bank Limited's external auditor Messrs PricewaterhouseCoopers that audited the financial statements, included in the annual report, has issued an attestation report on management's assessment of the entity's internal control over financial reporting.  
The attestation report of Messrs PricewaterhouseCoopers that audited its financial statements will be filed as part of Nova Commercial Bank Limited's annual report.



Mr. Jude Anele  
Managing Director/CEO  
FRC/2026/PRO/DIR/003/847793  
**16 May 2026**



Phillips Oduoza  
Chairman  
FRC/2013/CIBN/00000001955  
**16 May 2026**

**CHIEF EXECUTIVE OFFICER'S CERTIFICATION OF MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING**

**FOR THE YEAR ENDED 31 DECEMBER 2025**

To comply with the assessment requirements of the FRC Guidance on Management Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria, I hereby make the following statements regarding the internal control over financial reporting of Nova Commercial Bank Limited for the year ended 31 December 2025.

I, Jude Anele, certify that:

- a) I have reviewed this management assessment on internal control over financial reporting of Nova Commercial Bank Limited;
- b) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the entity as of, and for, the periods presented in this report;
- d) The entity's other certifying officer and I:
  - 1) are responsible for establishing and maintaining internal controls;
  - 2) have designed such internal controls and procedures, to ensure that material information relating to the entity, and its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - 3) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 4) have evaluated the effectiveness of the entity's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- e) The entity's other certifying officer and I have disclosed, based on our most recent evaluation of internal control system, to the entity's auditors and the audit committee of the entity's board of directors:
  - 1) All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the entity's ability to record, process, summarize and report financial information; and
  - 2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
- f) The entity's other certifying officer and I have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.



Mr. Jude Anele  
Managing Director/CEO  
**FRC/2026/PRO/DIR/003/847793**  
**16 May 2026**

**CHIEF FINANCIAL OFFICER'S CERTIFICATION OF MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

To comply with the assessment requirements of the FRC Guidance on Management Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria, I hereby make the following statements regarding the internal control over financial reporting of Nova Commercial Bank Limited for the year ended 31 December 2025.

I, Abayomi Adeoye, certify that:

- a) I have reviewed this management assessment on internal control over financial reporting of Nova Commercial Bank Limited;
- b) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- c) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the entity as of, and for, the periods presented in this report;
- d) The entity's other certifying officer and I:
  - 1) are responsible for establishing and maintaining internal controls;
  - 2) have designed such internal controls and procedures, to ensure that material information relating to the entity, and its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - 3) have designed such internal control system, or caused such internal control system to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - 4) have evaluated the effectiveness of the entity's internal controls and procedures as of a date within 90 days prior to the report and presented in this report our conclusions about the effectiveness of the internal controls and procedures, as of the end of the period covered by this report based on such evaluation.
- e) The entity's other certifying officer and I have disclosed, based on our most recent evaluation of internal control system, to the entity's auditors and the audit committee of the entity's board of directors:
  - 1) All significant deficiencies and material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the entity's ability to record, process, summarize and report financial information; and
  - 2) Any fraud, whether or not material, that involves management or other employees who have a significant role in the entity's internal control system.
- f) The entity's other certifying officer and I have identified, in the report whether or not there were significant changes in internal controls or other facts that could significantly affect internal controls subsequent to the date of their evaluation including any corrective actions with regard to significant deficiencies and material weaknesses.



Abayomi Adeoye  
Ag.Chief Financial Officer  
FRC/2026/PRO/ICAN/001/756059  
**16 May 2026**



## **Independent practitioner's report**

To the Members of Nova Commercial Bank Limited

### **Report on an assurance engagement performed by an independent practitioner to report on management's assessment of controls over financial reporting**

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#### **Our opinion**

In our opinion, nothing has come to our attention that the internal control procedures over financial reporting put in place by management of Nova Commercial Bank Limited ("the bank") are not adequate as at 31 December 2025, based on the FRC Guidance on Management Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria.

#### **What we have performed**

We have performed an assurance engagement on Nova Commercial Bank Limited's internal control over financial reporting as of December 31, 2025, based on FRC Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting ("the Guidance") issued by the Financial Reporting Council of Nigeria. The bank's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Assessment of, and Report on, Nova Commercial Bank Limited's Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the bank's internal control over financial reporting based on our assurance engagement.

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#### **Basis for opinion**

We conducted our assurance engagement in accordance with the Guidance, which requires that we plan and perform the assurance engagement and provide a limited assurance report on the entity's internal control over financial reporting based on our assurance engagement. As prescribed in the Guidance, the procedures we performed included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our engagement also included performing such other procedures as we considered necessary in the circumstances. We believe the procedures performed provide a basis for our report on the internal control put in place by management over financial reporting.

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#### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.



Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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## Other matter

We also have audited, in accordance with the International Standards on Auditing, the financial statements of Nova Commercial Bank Limited and our report dated 5 June 2026, expressed an unqualified opinion.

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*Chidi Ojechi*

For: **PricewaterhouseCoopers**  
Chartered Accountants  
Lagos, Nigeria  
FRC/2023/COY/176894

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



5 June 2026



# Independent auditor's report

To the Members of Nova Commercial Bank Limited

## Report on the audit of the financial statements

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### Our opinion

In our opinion, Nova Commercial 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 2025, and of its financial performance and its cash flows for the year then ended in accordance with international financial reporting standards as issued by the International Accounting Standards Board ("IFRS Accounting 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

Nova Commercial Bank Limited's financial statements comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2025;
- the statement of financial position as at 31 December 2025;
- 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.

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### 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 Bank 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.

PricewaterhouseCoopers  
FF Millenium Towers, 13/14 Ligali Ayorinde Street, Victoria Island,  
Lagos, Nigeria



## 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
<p data-bbox="191 499 716 590">Expected credit losses on loans and advances to customers – N2,987.91 million (refer to notes 2.5.5, 3.0 (i) and 17)</p> <p data-bbox="191 638 716 789">We focused on this area because management exercises significant judgment, using subjective assumptions to determine both the timing and amounts to recognize as impairment on loans and advances to customers.</p> <p data-bbox="191 804 716 921">IFRS 9 “Financial Instruments” requires considerable judgment in measuring expected credit loss (ECL). Key areas where significant judgment is applied include:</p> <ul data-bbox="240 936 716 1402" style="list-style-type: none"> <li>• Estimation of point-in-time probability of default (PD) used in the ECL allowance models;</li> <li>• Assessment of the assumptions and the methodology used in the modelled Loss Given Default (LGD) calculations;</li> <li>• Estimation of the Exposure at Default (EAD) used in computing expected credit losses over the life of risk assets as well as credit conversion factor (CCF) used for off - balance sheet exposures; and</li> <li>• Incorporation of forward-looking information (FLI) into the ECL allowance model.</li> </ul>	<p data-bbox="748 537 1393 655">We reviewed and evaluated the process as well as assessed the key controls surrounding the determination of the allowance for expected credit loss. We performed the following procedures:</p> <ul data-bbox="794 709 1414 894" style="list-style-type: none"> <li>• Verified that the bank’s definition of default complied with IFRS 9 criteria.</li> <li>• Applied a risk-based target testing approach to review credit files in detail and assess management’s conclusions on significant increases in credit risk (SICR).</li> </ul> <p data-bbox="748 909 1284 932">With the assistance of our modelling experts, we</p> <ul data-bbox="774 947 1414 1535" style="list-style-type: none"> <li>• assessed the reasonableness of the point-in-time PD by performing a recalculation of the probability of default estimate in the ECL allowance model.</li> <li>• assessed the reasonableness of the Loss Given Default (LGD) by performing a re – assessment of the modelled LGD and evaluating the assumptions and methodology used in the LGD calculations.</li> <li>• checked the appropriateness of the EAD estimation for the on-balance sheet exposures and CCF estimates used for off-balance sheet exposures by reviewing the methodology and logic applied in the ECL allowance model and comparing the CCF to commonly applied industry factors;</li> <li>• checked the methodology for incorporating FLI into the ECL allowance model and assessed the FLI for reasonableness given historical and forecast data;</li> <li>• tested the implementation of the IFRS Methodology in the ECL allowance calculation engine.</li> </ul> <p data-bbox="748 1587 1370 1610">We evaluated the IFRS 9 disclosures for reasonableness.</p>



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## **Other information**

The directors are responsible for the other information. The other information obtained at the date of this auditor's report are Corporate Information, Corporate Governance Report, Director's Report, Report of the Audit Committee, Risk Management Report, Statement of Director's Responsibilities, Statement of Corporate Responsibility, Management's Annual Assessment of , and Report on, Nova Commercial Bank Limited's Internal Control Over Financial Reporting, Chief Executive Officer's Certification of Management's Assessment of Internal Control over Financial Reporting, Chief Financial Officer's Certification of Management's Assessment of Internal Control over Financial Reporting, 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.

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## **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 IFRS Accounting 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 judgement 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.



- 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.
- 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.

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## **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 34 to the financial statements; and
- v) as disclosed in Note 37 to the financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2025.



In accordance with the requirements of the Financial Reporting Council of Nigeria, we performed a limited assurance engagement and reported on management's assessment of Nova Commercial Bank Limited's internal control over financial reporting as of 31 December 2025. The work performed was done in accordance with FRC Guidance on Assurance Engagement Report on Internal Control Over Financial Reporting issued by the Financial Reporting Council of Nigeria, and we have issued an unqualified opinion in our report dated 5 June 2026.

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*Chidi Ojechi*

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

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



5 June 2026

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2025**

N'000	Note	31 December 2025	31 December 2024
Interest income	6	34,020,583	31,961,797
Interest expense	7	(27,429,582)	(25,938,796)
Net interest income		<b>6,591,001</b>	<b>6,023,001</b>
Impairment charge for credit losses	8	(3,494,510)	(118,149)
Net fee and commission income	9	3,363,075	3,590,512
Net gains/(losses) on financial instruments at fair value through profit or loss	10	5,179,674	2,214,987
Net foreign exchange gain	11	885,625	6,165,766
Other operating (expense)/income	12	292,508	16,478
Operating expenses	13	(10,573,395)	(6,501,658)
<b>Profit before tax</b>		<b>2,243,979</b>	<b>11,390,937</b>
Taxation	14	(390,905)	(3,359,702)
<b>Profit for the year</b>		<b>1,853,074</b>	<b>8,031,235</b>
<i>Items that may be subsequently reclassified to the income statement:</i>			
Net changes in fair value of financial assets FVOCI	18b	(120,120)	(236,757)
ECL on debt instruments classified as FVOCI	8	(53,510)	72,682
Other comprehensive (loss)/income, net of related tax effects:		<b>(173,630)</b>	<b>(164,075)</b>
<b>Total comprehensive income for the year</b>		<b>1,679,444</b>	<b>7,867,161</b>
<b>Profit for the year attributable to:</b>			
Owners of the Bank		1,853,074	8,031,235
<b>Profit for the period</b>		<b>1,853,074</b>	<b>8,031,235</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Bank		1,679,444	7,867,160
<b>Total comprehensive income for the year</b>		<b>1,679,444</b>	<b>7,867,160</b>
<b>Earnings per share attributable to equity holders</b>			
Basic earnings per share (kobo)	15	<b>6</b>	<b>30</b>
Diluted earnings per share (kobo)	15	<b>6</b>	<b>30</b>

**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2025**

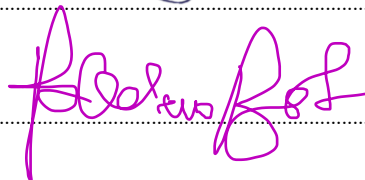
N'000	Note	31 December 2025	31 December 2024
<b>Assets</b>			
Balances with banks	16	51,233,149	114,324,898
Loans and advances to customers	17	95,835,938	97,692,587
Pledged assets	18a	13,422,576	10,459,214
Investment securities	18b	68,304,887	66,055,561
Investment in subsidiaries	19	-	431,167
Other assets	20	9,328,028	82,501,761
Intangible assets	21	985,390	903,555
Property and equipment	22	3,121,143	1,731,159
Right-of-use asset	23	1,102,547	201,349
Deferred tax assets	14	433,446	-
<b>Total assets</b>		<b>243,767,104</b>	<b>374,301,251</b>
<b>Liabilities</b>			
Deposits	24	141,452,339	158,553,929
Due to Banks	25	17,331,978	19,813,896
Lease liabilities	23	508,465	174,712
Current tax liabilities	14	1,686,535	2,416,780
Deferred tax liability	14	-	846,213
Debt securities issued	26	10,527,916	10,526,264
Other liabilities	27	31,833,856	141,415,885
<b>Total liabilities</b>		<b>203,341,089</b>	<b>333,747,679</b>
<b>Equity</b>			
Share capital	28	26,000,000	26,000,000
Statutory reserve	29	7,309,421	6,753,499
Retained (loss)/earnings	29	(9,401,656)	3,010,195
Other reserves	29	797,333	(125,390)
Regulatory risk reserve	30	15,720,917	4,915,268
<b>Total Equity</b>		<b>40,426,015</b>	<b>40,553,572</b>
<b>Total liabilities and equity</b>		<b>243,767,104</b>	<b>374,301,251</b>

The accompanying notes form an integral part of the financial statements. The financial statements were approved and authorized for issue by the Board of Directors on 16th May 2026 and signed on its behalf by:

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

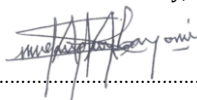


..... **Jude Anele - Managing Director/CEO**  
FRC/2026/PRO/DIR/003/888518



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

Additional Certification by;



..... **Abayomi Adeoye - Ag. Chief Financial Officer**  
FRC/2026/PRO/ICAN/001/756059

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2025**

					Other reserves		Regulatory risk reserve	Total
	Share capital	Deposit for Share Capital	Retained earnings	Statutory reserves	AGSMEIS reserves	Fair value reserve		
<b>2025</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Balance at 01 January 2025</b>	<b>26,000,000</b>	<b>-</b>	<b>3,010,195</b>	<b>6,753,499</b>	<b>-</b>	<b>(125,390)</b>	<b>4,915,268</b>	<b>40,553,572</b>
<b>Total comprehensive income:</b>								
Profit for the year	-	-	1,853,074	-	-	-	-	1,853,074
Other comprehensive income	-	-	-	-	-	(173,630)	-	(173,630)
	-	-	<b>1,853,074</b>	-	-	<b>(173,630)</b>	-	<b>1,679,444</b>
<b>Transaction with owners:</b>								
Transfer to statutory reserves	-	-	(555,922)	555,922	-	-	-	-
Accumulated AGSMEIS reserve	-	-	(1,003,699)	-	1,003,699	-	-	-
Transfer between reserves	-	-	(92,654)	-	92,654	-	-	-
Transfer to regulatory risk reserve	-	-	(10,805,649)	-	-	-	10,805,649	-
Dividend Paid	-	-	(1,807,000)	-	-	-	-	(1,807,000)
	-	-	<b>(14,264,925)</b>	<b>555,922</b>	<b>1,096,353</b>	-	<b>10,805,649</b>	<b>(1,807,000)</b>
<b>At 31 December 2025</b>	<b>26,000,000</b>	<b>-</b>	<b>(9,401,656)</b>	<b>7,309,421</b>	<b>1,096,353</b>	<b>(299,020)</b>	<b>15,720,917</b>	<b>40,426,015</b>
<b>2024</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
<b>Balance at 01 January 2024</b>	<b>16,000,000</b>	<b>1,400,335</b>	<b>7,032,703</b>	<b>4,344,129</b>	<b>-</b>	<b>38,684</b>	<b>2,303,598</b>	<b>31,119,450</b>
<b>Total comprehensive income:</b>								
Profit for the year	-	-	8,031,235	-	-	-	-	8,031,235
Other comprehensive income	-	-	-	-	-	(164,075)	-	(164,075)
	-	-	<b>8,031,235</b>	-	-	<b>(164,075)</b>	-	<b>7,867,160</b>
Transfer to statutory reserves	-	-	(2,409,371)	2,409,371	-	-	-	-
Transfer to share capital	1,400,335	(1,400,335)	-	-	-	-	-	-
Additional capital (right issue)	1,566,962	-	-	-	-	-	-	1,566,962
Bonus issue	7,032,703	-	(7,032,703)	-	-	-	-	-
Transfer to regulatory risk reserve	-	-	(2,611,670)	-	-	-	2,611,670	-
	<b>10,000,000</b>	<b>(1,400,335)</b>	<b>(12,053,744)</b>	<b>2,409,371</b>	-	-	<b>2,611,670</b>	<b>1,566,962</b>
<b>At 31 December 2024</b>	<b>26,000,000</b>	<b>-</b>	<b>3,010,195</b>	<b>6,753,499</b>	<b>-</b>	<b>(125,390)</b>	<b>4,915,268</b>	<b>40,553,572</b>

N'000		31 December 2025	31 December 2024
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Profit before income tax		2,243,979	11,390,937
<i>Adjustments for non-cash items:</i>			
Depreciation charge on property and equipment	22	307,750	213,859
Depreciation charge on right of use asset	13	78,618	15,930
Amortisation of intangible assets	21	236,259	179,522
Gain on disposal of Property plant and equipment	12	-	(3,267)
Interest income	6	(34,020,584)	(31,961,798)
Interest expense	7	27,429,582	25,938,796
Impairment charge on loans and advances	8	2,367,325	240,757
Impairment writeback on contingent assets	8	55,001	(146,591)
Impairment (writeback)/charge on investment securities & pledged assets	8	(3,225)	(91,039)
Net gains on financial instruments	10	(5,179,674)	(2,214,987)
Exchange gain	11	885,624	(2,302,074)
		<b>(5,599,344)</b>	<b>1,260,045</b>
<b>Changes in working capital</b>			
Mandatory reserve deposits with the Central Bank of Nigeria	38(ii)	1,630,837	5,780,054
Loans and advances to customers	38(iii)	531,432	7,666,191
Loans and advances to Banks	39iv		
Financial instruments - FVTPL	10	5,179,674	2,214,987
Derivative assets		-	-
Derivative liabilities		-	-
Other assets	38(v)	73,241,958	6,424,808
Due to banks	38(vi)	(2,649,409)	4,778,710
Due to customers	38(vii)	(17,779,511)	(4,520,146)
Other liabilities	38(viii)	(134,609,722)	33,513,687
Cash from operations		<b>(74,454,741)</b>	<b>55,858,291</b>
Interest received	38(ix)	33,519,266	31,463,581
Interest paid	38(x)	(27,859,330)	(24,756,835)
Income tax paid	14	(2,400,810)	(310,233)
<b>Net cash generated from/(used in) operating activities</b>		<b>(71,195,615)</b>	<b>62,254,804</b>
<b>Cash flows from investing activities</b>			
Pledged assets	38(xi)	(2,960,102)	(3,385,065)
Purchase of Investment securities	38(xii)	(68,675,634)	(120,598,505)
Disposal of Investment securities	38(xii)	65,914,963	114,243,620
Disposal of subsidiaries	19(a)	431,167	-
Purchase of property, plant and equipment	22	(1,697,733)	(561,348)
Proceeds from sale of property and equipment	38(i)	-	4,200
Purchase of intangible assets	21	(318,093)	(550,541)
<b>Net cash from/(used in) investing activities</b>		<b>(7,305,433)</b>	<b>(10,847,639)</b>
<b>Cash flows from financing activities</b>			
Deposit for share capital	27	24,858,961	-
Additional Capital (Right Issue and Private Placement)	28	-	1,566,962
Dividend Paid		(1,807,000)	-
Lease Payment	23	(719,686)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>22,332,275</b>	<b>1,566,962</b>
<b>Increase/ (decrease) in cash and cash equivalents</b>		<b>(61,768,117)</b>	<b>54,820,880</b>
At start of year		86,901,295	32,080,415
Effect of exchange rate changes on cash and cash equivalents		307,210	587,708
<b>Cash and cash equivalents at end of year</b>		<b>25,440,384</b>	<b>86,901,295</b>
<b>Cash and cash equivalents comprise:</b>			
Balances with banks	16	11,829,087	70,064,479
Placement with banks	16	13,611,297	16,836,816
		<b>25,440,384</b>	<b>86,901,295</b>

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

## 1.0 General Information

Nova Commercial Bank Limited ("the Bank") was incorporated on 17 May 2017 in Nigeria and is intended to carry on in Nigeria the business of Banking as may be prescribed by the Central Bank of Nigeria (CBN). Nova Commercial Bank Limited ("the Bank") was Incorporated on May 17, 2017, in Nigeria as a Merchant Bank. It transitioned to a Commercial Bank in July 2024 and currently operates in Nigeria, providing Commercial Banking services as prescribed by the Central Bank of Nigeria (CBN). The address of the registered office is 23 Kofo-Abayomi Street, Victoria Island, Lagos.

The Bank obtained its banking licence on 13 December 2017 with a focus on wholesale and investment banking. The bank is primarily involved in Retail, wholesale and investment banking."

## 2.0 Summary of material accounting policy

The accounting policies adopted in the preparation of the financial statement of Nova Bank Limited are set out below:

### 2.1 Basis of preparation

#### Statement of compliance with International Financial Reporting Standards

The financial statements of the bank have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), the provisions of the Companies and Allied Matters Act, the Financial Reporting Council Act and relevant CBN circulars and guidelines.

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

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

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

#### Changes in accounting policy, disclosures, new standards, amendments and interpretations not yet adopted

##### Adoption of amended standards effective for the current financial year

Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants – Amendments to IAS 1

These amendments clarify the criteria for classifying liabilities as current or non-current, particularly in relation to covenants. The Bank has determined that these changes do not materially affect its classification of liabilities, as the right to defer settlement for at least 12 months after the reporting date remains intact

Lease Liability in Sale and Leaseback – Amendments to IFRS 16

These amendments address how a seller-lessee accounts for a sale and leaseback transaction after the date of the transaction. The Bank has evaluated its leaseback transactions and concluded that the amendments do not significantly alter the measurement or presentation of its lease liabilities.

Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

These amendments introduce new disclosure requirements to enhance transparency regarding supplier finance arrangements. The Bank does not have any such arrangements in place, and as such, this amendment does not have any impact on the current year financial statements.

#### New standards and interpretations not yet adopted

**IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027)**, issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements.

**IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)**, IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users.

### 2.2 Basis of de-consolidation

During the reporting period, the Bank disposed of its subsidiaries and consequently ceased to exercise control over those entities. In accordance with IFRS 10, the Bank accounted for the loss of control as follows:

#### (a) Loss of control

On the date control was lost, the Bank:

- derecognised the assets and liabilities of the subsidiaries;
- derecognised any related non-controlling interests and components of equity;
- recognised any resulting gain or loss in profit or loss; and
- remeasured any retained interest at fair value.

Any retained interest is subsequently accounted for as a financial asset under IFRS 9, or an equity-accounted investee under IAS 28, depending on the nature of the interest.

#### (b) Disposal of subsidiaries

Where the disposal meets the criteria for a discontinued operation under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the results of the disposed subsidiaries and the gain or loss arising from disposal are presented in the statement of profit or loss as discontinued operations.

Amounts previously recognised in other comprehensive income relating to the disposed subsidiaries (including foreign currency translation differences) were reclassified to profit or loss on disposal, consistent with the requirements of IFRS 10.

**(c) Changes in ownership interests before loss of control**

Changes in the Bank's ownership interests in subsidiaries prior to disposal that did not result in loss of control were accounted for as equity transactions, with no gain or loss recognised in profit or loss. Differences between consideration paid and the carrying amount of the interest acquired or disposed were recognised directly in equity.

**2.3 Foreign currency translation**

**2.3.1 Functional and presentational currency**

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

**2.3.2 Transactions and balances**

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

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

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

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

**2.4a Interest income and expense**

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

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

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

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

Interest income and expense presented in the Income statement include:

- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through profit or loss calculated on an effective interest rate basis.
- Interest on financial assets measured at fair value through OCI calculated on an effective interest rate basis.

**2.4b Fees and commission**

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

**2.5. Financial assets and liabilities**

**2.5.1 Recognition**

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

**Embedded derivative**

An embedded derivative is defined as a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Embedded derivatives are not separated for accounting purposes if the non-derivative host is a financial asset within the scope of IFRS 9 i.e. the classification criteria of IFRS 9 are applied to the financial asset as a whole.

An embedded derivative is separated from the host contract if, and only if, all of the criteria below are met:

- >the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
- >a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- >the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial liability at fair value through profit or loss is not separated).

## **2.5.2 Classification and Measurement**

### **Financial Assets**

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

### **Business model assessment**

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

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

### **Cash flow characteristics assessment**

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

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

#### **a) Financial assets measured at amortised cost**

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

#### **b) Financial assets measured at FVOCI**

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

**c) Financial assets measured at FVTPL**

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

- 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

**d) Equity Instruments**

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

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

**Financial Liabilities**

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

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

**e) Financial Liabilities at fair value through profit or loss**

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

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

The Financial liabilities designated at FVTPL are measured at fair value with changes in fair value recognized in the income statement

**f) Financial Liabilities at amortised cost**

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

**2.5.3. Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the 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 such as:

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

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

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

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

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

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

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

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

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

**Quantitative criteria**

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

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

**Qualitative criteria**

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

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

**Other factor to be considered:**

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

**De-recognition of financial instruments**

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the 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.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability

**b. Financial Liabilities**

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

### 2.5.5. Impairment of Financial Assets

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

- Amortized cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

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

#### Expected Credit Loss Impairment Model

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

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

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

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

#### Measuring the Expected Credit Loss

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

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

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

When estimating the ECLs, the Bank considers three scenarios (optimistic, best-estimate and downturn) and each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

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

#### **Forward-looking information**

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

- The Bank uses internal subject matter experts from Risk, Treasury and Business Divisions to consider a range of relevant forward looking data, including macro-economic forecasts and assumptions, for the determination of unbiased general economic adjustments in order to support the calculation of ECLs.
- Macro-economic variables taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product, inflation, crude-oil prices and exchange rate, and requires an evaluation of both the current and forecast direction of the macro-economic cycle.
- Macro-economic variables considered have strong statistical relationships with the risk parameters (LGD, EAD, CCF and PD) used in the estimation of the ECLs, and are capable of predicting future conditions that are not captured within the base ECL calculations.
- Forward looking adjustments for both general macro-economic adjustments and more targeted at portfolio / industry levels. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

#### **Macroeconomic factors**

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

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

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

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

#### **Multiple forward-looking scenarios**

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

The Bank estimates three scenarios for each risk parameter (LGD, EAD, CCF and PD) – Normal, Upturn and Downturn, which in turn is used in the estimation of the multiple scenario ECLs. The 'normal case' represents the most likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

**Assessment of significant increase in credit risk (SICR)**

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

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

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

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

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.

**Definition of Default and Credit Impaired Financial Assets**

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

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

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

**Presentation of allowance for ECL in the statement of financial position**

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the 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; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

**2.5.6. Write-off**

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

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

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

A write-off constitute a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit

**2.5.7. Offsetting financial instruments**

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

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

**2.5.8 Investment securities**

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

**2.5.9. Pledged assets**

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

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

**2.5.10. Collateral valuation**

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

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

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

**2.5.11. Financial guarantee contracts and loan commitments**

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

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

Loan commitments provided by the Bank are measured as the amount of the loss allowance (calculated as described in Note 4.1.3). The Bank has not provided any commitment to provide loans at a below-market interest rate or that can be settled net in cash or by delivering of issuing another financial instrument.

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

#### **2.5.12. Cash and cash equivalents**

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

#### **2.6. Property and equipment**

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The Bank commences depreciation when the asset is available for use. Land (if any) are not depreciated.

The estimated useful lives are, as follows:

- Office equipment – 5 years
- IT equipment – 5 years
- Furniture and fittings – 5 years
- Motor vehicles – 5 years
- Leasehold improvement – 10 years
- Building – 40 years
- Plant and machinery – 5 years

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

#### **2.7. Intangible assets**

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

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

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

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

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

- Computer software – 5 years

### **2.8. Impairment of non-financial assets**

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

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

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

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

### **2.8. Provisions**

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

### **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.

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.

### **2.9. Taxes**

#### **2.9.1. Current tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

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

#### **2.9.2. Deferred tax**

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

### **2.9.3. Value added tax**

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

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

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

### **2.9.4. Windfall levy**

The 2024 Finance (Amendment) Act imposes a 70% levy on Nigerian banks' realized profits from foreign exchange (FX) transactions between 2023 and 2025, following the Naira exchange rate unification. Deposit Money Banks (DMBs) must report all FX transactions to the Nigeria Revenue Service (NRS). The levy applies to profits from all FX transactions, including gains from FX assets (interest, fees, commissions), trading, derivatives, conversions, repatriation, arbitrage, and hedging terminations. Unrealized gains are excluded. DMBs must calculate realized profits based on transaction and settlement date exchange rates, report net gains for complex transactions, use market spot rates where applicable, maintain detailed documentation, and comply with International Financial Reporting Standards (IAS 21).

### **2.10. Employee benefits**

The Bank operates defined contribution pension scheme.

#### **Pensions and other post-employment benefits**

##### **Defined contribution pension plan**

##### **Defined contribution plan**

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

##### **Short-term employee benefits**

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

### **2.11. Leases**

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

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

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

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

The Bank applies IFRS 16 – Leases in accounting for all lease arrangements. The Bank has entered into several lease contracts for office buildings used in its operations. As at the reporting date, the Bank has six (6) building leases, each with contractual terms that vary depending on the specific arrangement. Most of the Bank's leases include options to renew, and management assesses these options in determining the appropriate lease term in accordance with IFRS 16. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### **2.11.1 Lease liabilities**

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

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

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

#### **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.

#### **2.11.2 Right of use assets**

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

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment

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

#### **Short-term leases and leases of low value**

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. low value assets). Low-value assets are assets with lease amount of less than N1 million when new. Lease payments on short-term leases and leases of low-value assets are recognised as expense in profit or loss on a straight-line basis over the lease term. The Bank has no leases of low value as at 2025 (2024: Nil).

#### **Extension and termination options**

Extension and termination options are included in all 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.

#### **2.12 Segment reporting**

The Bank prepares segment information in accordance with IFRS 8 – Operating Segments. An operating segment is a component of the Bank that engages in business activities from which it earns revenues and incurs expenses, including revenues and expenses arising from transactions with other components of the Bank.

The results of each operating segment are reviewed regularly by the Bank's Chief Operating Decision Maker (CODM) in order to assess performance and allocate resources. Segment performance is evaluated based on profit before taxation or any other measure specified internally by management.

A segment is reported separately only when discrete financial information is available and such information is relied upon by management in making operational and strategic decisions.

**3.0 Critical accounting estimates and judgements**
**Critical judgements**
**(i) Allowances for credit losses**

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

For leases of properties, the following factors are normally the most relevant:

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
  - The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment
  - The segmentation of financial assets when their ECL is assessed on a collective basis
  - Development of ECL models, including the various formulas and the choice of inputs
  - Determination of associations between macroeconomic scenarios and, economic inputs, such as exchange rates, crude oil prices, GDP and collateral values, and the effect on PDs, EADs and LGDs
  - Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

**(ii) Uncertain tax position**

Determining the provision for income taxes involves significant estimates. The Bank records liabilities for expected tax audit issues based on estimates of potential additional taxes. If the final tax outcomes differ from the initial amounts recorded, these differences will affect the income tax and deferred tax provisions in the period of determination. Income taxes also require judgement on the recognition of deferred tax assets, which depends on assessing the likelihood and timing of future taxable profits to utilize carried-forward tax losses.

**Critical accounting estimates**

These disclosures supplement the commentary on financial risk management (see note 5). Estimates where management has applied judgements are:

- (i) Allowances for credit losses
- (ii) Valuation of financial instruments
- (iii) Assessment of recoverability of deferred tax assets

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

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements. Management has assessed the first through estimates as having the key sources of estimation uncertainty, and are explained in further detail below. The other estimates have been assessed in their individual accounting policies.

**(iii) Extension and termination options - Determining the lease term**

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

For leases of properties, the following factors are normally the most relevant:

- \* If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- \* If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- \* Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.
- \* The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Bank.

**(IV) Valuation of financial instruments**

At 31 December 2025, the carrying value of the Bank's financial instrument assets held at fair value was N48.4billion (2024: N48.4 billion).

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

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

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

**(V) Review of useful life and residual value of property and equipment and intangible assets**

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment and intangibles will have an impact on the carrying value of these items. Areas where significant estimate are significant are disclosed in Note 21 and 22. Specifically, depreciation of property and equipment and amortisation of intangible assets

**(VI) Impairment of non-current assets**

The bank assesses its non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This involves significant judgment and estimation, particularly in determining the appropriate cash-generating units (CGUs), estimating future cash flows, and selecting the discount rates used in the value-in-use calculations.

For the year ended December 31, 2025, the bank reviewed its non-current assets, including property, plant, and equipment, and intangible assets, for any indicators of impairment. Based on this review, the Bank determined that there were no indicators of impairment. Consequently, no value-in-use calculations were performed, and the carrying amounts of the non-current assets were deemed recoverable.

**(VII) Contingent liabilities**

The Bank assesses contingent liabilities based on the likelihood of future events that may result in a financial obligation. This process requires significant judgment and estimation, particularly in evaluating the probability of occurrence and the potential impact on the Bank's financial position.

For the year ended December 31, 2025, the bank reviewed its contingent liabilities and found no indicators suggesting events that would lead to a material financial obligation. The total amount claimed against the bank is estimated at N33 million as of December 31, 2025 (December 31, 2024: N17 million). This has been disclosed in Note 32a.

**4.0 Financial instruments**

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

**4.1.1 Recurring fair value measurements**

N'000

**December 2025**

<b>Assets</b>	<b>Level 1</b>	<b>Total</b>
<b>Investment securities</b>		
Nigerian Treasury Bills FVOCI	41,778,837	41,778,837
Nigerian Treasury Bills FVTPL	21,436,195	21,436,195
Federal Government of Nigeria (FGN) bonds FVOCI	1,240,034	1,240,034
	64,455,066	64,455,066

**December 2024**

<b>Assets</b>	<b>Level 1</b>	<b>Total</b>
<b>Investment securities</b>		
Nigerian Treasury Bills FVOCI	49,344,080	49,344,080
Nigerian Treasury Bills FVTPL	10,098,325	10,098,325
	59,446,905	59,442,405

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

**4.1.2 Recognised fair value measurements****(a) Financial instruments in level 1**

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

**(b) Financial instruments in level 2**

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- (i) Quoted market prices or dealer quotes for similar instruments;
- (ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- (iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**(c) Financial instruments in level 3**

There were no level 3 financial instruments with recurring fair value measurements as at year end.

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

There were no level 2 financial instruments with recurring fair value measurements as at year end.

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

<i>In thousands of Naira</i>	Fair value through profit or loss	Amortized cost	FVOCI	Financial Liabilities at fair value	Total carrying amount	Fair value	FV Hierarchy
<b>31 December 2025</b>							
Balances with banks	-	51,233,149	-	-	51,233,149	51,233,149	Level 3
Loans and advances to customers	-	95,835,938	-	-	95,835,938	95,835,938	Level 3
Pledged assets							
- Bonds	-	13,422,576	-	-	13,422,576	13,422,576	Level 1
Investment securities	21,436,195	3,849,821	43,018,871	-	68,304,886	68,304,886	Level 2
Other assets	-	9,225,476	-	-	9,225,476	9,225,476	Level 3
	<b>21,436,195</b>	<b>173,566,959</b>	<b>43,018,871</b>	<b>-</b>	<b>238,022,025</b>	<b>238,022,025</b>	
Due to Banks	-	17,331,978	-	-	17,331,978	17,331,978	Level 3
Deposits	-	141,452,339	-	-	141,452,339	141,452,339	Level 3
Other liabilities	-	31,833,856	-	-	31,833,856	31,833,856	Level 3
Other borrowed fund	-	10,527,916	-	-	10,527,916	10,527,916	Level 3
	<b>-</b>	<b>201,146,089</b>	<b>-</b>	<b>-</b>	<b>201,146,089</b>	<b>201,146,089</b>	
<i>In thousands of Naira</i>							
<b>31 December 2024</b>							
Balances with banks	-	114,324,898	-	-	114,324,898	114,324,898	Level 3
Derivative financial assets	-	-	-	-	-	-	
Loans and advances to customers	-	97,692,587	-	-	97,692,587	97,692,587	Level 3
Pledged assets							
- Treasury bills	-	-	-	-	-	-	
- Bonds	-	10,459,214	-	-	10,459,214	10,459,214	Level 1
Investment securities							
-Treasury bills	10,098,325	-	-	-	10,098,325	10,098,325	Level 2
-Bonds	-	6,613,156	49,344,080	-	55,957,236	55,957,236	Level 2
-Commercial Paper	-	-	-	-	-	-	
Other assets	-	82,185,900	-	-	82,185,900	82,185,900	Level 3
	<b>10,098,325</b>	<b>311,275,756</b>	<b>49,344,080</b>	<b>-</b>	<b>370,718,160</b>	<b>370,718,160</b>	
Due to Banks	-	19,813,896	-	-	19,813,896	19,813,896	Level 3
Derivative financial liabilities	-	-	-	-	-	-	
Deposits	-	158,553,929	-	-	158,553,929	158,553,929	Level 3
Other liabilities	-	141,415,885	-	-	141,415,885	141,415,885	Level 3
Other borrowed fund	-	10,526,264	-	-	10,526,264	10,526,264	Level 3
	<b>-</b>	<b>330,309,974</b>	<b>-</b>	<b>-</b>	<b>330,309,974</b>	<b>330,309,974</b>	

## 5.0 Financial risk

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

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

### 5.1 Credit risk

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

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

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

#### 5.1.1 Credit quality analysis

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

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

#### Corporate

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

#### Treasury

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

#### 5.1.2 Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 2.5.5 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 2.5.5 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 2.5.5 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

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

##### 5.1.2.1 Significant increase in credit risk

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

**Quantitative criteria**

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

**Qualitative criteria:**

**Forward transitions: Credit Ratings**

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

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

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

	<b>All exposures</b>
<ul style="list-style-type: none"> <li>▪ Information obtained during periodic review of customer files — e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Payment record —this includes overdue status as well as a range of variables about payment ratios.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Data from credit reference agencies, press articles, changes in external credit ratings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Utilisation of the granted limit.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Quoted prices for the borrower where available.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requests for and granting of forbearance.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Existing and forecast changes in business, financial and economic conditions.</li> </ul>

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

**Forward transitions: Backstop Criteria**

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

1	0 to 29
2	30 to 89
3	90+

**Forward transitions: Watchlist & Restructure**

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

**5.1.2.2 Definition of default**

Banks considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

**Quantitative criteria**

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

### *Qualitative criteria*

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

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

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

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

### **Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

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

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

· For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

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

· For secured products, this is primarily based on collateral type, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

· For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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

### **Forward-looking information incorporated in the ECL models**

The calculation of ECL incorporate forward-looking information. The Bank maps the internal ratings assigned to individual obligor to an external rating. The obligor then take on the PD term structure corresponding the assigned external ratings.

To make these PDs sensitive to macroeconomic variables, the sensitivities of a peer company default rates to some macroeconomic factors were used to extrapolate adjustment scalars that conditioned the PD for the impact of forecast macroeconomic variables. These economic variables and their associated impact on the impairment parameters vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are provided by the risk management department and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the impairment parameters has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, the risk management department also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the qualitative and backstop indicators. This determines whether the financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

### 5.1.3 Credit risk exposure

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

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

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

#### Credit quality per class

N'000

	Bank 2025					Bank 2024				
	Stage 1		Stage 2 Gross amount		Stage 3	Stage 1		Stage 2	Stage 3	
	Gross amount		Gross amount	ECL	Carrying amount	Gross amount	Gross amount	Gross amount	ECL	Carrying amount
<b>Loans to customers portfolio</b>										
<b>Credit grade</b>										
Investment grade	77,811,852	7,280,499	13,731,502	(2,987,915)	95,835,938	96,502,071	-	1,811,106	(620,590)	97,692,587
<b>Off balance sheet engagement</b>										
<b>Credit grade</b>										
Investment grade	50,521,285	-	-	(101,678)	50,419,607	10,229,576	-	-	(46,677)	10,182,900
<b>Investment securities</b>										
<b>Credit grade</b>										
Investment grade	68,319,753	-	-	(14,866)	68,304,885	66,070,391	-	-	(14,831)	66,055,560
<b>Pledged assets</b>										
<b>Credit grade</b>										
Investment grade	13,442,805	-	-	(20,229)	13,422,576	10,482,703	-	-	(23,489)	10,459,214
<b>Balances with banks</b>										
<b>Credit grade</b>										
Investment grade	51,233,149	-	-	(5,651)	51,227,499	114,324,898	-	-	(18,374)	114,306,524
<b>Other assets</b>										
<b>Credit grade</b>										
Investment grade	10,493,636	-	-	(1,165,608)	9,328,028	82,525,727	-	-	(23,966)	82,501,761

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

The bank has not impaired balances with banks and other assets as it considers them to have low credit risk. This is because there has not been any increase in credit risk related to the balances in the year ended 31 December 2025.

**5.1.3.2 Collateral and other credit enhancements**

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

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

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

**5.1.3.3 Loss allowance**

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

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

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

## 2025

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
<b>Corporate loan portfolio</b>					
Loss allowance as at 1 January 2025	443,604	-	176,986	-	620,590
Increase/(Decrease) in allowance	728,489	122,370	1,516,466	-	2,367,325
<b>Loss allowance as at 31 December 2025</b>	<b>1,172,093</b>	<b>122,370</b>	<b>1,693,452</b>	<b>1,172,093</b>	<b>2,987,915</b>

## Off balance sheet engagement

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Loss allowance as at 1 January 2025	46,677	-	-	-	46,677
Increase/(Decrease) in allowance	55,001	-	-	-	55,001
<b>Loss allowance as at 31 December 2025</b>	<b>101,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,678</b>

## 2024

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
<b>Corporate loan portfolio</b>					
Loss allowance as at 1 January 2024	360,849	-	18,984	-	379,833
Increase/(Decrease) in allowance	82,755	-	158,002	-	240,757
<b>Loss allowance as at 31 December 2024</b>	<b>443,604</b>	<b>-</b>	<b>176,986</b>	<b>443,604</b>	<b>620,590</b>

## Off balance sheet engagement

	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Loss allowance as at 1 January 2024	11,197	5,483	176,587	-	193,268
Increase/(Decrease) in allowance	35,480	(5,483)	(176,587)	-	(146,591)
<b>Loss allowance as at 31 December 2024</b>	<b>46,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,677</b>

**5.1.3.4 Days past due**

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

**5.1.4 Sensitivity Analysis**

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

**Corporate Portfolios**

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

**On balance sheet exposure**

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

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

The table below outlines the total ECL for wholesale portfolios as at 31 December 2025, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 10%. The responsiveness of the ECL estimates to variation in macroeconomic variables have been presented below while putting in perspective, interdependencies between the various economic inputs.

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

**Off balance Sheet Exposure**

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

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

The table below outlines the total ECL for wholesale off balance sheet exposures as at 31 December 2025, if the assumptions used to measure ECL remain as expected (amount as presented in the statement of financial position), as well as if each of the key assumptions used change by plus or minus 10%. The responsiveness of the ECL estimates to variation in macroeconomic variables have been presented below while putting in perspective, interdependencies between the various economic inputs.

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

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

		31 December 2025	31 December 2024
<i>N'000</i>			
Agriculture		24,389,084	19,139,200
Finance and Insurance		-	1,252,665
General		284,695	226,649
General Commerce		9,325,676	11,764,022
Manufacturing		32,125,553	41,095,058
Oil and Gas		23,585,168	21,709,767
Real Estate		763,416	-
Transportation and Storage		7,299,538	2,363,382
Health		796,484	762,434
Water supply waste management		254,238	-
		<b>98,823,853</b>	<b>98,313,177</b>

**5.1.6 Credit quality by risk rating class**

Loans and advances to Corporates			
		Bank December 2025	Bank December 2024
<i>N'000</i>			
<b>Internal rating</b>			
AAA		4,337,534	-
AA		-	-
A		8,489,137	11,819,426
BBB		15,567,062	32,325,619
BB+		34,044,428	24,924,743
BB		15,579,177	22,907,046
B+		-	-
B-		-	-
BB-		1,984,952	39,547
B		18,821,562	6,296,796
		<b>98,823,853</b>	<b>98,313,177</b>
Impairment		(2,987,915)	(620,590)
<b>Carrying amount</b>		<b>95,835,938</b>	<b>97,692,587</b>

All credit risk exposures are concentrated within Nigeria.

Off balance sheet engagements			
		Bank December 2025	Bank December 2024
<i>N'000</i>			
<b>Internal rating</b>			
A		19,604,583	5,370,064
AAA		3,341,946	-
BBB		777,562	81,709
B-		-	-
BB-		92,155	-
BB+		20,621,813	4,777,802
BB		5,975,709	-
B		107,517	-
		<b>50,521,285</b>	<b>10,229,575</b>
Impairment		(101,678)	(46,677)
<b>Carrying amount</b>		<b>50,419,607</b>	<b>10,182,898</b>

**5.1.7 Disclosure of fair value of collateral held against loans and advances to customers**
**(d) Bank**
**2025**
*N'000*

	Level 1	Level 2	Level 3
	December 2025		
Against neither past due and not impaired			
Cash	-	-	-
All Assets Debenture	-	-	22,645,302
Negative pledge	-	-	21,327,287
Corporate/Cross Company Guarantee	-	-	14,565,801
Others	-	-	40,285,462
<b>Total</b>	<b>-</b>	<b>-</b>	<b>98,823,853</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>98,823,853</b>

**2024**
*N'000*

	Level 1	Level 2	Level 3
	December 2024		
Against neither past due and not impaired			
Cash	-	-	-
All Assets Debenture	-	-	35,941,439
Negative pledge	-	-	19,403,566
Corporate/Cross Company Guarantee	-	-	16,338,034
Others	-	-	24,741,445
<b>Total</b>	<b>-</b>	<b>-</b>	<b>96,424,484</b>

**Collateral held and other credit enhancements, and their financial effect**

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

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**5.1.8 Credit concentration**

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

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

**December 2025**

<i>N'000</i>	Corporate	Financial institutions	Government	Others	Total
Balances with banks	-	51,233,149	-	-	51,233,149
Loans and advances to customers	95,835,938	-	-	-	95,835,938
Pledged assets	-	13,442,805	-	-	13,442,805
Investment securities	-	68,304,886	-	-	68,304,886
Other assets	-	-	1,003,699	8,324,328	9,328,027
<b>Total</b>	<b>95,835,938</b>	<b>132,980,841</b>	<b>1,003,699</b>	<b>8,324,328</b>	<b>238,144,807</b>

Credit risk exposures relating to other credit commitments at gross amount are as follows:

Clean line facilities for letters of credit and other commitments	50,521,285	-	-	-	50,521,285
<b>Total</b>	<b>50,521,285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,521,285</b>

**December 2024**

<i>N'000</i>	Corporate	Financial institutions	Government	Others	Total
Balances with banks	-	114,324,898	-	-	114,324,898
Financial assets held for trading	-	-	10,098,325	-	10,098,325
Loans and advances to customers	97,692,587	-	-	-	97,692,587
Pledged assets	-	10,459,214	-	-	10,459,214
Investment securities	-	-	66,055,561	-	66,055,561
Other assets	-	-	80,422,663	2,079,099	82,501,762
<b>Total</b>	<b>97,692,587</b>	<b>124,784,112</b>	<b>156,576,550</b>	<b>2,079,099</b>	<b>381,132,347</b>

Credit risk exposures relating to other credit commitments at gross amount are as follows:

Transaction related to Bonds and guarantees	-	-	-	-	-
Clean line facilities for letters of credit and other commitments	10,229,576	-	-	-	10,229,576
<b>Total</b>	<b>10,229,576</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,229,576</b>

**5.2 Market risk management**

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

**5.2.1 Sensitivity Analysis**

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

Sensitivity analysis is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose. The Bank applies these historical changes in rates, prices, etc. directly to its current positions. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/ factors used in the calculation.

The Sensitivity method incorporates the factor sensitivities of the trading portfolio, the volatilities of the market risk factors. However, the Bank does not only base its risk estimates on Sensitivity Analysis, it uses Stress Tests to provide an indication of the potential size of losses that could arise in extreme conditions by applying a what-if analysis to further complement it. The results of the stress tests are reviewed by senior management and by the Board of Directors.

The trading book is made up of foreign currencies and treasury bills instruments. The table below illustrates the hypothetical sensitivity of the Bank's trading book to a rise in interest rate by 4% and foreign exchange volatility.

Bank Sensitivity by risk type N'000	December 2025			
	Average	High	Low	Actual
Foreign exchange risk	(5,341,915)	(5,876,106)	(4,807,723)	(222,828,660)
Interest rate risk	37,024,575	37,874,320	36,781,791	36,417,615
<b>Total</b>	<b>31,682,660</b>	<b>31,998,214</b>	<b>31,974,068</b>	<b>(186,411,045)</b>

Bank Sensitivity by risk type N'000	December 2024			
	Average	High	Low	Actual
Foreign exchange risk	(226,568,844)	(297,776,195)	(155,361,493)	(222,828,660)
Interest rate risk	37,024,575	37,874,320	36,781,791	36,417,615
<b>Total</b>	<b>(189,544,269)</b>	<b>(259,901,875)</b>	<b>(118,579,702)</b>	<b>(186,411,045)</b>

**Sensitivity of foreign exchange currencies and impact on profit and equity**

As of 31 December 2025, a hypothetical change of +/- 50% in the foreign currency exchange rate, with all other variables remaining constant, would have resulted in an increase or decrease in the profit for the year. This impact is primarily due to foreign exchange gains or losses arising from the translation of financial exposures. These risks stem from fluctuations in the fair value or future cash flows of financial instruments due to changes in foreign exchange rates.

Bank Sensitivity by currency type N'000	December	
	2025	2024
USD		
Naira strengthens by 50% (2023: 50%) - decrease in profit and equity	(6,132,739)	(9,112,749)
Naira weakens by 50% (2023: 50%) - increase in profit and equity	6,132,739	9,112,749
GBP		
Naira strengthens by 30% (2023: 30%) - decrease in profit and equity	(4,736,655)	(7,973,656)
Naira weakens by 30% (2023: 30%) - increase in profit and equity	4,736,655	7,973,656
EURO		
Naira strengthens by 20% (2023: 20%) - decrease in profit and equity	(2,395,458)	(5,695,468)
Naira weakens by 20% (2023: 20%) - increase in profit and equity	2,395,458	5,695,468

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2025**
**5.2.2 A summary of the Bank's interest rate gap position on financial instruments is as follows:**

N'000	Re-pricing year			
	Less than 6 months	7 - 12 months	Above 1 year	Total
<b>31 December 2025</b>				
Money market placements	13,611,297	-	-	13,611,297
Loans and advances to customers:	62,226,956	5,476,671	28,132,311	95,835,938
Pledged assets - Bonds	-	-	13,422,576	13,422,576
Investment securities	42,480,238	25,824,649	-	68,304,887
	<b>118,318,491</b>	<b>31,301,320</b>	<b>41,554,886</b>	<b>191,174,698</b>
Due to Banks	17,331,978	-	-	17,331,978
Customer Deposits	139,404,300	1,795,379	252,660	141,452,339
Debt securities issued	-	-	10,527,916	10,527,916
	<b>156,736,278</b>	<b>1,795,379</b>	<b>10,780,577</b>	<b>169,312,234</b>
<b>Total interest re-pricing gap</b>	<b>(38,417,788)</b>	<b>29,505,941</b>	<b>30,774,309</b>	<b>21,862,463</b>
<b>31 December 2024</b>				
Money market placements	16,836,816	-	-	16,836,816
Loans and advances to customers:	64,083,605	5,476,671	28,132,311	97,692,587
Pledged assets - Bonds	-	-	10,459,214	10,459,214
Investment securities	40,230,911	25,824,649	-	66,055,561
	<b>121,151,332</b>	<b>31,301,320</b>	<b>38,591,525</b>	<b>191,044,178</b>
Due to Banks	19,813,896	-	-	19,813,896
Customer Deposits	156,505,891	1,795,379	252,660	158,553,929
Debt securities issued	-	-	10,526,264	10,526,264
	<b>176,319,787</b>	<b>1,795,379</b>	<b>10,778,924</b>	<b>188,894,089</b>
<b>Total interest re-pricing gap</b>	<b>(55,168,456)</b>	<b>29,505,941</b>	<b>27,812,601</b>	<b>2,150,089</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

The table below sets out information on the exposure to fixed and variable interest instruments.  
*N'000*

**31 December 2025**

**ASSETS**

	Fixed	Non-interest bearing	Total
Balances with banks	13,611,297	37,621,853	51,233,149
Loans and advances to customers	95,835,938	-	95,835,938
Pledged assets	13,422,576	-	13,422,576
Investment securities	68,304,887	-	68,304,887
Other assets	-	9,328,028	9,328,028

**TOTAL**

**191,174,699      46,949,881      238,124,579**

**LIABILITIES**

Due to Banks	17,331,978	-	17,331,978
Customer Deposits	78,518,375	62,933,964	141,452,339
Other liabilities	-	31,833,856	31,833,856
Debt securities issued	10,527,916	-	10,527,916

**TOTAL**

**106,378,270      94,767,819      201,146,089**

**31 December 2024**

**ASSETS**

	Fixed	Non-interest bearing	Total
Balances with banks	16,836,816	97,488,083	114,324,898
Loans and advances to customers	97,692,587	-	97,692,587
Pledged assets	10,459,214	-	10,459,214
Investment securities	66,055,561	-	66,055,561
Other assets	-	82,501,761	82,501,761

**TOTAL**

**191,044,178      179,989,844      371,034,021**

**LIABILITIES**

Derivative financial liabilities	-	9,160,449	9,160,449
Due to Banks	15,353,153	-	15,353,153
Customer Deposits	148,572,824	13,994,645	162,567,468
Other liabilities	10,299,848	97,747,582	141,307,036
Debt securities issued	10,527,916	-	-

**TOTAL**

**184,753,741      120,902,676      328,388,106**

**Interest rate risk**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

**Cash flow and fair value interest rate risk**

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

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

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

- (i) Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
- (ii) Fair value reserves arising from increases or decreases in fair value through other comprehensive income financial instruments reported directly in other comprehensive income.

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

*N'000*

**31 December 2025**

	Total	Naira	USD	EUR	GBP
Balances with banks	51,233,149	36,212,906	14,742,638	244,997	32,609
Loans and advances to customers	95,835,938	81,815,582	14,020,357	-	-
<b>Pledged assets</b>					
- Bonds	13,422,576	13,422,576	-	-	-
Investment securities	68,304,887	68,304,887	-	-	-
Other assets	9,328,028	9,056,207	229,835	41,987	-
	<b>238,124,579</b>	<b>208,812,158</b>	<b>28,992,829</b>	<b>286,983</b>	<b>32,609</b>
Due to Banks	17,331,978	-	17,331,978	-	-
Due to customers	141,452,339	137,315,595	4,121,175	148	15,422
Other liabilities	31,833,856	29,332,072	2,266,154	229,539	6,090
Debt securities issued	10,527,916	10,527,916	-	-	-
	<b>201,146,089</b>	<b>177,175,583</b>	<b>23,719,307</b>	<b>229,687</b>	<b>21,512</b>
<b>Off balance sheet exposures</b>					
Clean line facilities for letters of credit and other commitments	-	-	-	-	-
	50,521,285	50,521,285	-	-	-

*N'000*

**31 December 2024**

	Total	Naira	USD	EUR	GBP
Balances with banks	114,324,898	35,389,153	78,512,985	405,256	17,504
Loans and advances to customers	97,692,588	72,946,719	24,745,869	-	-
<b>Pledged assets</b>					
- Treasury bills	-	-	-	-	-
- Bonds	10,459,214	10,459,214	-	-	-
Investment securities	66,055,561	66,055,561	-	-	-
Other assets	82,501,761	503,913	81,956,261	41,587	-
	<b>371,034,021</b>	<b>185,354,559</b>	<b>185,215,115</b>	<b>446,843</b>	<b>17,504</b>
Derivative financial liabilities	-	-	-	-	-
Due to Banks	19,813,896	-	19,813,896	-	-
Due to customers	158,553,929	133,680,144	24,873,590	-	195
Other liabilities	141,281,167	13,754,994	127,127,786	392,265	6,122
Debt securities issued	10,526,264	10,526,264	-	-	-
	<b>330,175,256</b>	<b>157,961,402</b>	<b>171,815,272</b>	<b>392,265</b>	<b>6,317</b>
<b>Off balance sheet exposures</b>					
Transaction related bonds and guarantees	-	-	-	-	-
Clean line facilities for letters of credit and other commitments	10,229,576	10,229,576	-	-	-
	10,229,576	10,229,576	-	-	-

## 5.3 Liquidity risk management

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

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

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

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

## Residual contractual maturities of financial assets and liabilities

## BANK

31 December 2025

N'000

## Assets

	Carrying amount	Gross nominal inflows/outflows	Less than 3 months	12 months	More than 1 year
Balances with banks	51,233,149	51,233,151	51,233,151	-	-
Loans and advances to customers	95,835,938	98,823,854	31,328,952	54,056,535	13,438,367
Pledged assets	13,422,576	14,123,201	4,629,509	6,330,360	3,163,333
Investment securities	68,304,887	71,777,700	23,528,337	32,127,500	16,076,862
Other assets	9,328,028	10,493,997	9,277,627	212,671	1,003,699
	<b>238,124,579</b>	<b>246,451,902</b>	<b>119,997,575</b>	<b>92,727,066</b>	<b>33,682,261</b>

## Liabilities

Due to Banks	17,331,978	17,691,752	17,691,752	-	-
Due to customers	141,452,339	155,314,923	147,102,038	8,212,885	-
Other liabilities	31,833,856	31,833,856	31,833,856	-	-
Debt securities issued	10,527,918	13,600,000	604,932	595,068	12,400,000
	201,146,089	218,440,530	197,232,578	8,807,953	12,400,000
Gap (asset - liabilities)	<b>36,978,489</b>	<b>28,011,372</b>	<b>(77,235,003)</b>	<b>83,919,113</b>	<b>21,282,261</b>

## Off balance-sheet

Clean line facilities for letters of credit and other commitments

	-	-	-	-	-
	<b>50,521,285</b>	<b>50,521,285</b>	<b>50,521,285</b>	<b>-</b>	<b>-</b>

## BANK

31 December 2024

N'000

## Assets

	Carrying amount	Gross nominal inflows/outflows	Less than 3 months	12 months	More than 1 year
Balances with banks	114,324,898	114,324,899	86,901,296	-	27,423,603
Loans and advances to customers	97,692,587	97,282,237	55,497,545	30,403,052	11,381,639
Pledged assets	10,459,214	11,610,601	2,334,433	6,891,687	2,384,481
Investment securities	66,055,561	73,179,304	14,713,466	43,436,930	15,028,909
Other assets	82,501,761	82,525,727	321,549	81,559,366	644,812
	<b>371,034,021</b>	<b>378,922,767</b>	<b>159,768,289</b>	<b>162,291,035</b>	<b>56,863,444</b>

## Liabilities

Due to Banks	19,813,896	20,646,716	2,512,460	18,134,256	-
Due to customers	158,553,929	155,314,923	147,102,038	8,212,885	-
Other liabilities	141,281,167	141,308,722	141,187,147	-	121,576
Debt securities issued	10,526,264	14,803,288	604,932	598,356	13,600,000
	330,175,256	332,073,649	291,406,577	26,945,497	13,721,576
Gap (asset - liabilities)	<b>40,858,765</b>	<b>46,849,117</b>	<b>(131,638,288)</b>	<b>135,345,538</b>	<b>43,141,868</b>

## Off balance-sheet

Transaction related bonds and guarantees

Clean line facilities for letters of credit and other commitments

	10,229,576	10,229,576	-	-	10,229,576
	<b>10,229,576</b>	<b>10,229,576</b>	<b>-</b>	<b>-</b>	<b>10,229,576</b>

5.4 ECL Coverage Ratio  
In thousands of Naira

31 December 2025	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio				
	Financial statements items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
										%	%	%	%
<b>On-balance sheet items</b>													
Cash and balances with central banks	51,238,801	-	-	51,238,801	5,651	-	-	5,651	0.01	-	-	-	0.01
Loans and advances to customers at amortised cost	77,811,852	7,280,499	13,731,502	98,823,853	1,172,093	122,370	1,693,452	2,987,915	1.19	0.00	0.02	1.20	
Debt investment securities at amortised cost	3,864,687	-	-	3,864,687	14,866	-	-	14,866	0.38	-	-	-	
Pledged Assets	13,442,805	-	-	13,442,805	20,229	-	-	20,229	0.15	-	-	-	
Debt investment securities at Fair value	64,455,066	-	-	64,455,066	-	-	-	-	-	-	-	-	
Other assets	10,493,636	-	-	10,493,636	1,165,608	-	-	1,165,608	11.11	-	-	-	
<b>Sub total</b>	<b>221,306,846</b>	<b>7,280,499</b>	<b>13,731,502</b>	<b>242,318,847</b>	<b>2,378,448</b>	<b>122,370</b>	<b>1,693,452</b>	<b>4,194,269</b>	<b>12.84</b>	<b>0.00</b>	<b>0.0</b>	<b>1.22</b>	
<b>Off-balance sheet items</b>													
Loan and other credit related commitments													
- Letter of credits contracts	50,521,285	-	-	50,521,285	101,678	-	-	101,678	0.20	-	-	-	0.20
- financial guarantees	50,521,285	-	-	50,521,285	-	-	-	-	-	-	-	-	
Loan commitments	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Sub total</b>	<b>101,042,570</b>	<b>-</b>	<b>-</b>	<b>101,042,570</b>	<b>101,678</b>	<b>-</b>	<b>-</b>	<b>101,678</b>	<b>0.201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.20</b>
<b>Total</b>													

31 December 2024	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio				
	Financial statements items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
										%	%	%	%
<b>On-balance sheet items</b>													
Cash and balances with central banks	114,324,898	-	-	114,324,898	18,374	-	-	18,374	0.02	-	-	-	0.02
Placements and other short term investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers at amortised cost	96,502,071	-	1,811,106	98,313,177	443,604	-	176,986	620,590	0.45	0.00	0.00	0.45	
Debt investment securities at amortised cost	6,627,987	-	-	6,627,987	14,831	-	-	14,831	0.22	-	-	-	
Pledged Assets	10,482,703	-	-	10,482,703	23,489	-	-	23,489	0.22	-	-	-	
Debt investment securities at Fair value	59,442,405	-	-	59,442,405	-	-	-	-	-	-	-	-	
Other assets	82,525,727	-	-	82,525,727	23,966	-	-	23,966	0.03	-	-	-	
<b>Sub total</b>	<b>369,905,790</b>	<b>-</b>	<b>1,811,106</b>	<b>371,716,896</b>	<b>524,264</b>	<b>-</b>	<b>176,986</b>	<b>701,250</b>	<b>0.94</b>	<b>0.00</b>	<b>0.0</b>	<b>0.47</b>	
<b>Off-balance sheet items</b>													
Loan and other credit related commitments													
- Letter of credits contracts	10,229,576	-	-	10,229,576	193,268	-	-	193,268	1.889	-	-	-	1.89
- financial guarantees	-	-	-	-	-	-	-	-	-	-	-	-	
Loan commitments	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Sub total</b>	<b>10,229,576</b>	<b>-</b>	<b>-</b>	<b>10,229,576</b>	<b>193,268</b>	<b>-</b>	<b>-</b>	<b>193,268</b>	<b>1.889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.89</b>
<b>Total</b>													

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**5.5 Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- i) To comply with the capital requirements set by the Central Bank of Nigeria;
- ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- iii) To maintain a strong capital base to support the development of its business.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 15% is to be maintained for commercial banks. The Standardised approach has been adopted in computing the risk weighted assets for Credit, Operational, and Market Risk. The following table provides an overview of the development of the capital ratios and risk-weighted assets (RWA):

The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises:

- Tier 1 capital: This includes ordinary share capital, share premium, retained earnings and other reserves excluding regulatory reserves. Intangible assets, deferred tax assets and investment in subsidiaries were also deducted from Tier I capital for capital adequacy purposes; and
- Tier 2 capital: This includes fair value reserves, foreign currency translation reserves with adjustments for investments in subsidiaries.

	Bank December 2025	Bank December 2024
<i>N'000</i>		
<b>Tier 1 capital</b>		
Ordinary share capital	26,000,000	26,000,000
Retained earnings	(9,401,656)	3,010,195
Other reserves	23,827,671	11,543,377
Non-controlling interests	-	-
	<b>40,426,015</b>	<b>40,553,572</b>
<b>Add/(less):</b>		
Fair value reserve	(299,020)	(125,390)
<b>Total Tier 1</b>	<b>40,725,035</b>	<b>40,678,962</b>
<b>Less:</b>		
Deferred tax assets	(433,446)	-
Regulatory risk reserve	(15,720,917)	(4,915,268)
Intangible assets	(985,390)	(903,555)
<b>Adjusted Tier 1</b>	<b>23,585,282</b>	<b>34,860,139</b>
Sub-ordinated debt	10,527,916	10,526,264
Fair value reserve	(299,020)	(125,390)
<b>Total Tier 2</b>	<b>10,228,897</b>	<b>10,400,873</b>
<b>Adjusted Tier 2 capital (27% of Tier 1)</b>	<b>7,860,975</b>	<b>10,400,873</b>
<b>Total regulatory capital</b>	<b>31,446,257</b>	<b>45,261,012</b>
<b>Risk-weighted assets</b>	138,753,327	128,132,418
<b>Capital ratios</b>		
Total regulatory capital expressed as a percentage of total risk-weighted assets	22.66%	35.32%
Total tier 1 capital expressed as a percentage of risk-weighted assets	17.00%	27.21%

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

N'000	31 December 2025	31 December 2024
<b>6 Interest income calculated using effective interest rate</b>		
<b>a. Interest income at FVOCI</b>		
Bonds	442,000	-
Treasury bills	11,323,071	6,164,037
<b>Total</b>	<b>11,765,071</b>	<b>6,164,037</b>
<b>b. Interest income at amortised cost</b>		
Placements	2,029,289	5,187,330
Loans and advances to customers	19,109,048	18,551,984
Treasury bills	-	142,375
Bond	1,117,175	1,853,382
Commercial Paper	-	62,689
	<b>22,255,512</b>	<b>25,797,759</b>
<b>Total interest income</b>	<b>34,020,583</b>	<b>31,961,796</b>
<b>7 Interest expense</b>		
Interest Expense on Deposits	818,012	-
Deposit from customers	8,992,677	17,264,498
Interest expense on lease liability	73,627	24,265
Interest expense on debt securities	1,200,000	1,200,000
Interest expense due to banks	16,345,266	7,450,033
<b>Total interest expense calculated using effective interest rate</b>	<b>27,429,582</b>	<b>25,938,795</b>
<b>8 Impairment charge for credit losses</b>		
Impairment (see note below)	3,494,510	118,149
	<b>3,494,510</b>	<b>118,149</b>
ECL impairment charge on loans and advance to customers (note 17)	2,367,325	240,757
ECL impairment charge on placement (note 16)	(12,723)	18,374
ECL impairment charge on FVOCI	(53,510)	72,682
ECL impairment (writeback) on off balance sheet engagements (note 27)	55,001	(146,591)
ECL impairment charge on other assets (note 20)	1,141,642	23,966
ECL impairment (writeback)/ charge on investment securities (at amortized costs (note 18b))	35	(100,789)
ECL impairment (writeback)/ charge on pledged assets (note 18a)	(3,260)	9,750
	<b>3,494,510</b>	<b>118,149</b>
<b>9 Net Fee and commission income</b>		
Credit related fees	800,630	382,008
Other fee & commission income	2,562,445	3,208,504
<b>Fee and commission income</b>	<b>3,363,075</b>	<b>3,590,512</b>
Fee and commission expense	-	-
<b>Net fee and commission income</b>	<b>3,363,075</b>	<b>3,590,512</b>
<b>Point in time</b>	915,998	3,590,512
<b>Over time</b>	2,447,077	
	<b>3,363,075</b>	<b>3,590,512</b>

Other fee & commission income comprises of Account maintenance charge; N 299.15m (2024 N160.26m) and Commission on trade transactions; N1.78b (2024 N3.05b)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

	31 December 2025	31 December 2025
<i>N'000</i>		
<b>10 Net (losses)/gains on financial instruments held for trading</b>		
Nigerian Treasury Bills & Bonds	5,179,674	2,214,987
	<u>5,179,674</u>	<u>2,214,987</u>
<b>11 Net foreign exchange gain</b>		
Foreign currency revaluation gain	885,624	2,302,074
Foreign currency income	-	3,863,691
	<u>885,625</u>	<u>6,165,766</u>
<b>12 Other operating income/expenses</b>		
Other sundry income	9,937	13,211
Gain/(loss) on disposal of subsidiaries	282,571	-
Profit on disposal of property and equipment	-	3,267
	<u>292,508</u>	<u>16,478</u>

Other sundry income relates to income received on trade transaction handling during the period.

<b>13 Operating expenses</b>		
Staff cost (note (i))	2,889,150	1,987,074
Contract Staff cost	169,633	72
Depreciation of property and equipment (see note 22)	307,750	213,859
Depreciation of right of use asset (see note 23)	78,618	15,930
Amortisation (see note 21)	236,259	179,522
Professional fees and legal expense	218,872	284,723
Business travel expenses	8,384	41,680
Auditor's remuneration	99,749	76,325
Administrative expense****	964,370	780,055
NDIC***	718,921	718,147
Directors' emoluments (note (ii))	515,788	425,516
Stationeries, postage, printing and consumables	18,775	18,782
Penalty (see note 38)	1,719,500	14,000
Repairs and maintenance	91,982	82,185
Advertisement expense	270,281	53,618
Subscription expense	949,707	530,412
Other license fees*	896,495	797,354
Donations	78,003	77,702
Other expenses**	341,158	204,703
	<u>10,573,395</u>	<u>6,501,659</u>

\*Other license fees relates to payment of IT related licenses during the period.

\*\*Included in the other expenses are general office expenses; N83.9m (2024 N146.36m) and write off of long standing receivables; N 532.4m (2024 Nil) during the period.

\*\*\*NDIC (Nigeria Deposit Insurance Corporation) relates to premium paid to Nigeria Deposit Insurance Corporation.

\*\*\*\*Included in the Administrative expenses are Nova commercial bank registration; Training expenses N110.9m (2024 N119.43m), and Diesel and Fuel; N92.3m (2024 N86.32m) during the period.

(i) Staff related costs, excluding executive directors, during the year amounted to:		
Wages, salaries, other benefits and staff costs	2,824,231	1,936,209
Pension costs - Defined contribution plan	64,919	50,865
	<u>2,889,150</u>	<u>1,987,074</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

	31 December 2025	31 December 2024
The number of persons employed by the Bank during the year was as follows:		
Executive	2	2
Management	39	4
Non-management	164	155
	<b>205</b>	<b>161</b>

The number of employees of the Bank, other than Directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:		
N300,001 - N1,000,000	-	
N1,000,001 - N3,000,000	1	
N3,000,001 - N5,000,000	80	42
Above N5,000,000	122	117
	<b>203</b>	<b>159</b>

	31 December 2025	31 December 2024
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*N'000*  
(ii) Directors' emoluments and expenses  
Remuneration paid to the executive and non-executive directors (excluding certain allowances) is shown below

Fees and sitting allowances		
Fees and sitting allowances	211,133	137,533
Executive management compensation	265,190	258,131
Pension cost - defined contribution scheme	12,886	12,382
Other directors expenses	26,579	17,470
	<b>515,788</b>	<b>425,516</b>

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

	Number of Directors	
N8,000,001 - N15,000,000	-	-
Above N15,000,000	6	5
	<b>6</b>	<b>5</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

	31 December 2025	31 December 2024
<i>N'000</i>		
<b>14 Income tax expense</b>		
Tax charge for the year comprises:		
<b>a) Income tax charge</b>		
NITDA levy	23,695	112,782
NASENI Levy	5,924	28,477
Police trustfund levy	118	570
Income tax	1,470,323	1,620,832
Education tax	170,504	226,002
Windfall Levy	-	408,887
<b>b) Minimum tax</b>		
Minimum tax	-	-
<b>Total current tax charge</b>	<b>1,670,564</b>	<b>2,397,551</b>
<b>b) Deferred tax</b>		
Recognised in income statement:	(1,279,659)	962,152
<b>Total deferred tax credit/(charge)</b>	<b>(1,279,659)</b>	<b>962,152</b>
<b>Income tax charge</b>	<b>390,905</b>	<b>3,359,702</b>
<b>(c) Reconciliation of effective tax rate</b>		
Profit before income tax	2,243,979	11,390,937
<b>Effective tax as per accounts:</b>		
Income tax using the companies income tax rate at 30%	673,194	3,417,281
Non-deductible expenses	2,277,248	1,088,264
Education tax	170,504	226,002
Minimum tax	-	-
NASENI Levy	5,924	28,477
Police Trust Fund Levy	118	570
Tax effect of temporary differences	(1,279,659)	962,152
Windfall levy	-	408,887
Absorbed capital allowance	553,783	(710,260)
Tax exempt income	(2,071,560)	(2,174,453)
Effect of NITDA levy	23,695	112,782
<b>Total Income tax expense in income statement</b>	<b>353,246</b>	<b>3,359,702</b>
Based on Nigerian tax law, Companies Income Tax Act provides that current tax is determined as the higher of amount computed based on 30% of taxable profit, minimum tax and 30% of dividend declared. There were no changes in corporate and education tax rates during the year. The corporate income tax charge for the year was based on taxable profit.		
Tax exempt income include income such as income on Federal Government of Nigeria Bonds which are exempt from income tax and other applicable taxes as gazetted by the Federal Government of Nigeria.		
Uncertain tax position – Application of the Nigeria Tax Act 2025 to the 2025 basis period		
In accordance with IFRIC 23 – Uncertainty over Income Tax Treatments, management assessed whether it is probable that the NRS will accept the Bank's filing position. In forming its judgment, management considered, among others:		
- the effective-date wording in NTA 2025 and established principles that tax laws apply prospectively unless expressly stated otherwise;		
- relevant judicial interpretations supporting clarity, certainty, and non-retroactivity in tax law;		
- the weight and nature of the NRS administrative letters relative to the underlying statute;		
- the possibility that the matter may ultimately require administrative clarification or judicial determination;		
- alignment with international best practice and the National Tax Policy on predictability; and		
- the range of plausible outcomes and IFRIC 23 measurement considerations.		
Based on this assessment, management concluded that it is probable that the Company's position, i.e., applying pre-NTA 2025 rules to the 2025 basis period, will be accepted. Accordingly, the Company's current and deferred tax amounts have been measured on that basis, and no liability for uncertain tax treatments has been recognised.		
if NTA were ultimately determined to apply to the 2025 basis period, the estimated impact would be:		
- Company Income Tax- Increase of N121m		
- Development Levy: Increase of 31m		
Deferred tax asset- increase of 60m		
The overall effect would be a reduction in profit of 151m		
Management will continue to monitor developments and reassess this uncertainty as further information becomes available, including any additional administrative guidance or court decisions.		
The movement in the current income tax liability is as follows:		
<b>Current tax payable</b>		
At 1 January	2,416,781	329,463
Tax paid	(2,400,810)	(310,233)
Income tax charge	1,670,564	2,397,551
<b>At 31 December</b>	<b>1,686,535</b>	<b>2,416,781</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**Deferred tax (liability)/asset**

At 1 January	(846,213)	115,939
Deferred tax charge	1,279,659	(962,152)
<b>At 31 December</b>	<b>433,446</b>	<b>(846,213)</b>

	31 December 2025	31 December 2024
<i>N'000</i>		
<b>Deferred income tax assets and liabilities are attributable to the following items</b>		
Property, Plant and Equipment	(182,853)	(182,853)
Intangible Assets	(195,660)	(195,660)
Other asset	7,190	7,190
Provisions	211,676	211,676
Unrelieved losses	-	-
Right of use asset/Lease liability	(1,456)	(1,456)
Unabsorbed capital allowance less investment allowance	1,279,659	-
Unrealised exchange difference	(685,110)	(685,110)
	<b>433,446</b>	<b>(846,213)</b>

	31 December 2025 N'000	31 December 2024 N'000
<i>N'000</i>		
<b>15 Earnings per share</b>		
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average		
Profit for the period from continuing operations ( <i>In thousands of Naira</i> )	1,679,444	7,867,160
Weighted average number of ordinary shares in issue ( <i>In thousands of units</i> )	26,000,000	26,000,000
In kobo per share	6	30
Basic earnings per share from continuing operations (annualised)		
Diluted earnings per share from continuing operations (annualised)	6	30

**16 Balances with banks**

<b>16a</b> Balances held with Central bank of Nigeria and other banks		
-Balances with the Central Bank of Nigeria other than mandatory reserve deposits	84,998	1,513,321
-Balances with banks in Nigeria	675,202	1,054,762
-Balances with banks outside Nigeria	11,068,886	67,496,396
	<b>11,829,087</b>	<b>70,064,479</b>
Placement with Banks within 1 year	<b>13,616,948</b>	<b>16,855,190</b>
ECL impairment charge	(5,651)	(18,374)
	<b>13,611,297</b>	<b>16,836,816</b>
Mandatory reserve deposits with the Central Bank of Nigeria	25,792,766	27,423,603
	<b>25,792,766</b>	<b>27,423,603</b>
	<b>51,233,149</b>	<b>114,324,898</b>

Mandatory reserve deposits with the Central Bank of Nigeria are not available for use in the bank's day to day operations. This balance represents CBN Cash Reserve Requirement of N25.79Bn.

Included in balances with banks outside of Nigeria is an amount of N1.44bn (31 Dec 2024: N49.71bn) representing the Naira value of foreign currency held on behalf of customers to cover letters of credit transactions. The corresponding liability is reported as customers' deposit for foreign trade under other liabilities (see note 27).

The Bank has assessed the expected credit losses (ECL) on its cash and cash equivalents in accordance with IFRS 9, which requires entities to recognize ECL for all financial assets measured at amortized cost. Given the nature of cash and cash equivalents, the credit risk associated with these assets is generally very low.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

<b>16b</b> Cash and cash equivalent in statement of cashflow		
Balances held with Central bank of Nigeria and other banks	11,829,087	70,064,479
Placement with banks	13,616,948	16,855,190
	<b>25,446,034</b>	<b>86,919,669</b>

N'000

	31 December 2025	31 December 2024
<b>17 Loans and advances to customers</b>		
Loans and advances to customers	98,773,461	98,179,332
Loans to staff	50,392	133,845
Allowance for impairment	(2,987,915)	(620,591)
	<b>95,835,938</b>	<b>97,692,586</b>
Current	82,797,747	86,262,939
Non-current	13,038,191	11,429,649
	<b>95,835,938</b>	<b>97,692,587</b>

Bank  
December  
2025

Bank  
December  
2024

The reconciliation of the ECL impairment charge on loans and advances to customers is stated below

Balance at 1 January	620,591	379,834
Increase in ECL impairment (see note 8 )	2,367,325	240,757
At 31 December	<b>2,987,916</b>	<b>620,591</b>

**18 Financial assets- Investment securities**

Pledged assets (note a below)	13,422,576	10,459,214
Investment securities (note b below)	68,304,887	66,055,561
	<b>81,727,464</b>	<b>76,514,775</b>

**18a Pledged assets**

Nigerian Treasury Bills	-	
Federal Government of Nigeria bonds	13,442,805	10,482,703
Allowance for Impairment on pledged assets	(20,229)	(23,489)
	<b>13,422,576</b>	<b>10,459,214</b>
Current		2,301,027
Non-current	13,422,576	8,158,187
	<b>13,422,576</b>	<b>10,459,214</b>

The reconciliation of the ECL impairment charge on pledged asset is stated below

Balance at 1 January	23,489	13,739
Increase/(decrease) in ECL impairment (see note 8 )	(3,260)	9,750
At 31 December	<b>20,229</b>	<b>23,489</b>

**18b Investment securities**

Investment securities (see note (i))	68,319,753	66,070,391
Allowance for impairment on investment securities	(14,866)	(14,831)
	<b>68,304,887</b>	<b>66,055,560</b>
Current	61,691,732	59,442,405
Non current	6,613,156	6,613,156
	<b>68,304,887</b>	<b>66,055,560</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

	Bank December 2025	Bank December 2024
<i>N'000</i>		
The reconciliation of the ECL impairment charge on investment securities is stated below		
Balance at 1 January	14,831	115,621
(Decrease)/Increase in ECL impairment (see note 8 )	35	(100,789)
At 31 December	<b>14,866</b>	<b>14,832</b>
<b>(i) Investment securities</b>		
Debt securities at amortised cost	3,864,687	6,627,987
Nigerian Treasury Bills FVOCI	41,778,837	49,344,080
Nigerian Treasury Bills FVTPL	21,436,195	10,098,325
Federal Government of Nigeria (FGN) bonds FVOCI	1,240,034	-
	<b>68,319,753</b>	<b>66,070,392</b>
The reconciliation of the fair value on investment securities is stated below		
Balance at 1 January	41,898,957	49,580,837
Fair value change	(120,120)	(236,757)
At 31 December	<b>41,778,837</b>	<b>49,344,080</b>
<b>19 Investment in Subsidiaries</b>		
Investment in Novambl Asset Management Ltd	-	148,500
Investment in Novambl Securities Ltd	-	282,667
	<b>-</b>	<b>431,167</b>
<b>(a) The movement in investment subsidiaries is as follows:</b>		
Opening balance	431,167	431,167
Disposals during the year	(431,167)	-
Closing balance	<b>-</b>	<b>431,167</b>

The Bank disposed of its subsidiaries during the period, resulting in the loss of control in accordance with IFRS 10 Consolidated Financial Statements. Consequently, the subsidiaries were deconsolidated on the date control was lost, and the carrying amount of the investment in subsidiary was fully derecognized. Any retained interests were recognised at fair value at the date of disposal. As at 31 December 2025, the Bank no longer holds any investment that meets the definition of a subsidiary under IFRS 10.

	Bank December 2025	Bank December 2024
<i>N'000</i>		
<b>20 Other assets</b>		
<b>Financial assets</b>		
Contribution to AGSMEIS (note (i))	1,003,699	644,812
Foreign exchange settlement (note (ii))	-	79,801,817
Receivable from subsidiaries (note 33(ii))	-	397,100
Other receivables (note (iii))	7,887,805	1,354,660
Cash advance	5,271	11,477
E-Channel settlement account	1,494,309	-
Impairment charges on other assets	(1,165,608)	(23,966)
	<b>9,225,476</b>	<b>82,185,900</b>
<b>Non-financial assets</b>		
Prepayments	102,552	315,861
	<b>102,552</b>	<b>315,861</b>
<b>Total other assets</b>	<b>9,328,028</b>	<b>82,501,761</b>
Current	8,221,777	81,541,088
Non-current	1,106,251	960,673
	<b>9,328,028</b>	<b>82,501,761</b>

- (i) This represents contribution to Agri-Business/Small and Medium Investment Scheme aimed at supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. It is an initiative of the Bankers' Committee in which banks are required to set aside 5% of their Profit After Tax for investment in qualified players. The fund is domiciled in the Central Bank of Nigeria.
- (ii) These amounts are receivables from the Central Bank of Nigeria for the purchase of foreign currency from the Retail Special Secondary Market Intervention Sales (SMIS) window.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**21 Intangible assets**

In thousands of naira

**2025**

**31 December 2025**

**Cost**

	<b>Computer software</b>	<b>Work in progress</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	1,206,975	139,251	1,346,226
Additions	172,983	145,110	318,093
Balance at 31 December	<u>1,379,958</u>	<u>284,361</u>	<u>1,664,319</u>

**Accumulated amortisation**

Balance at 1 January	442,670	-	442,670
Amortization	236,259	-	236,259
Balance at 31 December	<u>678,929</u>	<u>-</u>	<u>678,929</u>

**Carrying amount**

<b>Balance at 31 December 2025</b>	<b><u>701,029</u></b>	<b><u>284,361</u></b>	<b><u>985,390</u></b>
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**2024**

**31 December 2024**

**Cost**

	<b>Computer software</b>	<b>Work in progress</b>	<b>Total</b>
	<b>N'000</b>	<b>N'000</b>	<b>N'000</b>
Balance at 1 January	795,685	-	795,685
Additions	411,290	139,251	550,541
Balance at 31 December	<u>1,206,975</u>	<u>139,251</u>	<u>1,346,226</u>

**Accumulated amortisation**

Balance at 1 January	263,148	-	263,148
Amortization	179,522	-	179,522
Disposal	-	-	-
Balance at 31 December	<u>442,670</u>	<u>-</u>	<u>442,670</u>

**Carrying amount**

<b>Balance at 31 December 2024</b>	<b><u>764,305</u></b>	<b><u>139,251</u></b>	<b><u>903,556</u></b>
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## 22 Property, plant and equipment

## 31 December 2025

N'000

	Office equipment	IT equipments	Furnitures & Fittings	Motor Vehicles	Leasehold Improvement	Building	Plant and Machinery	ATM MACHINE	WIP	Total
<b>Cost</b>										
Balance as at 1 January 2025	135,078	578,144	136,372	628,752	366,030	1,136,050	7,798	3,991	22,564	3,014,779
Acquisitions	44,057	80,134	46,621	78,372	430,689	83,195	88,599	30,100	815,967	1,697,733
Adjustments	-	-	-	-	-	-	-	-	-	-
Reclassification	(1,054)	1,054	-	-	-	17,834	-	-	(17,834)	-
<b>Balance as at 31 December 2025</b>	<b>178,081</b>	<b>659,332</b>	<b>182,993</b>	<b>707,124</b>	<b>796,718</b>	<b>1,237,079</b>	<b>96,397</b>	<b>34,091</b>	<b>820,697</b>	<b>4,712,512</b>
<b>Depreciation</b>										
Balance as at 1 January 2025	73,699	459,745	81,430	362,144	259,119	44,943	2,339	200	-	1,283,619
Charge for the period	19,013	41,374	20,104	87,616	101,205	28,885	6,749	2,804	-	307,750
<b>Balance as at 31 December 2025</b>	<b>92,712</b>	<b>501,119</b>	<b>101,534</b>	<b>449,760</b>	<b>360,324</b>	<b>73,828</b>	<b>9,088</b>	<b>3,004</b>	<b>-</b>	<b>1,591,369</b>
<b>Carrying amount</b>										
Balance as at 31 December 2024	85,369	158,213	81,459	257,364	436,394	1,163,251	87,309	31,087	820,697	3,121,143

## 31 December 2024

N'000

	Office equipment	IT equipments	Furnitures & Fittings	Motor Vehicles	Leasehold Improvement	Building	Plant and Machinery	ATM MACHINE	WIP	Total
<b>Cost</b>										
Balance as at 1 January 2024	88,425	476,951	98,359	383,159	366,030	1,060,710	7,798	-	-	2,481,432
Acquisitions	46,653	101,193	38,013	273,593	-	97,904	-	3,991	-	561,347
Disposal	-	-	-	(28,000)	-	-	-	-	-	(28,000)
Reclassification	-	-	-	-	-	(22,564)	-	-	22,564	-
<b>Balance as at 31 December 2024</b>	<b>135,078</b>	<b>578,144</b>	<b>136,372</b>	<b>628,752</b>	<b>366,030</b>	<b>1,136,050</b>	<b>7,798</b>	<b>3,991</b>	<b>22,564</b>	<b>3,014,779</b>
<b>Depreciation</b>										
Balance as at 1 January 2024	60,055	430,187	66,358	302,732	219,037	17,678	780	-	-	1,096,827
Charge for the period	13,644	29,559	15,072	86,479	40,081	27,265	1,560	200	-	213,860
Disposal	-	-	-	(27,067)	-	-	-	-	-	(27,067)
<b>Balance as at 31 December 2024</b>	<b>73,699</b>	<b>459,745</b>	<b>81,430</b>	<b>362,144</b>	<b>259,119</b>	<b>44,943</b>	<b>2,339</b>	<b>200</b>	<b>-</b>	<b>1,283,620</b>
<b>Carrying amount</b>										
Balance as at 31 December 2024	61,379	118,399	54,942	266,608	106,910	1,091,107	5,459	3,791	22,564	1,731,159

N'000

## 23 Right of use assets

	Building	Total
Opening balance at 1 January 2025	296,714	296,714
Additions in the year	979,815	979,815
<b>Closing balance as at 31 December 2025</b>	<b>1,276,529</b>	<b>1,276,529</b>
<b>Depreciation</b>		
	<b>N'000</b>	<b>N'000</b>
Opening balance as at 1 January 2025	95,364	95,364
Charge for the year	78,618	78,618
<b>Closing balance as at 31 December 2025</b>	<b>173,982</b>	<b>173,982</b>
<b>Net book value</b>	<b>1,102,547</b>	<b>1,102,547</b>

## ii. Lease liability

Opening balance at 1 January 2025	174,714	174,714
Additions in the year	979,813	979,813
Interest expense	73,627	73,627
Lease payment during the year	(719,686)	(719,686)
<b>Closing balance as at 31 December 2025</b>	<b>508,468</b>	<b>508,468</b>
<b>Non current</b>	<b>508,468</b>	<b>508,468</b>
Opening balance at 1 January 2024	174,715	174,715
Additions in the year	-	-
<b>Closing balance as at 31 December 2024</b>	<b>174,715</b>	<b>174,715</b>
<b>Depreciation</b>		
	<b>N'000</b>	<b>N'000</b>
Opening balance as at 1 January 2024	79,434	79,434
Charge for the year	15,930	15,930
<b>Closing balance as at 31 December 2024</b>	<b>95,364</b>	<b>95,364</b>
<b>Net book value</b>	<b>79,351</b>	<b>79,351</b>

## iii. Lease liability

Opening balance at 1 January 2024	150,449	150,449
Interest expense	24,265	24,265
<b>Closing balance as at 31 December 2024</b>	<b>174,714</b>	<b>174,714</b>
<b>Non current</b>	<b>174,714</b>	<b>174,714</b>

	31 December 2025	31 December 2024
N'000		
<b>Financial liabilities carried at amortised cost</b>		
<b>24 Deposits</b>		
Demand deposits	62,933,964	47,076,260
Term deposits	78,518,375	111,477,670
<b>Deposits</b>	<b>141,452,339</b>	<b>158,553,930</b>
Current	141,452,339	158,553,930
	<b>141,452,339</b>	<b>158,553,930</b>
<b>25 Due to banks</b>		
Deposit from Banks	17,331,978	19,813,896
	<b>17,331,978</b>	<b>19,813,896</b>
Current	17,331,978	19,813,896
	<b>17,331,978</b>	<b>19,813,896</b>
<b>26 Debt securities issued carried at amortised cost</b>		
Debt securities issued carried at amortised cost	10,527,916	10,526,263
	<b>10,527,916</b>	<b>10,526,263</b>
Current	529,063	529,115
Non-current	9,998,853	9,997,148
	<b>10,527,916</b>	<b>10,526,263</b>

	31 December 2025	31 December 2024
N'000		
<b>Movement in Debt securities issued</b>		
Net debt as at 1 January 2025	10,526,263	10,527,916
Debt securities issued	-	-
Repayment of debt securities issued	-	-
Total change from financing cash flow	10,526,263	10,527,916
Interest expense	1,200,000	1,200,000
Interest paid	(1,198,347)	(1,201,654)
Balance as at December 2025	<b>10,527,916</b>	<b>10,526,263</b>

The Bank issued an unsecured subordinated bond on July, 23, 2020 with a coupon rate of 12% payable semi-annually. The bond has a tenor of 7 years and is due on July, 2027. This Series 1 of the bank's N50bn Bond programme was issued via its former subsidiary, Novambl Investments SPV Plc, and the subscription offer for this series contains a provision for early redemption in Year 5 at a redemption amount of N10bn

	31 December 2025	31 December 2024
N'000		
<b>27 Other liabilities</b>		
<b>Financial liabilities</b>		
Customer's deposits for foreign trade - see note (i) below	1,442,525	57,072,317
Amount held for customer foreign exchange transactions - see note (ii) below	1,415,524	72,882,828
Deposit for shares capital - see note (iv) below	24,858,961	-
Sundry Creditors (iii)	3,417,864	11,279,345
Other payables	306,638	-
ECL impairment charge on off balance sheet engagements	101,678	46,677
	<b>31,543,190</b>	<b>141,281,167</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**Non- Financial liabilities**

Statutory payables	290,666	134,718
<b>Total other liabilities</b>	<b>31,833,856</b>	<b>141,415,885</b>
Current	31,833,856	141,266,923
Non-current	-	148,962
	<b>31,833,856</b>	<b>141,415,885</b>

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

Balance at 1 January	46,677	193,268
Increase in ECL impairment (see note 8)	55,001	(146,591)
At 31 December	<b>101,678</b>	<b>46,677</b>

- (i) This represents the naira value of foreign currencies held on behalf of customers to cover letters of credit transactions.
- (ii) This represents collections for the purchase of foreign currency from the Central Bank of Nigeria on behalf of customers.
- (iii) This mostly represents unsettled interbank transactions as at 31 Dec 2025
- (iv) This represents shareholder's deposit for shares

31 December 2025	31 December 2024
------------------------	------------------------

*N'000*

**28 Share capital**

Share capital In thousands of Naira

**i Authorised:**

26,000,000,000 ordinary shares of N1 each	26,000,000	26,000,000
	<b>26,000,000</b>	<b>16,000,000</b>

**Issued and fully paid-up :**

ii 26,000,000,000 ordinary shares of N1 each	26,000,000	16,000,000
	<b>26,000,000</b>	<b>16,000,000</b>

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

**iii Right Issue**

During the year, the bank made a right issue of 11,576,914,277 (Eleven billion, Five hundred and seventy- six million,nine hundred and fourteen thousand, two hundred and seventy seven). The shares (right issue) were issued at par (one share at one naira fifty kobo) to all existing shareholders in proportion to their existing shareholding in the Bank on the basis of 5 new shares for every 8 shares held.However, as at year end,the bank was yet to obtain regulatory approval, hence the balance remains as deposit for shares in other liabilities.(2024: N1,566,962,000).

**iv Private Placement**

During the year, the bank issued 3,500,122,000(three billion,five hundred million,one hundred and twenty two thousand shares). The shares were issued at two naira each to new shareholders.However, as at year end,the bank was yet to obtain regulatory approval, hence the balance remains as deposit for shares in other liabilities.(2024: Nil).

## 29 Retained earnings and other reserves

### Other regulatory reserves

#### i Statutory reserves

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

#### ii Retained earnings

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

#### iii Fair value reserves

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

## 30 Regulatory risk reserves

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

<i>N'000</i>	31 December 2025	31 December 2024
Balance as at 1 January	4,915,268	2,303,598
Transfer from retained earnings	10,805,649	2,611,670
Balance as at 31 December	<u>15,720,917</u>	<u>4,915,268</u>

<i>N'000</i>	31 December 2025	31 December 2024

## 31 Prudential adjustments

Prudential guidelines provision:

- General provisions

20,036,036	5,535,858
<u>-</u>	<u>-</u>

IFRS impairment provisions:

- ECL provision on financial assets

4,315,118	620,590
<u>-</u>	<u>-</u>

Difference in IFRS impairment over prudential guidelines accounted for in regulatory risk reserves

<u>15,720,918</u>	<u>4,915,268</u>
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In line with the regulatory requirements of the Central Bank of Nigeria, provisions for loans recognised in the statement of comprehensive income determined based on the impairment provision requirement under IFRS should be compared with the provisions determined under prudential guidelines and the difference should be treated as follows:

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

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

As at 31 December 2025, the CBN Prudential provision was higher than the IFRS impairment provision. There was N10.20billion (2024: N2.04billion) additional reclassification from retained earnings to the regulatory risk reserve because the amount already recognised in the regulatory risk is lower than the CBN Prudential provision when add to the IFRS impairment provision.

**32 Contingent liabilities and commitments**

**a Legal Proceedings**

The Bank is presently involved in litigation suits in the ordinary course of business. The total amount claimed against the Bank is estimated at N33million as at 31 December 2025 (31 December 2024: N17million). The actions are being contested and the Directors are of the opinion that no significant liability will crystallise from these cases, and they are not aware of any other pending or threatened claims and litigations.

In arriving at this conclusion, the bank has relied on evidence and recommendations from its internal litigation and its team of external solicitors.

**b Credit related commitments**

In the normal course of business, the Bank is party to financial instruments with off-balance sheet risk. The instruments are used to meet credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	31 December 2025	31 December 2024
<i>N'000</i>		
Letters of credit	50,521,285	10,229,576
	<b>50,521,285</b>	<b>10,229,576</b>

**33 Related party transactions**

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

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

**(i) Key management personnel**

The key management personnel represent the executive management and board of directors.

	31 December 2025	31 December 2024
<i>N'000</i>		
<i>(a) Compensation to directors</i>		
Fees and sitting allowances	211,133	137,533
Wages and salaries	265,190	258,131
Pension Contribution	12,886	12,382
Other directors expenses	26,579	17,470
	<b>515,788</b>	<b>425,516</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**34 Insider related credits**

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

\* Shams Butt- Retired 29th April 2024.

S/N	CUSTOMER NAME	DIRECTOR RELATIONSHIP	BANK IFRS9 STAGING	DETAILS OF SECURITIES
1	PARCO ENTERPRISES NIGERIA LIMITED	*Shams Butt -Non-Executive Director	1	All assets debenture
		<b>FACILITY TYPE</b>	TERM LOAN	
		<b>BALANCE IN NAIRA</b>	134,919,411	
S/N	CUSTOMER NAME	DIRECTOR RELATIONSHIP	BANK IFRS9 STAGING	DETAILS OF SECURITIES
2	PARCO ENTERPRISES NIGERIA LIMITED	*Shams Butt -Non-Executive Director	1	All assets debenture
		<b>FACILITY TYPE</b>	TERM LOAN	
		<b>BALANCE IN NAIRA</b>	168,841,987	
S/N	CUSTOMER NAME	DIRECTOR RELATIONSHIP	BANK IFRS9	DETAILS OF
3	HFP DECOR LIMITED	*Shams Butt -Non-Executive Director	1	All assets debenture
		<b>FACILITY TYPE</b>	TERM LOAN	
		<b>BALANCE IN NAIRA</b>	1,597,193,732	

**35 Proposed dividend**

The Directors, pursuant to the power vested in it by the provisions of Section 379 of the Companies and Allied Matters Act (CAMA) 2020 of Nigeria, proposed a nil dividend for 2025.

**36 Non-audit services**

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

Name of signer	FRC number	Service Description
Chidi Ojechi	FRC/2017/ICAN/00000015955	Certification of total deposit outstanding in the books of the bank as at 31 December 2025.

**37 Compliance with Banking Regulations**

During the year, the Bank paid a total of N1.7 billion as penalties which include:

- N1.29 billion penalty to CBN for failure to return unutilized on-lending facility (penalty: N1.29 billion)
- N365 million penalty to CBN arising from AML/CFT infraction (penalty: N363 million and N2 million for failure to remit the penalty);
- N40 million arising from 2023 risk asset examination (penalty: N40 million);
- N2 million arising from the non-submission of 2023 audited financial statements (penalty: N2 million); and
- N18.75 million arising from non provision of Environmental audit certificate to NESREA from the Bank's inception till December 2024.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

N'000			31 December 2025	31 December 2024
<b>38</b>	<b>Statement of Cashflow workings</b>	Note		
(i)	<b>Profit/loss on disposal of property and equipment</b>			
	Cost	22	-	28,000
	Accumulated depreciation	22	-	(27,067)
	Net book value		-	933
	Proceeds from disposal of property and equipment		-	4,200
	Profit on disposal	12	-	5,133
(ii)	<b>Mandatory reserve deposits with the Central Bank of Nigeria</b>			
	Balance as at beginning of the year	16	27,423,603	33,203,657
	Cash (inflow)/outflow from reserve deposit		(1,630,837)	(5,780,054)
	Balance as at end of the year	16	25,792,766	27,423,603
(iii)	<b>Loans and advances to customers</b>			
	Gross loans beginning of the year	17	98,313,177	105,075,294
	Gross loans, end of the year	17	98,823,853	98,313,177
			510,676	(6,762,117)
	Interest receivable		(838,996)	(348,029)
	Foreign exchange gain/(loss) on FCY balances		(203,112)	(556,045)
	Cash outflow		(531,432)	(7,666,191)
(iv)	<b>Financial instruments - FVTPL</b>			
	Balance as at beginning of the year	18	10,098,324	-
	Cash outflow due to proceeds from sale of financial assets at FVTPL		1,396,496	37,284,304
	Other changes		(11,494,820)	(27,185,980)
	Net gains on FVTPL instruments	10	-	-
	Balance as at end of the year	18	-	10,098,324
(v)	<b>Other assets</b>			
	Balance as at beginning of the year	20	82,501,761	88,856,339
	Cash inflow due to changes in other assets		(73,241,958)	(6,424,808)
	Exchange movement		68,225	70,230
	Balance as at end of the year	20	9,328,028	82,501,761
(vi)	<b>Due to banks</b>			
	Balance as at beginning of the year	25	19,813,897	15,353,153
	Cash inflow due to increase in liabilities - due to banks		(2,649,409)	4,778,710
	Interest payable		122,069	(247,861)
	Exchange movement		45,421	(70,105)
	Balance as at end of the year	25	17,331,978	19,813,897
(vii)	<b>Deposits</b>			
	Balance as at beginning of the year	24	158,553,929	162,567,470
	Cash inflow due to increase in liabilities - due to banks		(17,779,511)	(4,520,146)
	Interest payable		(627,097)	1,406,211
	Exchange movement		1,305,018	(899,606)
	Balance as at end of the year	24	141,452,339	158,553,929

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

**(viii) Other liabilities**

Balance as at beginning of the year (See note 27)	27	141,415,885	108,167,172
Impairment charge on contingent assets	8	55,001	(146,591)
Cash inflow due to increase in liabilities - Other liabilities		(134,609,722)	33,513,687
Deposit for shares	27	24,858,961	
Exchange movement		113,735	(118,383)
Balance as at end of the year (See note 27)	27	<u>31,833,856</u>	<u>141,415,885</u>

**(ix) Interest received**

Interest income for the year	6	34,020,583	31,961,797
FX impact on interest income		-	(164,076)
Interest receivable	38(iii)	(501,317)	(334,140)
<b>Interest received</b>		<u>33,519,266</u>	<u>31,463,581</u>

**(x) Interest paid**

Interest expense	7	(27,429,582)	(25,938,796)
Interest payable on deposit	38(vii)	(627,097)	1,406,211
Interest payable on due to banks	38(vi)	122,069	(247,861)
Interest payable on debt securities issued	26	1,653	(1,654)
Interest payable on lease liability	7	73,627	24,265
<b>Interest paid</b>		<u>(27,859,330)</u>	<u>(24,757,835)</u>

**(xi) Pledged assets**

Balance as at beginning of the year	18a	10,459,214	7,083,899
Cash outflow due to changes in pledged assets		2,960,102	3,385,065
ECL Impairment charges		3,260	(9,750)
Balance as at end of the year (See note 19a)	18a	<u>13,422,576</u>	<u>10,459,214</u>

**(xii) Investment securities**

Balance as at beginning of the year	18b	66,055,561	59,613,775
Change in fair value (See SOCI)		(173,630)	(164,075)
ECL Impairment charges	8	(35)	100,789
Interest receivable		(337,679)	150,187
Acquisitions		68,675,634	120,598,505
Disposals		(65,914,963)	(114,243,620)
Balance as at end of the year	18b	<u>68,304,887</u>	<u>66,055,561</u>

**OTHER NATIONAL DISCLOSURES**  
**VALUE ADDED STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2025**

N'000	31 December 2025		31 December 2024		
	%		%		
Gross earnings		<b>43,741,465</b>		<b>43,949,540</b>	
Interest expense		<b>(27,429,582)</b>		<b>(25,938,796)</b>	
Administrative overheads- local		<b>(11,913,866)</b>		<b>(4,704,936)</b>	
<b>Total value added</b>		<b>4,398,016</b>		<b>13,305,808</b>	
<b>Distribution of value added</b>					
<b>To employees and directors:</b>					
Salaries and benefits	30%	<b>1,705,039</b>	39%	<b>1,705,039</b>	13%
<b>To government:</b>					
Tax	11%	<b>390,905</b>	9%	<b>3,359,702</b>	25%
<b>Provide for maintenance and expansion of the company</b>					
For replacement of property, plant and equipment (depreciation)	4%	<b>307,750</b>	7%	<b>201,093</b>	2%
Depreciation of right of use asset	0%	<b>78,618</b>	2%	<b>15,887</b>	0%
For replacement of intangible assets (amortisation)	3%	<b>236,259</b>	5%	<b>156,925</b>	1%
Retained earnings	53%	<b>1,679,444</b>	38%	<b>7,867,160</b>	59%
	<b>100%</b>	<b>4,398,016</b>	<b>100%</b>	<b>13,305,807</b>	<b>100%</b>

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

**Other National Disclosures:**
**Five-Year Financial Summary**
**Statement of financial position**

N'000	December 2025	December 2024	December 2023	December 2022	December 2021
<b>Assets</b>					
Balances with banks	51,233,149	114,324,898	65,284,072	79,877,938	56,107,545
Loans and advances to customers	95,835,938	97,692,587	104,695,462	97,363,297	90,382,235
Investment securities	68,304,887	66,055,561	59,613,775	14,577,567	19,424,091
Investment in subsidiaries	-	431,167	431,167	431,167	431,167
Derivative financial assets	-	-	-	9,214,855	3,149,319
Pledged assets	13,422,576	10,459,214	7,083,899	44,055,112	50,016,537
Property and equipment	3,121,143	1,731,159	1,384,604	1,450,686	1,363,500
Right-of-use asset	1,102,547	201,349	217,280	233,167	249,054
Intangible assets	985,390	903,555	532,536	907,539	544,976
Other assets	9,328,028	82,501,761	88,856,339	31,317,735	20,468,893
Deferred tax assets	433,446	-	115,939	443,497	443,497
<b>Total assets</b>	<b>243,767,106</b>	<b>374,301,253</b>	<b>328,215,073</b>	<b>279,872,560</b>	<b>242,580,814</b>
<b>Liabilities</b>					
Due to banks	17,331,978	19,813,896	15,353,153	26,993,262	26,813,409
Due to customers	141,452,339	158,553,929	162,567,469	151,972,464	116,889,467
Derivative financial liabilities	-	-	-	9,160,449	3,072,162
Lease liability	508,465	174,712	150,449	129,607	111,651
Current tax liabilities	1,686,535	2,416,780	329,463	262,804	80,646
Deferred Tax Liability	-	846,213	-	-	-
Other liabilities	31,833,856	141,415,885	108,167,172	54,235,631	61,739,140
Debt securities issued	10,527,916	10,526,264	10,527,916	10,378,471	10,361,697
<b>Total liabilities</b>	<b>203,341,089</b>	<b>333,747,679</b>	<b>297,095,623</b>	<b>253,132,688</b>	<b>219,068,172</b>
<b>Equity</b>					
Share capital	26,000,000	26,000,000	16,000,000	16,000,000	16,000,000
Deposit for Share Capital	-	-	1,400,335	-	-
Share Premium	-	-	-	-	-
Statutory reserve	7,309,421	6,753,499	4,344,129	3,450,356	2,486,205
Retained earnings	(9,401,656)	3,010,195	7,032,703	5,149,311	2,899,625
Fair value reserve	797,333	(125,390)	38,684	38,684	25,291
Regulatory risk reserve	15,720,917	4,915,268	2,303,598	2,101,521	2,101,521
Total equity attributable to owners of the Parent	40,426,015	40,553,572	31,119,450	26,739,873	23,512,642
Non-controlling interest	-	-	-	-	-
<b>Total Equity</b>	<b>40,426,015</b>	<b>40,553,572</b>	<b>31,119,450</b>	<b>26,739,873</b>	<b>23,512,642</b>
<b>Total liabilities and equity</b>	<b>243,767,106</b>	<b>374,301,252</b>	<b>328,215,072</b>	<b>279,872,560</b>	<b>242,580,816</b>

**STATEMENT OF COMPREHENSIVE INCOME**

N'000	December 2025	December 2024	December 2023	December 2022	December 2021
Interest income	34,020,583	31,961,797	23,924,590	16,267,809	12,054,334
Interest expense	(27,429,582)	(25,938,796)	(22,110,025)	(15,565,650)	(11,885,626)
Net interest income	<b>6,591,001</b>	<b>6,023,001</b>	<b>1,814,565</b>	<b>702,159</b>	<b>168,708</b>
Impairment charge for credit losses	(3,494,510)	(118,149)	(417,609)	(139,345)	7,104
Fee and commission income	3,363,075	3,590,512	1,896,702	1,871,274	798,732
Net gains on financial instruments held for trading	5,179,674	2,214,987	(33,735)	1,015,864	1,496,753
Net foreign exchange gain	885,625	6,165,766	4,673,474	3,766,559	2,483,112
Other income	292,508	16,478	137,381	43,397	42,589
Operating expenses	(10,573,395)	(6,501,658)	(4,454,660)	(3,800,577)	(3,332,741)
<b>Profit before tax</b>	<b>2,243,979</b>	<b>11,390,937</b>	<b>3,616,119</b>	<b>3,459,329</b>	<b>1,664,258</b>
Income tax	(390,905)	(3,359,702)	(245,493)	(80,062)	(34,424)
<b>Profit for the year</b>	<b>1,853,075</b>	<b>8,031,235</b>	<b>3,370,627</b>	<b>3,379,267</b>	<b>1,629,833</b>
Net changes in fair value of financial assets FVOCI	(120,120)	(236,757)	13,393	(36,897)	(185,345)
ECL on debt instruments classified as FVOCI	(53,510)	72,682	-	-	-
Other comprehensive loss, net of related tax effects:	<b>(173,630)</b>	<b>(164,075)</b>	<b>13,393</b>	<b>(36,897)</b>	<b>(185,345)</b>
<b>Total comprehensive income for the period</b>	<b>1,679,444</b>	<b>7,867,160</b>	<b>3,384,020</b>	<b>3,342,370</b>	<b>1,444,488</b>
<b>Profit for the period attributable to:</b>					
Owners of the Bank	1,853,075	8,031,235	3,370,627	3,379,267	1,629,833
<b>Non-controlling interest</b>	-	-	-	-	-
<b>Profit for the period</b>	<b>1,853,075</b>	<b>8,031,235</b>	<b>3,370,627</b>	<b>3,379,267</b>	<b>1,629,833</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Bank	1,679,444	7,867,160	3,384,020	3,342,370	1,444,488
<b>Total comprehensive income</b>	<b>1,679,444</b>	<b>7,867,160</b>	<b>3,384,020</b>	<b>3,342,370</b>	<b>1,444,488</b>