Wema Bank Plc

Annual Report

31 December 2023

Table of Contents

About Wema Bank	1
Corporate governance	3
Sustainability report	25
Innovation Report	67
Wema Bank Compliance Risk Framework	109
Chairman's statement	116
Directors' report	121
Customer Complaints Management and Feedback	137
Report of the Audit Committee	139
Statement of Directors' Responsibilities	140
Statement of Corporate responsibility for the Financial Statements	141
Reports on Internal Control Over Financial Reporting	142
Reports of the External Consultant on the Appraisal of the Board	144
Independent Auditor's reports	145
Statements of Profit or Loss and other Comprehensive Income	153
Statements of financial Position	154
Statements of changes in equity	155
Statements of Cash Flows	157
Notes to the financial statements	159
Other National Disclosures	271

About Wema Bank

Regarded as Nigeria's most resilient bank and one of the longest surviving indigenous Financial Institution in Nigeria, Wema Bank Plc ("the Bank") comhas over the years, diligently offered a range of value-adding banking and financial advisory services to the Nigerian public for 77 years. Incorporated in 1945 as a Private Limited Liability Company under the old name of Agbonmagbe Bank Limited, it commenced banking operations in Nigeria in the same year. Wema Bank subsequently transformed into a Public Limited Liability Company (PLC) in April 1987 and was listed on the floor of the Nigerian Exchange Limited (NGX) formerly the Nigerian Stock Exchange (NSE) in January 1990. On February 5, 2001, Wema Bank Plc was granted a universal banking license by the Central Bank of Nigeria (CBN), thus allowing the Bank to provide the Nigerian public with a diverse portfolio of financial and business advisory services.

In 2009, the Bank underwent a strategic repositioning exercise which culminated in a decision to operate as a commercial bank with regional authorization. Upon a successful turnaround, the Bank applied to the Central Bank of Nigeria (CBN) for and was granted a national banking license in 2015.

Wema Bank offers retail banking, SME banking, corporate banking, treasury, trade services and financial advisory to its ever-expanding clientele. Operating a network of over 150 business offices backed by a robust ICT platform across Nigeria, we are committed to long-term sustainability in our business whilst maintaining the highest standards of social responsibility, corporate governance, and diversity in our operations.

Our Brand

The Wema Bank brand reinforces our unique proposition to empower lives through innovation. This is a single concept which drives the understanding of the new direction of the Wema Bank Brand. This personifies the behavior and product we create.

To drive this proposition, we develop an intimate relationship with our customers, putting us in a position to recognize their requirements and priorities. Our approach is hinged on partnership, progress, service, innovation, and efficiency. We seek to understand our customers' businesses and objectives, such that we can anticipate and meet their needs as they fulfill their financial goals and aspirations.

We are believers in people and societal values.
We believe in the common good and sustainable success.
We measure success not only by what is gained, but by the reciprocal value added to lives and businesses.
We strive to create value that endures as well as uplift human dignity and collective welfare.

Success to us implies succeeding along with all our stakeholders, all moving forward and creating value.
Our Corporate Philosophy Vision

To be the dominant digital platform in Africa delivering seamless financial services.

Mission
Empowering lives through innovation.

Values

Think Passion
Think Partnership
Think Progressive
Think Plenty
Think Play

TIN
00797080-0001

Corporate Governance

The Board of Wema Bank Plc ("the Bank") is pleased to present the Corporate Governance Report for the 2023 financial year. The Bank reiterates its commitment to ensuring total compliance with the regulatory standards of Corporate Governance to wit: the Central Bank of Nigeria (CBN) Code of Corporate Governance of 2023, Nigerian Code of Corporate Governance (NCCG) of 2018 issued by the Financial Reporting Council of Nigeria (FRCN) alongside the internal governance framework for the bank which includes the Board of Directors Governance Charter and the various board committees' charters.

The Bank's corporate governance processes are not limited to the adoption and implementation of national and international codes of best practices, they are also rooted in shared values and a culture that aims to bring out the best in our members of staff. This culture is well articulated in the "Purple Book" and well known to all members of staff. The Purple Book defines who the Wema Knight is in terms of personal attributes and relationship with stakeholders, especially the customer. It is anchored on five pillars – Think Progressive, Think Partnership, Think Play, Think Passion, and Think Plenty. The interplay of these five pillars defines who we are and our way of doing business. It is reinforced by the Bank's Code of Conduct, policies, procedures, and a reward system.

At Wema Bank, we view ourselves as custodians of our shareholders' interests, recognizing our obligation to uphold their trust, instill confidence, and protect their investments. Hence, we have ensured that all the structures and processes stipulated in the CBN's Code of Corporate Governance are implemented.

To reinforce our corporate governance implementation drive, an annual evaluation of our Board operations and effectiveness is carried out by an Independent Governance Consultant appointed by the Board to confirm the transparency, effectiveness, and competence of the Board. The report of the evaluation for the 2023 financial year is reproduced in this Annual Report compendium.

The Bank will continue to entrench the principles of Corporate Governance into every aspect of its business as we are committed to aligning with global best practices in the financial services industry.

Governance Structure

The Board

The Board of Directors is responsible for setting the Bank's overall strategy and ensuring that the necessary financial and human resources are in place for the achievement of its objectives. In addition, the board scrutinizes the performance of the executive management team alongside ensuring the integrity of the Bank's financial reporting and operations.

The details of the Bank's Board of Directors are as stated below:

s/n	First Name	Last Name	Role
1	Oluwayemisi	Olorunshola	Chairman
2	Moruf	Oseni	Managing Director /CEO
3	Wole	Akinleye	Deputy Managing Director
4	Oluwole	Ajimisinmi	Executive Director
5	Ayotunde	Mabawonku	Executive Director
6	Abolanle	Matel-Okoh	Non- Executive Director
7	Ibiye	Ekong	Independent Non-Executive Director
8	Olusegun	Adesegun	Non- Executive Director
9	Adeyemi	Adefarakan	Non- Executive Director
10	Bolarin	Okunowo	Independent Non-Executive Director
11	Yewande	Zaccheaus	Non- Executive Director

Changes on the Board

During the 2023 Financial Year, the following changes were made to the board.

<u>Appointment</u>

S/N	NAME OF DIRECTOR	ROLE	EFFECTIVE DATE
1	Moruf Oseni	Managing Director/CEO	April 1, 2023
2	Tunde Mabawonku	Executive Director	April 1, 2023
3	Yewande Zaccheaus	Non-Executive Director	October 13, 2023

<u>Retirement</u>

S/N	Mr. Ademola Adebise	ROLE	EFFECTIVE DATE
1	Mr. Ademola Adebise	Managing Director/CEO	March 31, 2023
2	Mr. Babatunde Kasali	Non-Executive Director	July 2, 2023
3	Mr. Abubakar Lawal	Non-Executive Director	September 7, 2023
4	Mr. Emeka Obiagwu	Executive Director	November 25, 2023

Size and Composition of the Board

Our Board has a proper mix of executive, non-executive and independent directors who ensure that corporate governance standards are maintained in the bank.

The Board is comprised of 11 Directors as stated below:

Executive Directors	4
Non-Executive Directors	4
Independent Directors	3

The Bank's Board also complies with the CBN's Sustainable Banking Principles (Women's Economic Empowerment) which recommends that a minimum of 40% female representation on the Board of the Bank. Currently the Bank has five (5) female directors on board which translate to 45% female representation on the Bank's Board of Directors.

Role of the Board

The primary role of the Board is to provide strategic direction for the Bank to deliver long term value to shareholders. The Board carries out this function through five (5) standing committees namely- the Board Credit Committee, Board Finance & General-Purpose Committee, Board Risk Management Committee, Board Audit Committee and the Board Remuneration, Nomination and Governance Committee.

Other functions of the Board include:

- To review and provide guidance for the Bank's corporate and business strategy.
- To review Management's succession plan and determine their compensation.
- To ensure that the Bank's operations are ethical and comply with applicable laws and regulations.
- To approve capital projects and investments
- To consider and approve the annual budget of the Bank, monitor its performance, and ensure that the Bank remains a going concern.
- To ensure that adequate systems of internal control, financial reporting and compliance are in place.
- To ensure that an effective risk management process exists and is sustained.
- To constitute Board Committees and determine their terms of reference and procedures, including reviewing and approving the reports of these Committees.

Access to Independent Professional Advice

The Board has the power to obtain advice and assistance from independent professional advisers or experts (at the Company's expense) as may be deemed necessary to aid its effectiveness.

Role of Chairman and the Managing Director/Chief Executive Officer

The roles of the Chairman and the Managing Director/CEO are clearly separated and are not held by the same individual in compliance with the CBN Code of Corporate Governance. The Chairman is solely responsible for the running of the Board, whilst the Managing Director/CEO in conjunction with the Executive Management team is responsible for the day-to-day management of the Bank's business and ensure the implementation of the Board's decisions. The Managing Director executes the powers delegated to him in accordance with guidelines as approved by the Board of Directors and relevant policies of the apex regulator, the Central Bank of Nigeria (CBN).

Selection of Directors and Succession Planning

The Bank has a Board Selection Criteria and Succession Planning Policy which provides that Board members will be selected based on a demonstrated record of possessing the specific qualifications and competencies necessary for effective governance. The policy provides a framework for the identification of key roles and potential candidates as well as the process for nomination of successors. Successors are nominated based on experience, skills, and competencies.

The Board Remuneration, Nomination and Governance Committee is charged with the responsibility of leading the process for Board selection and appointment and for identifying and nominating suitable candidates for the approval of the Board.

In identifying suitable candidates, the Committee considers candidates on their merit, using objective criteria, including the Board's skill needs with due regard for the benefit of diversity on the Board. The Committee then recommends nominated directors to the Board and thereafter, to the shareholders for election at the Annual General Meeting.

Tenure of Directors

Pursuant to the Bank's drive to continually imbibe best Corporate Governance practices, Directors are appointed for a maximum period of three terms of four (4) years each.

Thus, the maximum tenure of a Non-Executive Director is twelve (12) years, subject to retirement age of 70 years, statutory provisions, and regulatory directives; the tenure of Independent Directors is eight (8) years, whilst the tenure of Executive Directors is ten (10) years, subject to retirement age of 60 years.

The tenure of directors is tracked at least every six months to facilitate the Bank's succession planning and ensure that there is no gap in the board membership.

Board Evaluation

In compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance, an Independent Governance Consultant was engaged to carry out a Board Evaluation for the Financial Year ended 31st December 2023. The evaluation was based primarily on benchmarking the Bank's current governance structures and practices against the CBN Code, SEC Code, Nigerian Code of Corporate Governance, and other global practices, using the four (4) pillars of Board responsibility which underpin effective corporate governance.

1. Board leadership and Strategy - The Board's ability to manage its own activities and oversee the planning and implementation of the bank's strategy.

2. Accountability and Audit – The Board's role in delegating authority to Management and monitoring Management's activities.
3. Monitoring and Evaluation - The Board's ability to define a framework for measuring and monitoring the performance of the Board, its committees, and individual directors against defined goals.
4. Stewardship - The Board's responsibility towards shareholders and other stakeholders and accountability for their interests.

The independent advisory firm evaluated the performance of the Board and adjudged the Board's compliance culture to corporate governance as positive and largely consistent with the standard contained in the CBN and SEC Codes of Corporate Governance.

The independent advisory firm evaluated the performance of the Board and adjudged the Board's compliance culture to corporate governance as positive and largely consistent with the standard contained in the 2018 Nigerian Code of Corporate Governance, and sector-specific Codes of Corporate Governance of the CBN and SEC respectively.

Induction and Continuous Training

On appointment to the Board and Board Committees, all newly appointed Directors receive formal orientation and training to enable them to familiarize themselves with the Bank's operations, policies, and other members of staff. This is done through induction workshops organized by the Company Secretary in conjunction with external facilitators.

All the newly appointed Directors in 2023 were inducted into the Board of the bank with specialized trainings on contemporary corporate governance practices in compliance with Sec 9.1 of the CBN Code of Corporate Governance Guidelines.

Also, the Bank has institutionalized regular training (both local and foreign) of Board members on emerging issues pertaining to their oversight functions to update their skills and knowledge on new developments in the industry in line with Section 9.2 of the Central Bank of Nigeria Code of Corporate Governance.

In addition, the Directors underwent the following regulatory trainings.

- ✓ Anti Money-Laundering & Combating the Financing of Terrorism facilitated by Leishton Academy.
- ✓ Effective Board Leadership: Corporate Governance that Builds Value facilitated by CBN through the Financial Institutions Training Centre (FITC).
- ✓ Corporate Sustainability training facilitated by KPMG.

The Company Secretary

The Company Secretary reports functionally to the Chairman of the Board of Directors and operationally to the Managing Director and enjoys the full support of the Board for the efficient performance of his duties. He is majorly responsible for the implementation of the Codes of Corporate Governance in the Bank, ensuring that the Board's Charters and Memorandum and Articles of Association are observed, assisting the Chairman and the Managing Director to formulate an annual Board Plan, organising Board meetings, and ensuring that the Minutes of the Board clearly and properly captures the Board's discussions and decisions.

The Company secretary ensures a good information flow between the Board, its committees, the Executive Management, and other stakeholders. Also noteworthy is the fact that the Company Secretary facilitates the induction of new Directors and coordinates the professional development of Directors and administers the shareholders' meetings in line with legal requirements.

Also, the Company Secretary liaises with regulatory agencies to ensure adequate compliance with the recommended corporate governance practices.

The appointment and removal of the company secretary is subject to the approval of the Board.

Board Meetings

In compliance with the CBN Code of Corporate Governance, the Board meets quarterly to review the performance of the Bank and management and to perform its oversight functions. Additional meetings are convened as the need arises. In the year ended December 31, 2023, the Board held six (6) meetings, details of attendance are provided below:

NB: ✓ represents attendance.
X represents absent
N/A represents non-membership.

S/N	Meetings Held	1	2	3	4	5
	Names of Directors	March 27, 2023	May 16, 2023	May 31, 2023	August 17, 2023	December 14, 2023
1	Babatunde Kasali **	✓	✓	✓	*N/A*	*N/A*
2	Ademola Adebise **	*X*	*N/A*	*N/A*	*N/A*	*N/A*
3	Abubakar Lawal **	✓	✓	✓	✓	*N/A*
4	Abolanle Matel-Okoh	✓	✓	✓	✓	✓
5	Olusegun Adesegun	✓	✓	✓	✓	✓
6	Adeyemi Adefarakan	✓	✓	✓	✓	✓
7	Yewande Zaccheaus *	*N/A*	*N/A*	*N/A*	*N/A*	✓
8	Bolarin Okunowo	✓	✓	✓	✓	✓
9	Dr. Oluwayemisi Olorunshola	✓	✓	✓	✓	✓
10	Moruf Oseni	✓	✓	✓	✓	✓
11	Wole Akinleye	✓	✓	✓	✓	✓
12	Oluwole Ajimisinmi	✓	✓	✓	✓	✓
13	Emeka Obiagwu**	✓	✓	✓	✓	*N/A*
14	Tunde Mabawonku *	*N/A*	✓	✓	✓	✓

***Ademola Adebise, Babatunde Kasali, Abubakar Lawal and Emeka Obiagwu all retired from the Board effective March 31st, 2023 (but commenced terminal leave on January 1st, 2023), July 2nd, 2023, September 7th, 2023, and November 25th, 2023 respectively.*
**Tunde Mabawonku and Yewande Zaccheaus joined the Board effective April 1st, 2023 and October 13th, 2023 respectively.*

Board Committees

The Board carries out its oversight functions through its five (5) Committees, as well as the Statutory Audit Committee. Each of these Committees has a Charter that clearly defines its roles, responsibilities, functions, composition, structure, frequency of meetings and reporting procedures to the Board.

Through these Committees, the Board effectively deals with complex and specialized issues and fully utilizes its expertise to formulate strategies for the Bank. The Board Committees in operation during the year under review were:

- Board Risk Management Committee
- Board Credit Committee
- Board Finance and General-Purpose Committee
- Board Remuneration, Nomination & Governance Committee
- Board Audit Committee

The Committees meet at least once in each quarter. However, additional meetings may be convened as required. The roles and responsibilities of these Committees are detailed below.

Board Risk Management Committee

The Committee's major responsibilities are to:

1. Review and assess the integrity and adequacy of the overall risk management structure of the Bank.
2. Oversee the establishment of a formal Risk Management Framework for the Bank and monitor Management's implementation and integration of the framework into the day-to-day operations of the Bank.
3. Establish a robust contingency plan and continuity of business imperatives with in-built capabilities for disruption minimization if mission critical threats crystallize.
4. Ensure the Bank has a comprehensive compliance framework for regulations and guidelines on money laundering and financial crimes.
5. Ensure the establishment of an Information Technology (IT) Data Governance Framework for the Bank and monitor Management's implementation of the Framework.
6. Review significant pronouncements and changes to key regulatory requirements relating to the risk management area to the extent that they apply to the Bank.
7. Report to the Board on material matters arising at the Risk Management Committee meetings following each meeting of the Committee and notify the Audit Committee of relevant issues worth considering.
8. Monitor changes anticipated for the economic and business environment, including consideration of emerging trends and other factors considered relevant to the Bank's risk profile and risk appetite.
9. Assure appropriate independence and authority of the risk management function.
10. Monitor the Bank's capital adequacy levels and capital management process, ensuring compliance with global best-practice standards, such as recommended by the Central Bank of Nigeria (CBN) and Basel II/III.
11. Advise the Board on risk management procedures and controls for new products, markets, and services.

The Committee comprised of the following members during the year under review:

1. Adeyemi Adefarakan - **Chairman**
2. Abubakar Lawal** - Member
3. Ibiye Ekong - Member
4. Abolanle Matel Okoh - Member
5. Moruf Oseni*** - Member
6. Wole Akinleye - Member
7. Emeka Obiagwu - Member
8. Oluwole Ajimisinmi* -Member
9. Tunde Mabawonku * -Member
8. Ademola Adebise -Member

The Committee held four (4) meetings during the year ended 31 December 2022. The attendance details of the Committee's meetings are as follows:

Meetings held	1	2	3	4
Names of Directors	February 8, 2023	April 28, 2023	July 24, 2023	October 27, 2023
Adeyemi Adefarakan	✓	✓	✓	✓
Abolanle Matel-Okoh	✗	✓	✓	✓
Abubakar Lawal * *	✓	✓	✓	N/A
Moruf Oseni * * *	✗	✗	✓	✓
Wole Akinleye	✓	✓	✓	✓
Ibiye Ekong	✓	✓	✓	✓
Emeka Obiagwu	✗	✓	✓	✗
Oluwole Ajimisinmi*	N/A	N/A	✓	✓
Tunde Mabawonku *	N/A	N/A	✓	✓
Ademola Adebise * *	✗	N/A	N/A	N/A

***Abubakar Lawal retired from the board effective September 7, 2023. Hence, he ceased to be a member and Chairman of the Committee.*
***Ademola Adebise retired from the Board effective March 31, 2023, but commenced terminal leave on January 1, 2023.*
**** Moruf Oseni became a Committee member upon the retirement of Ademola Adebise from the board effective March 31, 2023.*
**Tunde Mabawonku joined the Board effective April 1st, 2023 and became a member of the Committee alongside Oluwole Ajimisinmi after the 2022 Annual General Meeting.*

Board Credit Committee

This Committee is made up of individuals who are knowledgeable in credit analysis. The responsibilities of the Committee include:

1. Oversee the establishment of policies and guidelines, to be adopted by the Board, articulating the Bank's tolerances with respect to credit risk, and oversee management's administration of, and compliance with, these policies and guidelines.
2. Review and recommend for Board approval, on an annual basis, policies on credit philosophy, risk appetite, risk tolerance, credit rating methodology and other material credit risk policies for the Bank.

3. Approve credit guidelines for strategic plans and approve the Bank's credit policy, which includes defining levels and limits of lending authority.
4. Review and approve loan applications above the limits delegated to the Management Credit Committee or Managing Director as may be defined by the Board from time to time.
5. Approve write-offs more than Management limits and within the Committee's limits as set by the Board.
6. Receive and review reports from senior management (and appropriate management committees and credit review) regarding compliance with applicable credit risk related policies, procedures, and tolerances.
7. Monitor the performance and quality of the Bank's credit portfolio through the review of selected measures of credit quality and trends.
8. Review and assess the adequacy of the allowance for credit losses.

The Committee comprised the following members during the year under review:

1. Ibiye Ekong - **Chairman**
2. Abubakar Lawal** - Member
3. Abolanle Matel-Okoh - Member
4. Adeyemi Adefarakan - Member
5. Olusegun Adesegun - Member
6. Bolarin Okunowo - Member
7. Moruf Oseni - Member
8. Wole Akinleye - Member
9. Oluwole Ajimisinmi - Member
10. Emeka Obiagwu** - Member
11. Tunde Mabawonku * - Member
12. Ademola Adebise** - Member

The Committee held Eight (8) meetings during the year ended 31st December 2023. The attendance details of the Committee meetings are as follows:

Meetings Held	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*
Name of Directors	*2-Feb-23*	*21-Mar-23*	*18-Apr-23*	*8-Jun-23*	*6-Jul-23*	*3-Aug-23*	*26-Sep-23*	*23-Oct-23*
Ibiye Ekong	✓	✓	✓	✓	✓	✓	✓	✓
*Abubakar Lawal***	✓	✓	✓	✓	✓	✓	*N/A*	*N/A*
Olusegun Adesegun	✓	✓	✓	✓	✓	✓	✓	✓
Abolanle Matel-Okoh	*X*	✓	✓	*X*	*X*	✓	*X*	✓
Adeyemi Adefarakan	✓	✓	✓	✓	*X*	✓	✓	✓
Bolarin Okunowo	✓	*X*	✓	✓	✓	✓	✓	*X*
Moruf Oseni	✓	✓	✓	*X*	✓	✓	✓	*X*
Wole Akinleye	✓	✓	✓	✓	✓	✓	✓	✓

Oluwole Ajimisinmi	✓	✓	✓	✓	✓	✓	✓	✓
Emeka Obiagwu	✓	✓	✓	✓	✓	✓	✓	✓
*Tunde Mabawonku **	*N/A*	*N/A*	✓	✓	✓	✓	✓	✓
*Ademola Adebise***	*X*	*X*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*

***Abubakar Lawal retired from the board effective September 7, 2023. Hence, he ceased to be a member of the Committee.*
***Ademola Adebise retired from the Board effective March 31, 2023, but commenced terminal leave on January 1, 2023.*
**Tunde Mabawonku became a member of the Committee upon his appointment as Executive Director effective, April 1, 2023.*

Board Remuneration, Nomination and Governance Committee

The nomenclature of this Committee was changed to Board Remuneration, Nomination and Governance Committee upon Board's approval in August 2023 and in line with governance standards. The Committee's major task is to ensure that the bank complies with best practice and regulatory codes of Corporate Governance. The main responsibilities of the Committee include:

1. Overseeing the nomination, remuneration, performance management and succession planning processes of the Board.
2. Overseeing the induction of new Directors and continuing training programme for Directors.
3. Overseeing the annual performance appraisal of the Board, its Committees, the Chairman and individual directors by an independent professional.
4. The Committee shall periodically review the Charter, composition, and performance of each committee of the Board and make recommendations to the Board for the creation of additional committees or the elimination of a committee of the Board.
5. Developing and adopting a Code of Business Conduct and Ethics for employees, directors, and officers of the Bank.
6. Monitoring compliance with and periodically reviewing corporate governance guidelines.

The Committee is composed entirely of Non-Executive Directors. The members during the period were:

1.	Bolarin Okunowo	-	Chairman
2.	Abolanle Matel-Okoh	-	Member
3.	Ibiye Ekong	-	Member
4.	Olusegun Adesegun	-	Member
5.	Adeyemi Adefarakan	-	Member
6.	Oluwayemisi Olorunshola****	-	Member

The Committee held six (6) meetings during the year ended 31st December 2023. The attendance details of the Committee's meetings are as follows:

Meetings held	1	2	3	4	5	6
Names of Directors	January 31, 2023	April 20, 2023	August 2, 2023	August 15, 2023	October 12, 2023	December 11, 2023
Ibiye Ekong	✓	✓	✓	✓	✓	✓
Olusegun Adesegun	✓	✓	✓	✓	✓	✓
Abolanle Matel-Okoh	X	✓	✓	✓	✓	✓
Adeyemi Adefarakan	✓	✓	✓	✓	✓	✓
Oluwayemisi Olorunshola****	✓	✓	*N/A*	*N/A*	*N/A*	*N/A*
Bolarin Okunowo	✓	✓	✓	✓	✓	✓

***** Oluwayemisi Olorunshola exited the Committee in July 2023 on account of her election as the Chairman of the Board.*

Board Finance and General-Purpose Committee

This Committee handles all staff matters and is responsible for the oversight of strategic people issues, employee retention, equality, and diversity as well as other significant employee related matters and administrative issues.

Other functions of this Committee include:

1. Defining the strategic business focus and plans of the Bank and ensure effective implementation of approved strategy.
2. Monitor the performance of the bank against budget.
3. Defining capital and operating expenditure limits and approve all capital expenditure on behalf of the Board.
4. Review the Bank's investment portfolio and investment strategy annually.
5. Oversee Supporting Management business development efforts.

The Committee was comprised of the following members during the period under review:

1	Abolanle Matel-Okoh	-	Chairman
2.	Adeyemi Adefarakan	-	Member
3.	Olusegun Adesegun	-	Member
4.	Oluyemisi Olorunshola ****	-	Member
6.	Moruf Oseni	-	Member
7.	Oluwole Ajimisinmi	-	Member
8.	Ademola Adebise**	-	Member

The Committee held Six (6) meetings during the year ended 31st December 2023. The attendance details of the Committee meetings are as follows:

Meetings held	1	2	3	4		
Names of Directors	Feb 16, 2023	March 3, 2023	April 26, 2023	July 21, 2023	Oct 25, 2023	Dec 8, 2023
Abolanle Matel-Okoh	✓	✓	✓	✓	✓	✓
Adeyemi Adefarakan	✓	✓	✓	✓	✓	✓
Moruf Oseni	✓	✓	✓	✓	✓	✓
Oluwayemisi Olorunshola****	✓	✓	✓	N/A	N/A	N/A
Olusegun Adesegun	✓	✓	✓	✓	✓	✓
Oluwole Ajimisinmi	✓	✓	✓	✓	✓	✓
Ademola Adebise**	X	X	N/A	N/A	N/A	N/A

*****Oluwayemisi Olorunshola ceased to be a member of the Committee upon her appointment as Chairman of the Board in July, 2023.*
***Ademola Adebise retired from the Board effective March 31, 2023, but had commenced terminal leave on January 1, 2023.*

Board Audit Committee

This Committee was established to protect the interests of the Bank's shareholders and other stakeholders and to act on behalf of the Board by:

1. Overseeing the integrity of financial reporting.
2. Overseeing the adequacy of the control environment.
3. Overseeing the internal and external audit function.
4. Ascertaining the independence of external auditors.
5. Ensuring compliance with established policy through periodic review of reports provided by Management, internal and external auditors, and the supervisory authorities.
6. Overseeing the identification and monitoring of significant fraud risks across the Bank and ensuring that adequate prevention, detection, and reporting mechanisms are in place.

The Committee comprised the following members during the period under review:

1. Bolarin Okunowo - Chairman
2. Abubakar Lawal** - Member
3. Ibiye Ekong - Member
4. Oluwayemisi Olorunshola** ** - Member
5. Olusegun Adesegun - Member

The Board Audit Committee held Six (6) meetings during the 2023 financial year. Details of the members' attendance are as follows:

Meetings held	1	2	3	4	5	6
Names of Directors	6-Feb-23	Feb 27, 2023	May 3, 2023	July 25, 2023	October 18, 2023	Nov 7, 2023
Bolarin Okunowo	✓	✓	✓	✓	✓	✓
Olusegun Adesegun	✓	✓	✓	✓	✓	✓
Oluwayemisi Olorunshola****	✓	✓	✓	N/A	N/A	N/A
Ibiye Ekong	✓	✓	✓	✓	✓	✓

Abubakar Lawal**	✓	✓	✓	✓	N/A	N/A

***Abubakar Lawal retired from the board of the bank in September 2023*

*****Oluwayemisi Olorunshola ceased to be a member of the Committee upon her appointment as Chairman of the Board of the Bank effective July 2023.*

Statutory Audit Committee

This Committee was established in compliance with Section 404(3) of the Companies and Allied Matters Act, CAP C20 LFN 2020 (CAMA). The Committee is made up of Two (2) Non-Executive Director and three (3) Shareholders of the Bank appointed at Annual General Meetings. The Bank's Company Secretary/General Counsel is the secretary to the Committee, while one of the Shareholders is elected by Committee members as the Chairman of the Committee. However, one (1) of the Non-Executive Director retired during the last quarter of the year.

The Committee is responsible for:

- Ascertaining whether the accounting and reporting policies of the Bank are in accordance with the legal requirements and agreed ethical practices.
- Reviewing the scope and planning of audit requirements.
- Reviewing the findings on management matters as reported by the external auditors and departmental responses thereon.
- Reviewing the effectiveness of the Bank's system of accounting and internal control.
- Making recommendations to the Board about the appointment, removal and remuneration of the external auditor of the Bank.
- Authorizing the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee.
- Reviewing the Bank's annual and interim financial statements, including reviewing the effectiveness of the Bank's disclosure, controls and systems of internal control, the integrity of the Bank's financial reporting and the independence and objectivity of the external auditors.

The Committee comprised the following financially literate members who are knowledgeable in internal control processes during the period under review:

1. Joe Ogbonna Anosike - Chairman/Shareholders’ Representative
2. Esther Osijo - Shareholders’ Representative
3. Samuel Awobode* - Shareholders’ Representative
4. Adekunle Olodun** - Shareholders’ Representative
5. Bolarin Okunowo - Shareholders’ Representative
6. Abubakar Lawal** - Shareholders’ Representative

The Statutory Audit Committee held five (5) meetings during the 2023 financial year. Details of members' attendance are as follows:

Meetings held	1	2	3	4	5
Names of Members	February 13 2023	March 1 2023	April 27 2023	July 27 2023	October 26 2023
Joe Ogbonna Anosike	✓	✓	✓	✓	✓
Esther Osijo	✓	✓	✓	✓	✓
Abubakar Lawal**	✓	✓	✓	✓	N/A
Bolarin Okunowo	✓	✓	✓	✗	✓
Samuel Awobode*	N/A	N/A	N/A	✓	✓
Adekunle Olodun**	✓	✓	✓	N/A	N/A

*Samuel Awobode joined the Committee in July 2023
**Adekunle Olodun and Abubakar Lawal ceased to be members of the Committee from July 2023 and September 2023 respectively.

Statutory Meetings

The CBN Code of Corporate Governance which was released in July 2023 introduced new statutory meetings as additional mediums for the promotion of effective corporate governance practices and to enhance the board's efficiency & effectiveness in its oversight functions.

In compliance with the regulatory directive, the bank held the following statutory meetings during the financial year ended December 31, 2023. The details of the meetings are below.

S/N	STATUTORY MEETINGS	APPLICABLE PROVISIONS	DATES
1.	Meeting of Independent Non-Executive Directors (INEDs)	Sec. 3.5.7 of the CBN Code of Corporate Governance	December 6, 2023
2.	Board Audit Committee Meeting with External Auditors and the Chief Audit Executive (CAE)	Principle 11.4.8 of the NCCG, 2018	November 7, 2023
3.	Meeting of the Chairman and Non-Executive Directors	Sec. 3.1.2 of the CBN Code of Corporate Governance	December 6, 2023

Meeting of All Independent Non-Executive Directors

This meeting of the Independent Non-Executive Directors (INEDs) is a statutory meeting as directed by our apex regulator, CBN through Sec. 3.5.7 of the CBN Code of Corporate Governance issued in July 2023. The purport of this meeting is to create a platform for all Independent Non-Executive Directors to discuss their observations, learning points and concerns on matters relating to the Board and Management of the bank as an additional layer of ensuring that the corporate governance structure of the bank is strengthened. The bank held this meeting on December 6, 2023, with the following INEDs in attendance.

Names	*6-Dec-23*
Oluwayemisi Olorunshola	✓
Ibiye Ekong	✓
Bolarin Okunowo	✓

Meeting Between the Chairman and Non-Executives of the Bank

The Non-Executive Directors' (NEDs) meeting with the chairman is an emerging feature of good corporate governance because it provides an opportunity for Non-Executive Directors (NEDs) on the board to raise issues of concern devoid of interference from Executive Directors. This meeting enhances the Board's ability to hold the Executive Management to account and provides a forum for receiving feedback from Non-Executive Directors. This platform is also helpful for discussing the bank's board evaluation report and learning points to improve the bank's board effectiveness.

It is also important to note that this meeting is statutory in nature as directed by Sec. 3.1.2 of the CBN Code of Corporate Governance and was held in the bank on December 6, 2023, during the financial year. The Attendance for this meeting is reproduced below.

Names	*6-Dec-23*
Oluwayemisi Olorunshola	✓
Adesegun Olusegun	✓
Yewande Zaccheaus	✓
Bolarin Okunowo	✓
Ibiye Ekong	✓
Abolanle Matel-Okoh	*X*
Adeyemi Adefarakan	*X*

Board Audit Committee Meeting with External Auditors and the Chief Audit Executive (CAE)

This meeting was held pursuant to Principle 11.4.8 of the Nigerian Code of Corporate Governance (NCCG), 2018. The meeting provides a platform for an independent interaction between the bank's external auditors-KPMG and the members of the bank's Board Audit Committee. The meeting was held November 7, 2023.

NAME OF DIRECTORS	*7-Nov-23*
Bolarin Okunowo	✓
Olusegun Adesegun	✓
*Oluwayemisi Olorunshola**	*N/A*
Ibiye Ekong	✓
*Abubakar Lawal**	*N/A*

** Oluwayemisi Olorunshola and Abubakar Lawal ceased to be Committee members on account of her elevation to the role of Chairman of the board and his retirement from the board respectively.*

Management Committees

The Committees comprises of Senior Management Officers of the Bank. These Committees are risk driven as they are set up to identify, analyse, synthesize and make recommendations on risks arising from the day-to-day activities of the Bank.

These Committees also ensure that risk limits as contained in the Board and Regulatory Policies are always complied with. In addition, they provide inputs for the respective Board Committees of the Bank and ensure that recommendations of the Board Committees are effectively and efficiently implemented.

They frequently meet to take actions and decisions within the confines of their limits.

The following are the standing Management Committees in the Bank:

- Executive Committee
- Management Credit Committee
- Watchlist Committee
- Assets and Liability Committee
- Management Risk Committee
- IT Steering Committee
- Service Excellence Committee
- Sustainability Committee
- Data Governance Committee
- Innovation Governance Committee
- Information Security Steering Committee
- Tenders Committee
- Disciplinary Committee

Executive Committee

The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Bank.

The responsibilities of the Committee include:

1. Review the strategic operations of the Bank:
    - Review audit and inspection reports
    - Review adequacy and sufficiency of branch tools
    - Review manning level in branches and head office departments.
2. Consideration and approval of proposed new branches.
3. Review the asset and liability profile of the Bank.
4. Consider and approve capital and recurrent expenses.
5. Review the activities of subsidiaries and associated companies.
6. Monitor and give strategic direction on regulatory issues.

The Committee comprises of the Managing Director/Chief Executive Officer, all other Executive Directors, the Company Secretary/Legal Adviser and any other member as may be appointed from time to time. The Committee meets monthly. However, additional meetings are convened as required. The Company Secretary serves as the Secretary to the Committee.

Management Credit Committee

This committee is tasked with ensuring the Bank's full compliance with the Credit Policy Manual approved by the Board of Directors. Other functions include:

- Provide inputs for the Board Credit Committee.
- Review and approve credit facilities to individual obligors not exceeding an aggregate sum as determined by the Board from time to time.
- Review and approve all credits that are above the approval limit of the Managing Director/CEO, as determined by the Board of Directors.
- Review the entire credit portfolio of the Bank and conduct periodic checks of the quality of risk assets in the Bank.
- Ensure adequate monitoring of credits granted by the Bank.

The Committee meets monthly depending on the number of credit applications to be appraised and considered. The Committee comprises of the Managing Director/Chief Executive Officer, all other Executive Directors, the Company Secretary/General Counsel and any other member as may be appointed from time to time. The Secretary to the Committee is the Head of Credit Risk Department of the Bank.

Watchlist Committee

The purpose of this Committee is to assess the risk asset portfolio of the Bank. Other functions include:

- Highlighting the status of the Bank's assets in line with internal and external regulatory frameworks.
- Determines and approves actions to take in respect of delinquent assets.
- Ensures that adequate provisions are made in line with the regulatory guidelines.

Membership of the Committee includes, the Managing Director, all other Executive Directors, Head of Enterprise Risk Management, Head of Remedial Assets Management and other relevant Senior Management Staff of the Bank. The Secretary to the Committee is the Head of Credit Monitoring Unit.

Assets and Liabilities Committee

This is the Committee that is responsible for the management of a variety of risks arising from the Bank's business which include:

- Market and liquidity risk management
- Loan to deposit ratio analysis
- Cost of funds analysis
- Establishing guidelines for pricing on deposit and credit facilities
- Exchange rate risks analysis
- Balance sheet structuring
- Regulatory considerations and monitoring of the status of implemented assets and liability strategies

Membership of the Committee includes the Managing Director/CEO, all other Executive Directors, the Treasurer, the Chief Finance Officer, the Chief Risk Officer and other relevant Senior Management Staff.

Management Risk Committee

In alignment with international standards and the Code of Corporate Governance, the Committee was formed amongst other things to:

- Review the effectiveness of the Bank's overall risk management strategy at the enterprise level.
- Identify and evaluate new strategic risks and agree on suitable mitigating factors.
- Review the enterprise risk scorecard and determine the risk to be reported to the Board on a quarterly basis.

Membership of the Committee includes the Managing Director/Chief Executive Officer, all other Executive Directors, the Chief Risk Officer, the Chief Audit Executive, Head of Internal Control, representatives of Operations, Information Technology and Legal departments.

IT Steering Committee

The significance of Information Technology (IT) has grown exponentially in supporting, sustaining, and fostering the business growth of the Bank. Consequently, it is imperative for management to place heightened focus on IT investments, IT risk management, and data governance. This Committee's responsibilities are as follows:

- Oversees the development and maintenance of the IT strategic plan.
- Approves vendors used by the Bank and monitor their financial condition.
- Approves and monitors major projects, IT budgets, priorities, standards, procedures, and overall IT performance.
- Coordinates priorities between the IT department and users' departments.
- Reviews the adequacy and allocation of IT resources in terms of funding, personnel, equipment, and service levels.
- Provides use and business perspective on IT investments, priorities and utilization.
- Monitors the implementation of the various initiatives and ensures that deliverables and expected outcomes/business value are realized.
- Ensures increased utilization of technology and adequate returns on all IT investments.
- Makes recommendations and/or decisions in the best interests of the Bank, following review by IT department on such items as procurement of desktops and equipment, service standards, and networking requirements, including benchmarks.
- Evaluates progress toward the established goals and present a report to the Executive Committee as and when necessary.
- Acts in a supervisory capacity, in implementing the Bank's IT strategy.

Service Excellence Committee

The Committee was established to manage and enforce service excellence within the Bank. Other functions include:

- Creating and instilling a service excellence vision and an organizational climate conducive for promoting a culture of excellent service delivery.
- Reviewing of customer service failures and proffering remediation

- Facilitating and celebrating progress in service excellence goals.
- Ensuring employees are trained and imbibe the principles of excellent / exceptional service.

The Committee is chaired by the Deputy Managing Director and other members include the Chief Compliance Officer, the Chief Human Resource Officer, the Company Secretary/General Counsel and the Chief Experience Officer. The secretary of the Committee is the Head, Customer Experience Management. The Committee meets on a monthly basis and at any other time as may be required.

Sustainability Committee

This committee oversees and guides the adoption and implementation of the Corporate Sustainability strategy of the Bank in alignment with the Nigerian Sustainability Banking Principles (NSBP), UNEP-FI Principles for Responsible Banking and Sustainable Development Goals.

The Committee's responsibilities include:

- Development and review of the corporate sustainability strategy of the Bank
- Reviewing and making recommendations to management on reporting to shareholders and other communities regarding corporate responsibility activities
- Reviewing and making recommendations to the Board with respect to any shareholder proposal that relates to the matters overseen by the Committee.

The Committee meets on a monthly basis and at such times as the chairperson of the Committee shall decide in order to fulfil its duties. The Committee comprises of the Deputy Managing Director, an Executive Director, the Chief Compliance Officer, the Chief Risk Officer, the Chief Human Resource Officer and other senior management staff as may be appointed from time to time.

Data Governance Committee

The Committee was established to develop comprehensive policies, oversee documentation by which internal business units collect, steward, disseminate, and integrate data on behalf of the Bank. The Committee also performs the following functions:

- Develop, implement, maintain, and assist in enforcing bank-wide data management policies, standards, guidelines, and operating procedures related to enterprise data.
- Advise on bank-wide data management practices for decision making including data warehousing, business intelligence and master data management.
- Assist in enhancing enterprise data with consistent definitions and classifications according to data management standards and guidelines.
- Minimize data redundancy or errors by ensuring improved data quality and adherence to standards.
- Ensure data is scalable, reportable, and secure.
- Coordinate compliance requirements related to laws and regulations that have information management implications and impart a duty upon the institution.

Membership of this Committee includes two Executive Directors, the Chief Compliance Officer, the Chief Human Resource Officer, the Chief Digital Officer, Chief Information Officer and some other senior management staff. The Committee meets quarterly and at any other time as may be required.

Innovation Governance Committee

The Committee is setup to steer, advise, govern all innovation activities within the Bank in line with the bank's corporate strategy and intent, and most importantly help achieve sustainable innovation.
The Committee's responsibilities include:

- driving the change process that will move the bank towards a culture that represents, supports and sustains innovation; constantly monitoring it to make sure that it stays on track.
- Overseeing, reviewing and approving policies, budgets, projects, strategies, divestment, acquisition, mergers and required investments for the innovation team.
- Overseeing development and implementation of the Innovation team's strategy and its alignment with the bank's overall strategy and objectives.
- Providing guidance on technology and innovation related issues of importance to the bank as the Board may from time-to-time request.

Membership of the Committee includes two Executive Directors, Heads of various departments and other senior management staff as may be appointed from time to time. The Committee meets quarterly and at any other time as may be required.

Information Security Steering Committee

The Committee assists the Board in fulfilling part of its corporate governance obligations to the shareholders and the investment community. The Committee's responsibilities include:

- ensuring that the requisite information security management standard (ISO 27001) and IT service Management Standard (ISO 20000) internal audits are conducted in accordance with the audit plan and ensure that the issues raised during the audit are all closed promptly.
- Ensuring that the Bank's security policies and processes align with the business objectives.
- Evaluating, approving and sponsoring institution-wide security investment

The Committee comprises of an Executive Director, top Management Executives, Company Secretary/General Counsel and any some senior management staff as may be appointed from time to time. The Committee meets quarterly and at any other time as may be required.

Tenders Committee

The purpose of the committee is to ensure that the most favorable terms for acquisition of goods, work, services required are obtained for the Bank's main activities ("purchases") on the principles of competitiveness, transparency and team decision making and in line with "Best practices".
The functions of the Committee include but not limited to:

- Call for tenders
- Receive and open tenders
- Overseeing of the evaluation of all tenders
- Approval of all tender recommendations and awards
- Approval of requests for pre-qualification or other methods of procurement
- Provision of guidelines for procurement on behalf of the bank's EXCO

Membership of the Committee includes the Treasurer, the Company Secretary/General Counsel, the Chief Compliance Officer, the Chief Information Officer and other senior management staff as may be appointed from time to time. The secretary of the Committee is the Head, Property Management Department. The Committee meets quarterly and at any other time as may be required.

Disciplinary Committee

The Committee was established to examine alleged breaches of rules and regulations within the Bank, adjudicate over such breaches and recommend appropriate sanctions to the Executive Committee. Other functions of the Committee include:

- Ensuring compliance with the code of conduct and other policies of the Bank
- Direct investigation into allegations
- Recommendation of appropriate sanctions on erring staff to the Executive Committee

The Committee comprises of an Executive Director, the Chief Human Resource Officer, the Chief Audit Executive, the Company Secretary/General Counsel and other senior management staff as may be appointed from time to time. The Committee meets monthly and at any other time as may be required.

Monitoring Compliance with Corporate Governance

The Chief Compliance Officer of the Bank monitors compliance with money laundering requirements and the implementation of the CBN Code of Corporate Governance.

The Bank transmits returns on all whistle-blowing reports and corporate governance breaches to the Central Bank of Nigeria monthly.

Whistle-Blowing Procedures

In compliance with the CBN mandate on whistle blowing and in line with the Bank's commitment to instil the best corporate governance practices, the bank formulated a Whistle – Blowing Policy, which guarantees anonymity. The Policy covers both the external and internal whistle blowers and extend to conducts of stakeholders including employees, customers and vendors.

The Bank has a dedicated e-mail address for whistle blowing and the whistleblowing Policy is permanently available on the Bank's website and intranet. There is a direct link on the Bank's intranet for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance.

The Bank’s Chief Audit Executive is responsible for monitoring and reporting on Whistleblowing. The Chief Audit Executive also presents a report on Whistleblowing to the Board Audit Committee on a regular basis.

Code of Professional Conduct for Employees and Directors

The Bank has an internal code of professional conduct for staff and directors which is strictly adhered to and executed upon assumption of duties.

Shareholders

The Annual General Meeting of the Bank is the highest decision-making body. General Meetings are duly convened and held in line with existing statutory provisions in a transparent and fair manner.

Shareholders are opportune to express their opinions on the Bank's financials and other business-related issues. Other attendees of the meetings are Regulators such as Central Bank of Nigeria, Securities and Exchange Commission, The Nigerian Exchange Limited, Corporate Affairs Commission, professional consultants, and representatives of Shareholders' Associations.

The Board places considerable importance on effective communication with shareholders on developments in the Bank. Accordingly, the Bank has established an Investors Relations Unit which deals directly with enquiries from shareholders and investors to promote and improve shareholders' access to information and enhance effective communication with shareholders.

Protection of Shareholders' Rights

The Board ensures the protection of the statutory and general rights of shareholders, particularly their voting right at General Meetings of the Bank. All shareholders are treated equally, regardless of the volume of shareholding or social status.

Shareholder's Complaint Management Policy

The Bank has developed a Complaint Management Policy for shareholders to foster an efficient and timely resolution of Shareholders' complaints. The Policy can be accessed through the Bank's website. In addition, there is shareholder complaints' register which is usually filed with the Nigerian Exchange quarterly.

Insider Trading Policy

The Bank has a Securities Trading Policy which prohibits Directors, insiders and their related persons in possession of confidential price sensitive information from dealing with the securities of the Bank during the closed period.

Note: *In the year under review, there was no record of infraction of this policy.*

Remuneration and Clawback Policy

The Board has a well-defined Policy for determining the remuneration of Directors in line with regulatory standards. Furthermore, the Board has an approved Claw back Policy to recover excess or undeserved award from Executive Management, in compliance with Principle 16.9 of the NCCG.

During the financial year under review, there was no claw back incident during the year.

Wema Bank Compliance Risk Framework

Compliance is "adhering to the requirements of law, industry and organizational codes, principles of good governance and ethical standards."
The Compliance and Conduct Department is at the forefront of supporting the compliance goals of the bank by implementing programs that identify potential risks, deter misconduct, and potentially reduce penalties.
The continued changes in legislation aimed at combating Money Laundering, Terrorist Financing, and proliferations of equipment for mass destruction has placed great emphasis on the formal and structured monitoring of compliance with legal, regulatory, and supervisory requirements.

Our Compliance Risk Framework reflects the following core principles and practices:
1. Our responsibilities as employees, our culture, systems, and processes.
2. Compliance with the letter and spirit of regulatory standards and ensuring that the standards are embedded in our processes.
3. Visibility and accountability of senior management in ensuring a strong compliance culture.
4. Engagement with regulatory bodies and industry fora to ensure the maintenance of high standards across the Bank.

The Compliance function reports to the Board Risk & Management Committee and Board Audit Committee through the Executive Compliance Officer (ECO) and the Chief Compliance Officer (CCO) respectively.

The Compliance Risk Framework utilizes a range of methods, including compliance audit, file reviews, customer surveys and operational risk assessments to measure the effectiveness of our compliance program. The Compliance and Conduct Department is supervised by the Chief Compliance Officer (CCO), who ensures the implementation of the Compliance Risk Management Framework. The team facilitates compliance planning and reporting, specialist advice to business and operational units of the bank as trusted Compliance Advisors. The Department operates a Cluster Compliance structure. Each Cluster/ Compliance Officer implements regulatory initiatives and ensures internal policies are adhered to at the Cluster level.

Key components of the Compliance framework:

Board and Management Responsibilities

The overall responsibility of establishing broad business strategy, significant policies and understanding significant risks of the bank rests with the Board of Directors. In Wema Bank, through the establishment of Board Risk & Management Committee (BRMC), the Board of Directors oversees the effectiveness and sets the risk acceptance criteria of the AML/CFT/CPF programme and compliance to internal policies.
The Bank's Management sets a strong compliance culture within the bank, with governance & guidance from the Board of Directors. The Executive Committee (EXCO) puts in place approved policies and procedures to identify, measure, monitor and control risks. The Bank has a Compliance structure, which assigns clear responsibility, authority, and

reporting relationships among members of staff. The Management, through its monthly Management Risk Committee (MRC) monitors the adequacy and effectiveness of the Compliance function based on the bank's established policies & procedures.
The Chief Compliance Officer and Chief Financial Officer regularly attests to returns to the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), other regulatory bodies and the public.

Reports to Senior Management and the Board of Directors

Compliance issues and risks identified in the financial environment are discussed at the Board and Management Risk Committee meetings as detailed below:

- Management Risk Committee – Monthly
- Board Risk & Management Committee – Quarterly
- Statutory Audit Committee – Quarterly
- Board Audit Committee – Quarterly

Critical emerging issues requiring immediate attention are promptly reported to Management and Board.

Cooperation with Regulators and Law Enforcement Agencies

Wema Bank will continually cooperate with the law enforcement agencies within the limits of the rule governing confidentiality. The Bank shall comply promptly with all requests made pursuant to the provisions of relevant AML/CFT/CPF laws and regulations.
Compliance and Conduct Department serves as a liaison office between the bank and regulators and a point of contact for all employees on issues relating to money laundering, terrorist financing and proliferation of weapons for mass destruction.

Customer Due Diligence (CDD)
Wema Bank ensures that due diligence and proper KYC practices are carried out on prospective and existing customers. All parties to a business are properly identified before relationships are established. At Wema Bank PLC, the level of KYC carried out is determined by the level of risk associated with the customer. High risk customers are subjected to Enhanced Due Diligence (EDD).

Risk Recognition and Assessment
Wema Bank recognizes and assesses all risks (internal and external factors) that can adversely affect the achievement of the bank's goals and business objectives. The risk assessment by the bank focuses on the review of business strategies to maximize risk/reward trade-off within the different areas of the bank. This is based on compliance with regulatory requirements, social, ethical, and environmental risks that affect the banking industry.

Customer Identification Program (CIP)
A business relationship with Wema Bank will NOT be established until the identity of the potential customer is satisfactorily established. Where a customer declines to provide any account initiation information, the relationship will NOT be established.

Politically Exposed Persons (PEPs)
In line with the regulatory requirements, Wema Bank shall undertake a risk assessment on PEPs and classify them based on the level of risk posed by the customer. Senior Management approval (General Manager and above) is required before such accounts are opened and for a continuous relationship where an existing customer becomes a PEP. Due to the peculiarity of transactions of PEPs, such customers and their transactions are subject to continuous

monitoring. This is to mitigate money laundering and terrorist financing risks as well as strict adherence to regulatory policies and FATF recommendations.

Preservation of Customers' Records

In line with applicable laws and regulations, Wema Bank keeps all documents and transaction records of customers during business relationship for a minimum period of five (5) years after the severance of business relationship with the Bank.

Compliance Training (AML/CFT/CPF & Compliance to Internal Policies)

Considering the role of Employees, Management and Board of Directors in the fight against money laundering, terrorist financing and proliferation of weapons for mass destruction, formal AML/CFT/CPF and other Compliance related trainings are conducted for all members of staff, Senior Management and Board of Directors at least once a year.

Considering the role of Employees, Management and Board of Directors in the fight against money laundering, terrorist financing and proliferation of weapons for mass destruction, formal AML/CFT/CPF and other Compliance related trainings are conducted for all members of staff, Senior Management and Board of Directors at least once a year. Additional trainings and sensitizations are conducted through the bank's intranet, nuggets and knowledge sharing sessions (KSS). The knowledge base of all employees is periodically assessed and forms part of the employees' appraisal.

Conflicts of Interest

In relation to any transaction we execute or arrange for customers, where we have an interest, relationship, arrangement, or duty which is material or which gives or may give rise to a conflict of interest with customer's interest(s), Wema Bank will take all necessary steps to ensure fair treatment in relation to such transaction and will manage any conflict of interest in accordance with our internal policies and procedures.

Sanctions Compliance

Wema Bank is obliged to comply with sanctions Laws ("Sanctions"). Any breach of Sanctions may have a serious impact on our reputation, franchise, regulatory relationships and could impair the Bank's ability to provide timely services to our customers.

The Bank relies on the conduct of our customers to comply with Sanctions and hereby requires that customers confirm and will ensure that;

(i) they and their businesses (including subsidiaries and sister companies) are not targets or subject of Sanctions.

(ii) no product, service or transaction involving Wema Bank will be utilized for the benefit of any person or business that is a target or subject of Sanctions or in any manner that would result the customer of their businesses or the Bank to be in breach of any applicable Sanctions or becoming a target or subject of Sanctions.

(iii) We reserve the right to not provide any product or service or process any transaction where such may be or cause us to breach the Wema Bank's Sanctions policy.

Termination and Suspension of Transaction / Service / Relationship

Wema Bank may suspend a transaction or service or terminate a transaction, service or our relationship with any customer, where;

(i) the customer breaches any applicable Law or contravene any matter set out in the sanction law or

(ii) executing the transaction, providing the products and services, or continuing our relationship with the customer will cause us to breach any applicable Law or contravene any matter set out in this Statement.

Whistle Blowing/Employees' Responsibilities

All employees are responsible for complying with the Bank's policy on whistle blowing. Employees having information on any prohibited, unlawful act or unethical activity affecting the Bank must promptly report via our robust whistle blowing system. This also enables our external stakeholders to report unethical activities. The whistle blowing reports are received by the Head, Investigation Team, Chief Audit Executive, Chief Human Resource Officer, and Chief Compliance Officer of the Bank. This enables the Bank to take measures to address such reports before they escalate into future liabilities, business threats and losses. The whistle blowing policy protects the whistle blower from any reprisal for reporting unlawful or unethical act. Employees have been trained via various platforms (such as e-learning, face-to-face etc.) on how to report contraventions without their identity being revealed. Details of the whistle-blowing channels are provided below:

Details of the whistle-blowing channels are provided below:
Phone Numbers: +2348022245818; +2348022230169; +2348025015605 & +2348033448971
Email: whistle-blowing@wemabank.com

Anti-Bribery and Corruption

Wema Bank Plc is strongly committed to high ethical standards and integrity. We continue to create awareness amongst our staff on the importance of ethical conduct. The Bank maintains a corporate culture that rewards honest practices and discourages unethical activities.
The Bank has an approved Anti-Bribery and Corruption policy, indicating rules that must be adhered to by employees and stakeholders.

Role of Internal Auditors in Evaluating AML/CFT/CPF & Compliance to Internal Policies.

The Internal Auditors provide unbiased recommendations on the strength and weakness of the AML/CFT/CPF and Internal Compliance programme of the bank. They examine the records and transactions of the bank and evaluate its accounting and disclosure policies as well as methods of financial estimation made by the Bank. The Internal Audit function reviews the effectiveness of the AML/CFT/CPF programme of the bank bi-annually.

Customer Complaints Management and Feedback

Introduction

The Bank continued its journey to a 5-star experience for all customers by leveraging technology and data science to become more proactive in handling customer complaints. We are pleased to present a comprehensive overview of the significant strides made in enhancing our complaint resolution and management processes in 2023. This report reflects our commitment to transparency and accountability in all aspects of our operations.

In early 2022, the Bank launched an 18-month Service Improvement Program called "Project 5 Star" and the goal was primarily to achieve a higher level of constituency in customer experience and maintain our leadership in the KPMG Banking Industry Customer Experience Survey rating.

Under this project, we have revamped our service standards including the Purple Book which is the compendium of acceptable behaviors by staff across all our touchpoints which is yet an indication of the Bank's unwavering dedication to ensuring that the "very little things" that guarantee exceptional experiences for all our customers.

In all, the impact of the Bank’s service improvement initiatives is evident in the timely resolution of complaints, the number of complaints resolved within SLA improved by 54% compared to 2022. Consequently, the number of customers’ escalating unresolved complaints was significantly reduced. Escalation from regulatory bodies including CBN reduced by 38% - a confirmation of the Bank’s efficiency with complaint resolution.

Best-In-Class Technology – BOTs, Automation & Complaint Management.

The Bank’s aspiration to be systematically important and digitally dominant is a vision that was backed by action in 2023. We embraced the use of cutting-edge technologies to automate certain aspects of the complaint resolution process.

This Automation has not only reduced the margin of error but also expedited the identification and resolution of complaints, especially transactional errors. We deepened the use of robotics/BOTs integration with our Complaint Management Portal and resolved over 99.9% of all complaints logged via the ALAT App (Report an Error feature). We also improved our self-service capability in the Contact Centre by enhancing our Interactive Voice Response (IVR) system.

Our Live chatbots provide immediate assistance, offering real-time responses to our customer inquiries. This instant support has contributed to a positive customer experience and reduced our response time by 620%.

Monthly Trend of Customer Complaint and Resolution – Improved Resolution Time:

As a result of the initiatives stated earlier, The Bank successfully reduced the average time taken to resolve customer complaints by 60% compared to 2022, and the resolution rate increased from 93% to 98% demonstrating our commitment to improving the experience of our customers consistently and efficiently.

Table shows the total number of complaints and claims received at the end of the Financial Year 2023 compared to those received in 2022.

	Number		Total Amount Claimed (N Million)		Amount Refunded (N Million)	
Description	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Pending Complaints B/F	13,642	21,681	10,273	10,824	N/A	N/A
Received Complaints	617,941	404,179	11,828	924	11,258	622
Resolved Complaints	621,609	412,218	11,258	1,475	11,258	622
Unresolved Complaints escalated to CBN for Intervention	N/A	N/A	N/A	N/A	N/A	N/A
Unresolved Complaints pending with the bank C/F	9,974	13,642	10,843	10,273	N/A	N/A

Investment in Employee Training:

To ensure our staff are well-equipped to handle diverse customer concerns, we invested in comprehensive training programs focused on empathy, problem-solving, and effective communication for all frontline staff in the Bank.

Impact on Customer Satisfaction:

The initiatives collectively contributed to a notable increase in customer satisfaction (CSAT) and Net Promoter Score (NPS). CSAT and NPS improved by 10% and 74% respectively in the last 12 months.

Enhanced Communication Channels:

We continue to systematically reduce the Customer Effort score regarding our engagement channels in a bid to make it easier and faster for customers to reach us and get their issues resolved when a failure occurs. We expanded our engagement channels by introducing the Report and Error feature on ALAT, WhatsApp, and the Live Chat column of the Bank's official website.

Telephone:	0-7000 PURPLE, 08039003700, 01-2777700
Email:	purpleconnect@wemabank.com
SMS & WhatsApp:	07051112111
Live Chat:	www.wemabank.com
Letters	Customer Protection Unit Wema Bank Plc Wema Towers 54 Marina, Lagos
Ombudsman:	01-2779960, cpu@wemabank.com
Fraud Desk	01-2779836; Frauddesk@wemabank.com
Social Media	facebook.com/wemabankplc Instagram.com/wemabank Twitter.com/Wemabank

Conclusion:

The improvements made in complaint management in the Bank in 2023 reflect our unwavering dedication to customer-centricity. In all, our customers are happier, and the Bank's Net Promoter Score (NPS) is soaring to all-time high levels.

Chairman's Statement

Introduction

Distinguished Shareholders, Ladies and Gentlemen, it is with great pleasure that I welcome you all to our Annual General Meeting for the year ended December 31, 2023.

It is my privilege to address you as the Chairman of the Board of Directors. As we gather today, we do so not just to review the past year, but to celebrate the performance of our bank despite a tough operating environment.

The global economic landscape was marred by difficult conditions during the year including inflationary pressures, geopolitical tensions, supply chain disruptions and wars. Closer to home, the Nigerian economy navigated its own set of challenges, with currency fluctuations, rising inflations and talent exodus impacting businesses and individuals alike.

Despite these complexities, Wema Bank has managed to grow strongly over the period. We embraced Execution mastery and adapted to the changing landscapes, and thus emerged stronger than ever. It's heartening to witness the Bank's continued advancements across various fronts. Our innovative digital platform, ALAT, remains robust, maintaining its leadership position in the digital sphere with impressive performance.

Operating Environment

The year 2023 was marked by significant challenges for the global economy. While a recession was narrowly avoided, the year unfolded with high volatility and uncertainty. The global landscape continued to be disrupted by the pass-through effects of the covid-19 pandemic on global supply chains and the impact of the new war between Russia and Ukraine on energy prices which triggered higher inflation globally. To combat higher inflation, central banks hiked interest rates which led to an outflow of investments from emerging markets.

Global Gross Domestic Product growth for 2023 was projected at around 3.0%, significantly below the pre-pandemic average. Growth in advanced economies plummeted to around 0.5% with major players like the US and Europe teetering on the brink of recession. Inflation soared in many countries, fueled by supply chain disruptions, the war in Ukraine and loose monetary policy. Food and energy prices skyrocketed, squeezing household budgets and triggering social unrest in vulnerable regions. Central banks pivoted from pandemic-era stimulus to aggressive interest rate hikes, aiming to tame inflation but risking economic slowdown. Investments in renewable energy continued to grow, signaling a shift towards a more sustainable future.

- **Russia & Ukraine war:** The ongoing conflict continued into the second year, impacting global energy and food markets, triggering inflation, and disrupting trade.

- **Debt Levels**: Global debt levels reached record highs, raising concerns about financial stability and potential default in some countries.

- **US-China relations**: The future of the US-China relationship will have a profound impact on the global economy. While cooperation can unlock significant potential for growth and progress, ongoing tensions and competition pose risks for instability and disruption. Managing this complex relationship effectively will be crucial for ensuring a stable and prosperous global economic future.

- **Israel – Hamas War** – The war started on October 7 this year. The crisis has already started affecting global supply chains as the Houthi tribe of Yemen's attacks have forced international shipping companies to route trade between Europe and Asia around Africa, adding time and costs.

- **Climate and Environment**: Heatwaves, droughts, floods, and wildfires plagued various regions of the world, showcasing the growing threat of climate change. The annual United Nations climate conference focused on accelerating emissions reductions and securing funding for climate adaptation measures.

Domestic Economy

The Nigeria economy in 2023 experienced a lot of challenges. While avoiding recession, the nation navigated a complex landscape of inflationary pressures, currency fluctuations, and lingering global uncertainties. Despite the headwinds, Nigeria's GDP grew by 2.54% in the third quarter of 2023. Inflation remained a major concern, reaching 28.92% in December 2023. This eroded purchasing power and drove up operating costs for businesses. Debt levels were also high, which raised concerns about fiscal sustainability and potential defaults.

The banking industry showed resilience and adaptability amidst the significant headwinds in the economy. The sector demonstrated a commitment to innovation and diversification and was one of the shining lights of the larger economy during the year. The continued encroachment of fintechs, regulatory shifts and economic challenges pushed banks to embrace innovation, leverage technology and prioritize customer experience. Amidst the economic uncertainties, the sector navigated major regulatory and economic reforms marked by a series of events such as;

- The redesign of various currency denominations: N200,N500 & N1000.
- The unification of all segments of the foreign exchange market into the investors & exporters (I&E) window.
- The removal of petroleum subsidies.

The lifting of the ban on 43 items previously restricted from accessing forex.

Financial Scorecard

The Bank continued to record improved performance, as Gross Earnings grew by 72.2% from N131.08 billion in FY 2022 to N225.75 billion in FY 2023. Profit before Tax (PBT) increased by 195.6% to N43.59 billion from N14.75 billion in FY 2022, and Profit After Tax (PAT) increased by 220.42% to N35.93 billion from N11.21 billion reported in FY 2022. The Bank grew its Total Deposits by 59.6% as of FY 2023 to N1,860.57 billion from N 1,165.93 billion reported in FY 2022.

Total Assets as of FY 2023 stood at N 2,240.06billion, representing a 56.24% increase over the N1,433.70billion recorded in the corresponding year of 2022 and placing the Bank squarely above the N1 trillion mark—a milestone we surpassed in Q3 2021. Additionally, loans to customers rose by 53.6% to close FY 2023 at N801.10billion from the 521.43 billion recorded in 2022.

Impressively, the Wema and ALAT brands continue to win public acceptance and market relevance, The Bank continues to record growth in its retail deposit drive. It also has been a good year with our earnings growing by 72.2% year on year and earnings per share at 279.5kobo. The Bank's NPL closed at 4.31%, a reduction from FY 2022 position.

Our Strategic Focus

The bank closed out its DD3 strategy in 2023, however, we will continue to work towards becoming a leading bank. We will also continue with our ongoing efforts to strengthen our corporate and commercial play. In addition, we will continue our aggressive strategy to improve our lending business alongside trade and other revenue lines, as well as work to drive growth through digital capabilities in the long term.

We will continue to pursue both organic and inorganic growth opportunities, building on our gains in market share and deposit base. The bank raised N21bn AT1, Quasi-Equity capital during the course of the year and also completed a N40billion Rights issue at the end of the year which shows investor's confidence in the enterprise.

In summary, we will continue to seek to improve our position in the industry by:

1. Implementing a digital first banking strategy designed to strengthen our push towards becoming a leading digital banking player in Nigeria.
2. Improving key financial indicators as we seek to transition into a Systemically Important Bank.
3. Improving our Profit After Tax to strengthen our returns to our shareholders.
4. Raising additional capital so as to be better capitalized and well positioned ahead of a potential recapitalization by the CBN.

Our Achievements

Our performance in the past year shows our resilience as an organization. We recorded impressive year-on-year growth across key metrics in the midst of a highly constrained regulatory and economic environment.

We closed a partnership with ECOWAS Bank for Investment and Development (EBID) to secure $50m in funding to drive business in the Agric and SME segments. We were ranked No. 2 by the Great Place to Work® Institute. Specifically, Wema Bank was rated the best place to work for innovation, learning and development, and for millennials.

ALAT continues to be a key growth driver and success story for the Bank, recording a year-on-year increase of over 2.1million new cusomers on the platform. With the rollout of new and innovative features on ALAT, and our ALAT For Business platform, we are sure of increased growth and heightened performance on both platforms in the coming year.

As a customer-first organization, we will continue to work towards delivering excellent customer service as we go into 2024.

Capital Raise Update

The Board of Directors of Wema Bank initiated its approved Capital Management plan after a review of the Banks growth rate, operating environment and future ambitions in 2021. The plan included the following:

1. To bring Capital Adequacy to minimum of 15% in line with the Banks Internal Capital management plan.
2. To reconstruct/reorganize the shares in issue to make the balance sheet more efficient in anticipation for the capital raise.
3. To raise the sum of N40,000,000,000.00 (Forty Billion Naira) through a **Rights Issuance program** to give the Bank capacity to grow.
4. To do an Additional Tier 1 capital raise of N21,000,000,000 (Twenty One Billion Naira)

Current state

1. The share reconstruction exercise has been concluded since June 2022 and the new share have been listed and being traded on the Nigerian Exchange (NGX)
2. The Bank has also successfully raised N21billion Additional Tier 1 Subordinated Bonds, approval has been gotten from SEC, and the bank has also gotten approval from CBN.
3. The bank has concluded the N40billion Right Issue in December 2023 and is currently undergoing CBN approval process.

N40bn Capital Raise

- At the Extraordinary General Meeting ("EGM") of Wema Bank Plc which was held on Friday, the 31st day of December 2021 by 12 noon at Wema Towers, 54 Marina Lagos Island, Lagos, Shareholders of the Bank authorised the Board of Directors to raise capital up to the sum of N40,000,000,000.00 (Forty Billion Naira), by way of a Rights Issue to the Existing Shareholders at such price, time and/or on terms as the Directors of the Bank may deem fit, subject to the Bank obtaining all requisite regulatory approvals.

- Requisite approvals were gotten from the Central Bank of Nigeria, the Securities and Exchange Commission and the Nigerian Exchange Limited for the registration and subsequent listing of the shares.

- The Bank offered 8,572,022,765 new Ordinary Shares by way of the Rights Issue at ₦4.66 per new Ordinary Share. These shares are being offered to qualified Shareholders only. The N40 billion Rights Issuance was completed at the end of the year and we are awaiting SEC and CBN verification to close out.

2024 Outlook

In the coming year, the Bank will continue to push for growth and the achievement of its strategic objectives. GDP growth rates of 4% (Sub-Saharan Africa) and 3.1% (Nigeria) projected for 2024 indicates that there will be some opportunities in the larger economy for growth which will open up new markets. This outlook, however, is uncertain, as the associated risks are skewed to the downside, with achievement dependent on a few factors. Certain factors that may because of their anticipated impact on the global and domestic economic landscapes influence the Bank's progress, include:

- Increased insecurity in large areas of the country & continuous problems in various geographical areas.
- Oil production and or price drops, which would have a negative impact on fiscal revenues and economic output.
- Inflation which is still at an all time high continues to put pressure on consumer spending power and operating expenses for businesses across the country.
- Workforce shortfall caused by the increased exodus of the professional class from the country and the impact of remote work and changing global attitudes toward work.

We will continue to pursue all avenues to deliver on our promise of seamless customer service and superior returns, while also empowering customers and non-customers through the provision of innovative products and services.

On behalf of the Board of Directors, I thank you for your continued support and loyalty.

Dr. (Mrs) Oluwayemisi Olorunshola
Chairman Board of Directors
FRC/2023/PRO/DIR/003/492710

Directors' Report

The directors present their annual report detailing the operations of Wema Bank Plc and its Special Purpose Vehicle (SPV) (together, "the Group"), along with the audited consolidated and separate financial statements and the independent auditor's report for the financial year ended 31 December 2023.

a. Legal Form

The Bank was incorporated in Nigeria under the 1922 Companies Act of Nigeria as a private limited liability company on May 2, 1945 and was converted to a public company in April 1987. The Bank's shares, which are currently quoted on the Nigerian Stock Exchange, were first listed in February 1991. The Bank was issued a universal banking license by the Central Bank of Nigeria in January 2001. Arising from the consolidation in the banking industry, Wema Bank Plc. acquired National Bank of Nigeria Plc. in December 2005. Currently, the Bank is a commercial bank with national banking authorization to operate in Nigeria, under the new Central Bank of Nigeria licensing regime.

b. Principal Activity

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and other banking services.

The Bank has a wholly owned subsidiary, WEMA Bank Funding SPV Plc. which was established for the purpose of issuing bonds to fund the Bank's working capital, enhance liquidity and capital base.

Highlights of the Bank's operating results for the period under review are as follows:

In thousands of Nigerian Naira	Group 31-Dec-23	Group 31-Dec-22	Bank 31-Dec-23	Bank 31-Dec-22
Gross earnings	**226,914,538**	**133,053,047**	**225,746,689**	**131,083,309**
Profit on ordinary activities before taxation	43,663,929	14,883,961	43,591,327	14,746,008
Taxation	(7,674,962)	(3,531,981)	(7,658,955)	(3,531,981)
Profit on ordinary activities after taxation	35,988,967	11,351,980	35,932,372	11,214,027
Profit attributable to equity holders	35,988,967	11,351,980	35,932,372	11,214,027
Appropriation:				
Transfer to statutory reserve	5,389,856	1,682,104	5,389,856	1,682,104
Transfer to/(from) regulatory risk reserve	1,045,040	5,711,555	1,045,040	5,711,555
Transfer to retained earnings	29,554,071	3,958,322	29,497,476	3,820,369
Basic earnings per share	279.9	88.3	279.5	87.2

c. Proposed Dividend

The Board of Directors recommends the payment of Dividend from the present year earnings based on the Bank's improved performance, subject to approval at the Annual General Meeting. The payment will be made from the audited earnings of 2023 and not from the accumulated reserves in line with the regulatory policy. The payment of dividend is in line with the Bank's dividend policy and will go a long way to provide support to our shareholders.

Pursuant to the powers conferred on them by Section 426 of the Companies and Allied Matters Act, 2020, the Directors shall propose a dividend of 50 kobo per share to be paid from the retained earnings account as at December 31, 2023 in line with all regulatory requirements.

Compliance with the CBN Circular on Dividend Payment

The proposed dividend payment is in line with the requirements of the CBN circular on Internal Capital generation and dividend payout ratio. The Central Bank circular dated 8 October 2014 requires the following conditions to be met before dividend payment can be made.

s/n	S/N Condition	Wema Position
1.	The DMB must meet minimum capital adequacy ratio of 10%	The Banks Audited Capital Adequacy Ratio is 16.04%
2.	Where CRR is Above average and NPL between 5% & 10%, payout must not be more than 30%	The Banks CRR is Moderate
3.	Where CRR is Above average and NPL between 5% & 10%, payout must not be more than 30%	The Banks NPL is 4.31%
4.	There shall be no regulatory restriction on dividend payouts for DMB that meet minimum capital adequacy ratio, has a CRR of "low" to "moderate" and NPL ratio of not more than 5%. However, it is expected that the Board of such institutions will recommend payouts based on effective risk assessment and economic realities	The Proposed dividend payout is 17.89% of PAT and the Bank has set aside additional reserves to ensure that Capital adequacy is significantly above the regulatory threshold of 10%
5.	No Dividend should be paid from reserves	Dividend not being paid from reserves
6.	Banks shall submit board approved dividend payout policy to CBN	Dividend policy has been sent to the CBN
7.	Forbearance of between 0% and 5% of total loan portfolio	The Bank's position is 2.29%

The Directors seek to pay dividend based on the justifications below:

- The Bank has largely met all the requirements of the CBN circular on dividend payout and is not in contravention.
- The payment of dividend will not impact negatively on any of the Bank's ratios
- The payment of dividend as proposed has been ratified by the Board of Directors of the Bank based on effective risk assessment and economic realities

Fraud and Forgeries

Item	Count
No. Of Cases	1195
Amount Involved (N)	1,136,603,422.01
Actual loss (N)	685,595,069.08
Amount Involved ($)	NIL
Actual loss ($)	NIL

Fraud Type/Channel	Amount Fraud Involved N (000)	Amount Lost by The Bank (N'000)	Amount Involved (S)	Arnount Lost by The Bank (S)	Percentageof Arnount Involved	Perpetrators	
						Internal %	External %
Internet Fraud	203,724.72	90,071.36	0	0	44.21%	0%	100%
Mobile Banking	8,148.92	506.70	0	0	6.22%	0%	100%
pos	36,071.63	-	0	0	0.00%	0%	100%
ATM	869.00	-	0	0	0.00%	0%	100%
WEB	27,393.43	-	0	0	0.00%	0%	100%
Operations & Others	860,395.73	595,017.01	0	0	69.16%	15%	85%
Total	1,136,603.42	685,595.07	-	-	60.32%	3%	97%

Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2023 is as stated below:

Share Range	Number Of Shareholders	Shareholders %	Number Of Holdings	Shareholding %
1-1,000	143,131	58.57	63,556,063	0.49
1,001-5,000	75,608	30.94	159,532,968	1.42
5,001-10,000	11,337	4.64	79,693,668	0.62
10,001-50,000	11,336	4.64	237,161,344	1.84
50,001-100,000	1,529	0.63	104,697,367	0.81
100,001-500,000	1,091	0.45	227,721,143	1.77
500,001-1,000,000	181	0.07	127,322,852	0.99
1,000,001-5,000,000	114	0.05	245,733,115	1.91
5,000,001-10,000,000	10	0.00	77,477,913	0.60
10,000,001- 500,000,000	28	0.01	1,968,378,982	15.31
500,000,001-1,000,000,000	5	0.00	2,953,956,924	22.97
1,000,000,000 and Above	3	0.00	6,612,923,021	51.43
TOTAL:-	244,373	100.00	12,858,155,360	100.00

The shareholding pattern of the Bank as at 31 December 2022 is as stated below:

Share Range	Number Of Shareholders	Shareholders %	Number Of Holdings	Shareholding %
1-1,000	142,907	58.63	63,505,287	0.49
1,001-5,000	75,651	31.04	159,558,344	1.24
5,001-10,000	11,274	4.63	79,083,879	0.62
10,001-50,000	11,226	4.61	233,554,162	1.82
50,001-100,000	1,444	0.59	97,135,913	0.76
100,001-500,000	971	0.40	196,716,690	1.53
500,001-1,000,000	150	0.06	104,328,030	0.81
1,000,001-5,000,000	81	0.03	173,968,659	1.35
5,000,001-10,000,000	10	0.00	79,399,833	0.62
10,000,001- 500,000,000	28	0.01	2,104,024,618	16.36
500,000,001-1,000,000,000	5	0.00	2,953,956,924	22.97
1,000,000,000 and Above	3	0.00	6,612,923,021	5143
TOTAL:-	243,750	100.00	12,858,155,360	100.00

Shareholding Structure / Free Float Status as at 31st December 2023

Shareholding Structure / Free float Status		
Shareholders	**No of Ordinary Shares**	**% Holdings**
Strategic Shareholding	6,646,581,723	51.69
Directors Direct Shareholding	586,596,697	4.56
Government Shareholding	1,035,953,710	8.06
Free Float	4,589,023,230	35.69
Total	**12,858,155,360**	**100.00**

Strategic Shareholding

Name	**Holding**	
SW8 Invest Coy	1,915,272,289	14.90
Petrotrab Limited	1,098,626,666	8.54
Neemtree Limited	3,632,682,768	28.25
	6,646,581,723	**51.69**

Directors Shareholding		
Mabawonku Tunde	868,333	0.01%
Oluwole Albert Ajimisinmi	2,056,998	0.02%
Morufu Abiola Oseni		0.00%
Abolanle Matel-Okoh	583,333,333	4.54%
Akinleye Oluwole Stephen	336,283	0.00%
Ibiye Asime Ekong		0.00%
Adesegun Olusegun Oluremi		0.00%
Adefarakan Adeyemi Obalolu		0.00%
Olorunshola Oluwayemisi Christianah	1,750	0.00%
Yewande Zaccheaus	-	0.00%
Okunowo Zubiedat Bolarin Folashade.	-	0.00%
	586,596,697	**4.56%**

Government Shareholding

Oyo State	138,000	0.00
Ogun State	222,223,333	1.73
Osun State	222,223,333	1.73
Fountain	194,446,842	1.51
Odua Invest Coy	396,922,202	3.09
	1,035,953,710	**8.06**

Declaration:

Wema Bank Plc with a free float of 35.69% as at 31st December 2023, is complaint with The Nigerian Stock Exchange's free float requirements for companies listed on the Main Board.

Substantial Interests in Shares

According to the Register of Members, as at 31 December 2023, the following shareholders held more than 5% of the issued share capital of the Bank:

S/N	NAME	HOLDING	% HOLDING	Representative on the Board
1.	NEEMTREE LIMITED	3,632,682,768	28.25	Abolanle Matel-Okoh & Yewande Zaccheaus
2.	SW8 INVESTMENT LTD	1,915,272,289	14.90	Adeyemi Adefarakan
3.	PETROTRAB LIMITED	1,098,626,666	8.54	-
4.	ODU'A INVESTMENT COY.	1,035,953,710	8.06	Olusegun Adesegun

According to the Register of Members as at 31 December 2022, the following shareholders held more than 5% of the issued share capital of the Bank:

S/N	NAME	HOLDING	% HOLDING	Representative on the Board
1.	NEEMTREE LIMITED	3,619,885,989	28.15	Babatunde Kasali & Abolanle Matel-Okoh
2.	SW8 INVESTMENT LTD	1,915,272,289	14.90	Adeyemi Adefarakan
3.	PETROTRAB LIMITED	1,098,626,666	8.54	-
4.	ODU'A INVESTMENT COY.	1,020,214,376	7.93	Olusegun Adesegun

Aside from the above-named substantial shareholders, no other person(s) holds more than 5% of the issued and fully paid-up shares of the Bank.

Directors' Shareholding

The following directors of the Bank held office during the year and had direct and or indirect interests in the issued share capital of the Bank as recorded in the Register of Directors Shareholding as noted below:

DIRECTORS	Direct Holdings in 2023	Indirect Holdings in 2023	Direct Holdings in 2022	Indirect Holdings in 2022
Babatunde Kasali**	-	3,632,682,768	-	3,619,885,989
Ademola Adebise**	3,421	243,315	3,421	701,747
Emeka Obiagwu**	77,083	-	77,083	-
Oluwole Ajimisinmi	2,056,998	-	2,056,998	-
Moruf Oseni	-	-	-	-
Abubakar Lawal**	333,333	77,848,116	333,333	142,639,047
Abolanle Matel-Okoh	583,333,333	3,632,682,768	583,333,333	3,619,885,989
Oluwole Akinleye	336,283	-	336,283	-
Ibiye Ekong	N/A	N/A	N/A	N/A
Olusegun Adesegun	N/A	1,035,953,710	N/A	396,922,202
Adeyemi Adefarakan	N/A	1,915, 272,289	N/A	1,915, 272,289
Yemisi Olorunshola	N/A	N/A	N/A	N/A
Bolarin Okunowo	N/A	N/A	N/A	N/A

*** Babatunde Kasali retired from the Board in July, 2023*
***Ademola Adebise retired from the Board in March, 2023*
***Emeka Obiagwu retired from the Board November, 2023*
***Abubakar Lawal retired from the Board in September, 2023*
**Yewande Zaccheus joined the Board in October, 2023*

- Babatunde Kasali has indirect holding with Neemtree Limited
- Ademola Adebise has indirect holdings with AIICO Insurance
- Abubakar Lawal has indirect holdings with L.A. Proshares Limited and GTI Asset Management Ltd
- Olusegun Adesegun has indirect holdings with Odua Group
- Adeyemi Adefarakan has indirect holdings with SW8 Investment Ltd

Directors' Interests in Contracts

For the purpose of Section 303 of the Companies and Allied Matters Act, CAP C20 LFN 2020, none of the Directors had direct or indirect interest in any contract with the Bank in the year under review.

Property and Equipment

Information relating to changes in property and equipment is given in Note 19 to the financial statements. In the Directors' opinion, the net realizable value of the Group's properties is not less than the carrying value in the financial statements.

Donations

The Bank made contributions to charitable and non-political organizations amounting to N395.13m during the year (N147.33m 31 December 2022) as listed below:

Donation And Charitable Gift	**₦**
NAIJA BRAND CHICK TRADE FAIR_	55,000,000.00
THE BANKERS' COMMITEE	46,197,000.00
OYO & OSUN STATE BUSINESS SUMMITS	40,000,000.00
HAKAHOLICS 4.0	26,000,000.00
WOMEN CONFERENCE & LEBANESE LADIES SOCIETY	20,000,000.00
THE NIGERIAN ELECTONIC FRAUD FORUM (NeFF)	15,000,000.00
FINTECH ASS OF NIG/AKWA-IBOM TECH WEEK 2023	10,926,750.00
COREN 31ST ENGINEERING	10,000,000.00
HOPE PROJECT-WIDOWS AND ORPHANS	10,000,000.00
DIAMED DIAGNOSTIC CENTRE	8,420,000.00
NIGERIA MED ASS & POST GRADUATE MED COLL	6,850,000.00
IOD & BANK DIRECTORS SUMMIT	6,000,000.00
AKWA IBOM GOVT	5,500,000.00
BRANDCOM AWARDS AND WIMCA 2023	5,000,000.00
SPORTING LAGOS FC_22/23 SEASON	5,000,000.00
WESTERN POST'S NEWSPAPER CAPACITY BUILDING	5,000,000.00
HSE CULTURAL AND ART CONFERENCE	4,760,000.00
AKARIGBO & CANCER AWARENESS GOLF TOURNAMNT	4,000,000.00
APENS 13TH ANNUAL CONFERENCE	2,500,000.00
NATIONAL POPULATION COMMISSION	2,500,000.00
CHARTERED INSTITUTE OF TAXATION	2,000,000.00
UN CLIMATE CHANGE CONFERENCE -UNFCCC COP28	2,000,000.00
NATIONAL TRANSPORTATION COMMISSIONER FORUM	1,500,000.00
FINANCIAL SUPPORT FOR AS+A PR/CSR FORUM EXHIBITION	1,000,000.00

NIGERIA AMERICAN CHAMBER OF COMMERCE	1,000,000.00
NIGERIAN BAR ASSOCIATION IKEJA	1,000,000.00
OTHERS	97,974,798.58
TOTAL	**395,128,548.58**

Several other humanitarian services were rendered during the year under review, for example, One Day Salary for Love Campaign donated by members of staff, which amounted to N5,476,961.87 was donated to schools and communities.

Shareholder's Bulletin

Share Capital History Issued & Paid -up

Year	Authorised		Issued Share Capital (Increase)	Description	Total Issued Share Capital	
	No. of Shares	Amount N'000	No. of Shares		No. of Shares	Amount N'000
1945	20,000	10,000	20,000	Initial Capital	20,000	10,000
1970	1,000,000	1,000,000	980,000	Private Issue	1,000,000	500,000
1974	8,000,000	4,000,000	4,600,000	Private Issue	5,600,000	2,800,000
1981	8,000,000	8,000,000	4,000,000	Private Issuee	9,600,000	4,800,000
1987	25,000,000	25,000,000	14,400,000	Private Issue for cash	24,000,000	12,000,000
1988	-	-	8,000,000	Private Issue for cash	32,000,000	16,000,000
1989	-	-	8,000,000	Private Issue for cash	40,000,000	20,000,000
1990	100,000,000	50,000,000	16,000,000	Bonus: 2 for 5	56,000,000	28,000,000
1990	-	-	24,000,000	Public Issue for Cash	80,000,000	40,000,000
1991	160,000,000	80,000,000	20,000,000	Bonus: 1 for 4	100,000,000	50,000,000
1992	300,000,000	150,000,000	20,000,000	Bonus: 1 for 5	120,000,000	60,000,000
1993	-	-	80,000,000	Public Issue for Cash	200,000,000	100,000,000
1993	-	-	30,000,000	Bonus: 1 for 4	230,000,000	115,000,000
1995	600,000,000	300,000,000	46,000,000	Bonus: 1 for 5	276,000,000	138,000,000
1996	-	-	55,200,000	Bonus: 1 for 5	331,200,000	165,600,000
1997			68,217,200	Public Issue for Cash	399,417,200	199,708,600
1997	1,200,000,000	600,000,000	639,067,520	Bonus: 8 for 5	1,038,484,720	519,242,360
2000	2,000,000,000	1,000,000,000	311,545,416	Right Issue for Cash: 1 for 2	1,350,030,136	675,015,068
2002	2,500,000,000	1,250,000,000	207,696,944	Right Issue for Cash: 1 for 2	1,557,727,080	778,863,540
2003			778,863,540	Right Issue for Cash: 1 for 2	2,336,590,620	1,168,295,310
2003			778,863,540	Bonus: 1 for 3	3,115,454,160	1,557,727,080
2004			1,038,494,720	Bonus: 1 for 3	4,153,948,880	2,076,974,440
2004	5,000,000,000	2,500,000,000	5,000,000,000	Public Issue for Cash	9,153,948,880	4,576,974,440
2005			445,162,526	Bonus: 1 for 20	9,599,111,406	4,799,555,703
2005	721,519,546	360,759,773	721,519,546	National Bank for Conversion	10,320,630,952	5,160,315,476
2010	2,500,618,927	833,539,642	2,500,618,927	Special Placing	12,821,249,879	6,410,624,940
2012	-913,907,131.00	-456,953,565.50	-913,907,131	Share Reduction	11,907,342,748	5,953,671,374
2013	40,000,000,000	20,000,000,000	26,667,123,333	Special Placing	38,574,466,081	19,287,233,041
2014	60,000,000,000	30,000,000,000	-		38,574,466,081	19,287,233,041
*2021	60,000,000,000	30,000,000,000	-25,716,310,721	Share Reconstruction: 1 for 3	12,858,155,360	6,429,077,680
2022	40,000,000,000	20,000,000,000	-		12,858,155,360	6,429,077,680

Events after Reporting Date

There were no significant or material events that occurred after the end of the reporting year and before the financial statements were authorised for issue by the Management of the Bank.

Remuneration Policy

Mandate & Terms of Reference

The Remuneration Policy is a product of the Nomination & Governance Committee of the Board of Directors ("the Board") of the Bank. The Committee is set out in compliance with various Corporate Governance Codes.

Objectives

This policy sets out the criteria and mechanism for determining the levels of remuneration of the Directors of the Bank and the frequency for review of same. It further defines the process for determining Directors' compensation and reward for corporate and individual performance.

Purpose

Amongst others, this policy attempts to:

i. Ensure remuneration is provided in a form that will attract, retain and motivate qualified industry professionals as Directors of a reputable bank.
ii. Balance and align the remuneration of the Directors with the short-term and long-term elements of their tasks.
iii. Align the interests of the Executive and Non-Executive Directors with the interests of the Shareholders and other stakeholders of the Bank; and
iv. Ensure that remuneration reflects performance.

Executive Directors' Remuneration Components

Fixed Remuneration

i. The fixed remuneration shall be determined on the basis of the role of the individual director, including responsibility, skill and experience, job complexity, performance and the specific needs of the Bank at the material time.

Performance-Based Remuneration

The Nomination & Governance Committee shall determine a maximum percentage of performance-based remuneration relative to the fixed remuneration in line with the KPIs as defined by Executive Contract of the Executives.

Pension Schemes

Executive Directors are covered by defined pension contribution plans and the Bank remits both its percentage of the pension contributions and that of the Executive Director to the nominated Pension Managers every month.

Severance Pay

Executive Directors are entitled to Severance Pay as determined in their contracts of employment.

Other Benefits

Other benefits which may include medical insurance etc. are awarded on the basis of individual employment contracts and industry practice.

Non-Executive Directors Remuneration Components

The remuneration of Non-Executive Directors is fixed by the Board on the recommendation of Executive Management and approved by Shareholders in a General Meeting. However, the fees and allowances or other ince ntives tied to corporate performance paid to Non-Executive Directors shall not be at a level that can compromise their independence.

The components Non-Executive Directors' fees include: Annual Fee, Sitting Allowance and Reimbursable Expenses properly incurred in the performance of their duties to the Bank.

Directors' annual fees are paid in arrears. The Directors' annual fee for 2022 was a total of 9,500,000.00 (Nine million five hundred thousand naira only) for the chairman and N7,500,000.00 (Seven million, five hundred thousand naira only) for other Non-Executive directors, gross per annum. The annual fee for 2023 which is maintained at year 2020 threshold shall be presented for approval at the 2023 Annual General Meeting.

The sitting allowance for each meeting attended is N250,000.00 for members and N300,000.00 for Chairmen of Board Committees.

Human Capital Management

EXECUTIVE SUMMARY

Wema Bank, as Nigeria's foremost innovative bank consistently enables a conducive work environment for all employees, transforming core HR functions *[talent acquisition, recruitment, employee training and development, payroll, compensation, performance appraisal and feedback]*, into opportunities for driving engagement, productivity and employee support, with the goal of producing and sustaining a fulfilled workforce not just for optimal business value but for the personal and professional success of its employees. The responsibility of overseeing and administering these core HR functions lies with the Human Capital Management [HCM] Department of the bank and this report summarises the key internal initiatives and championed by Wema Bank in 2023 through the HCM Department, to support, develop and reinforce the Bank's workforce.

These initiatives have been itemised across 12 verticals:

1. Training and Development
2. Team Bonding and Collaboration
3. Personal Development
4. Health And Fitness
5. Emotional Support
6. Employee Participation and Engagement
7. Work-Life Balance
8. Employee Recognition
9. Maintaining Brand Standards
10. Brand Representation and Recognition.

1. TRAINING AND DEVELOPMENT

Management Development Programmes

Recognizing the pivotal role of leadership in steering the trajectory of our bank, we executed Management Development Programmes tailored for Business Development Managers (BDMs) and Business Service Managers (BSMs). This comprehensive program served to equip the personnels with essential management and leadership skills needed for to scale our people and business.

Going beyond conventional training, the programme took participants through the modules of the Chartered Institute of Bankers of Nigeria (CIBN), charting a course towards their professional development. By investing in the growth and capabilities of our management cadre, we ensured a robust leadership foundation that is aligned with the dynamic landscape of the banking industry.

Career Coaching/Progression/Redeployment

Our commitment to employee growth was exemplified through the completion of 217 redeployments Year-to-Date [YTD]. With 8% of these focusing on career progression, we ensured that our employees stayed engaged and motivated. The remaining 92% emphasized internal and inter-departmental movements, fostering a well-rounded and dynamic workforce. This initiative stands as a testament to our dedication to nurturing talent and providing a platform for continuous professional development.

Alat By Wema Summer Internship

The bank prides itself in creating and providing platforms for undergraduates to improve their skills; one of these being the ALAT Summer Internship Programme. The programme stood as a beacon of opportunity, bringing together a diverse cohort of interns from our wider community of Customers and prospectives. By fostering an environment of shared learning and collaboration, we not only enriched the interns' experiences but also strengthened our ties with our customer base.

Career Fair Pool

Actively participating in numerous career fairs across the country, the bank demonstrated its commitment to efficient talent acquisition by meticulously pooling over 500 potential Talents. This proactive approach ensures a robust and diverse talent pipeline, showcasing the organisation's foresight in meeting current and future talent requirements.

SME Business School 5.0

The SME Business School serves as a comprehensive training ground for business owners, covering essential skills such as business management, people management, fund sourcing, supply chain management, and more.

By providing practical insights and knowledge through our skilled and expert employees, the SME Business School 5.0 empowered customers to successfully navigate the complexities of entrepreneurship. The programme ultimately served to exemplify our commitment to supporting the growth and sustainability of SMEs, facilitating knowledge transfer and fostering economic development at both individual and community levels.

- TEAM BONDING AND COLLABORATION.

WEMALYMPICS 2023

In a celebration of unity and team spirit, our organization took pride in executing the 2023 Wemalympics—a distinguished internal sports competition that transcended traditional boundaries. Wemalympics not only showcased the athletic prowess of our employees but also fostered a sense of camaraderie and togetherness. The event served as a platform for employees to engage in friendly competition, reinforcing our commitment to a harmonious work environment. The inclusive and spirited nature of Wemalympics aligns with our corporate ethos, emphasizing teamwork, well-being, and a holistic approach to employee engagement.

Nigeria Bankers' Game.

In a display of unparalleled athletic prowess, our organization made an indelible mark at the Nigeria Bankers' Games 2023—a premier annual sports festival for employees in the Nigerian banking sector. With an exceptional performance, we clinched a total of 26 medals, including 9 gold, 7 silver, and 10 bronze medals. This outstanding achievement not only reflects the dedication and skill of our athletes but also positions our organization as a formidable force in the banking sector. By winning accolades in various categories, we exemplify a commitment to excellence, teamwork, and a culture that values the diverse talents and pursuits of our exceptional employees.

- PERSONAL DEVELOPMENT.

Knowledge Corner & Foody Corner Series

Our commitment to driving continuous learning and employee engagement was further showcased through the Knowledge Corner & Foody Corner Series. Growth on the mood platform significantly increased in 2023, with new topics introduced in the Knowledge Corner Series to inform and engage staff for their personal development. Simultaneously, the Foody Corner Series, centred around promoting a healthy and fit lifestyle, successfully deployed seven series, encouraging staff to prioritise their well-being.

2. HEALTH AND FITNESS.

Health and Safety Regional Simulation

In our unwavering commitment to ensuring the well-being of our staff, we took a proactive approach to health and safety through the Health and Safety Regional Simulation. This programme imparted essential skills in our employees, teaching them how to respond effectively to health issues and emergencies, including critical practices like CPR.

By prioritising health and safety training, we empowered our staff to handle unforeseen circumstances with confidence and competence. This initiative aligns with our organisational values, ensuring the welfare of our employees and fostering a secure work environment.

Annual Medical Examination Drive

Proactively managing employee health, we set a timeline for all employees to undergo the annual medical examination. Achieving a remarkable participation rate of over 85% bank wide, this initiative reflects our commitment to preventive healthcare measures and optimum employee well-being.

HMO Feedback Survey

In our commitment to continuous improvement, we deployed a survey to assess the services of our Health Maintenance Organizations (HMOs). This feedback-driven approach ensured that our employees receive the highest quality healthcare services, reflecting our dedication to their health and satisfaction.

Physical and Virtual Aerobics

Focusing on employee well-being, we successfully conducted both physical and virtual aerobics sessions. With over 62 online and 33 onsite sessions, this initiative recorded a notable 36% increase in comparison with the 2022 figures. Positive feedback and comments from staff highlighted the success of the programme, emphasising our commitment to promoting a healthy and active lifestyle among our workforce.

My HMO & I Webinar

Promoting direct engagement between employees and HMO providers, we organized the “My HMO & I” webinar, providing a platform for employees to interact, ask questions, and gain valuable insights, thereby fostering transparency and trust in our healthcare services.

Valentine's Day

In a gesture of care and appreciation, Wema Bank celebrated Valentine's Day by providing 100 free health checks for Non-Full-Time Employees (NFTEs). This initiative emphasises our commitment to the holistic well-being of our employees, ensuring their health is prioritised and supported.

International Women's Day

In alignment with the celebration of International Women's Day, we extended our health care initiatives by offering 100 free health check-ups for our Non-Full-Time Employees (NFTEs). This act not only recognised the invaluable contributions of women to our workforce but also reinforced our commitment to their holistic well-being.

World Diabetes Day

Commemorating World Diabetes Day, we disseminated targeted communications, erected educative banners on diabetes prevention, and offered free blood sugar tests and advisory services at multiple locations across the country.

World Hepatitis Day

In a proactive approach to employee health, we provided free hepatitis vaccinations, administering the first dose, with the third scheduled for January 2024. This initiative further reflects our dedication to preventive healthcare measures.

World Heart Day

In recognition of World Heart Day, we disseminated targeted communications and erected educative banners emphasizing the importance of heart care. This initiative reinforces our commitment to the holistic well-being of our employees.

World Breast Cancer Awareness Week

In alignment with global health initiatives, we actively participated in World Breast Cancer Awareness Week, offering free breast examinations to women at the Wema Bank Headquarters. Beyond physical health checks, we hosted an awareness video featuring male and female senior executives and organised a webinar with esteemed medical professionals.

OTHER HEALTH INITIATIVES

Our fitness challenges at the Head Office, ALAT, and in collaboration with the Wema Women Network for Wema women, each demonstrated our dedication to promoting a healthy and active lifestyle. Beyond physical health, these initiatives played a vital role in fostering team building and camaraderie among our staff. As part of our commitment to promoting healthy living, we also revamped our fitness facility at the Head Office for the benefit of our employees.

3. EMOTIONAL SUPPORT

Mental Health Awareness Initiatives

Demonstrating a proactive commitment to the well-being of our employees, we orchestrated a series of impactful initiatives during Mental Health Awareness Week. The primary focus was on destigmatizing mental health issues and cultivating a workplace culture that strongly supports the emotional and mental wellness of our staff.

As a key component of this initiative, we facilitated a seminar on anxiety, providing valuable insights and strategies for coping with this prevalent mental health concern. Additionally, we implemented a complementary series of mental health nuggets. These concise and informative sessions were designed to offer ongoing support, deepen understanding, and provide practical tips to foster and maintain mental well-being.

Our holistic approach to Mental Health Awareness Week reflects our unwavering dedication to creating a workplace environment that places a premium on the mental health and emotional well-being of our valued employees.

Men Mentoring Project

At Wema Bank, mentorship is not just a programme; it is a commitment to the holistic development of our employees and the Men Mentoring Project served as a testament to that commitment, offering a structured mentorship platform for men within our organisation. Senior employees in leadership roles extend their expertise to mentor junior counterparts, fostering a culture of continuous learning and professional growth. Through this project, we acknowledge the importance of mentorship in career development and extensively build a supportive network that transcends hierarchical boundaries. By providing guidance, sharing experiences, and nurturing talent, the Men Mentoring Project contributes to the overall success and cohesion of our workforce.

EMPLOYEE PARTICIPATION AND ENGAGEMENT

Physical Branch Visitations

Wema Bank actively engages with its branches through a comprehensive program of 146 physical branch visitations. This initiative provides a valuable platform for feedback and issue resolution, ranging from operational to strategic concerns. Achieving an outstanding 97.3% in branch visits in 2023, we reaffirmed our commitment to fostering open communication channels and addressing challenges at the grassroots level.

Wema @ 78 and ALAT @ 6 Anniversaries

Celebrating our rich history and milestones, Wema Bank marked the Wema @ 78 and ALAT @ 6 Anniversaries with engaging activities. From a Wema Bank history quiz to the ALAT Magic competition, the events saw active participation from 813 individuals. Additionally, the Treasure Hunt and Wema Heritage Day garnered impressive participation rates of 70% across branches and 80% in Head Office departments, fostering a sense of pride and unity within the organization.

4. WORK-LIFE BALANCE

Wema Creche

Reopening Purple Creche, our in-house daycare facility for children of our employees, stood as a significant milestone in our continuous pursuit of work-life harmonization and employee well-being. By implementing an automated registration process in 2023, we not only simplified access to this crucial facility but also ensured a seamless experience for parents within the organization. The launch of targeted awareness campaigns served the dual purpose of informing employees about the creche's reopening and fostering a sense of community and mutual support.

This initiative aligned seamlessly with our commitment to creating a workplace where the demands of work and life harmonize, allowing our employees to thrive both personally and professionally.

Staff Education on Pension Benefit

Empowering our staff with essential knowledge, we successfully organized and executed a webinar on Pension Benefits in collaboration with “My PFA”. This educational initiative serves as a testament to our commitment to ensuring employee well-being, ensuring that our staff are well-informed and equipped to make informed decisions about their financial future.

EMPLOYEE RECOGNITION

Monthly Long Service Awards [LSA] Implementation

In our pursuit of fostering a culture that values commitment and loyalty, we successfully implemented the Monthly Long Service Awards (LSA) programme. This initiative recognized and rewarded the dedication of employees, with a special focus on rewarding milestone achievers. By streamlining the process and distributing cash awards monthly, we underscored our commitment to acknowledging and celebrating the enduring contributions of our valued team members.

WEMA ALUMNI INITIATIVE SUCCESS

Successful Launch of WEMA Alumni Initiative

Embarking on a journey to foster a sense of community and connection, we successfully launched the flagship edition of the WEMA Alumni Initiative, a virtual community of former employees of Wema Bank designed to support their professional growth. This initiative received positive feedback within the industry, underscoring our commitment to maintaining lasting relationships beyond employment.

Virtual Launch Attendance:

We documented the presence of over 56 alumni at the virtual launch, representing diverse talents across the globe.

Growing Network:

The initiative has seen exceptional growth, with the number of alumni on the WhatsApp platform soaring to over 156. This significant expansion indicates a thriving and engaged network of the initiative's target audience.

The WEMA Alumni Initiative not only celebrates the achievements of our former colleagues but also serves as a testament to the enduring impact of our organizational culture even beyond their tenure.

EMPLOYEE APPRECIATION DAY

Commemorating Employee Appreciation Day further underscored our commitment to ensuring the holistic well-being of our workforce. We believe in addressing the diverse needs of our employees to create a workplace that is not only fulfilling but also supportive.

5. BRAND REPRESENTATION AND RECOGNITION

LINkedIn Presence

Under astute leadership, we experienced a substantial increase in our official LinkedIn presence, soaring from 44k to an impressive 64k followers. This increment was complemented by the prestigious recognition in LinkedIn's "25 Best Places to Grow Career in Nigeria, 2023." These achievements not only amplified the organization's digital footprint but also affirmed its status as an employer of choice and a nurturing ground for professional growth.

CIBN Awards

In a notable testament to our commitment to innovation and excellence, we were awarded **the Most Innovative Bank in Nigeria** by the Chartered Institute of Bankers of Nigeria (CIBN). This significant recognition reflects our dedication to pushing the boundaries of traditional banking, embracing forward-thinking strategies, and fostering a culture of continuous innovation within our organization.

Our active participation in industry awards such as the CIBN showcases our commitment to benchmarking ourselves against the highest standards in the banking sector. Winning the Most Innovative Bank accolade is not only a celebration of our achievements but also a reaffirmation of our position as a trailblazer in the financial industry.

This achievement underscores our relentless pursuit of excellence, acknowledging the efforts of our talented team and the effectiveness of our innovative initiatives. As we continue to set new benchmarks in the banking landscape, this award serves as a testament to our unwavering commitment to shaping the future of banking in Nigeria.

Great Place to Work [GPTW] Awards 2023

Our unwavering commitment to fostering a positive workplace culture and promoting collaboration has been consistently recognized through prestigious awards. Securing the second position on the “Great Place to Work in Nigeria”, we garnered accolades for our dedication to cultivating a culture of innovation. Additionally, we proudly received the **Victor Ligbago Award for Workplace for Millennials**, highlighting our commitment to nurturing talent within this demographic.
These accolades not only celebrate our success in creating a workplace that values trust and positive collaboration but also acknowledge our excellence in learning and development practices. Each award underscores our dedication to providing an environment that encourages continuous growth, innovation, and the overall well-being of our employees.

CONCLUSION

Having executed such a diverse range of exceptional initiatives, we stand fulfilled in the outstanding strides we’ve made in the past year, and fully charged in anticipation of the greater impact to be made in the coming year as we intensify efforts to exceed all expectations, reinforcing the workforce with the necessary resources and opportunities for both personal and professional growth, ultimately strengthening the bank’s workforce.

Employee Gender Analysis

The number and percentage of women in the bank during the 2023 financial year vis-a-vis the total workforce is as follows:

	M	F	TOTAL	M	F
Employee -Bank	1003	723	1726	58%	42%
Board & Top Management					
Assistant General Manager	12	5	17	71%	29%
Deputy General Manager	7	2	9	78%	22%
General Manager	4	1	5	80%	20%
Executive Director	2	0	2	100%	0%
Deputy Managing Director	1	0	1	100%	0%
Managing Director	1	0	1	100%	0%
Non-Executive Director	2	5	7	29%	71%
TOTAL	29	13	42	69%	31%

Customer Complaints Management and Feedback

The Bank recognizes the importance of customer patronage to the growth of its business and thus considers customer complaints and feedback as valuable information to improve its service delivery.

Wema Bank has continued to improve on its feedback channels to ensure timely and satisfactory resolution of complaints. In view of this, in addition to the Bank's fully equipped state-of-the-art Contact Centre – Purple Connect, a Consumer Protection Unit was also created at the Head Office to resolve service issues as raised, without further delay. The available feedback channels in the Bank are listed below:

Hotlines:	08039003700, 01-2777700
Email:	purpleconnect@wemabank.com SMS/WhatsApp: 07051112111
Live Chat:	www.wemabank.com
Letters:	Consumer Protection Unit, Customer Experience Management Department, 54 Marina, Lagos.

Shareholder Complaint Management Channels

Shareholders can make complaints or enquiries and access relevant information about their shareholding through various channels made available by the bank. However, shareholders shall in the first instance contact the Bank's Registrars. The Registrars manage all the registered information relating to all shareholdings e.g. shareholders name, address, shareholding units, dividend payment instruction, etc. The various available channels and relevant contact details are:

Greenwich Registrars: Shareholders who wish to make complaints or enquiries about their shareholding may contact the bank's Registrars. Please find below the Registrars contact:

Greenwich Registrars and Data Solutions Ltd 274, Murtala Mohammed Way, Alagomeji, Yaba Lagos.
Telephone: +234 1 2793160-2; 8131925-2
Email Address: Info@gtlregistrars.com Website: www.gtlregistrars.com

Company Secretary: If the Registrar is unable to satisfactorily address shareholders' enquiries and resolve their complaints, the shareholder can contact the office of the Company Secretary via the contact details below:

Company Secretary Wema Towers
54, Marina Lagos.
Email: CompanySecretariat@Wemabank.com
Telephone: +234 1 2778959

Investor Relations Desk: Shareholders can also contact the Investors Relations unit of the bank via the contact details below:

Investor Relations Department,
Wema Towers,
54, Marina Lagos.
Email: Investor.relations@wemabank.com Telephone: +234 1 2779786

Shareholders and Investors may access the investor relations portal on the bank's website for more details on the bank's Shareholder and Stakeholder Management Policy, Communication Policy and Engagement Policy.

Auditors

KPMG Professional Services have indicated their willingness to continue to serve as auditors in accordance with Section 401 (1) of the Companies and Allied Matters Act, 2020. Accordingly, a resolution will be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

By Order of The Board

Johnson Lebile
FRC/2018/NBA/00000019017
Company Secretary Wema Towers
54 Marina Lagos

Report of the Audit Committee

To the Members of Wema Bank Plc

In accordance with the provisions of Section 404(7) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Wema Bank Plc hereby report as follows:

We have exercised our statutory functions under section 404(7) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperation of Management and Staff in the conduct of these responsibilities.

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

We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Insider Related Credits in the financial statements of Banks". We hereby confirm that an aggregate amount of N0.38billion (31 December 2022: N1.13billion) was outstanding as at 31 December 2023 of which Nil (31 December 2022: Nil) was non- performing.

We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from management in the course of their statutory audit, and we are satisfied with management's responses thereon and with the effectiveness of the Group's system of accounting and internal control.

Mr. Anosikeh Joe Ogbonna
FRC/2014/PRO/DIR/003/00000008836
Chairman, Audit Committee
05 March 2024

Members of the Audit Committee are:

Mr. Anosikeh Joe Ogbonna	-	Shareholder (Chairman)
Mrs. Esther Osijo	-	Member
Mrs. Bolarin Okunowo	-	Member
Mr. Olusegun Adesegun	-	Member
Prof. Samuel Awobode	-	Member

In attendance:

Mr. Johnson Lebile	-	Secretary

Statement of Directors' Responsibilities

For the preparation and approval of the Consolidated and Separate Financial Statements

The Directors of Wema Bank Plc accept responsibility for the preparation of the consolidated separate financial statements that give a true and fair view of the financial position of the Group's and the Bank's as at 31 December 2023, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act 2020, Banks and Other Financial Institutions Act 2020 and the Financial Reporting Council of Nigeria (Amendment) Act 2023.

In preparing the financial statements, the Directors are responsible for:

Properly selecting and applying accounting policies;

Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

Providing additional disclosures when compliance with the specific requirements in IFRSs Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

Going Concern

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

Dr. (mrs) Oluwayemisi Olorunshola
Chairman
FRC/2023/PRO/DIR/003/492710

Moruf Oseni
Managing Director
FRC/2013/NIM/00000002114

Statement of Corporate Responsibility

for the Financial Statements for the year ended 31 December 2023

In accordance with section 405 of the Companies and Allied Act of Nigeria, the Chief Executive Officer and the Chief Financial Officer certify that the financial statements have been reviewed and based on our knowledge, the:

(i) 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, and

(ii) 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 periods covered by the audited financial statements;

We state that management and directors:

(i) are responsible for establishing and maintaining internal controls and has designed such internal controls to ensure that material information relating to the Bank and its subsidiary is made known to the officer by other officers of the Group's and the Bank's, particularly during the period in which the audited financial statement report is being prepared,

(ii) has evaluated the effectiveness of the Group's and the Bank's internal controls within 90 days prior to the date of its audited financial statements, and

(iii) certifies that the Group's and the Bank's internal controls are effective as of that date;

We have disclosed;

(i) all significant deficiencies in the design or operation of internal controls which could adversely affect the Group and the Bank's ability to record, process, summarise and report financial data, and has identified for the Group's/Bank's auditors any material weaknesses in internal controls,

(ii) and whether or not, there is any fraud that involves management or other employees who have a significant role in the Group's and Bank 's internal control and

(iii) as indicated in the report, whether or not, there were significant changes in internal controls or in other factors 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.

The financial statements of the Group and Bank for the year ended **31 DECEMBER 2023** were approved by the directors on **05 March 2024**.

Bunmi Oladosu
Acting Chief Financial Officer
FRC/2013/ICAN/00000002098

Moruf Oseni
Managing Director/CEO
FRC/2013/NIM/00000002114

Report on the Effectiveness of Internal Control over Financial Reporting as of December 31, 2023

The management of **Wema Bank PLC** is responsible for establishing and maintaining adequate Internal Control over Financial Reporting as required by the Securities and Exchange Act, 2007 and the Financial Reporting Council (Amendment) Act, 2023.

The management of **Wema Bank PLC** assessed the effectiveness of our Internal Control over Financial Reporting as of December 31, 2023 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or in Internal Control—2013 Integrated Framework ("the COSO Framework") and in accordance with the SEC Guidance on Implementation of Sections 60 – 63 of Investments and Securities Act, 2007.

As of December 31, 2023, the management of **Wema Bank PLC** did not identify any material weakness.

As a result, the management has concluded that, as of December 31, 2023, the Bank's Internal Control over Financial Reporting was effective.

The Bank's independent auditor, KPMG Professional Services, who audited the consolidated and separate financial statements included in this Annual Report, issued an unmodified conclusion on the effectiveness of the Bank's Internal Control over Financial Reporting as of December 31, 2023 based on the limited assurance engagement performed by them. KPMG Professional Services' limited assurance report appears on pages of the Annual Report.

Changes in Internal Control Over Financial Reporting

There were no changes in our Internal Control over Financial Reporting that occurred subsequent to the date of our evaluation of the effectiveness of Internal Control over Financial Reporting that significantly affected, or are reasonably likely to significantly affect, the Bank's Internal Control over Financial Reporting.

Tunde Mabawonku
Executive Director
FRC/2013/ICAN/00000002097

Moruf Oseni
Managing Director/CEO
FRC/2013/NIM/00000002114

Certification Pursuant to Section 60 of the Investment and Securities Act, 2007

We, certify that:

a) We have reviewed the Report on the Effectiveness of Internal Control over Financial Reporting as of December 31, 2023 of Wema Bank PLC
b) Based on our 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 our 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) We:
   1) are responsible for establishing and maintaining internal controls;
   2) have designed such internal controls and procedures or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank is made known to us by others within the Bank, 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 IFRS Accounting Standards;
   4) have evaluated the effectiveness of the Bank'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) We have disclosed, based on our most recent evaluation of internal control system, to the Bank's auditors and the audit committee:
   1) That there are no significant deficiencies or material weaknesses in the design or operation of the internal control system which are reasonably likely to adversely affect the bank's ability to record, process, summarize and report financial information; and
   2) That there is no fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control system.
f) We 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 our evaluation.

Tunde Mabawonku
Executive Director
FRC/2013/ICAN/00000002097

Moruf Oseni
Managing Director/CEO
FRC/2013/NIM/00000002114

dcsl
CORPORATE SERVICES LIMITED

11th March 2024

REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE EVALUATION OF THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE AUDIT OF WEMA BANK PLC FOR THE YEAR ENDED 31ST DECEMBER 2023

DCSL Corporate Services Limited (DCSL) was engaged by Wema Bank Plc ("Wema Bank", "the Bank") to carry out a performance evaluation of the Board of Directors and Corporate Governance Audit for the year ended 31 December 2023, in line with the provisions of the CBN Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks in Nigeria 2023 (CBNCGG), Nigerian Code of Corporate Governance 2018 (NCCG), the Securities and Exchange Commission Corporate Governance Guidelines 2020 (SCGG), and Companies and Allied Matters Act 2020 (CAMA), as well as global best practices on Corporate Governance.

The appraisal entailed a review of the Bank's corporate and statutory documents, Minutes of Board and Committee meetings, policies, and other ancillary documents made available to us, and the administration of questionnaires to Directors. To ascertain the extent of compliance with relevant corporate governance principles and appraise the performance of the Board, we benchmarked the Bank's corporate governance structure, policies, and processes against the above-mentioned regulations as well as global best practices and considered the following key seven (7) corporate governance themes:

1. Board Structure and Composition;
2. Strategy and Planning;
3. Board Operations and Effectiveness;
4. Measuring and Monitoring of Performance;
5. Risk Management and Compliance;
6. Corporate Citizenship; and
7. Transparency and Disclosure.

Our review of the policies and processes in place at the Bank indicates that the Board has continued to maintain the implementation of best corporate governance practices and adherence to the principles enshrined in the CBNCGG, NCCG, the SCGG as well as globally accepted best practices. The Directors' Peer Assessment and Chairman's Leadership Assessment surveys administered to the individual Directors indicated that the Directors performed satisfactorily against the set governance indicators and remained committed to sustaining the growth of the Bank.

We have brought to the attention of the Board the few areas that require improvement for implementation. A key recommendation is to prioritize the appointment of an additional Independent Non-Executive Director, and we note the Board's ongoing efforts in identifying and selecting a suitable candidate.

Details of our key findings and recommendations are contained in our detailed Reports.

Yours faithfully,
For: DCSL Corporate Services Ltd

Bisi Adeyemi
Managing Director
FRC/2013/NBA/00000002716

DCSL Head Office
235 Ikorodu Road, Ilupeju
P. O. Box 965, Marina, Lagos
Tel: +234 (1) 271 7816-7/(0)809 038 1864

Abuja Office
Suite A05, The Statement Hotels
Plot 1002, 1st Avenue, Off Shehu Shagari Way
Central Business District, Abuja, Nigeria

RC NO: 352393
info@dcsl.com.ng
www.dcsl.com.ng

Independent Auditor’s Limited Assurance Report

To the Shareholders of Wema Bank Plc.

- **Report on Limited Assurance Engagement Performed on Management’s Assessment of Internal Control Over Financial Reporting**

- **Conclusion**

- We have performed a limited assurance engagement on whether internal control over financial reporting of Wema Bank Plc (“the Bank”) and its subsidiary (together “the Group”) as of 31 December 2023 is effective in accordance with the criteria established by Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“the COSO Framework”) and the Securities and Exchange Commission Guidance on Implementation of Sections 60 – 63 of Investments and Securities Act 2007.

- Based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Group’s internal control over financial reporting as of 31 December 2023 is not effective, in all material respects, in accordance with the COSO Framework and the Securities and Exchange Commission Guidance on Implementation of Sections 60 – 63 of Investments and Securities Act 2007.

- **Basis for conclusion**

- We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board (IAASB) and the Financial Reporting Council of Nigeria Guidance on Assurance Engagement Report on Internal Control over Financial Reporting. Our responsibilities are further described in the “Our responsibilities” section of our report.

- We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA).

- Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Other matter

We have audited the consolidated and separate financial statements of Wema Bank Plc in accordance with the International Standards on Auditing, and our report dated 15 March 2024 expressed an unmodified opinion of those consolidated and separate financial statements.

Our conclusion is not modified in respect of this matter.

Responsibilities for Internal Control over Financial reporting

The Board of Directors of Wema Bank Plc 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 Report on the Effectiveness of Internal Control over Financial Reporting. Our responsibility is to express a conclusion on the Group's internal control over financial reporting based on our assurance engagement.

Our responsibilities

The Financial Reporting Council of Nigeria Guidance on Assurance Engagement Report on Internal Control over Financial Reporting ("the Guidance") requires that we plan and perform the assurance engagement and provide a limited assurance report on the Group's internal control over financial reporting based on our assurance engagement.

Summary of the work we performed as the basis for our conclusion

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.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- 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

(i) 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. Furthermore, 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.

Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
15 March 2024
Lagos, Nigeria”

Independent Auditor's Report

To the Shareholders of Wema Bank Plc.

To the Shareholders of Wema Bank

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Wema Bank Plc ("the Bank") and its subsidiaries (together, "the group"), which comprise:

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

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

Basis for Opinion

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

Key Audit Matters

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

Impairment of loans and advances

The Group uses an Expected Credit Loss (ECL) model to determine the impairment allowance for its loans and advances. The ECL methodology incorporates information about past events, current conditions, forecasts of future economic conditions in determining impairment allowances.

The Group's ECL model includes certain judgments and assumptions such as:

- the possibility of a loan becoming past due and subsequently defaulting; the rate of recovery on the loans that are past due and in default; and the market values and estimated time and cost to sell the collaterals; and

- the incorporation of forward-looking information related to the expected outlook on the country's exchange rate, unemployment rate, gross domestic product and bank wide non-performing loan ratio used in determining the expected credit losses in the loans and advances portfolios.

Impairment allowance on loans that have shown a significant increase in credit risk is based on the Group's estimate of losses expected to result from default events over the life of the loans. Impairment allowance on other loans that have not shown a significant increase in credit risk is recognized based on an estimate of the losses expected to result from default events within 12 months after the reporting year. This estimate is also an output of models, with the key assumptions being the possibility of a loan becoming past due and subsequently defaulting (which is reflected in the classification of loans into stages) and the rate of recovery on the loans that are past due and in default.

The judgment involved in classifying loans into stages, the level of subjectivity inherent in estimating the key assumptions on the recoverability of loan balances, application of industry knowledge and prevailing economic conditions in arriving at the level of impairment required, the inputs estimated, the complexity of the estimation process and the significant judgment involved in applying these estimates to determine the level of impairment allowance required, make the impairment of loans and advances a matter of significance to the audit.

How the matter was addressed in our audit

Our procedures included the following with respect of the impairment allowances as at 31 December 2022:

- We evaluated the design and implementation of the key controls over the impairment determination process. The key controls evaluated includes management review of significant increase in credit risk and the resultant classification of loans into the various stages and management review of the accuracy of the relevant data used in the calculation of parameters included in the impairment model like the probability of default and loss given default.

- For a selected sample of loans and advances to customers, we assessed the appropriateness of the Group's determination of significant increase in credit risk and the resultant classification of loans into the various stages by reviewing the loan staging done by the Group. For loans and advances to customers which have shown a significant increase in credit risk, we evaluated the level of past due obligations using qualitative factors such as available information about the obligor's business or project being financed and qualitative backstop indicators such as number of days past due to determine the impairment based on the losses expected over the life of the facilities.

With the assistance of our Financial Risk Management specialists we:

- assessed the appropriateness of the Group's ECL methodology by considering whether it reflects probability-weighted amounts that are determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions;
- challenged the appropriateness of the modelling approach and the historical movement in the balances of facilities between default and non-default categories by reviewing the underlying data used in determining the Probability of Default (PD) in the ECL calculations;
- reviewed the segmentation of loans and advances based on similar credit risk characteristics to ensure consistency with the internal credit management of the Group and Bank;
- evaluated the appropriateness of the data used in determining the Exposure at Default, including the contractual cash flow, outstanding loan balance, loan contractual repayment pattern and loan tenor;

- tested the accuracy of the calculation of the Loss Given Default (LGD) used by the Group;
- reviewed the valuation of the collaterals used in the ECL model;
- challenged the appropriateness of management's forward-looking assumptions comprising the country's exchange rate, unemployment rate, gross domestic product and industry wide non-performing loan ratio used in the ECL calculations using publicly available information from external sources;
- determined the staging of facilities through the consideration of days past due as well as other qualitative characteristics (multiple restructuring during the loan term, history of default of loan customer etc.) that signified an increase in the credit risk of a loan customer.
- tested the accuracy of the Group's ECL provision by re-performing the calculations of the ECL impairment allowance for loans and advances. For loans and advances which have shown a significant increase in credit risk, the recalculation was based on the amount which the Group may not recover throughout the life of the loans while for loans and advances that have not shown significant increase in credit risk, the recalculation was based on the losses expected to result from default events within a year after the reporting year.

The Group and Bank's accounting policy on impairment allowance for loans and advances, disclosure on judgment and estimate and relevant financial risk disclosures are shown in the notes to the consolidated and separate financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the corporate information Directors' Report, Statement of Directors' Responsibilities in relation to the Consolidated and separate financial statements, Statement of Corporate Responsibility for the Financial Statements and Other National Disclosures, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011 *[for Banks include: "the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars";* and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

We communicate with Audit Committee 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.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

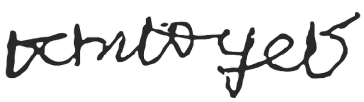
ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.

iii. The Bank's statement of financial position and statement of profit or loss and other comprehensive income[1] are in agreement with the books of account and returns.

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

i. The Bank and Group paid penalties in respect of contravention of the 2 million during the year ended 31 December 2022. Details of penalties paid are disclosed in note 33 to the consolidated and separate financial statements.

ii. Related party transactions and balances are disclosed in note 72 to the consolidated and separate financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.



Oluwafemi O. Awotoye, FCA
FRC/2013/ICAN/00000001182
For: KPMG Professional Services
Chartered Accountants
9 March 2022.
Lagos, Nigeria.

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

For the year ended 31 December, 2023

		Group		Bank	
In thousands of Nigerian Naira	Notes	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Interest income	7	185,643,309	108,036,632	184,475,460	106,066,894
Interest expense		(93,922,252)	(53,806,696)	(92,852,911)	(51,991,333)
Net interest income	7	**91,721,057**	**54,229,936**	**91,622,549**	**54,075,561**
Net impairment loss on financial assets	11	(10,563,367)	(4,762,274)	(10,563,367)	(4,762,274)
Net interest income after impairment charge for credit losses		**81,157,690**	**49,467,662**	**81,059,182**	**49,313,287**
Net gain on FVTPL investment securities		229	1,531,277	229	1,531,277
Net fee and commission income	8	24,961,757	16,586,216	24,961,757	16,586,216
Net trading income	9	822,485	4,001,989	822,485	4,001,989
Other income	10	15,486,758	2,896,933	15,486,758	2,896,933
		41,271,229	25,016,415	41,271,229	25,016,415
Operating income		**122,428,919**	**74,484,077**	**122,330,411**	**74,329,702**
Personnel expenses	12	(26,755,149)	(21,332,578)	(26,755,149)	(21,332,578)
Depreciation and amortization	13b	(6,122,218)	(4,545,925)	(6,122,218)	(4,545,925)
Other operating expenses	13a	(45,887,623)	(33,721,613)	(45,861,717)	(33,705,191)
Profit before tax		**43,663,929**	**14,883,961**	**43,591,327**	**14,746,008**
Minimum Tax	24	(1,142,960)	(633,493)	(1,127,681)	(633,493)
Income tax expense	24	(6,532,002)	(2,898,488)	(6,531,274)	(2,898,488)
Profit for the year		**35,988,967**	**11,351,980**	**35,932,372**	**11,214,027**
Other comprehensive income, net of income tax					
Items that will not be subsequently reclassified to profit or loss					
Net change in fair value of equity investments FVTOCI		3,674,204	4,079,753	3,674,204	4,079,753
		3,674,204	4,079,753	3,674,204	4,079,753
Items that will be subsequently reclassified to profit or Loss					
Net change in fair value of debt investments FVOCI		(1,424)	50,507	(1,424)	50,507
Accumulated fair value gain/(loss) on debt instrument disposed (net of tax) during the year		(48,532)	-	(48,532)	-
Other comprehensive income for the year		3,624,248	4,130,260	3,624,248	4,130,260
Total comprehensive income for the year		**39,613,215**	**15,482,240**	**39,556,620**	**15,344,287**
Profit attributable to:					
Equity holders of the Bank		35,988,967	11,351,980	35,932,372	11,214,027
Total comprehensive income for the year		39,613,215	15,482,240	39,556,620	15,344,287
Earnings per share-basic/diluted (kobo)	14	279.9	88.3	279.5	87.2

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

Consolidated and Separate Statements of Financial Position

Wema Bank Plc

Consolidated and Separate Financial Statements
For the year ended 31 December, 2023

Statement of financial Position as at:

In thousands of Nigerian Naira	Notes	Group 31-Dec-23	Group 31-Dec-22	Bank 31-Dec-23	Bank 31-Dec-22
Cash and cash equivalents	15	220,233,575	96,294,862	220,206,835	96,262,918
Restricted Deposit with CBN	15b	503,320,833	386,993,380	503,320,833	386,993,380
Pledged assets	16	35,216,689	30,616,318	35,216,689	30,616,318
Investment securities:					
Fair value through other comprehensive income	17a	13,354,669	11,056,230	13,354,669	11,056,230
Fair Value through profit or loss	17b	4,669	20,933,741	4,669	20,933,741
Held at amortised cost	17c	614,892,883	320,922,935	606,743,512	312,792,563
Wema funding SPV Plc	17d	-	-	1,000	1,000
Loans and advances to customers	18	801,103,117	521,430,696	801,103,117	521,430,696
Property and equipment	19	35,762,897	25,449,667	35,762,897	25,449,667
Intangible assets	20	2,988,602	2,859,593	2,988,602	2,859,593
Deferred tax assets	21	7,105,000	12,983,230	7,105,000	12,983,230
Other assets	22	13,001,896	11,326,857	13,001,896	11,326,855
Right of Use Assets	27	1,254,787	997,465	1,254,787	997,465
Total Assets		**2,248,239,617**	**1,441,864,974**	**2,240,064,506**	**1,433,703,656**
Deposits from banks	23	20,863,530	19,153,500	20,863,530	19,153,500
Deposits from customers	23	1,860,573,537	1,165,934,019	1,860,573,537	1,165,934,019
Current tax liabilities	24	1,796,732	1,061,974	1,780,725	1,061,974
Other liabilities	25a	142,585,099	102,430,976	142,575,102	102,359,237
Provisions	25b	2,609,348	1,254,489	2,609,348	1,254,489
Other borrowed funds	26	80,466,750	69,455,531	72,294,463	61,286,178
Lease Liabilities	27	45,952	31,583	45,952	31,583
Total Liabilities		2,108,940,948	1,359,322,073	2,100,742,657	1,351,080,980
Equity					
Share capital	28	6,429,078	6,429,078	6,429,078	6,429,078
Share premium	28	8,698,230	8,698,230	8,698,230	8,698,230
Regulatory risk reserve	28	13,628,078	11,801,425	13,628,078	11,801,425
Retained earnings	28	36,585,528	11,449,605	36,608,707	11,529,379
Additional Tier 1 capital	28	21,000,000	-	21,000,000	-
Other reserves	28	52,957,756	44,164,563	52,957,756	44,164,564
Equity attributable to equity holders of the bank		**139,298,669**	**82,542,901**	**139,321,849**	**82,622,676**
Total liabilities and equity		**2,248,239,617**	**1,441,864,974**	**2,240,064,506**	**1,433,703,656**

The financial statements were authorized for issue by the directors on 7th of March 2024 and signed on its behalf by:

Dr. (Mrs) Oluwayemisi Olorunshola	Moruf Oseni	Bunmi Oladosu
Chairman	Managing Director	Ag. Chief Financial Officer
FRC/2023/PRO/DIR/003/492710	FRC/2013/NIM/00000002114	FRC/2013/ICAN/00000002098

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

Consolidated Statement of Changes in Equity

Group

In thousands of Nigerian naira (000s)

2023	Share Capital	Share Reserve	Share premium	At-1 Tier 1 Capital	Credit Risk Reserve	Regulatory risk reserve	Statutory reserve	SMEIS reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2023	6,429,078	12,858,155	8,698,230	-	781,612	11,801,426	19,337,047	1,349,419	9,838,329	11,449,604	**82,542,901**
SMEIS Charge	-	-	-			-	-	560,701	-	(560,701)	-
Profit or loss	-	-	-			-	-	-	-	35,988,967	**35,988,967**
Other comprehensive income											
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments											-
Fair value reserve FVTOCI financial assets	-	-	-			-	-	-	3,624,248	-	**3,624,248**
Transfer within equity:											
	-	-	-	-	-		-	-	-		
Regulatory risk reserve						1,045,040				(1,045,040)	-
Transfer to share reserves	-	-	-	-	-	-	-	-	-	-	-
Credit risk reserve	-	-	-	-	(781,612)	781,612	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	5,389,856	-	-	(5,389,856)	-
	6,429,078	**12,858,155**	**8.698.230**	**-**	**-**	**13,628,078**	**24,726,903**	**1,910,120**	**13,462,577**	**40,442,975**	**122,156,117**
Transactions with owners, recorded directly in equity	-	-	-			-	-	-	-	-	-
Contributions by and distributions to owners											
Dividend Payout										(3,857,447)	**(3,857,447)**
Additional Tier 1 Capital Issued				21,000,000							**21,000,000**
Additional Tier 1 Capital Issue Cost										-	-
				21,000,000						(3,857,447)	**17,142,553**
Balance as at 31 December 2023	**6,429,078**	**12,858,155**	**8.698.230**	**21,000,000**	**-**	**13,628,078**	**24,726,903**	**1,910,120**	**13,462,577**	**36,585,528**	**139,298,670**

2022	Share Capital	Share Reserve	Share premium	At-1 Tier 1 Capital	Credit Risk Reserve	Regulatory risk reserve	Statutory reserve	SMEIS reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2022	**19,287,233**	**-**	**8,698,230**	**-**	**781,612**	**6,089,871**	**17,654,943**	**902,759**	**5,708,069**	**11,023,900**	**70,146,617**
SMEIS Charge	-	-	-			-	-	446,660	-	(446,660)	-
Profit or loss	-	-	-			-	-	-	-	11,351,980	**11,351,980**
Other comprehensive income											
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments											-
Fair value reserve FVTOCI financial assets	-	-	-		-	-	-	-	4,130,260	-	**4,130,260**
Transfer within equity											
Regulatory risk reserve						5,711,555				(,5711,555)	-
Transfer to share reserve (see note 28)	(12,858,155)	12.858,155									
Credit risk reserve			-							-	
Transfer to statutory reserves							1,682,104			(1,682,104)	-
	6,429,078	12,858,155	8,698,230		781,612	11,801,426	19,337,047	1,349,419	9,838,329	14,535,562	85,628,858
Transactions with owners, recorded directly in equity				-							
Contributions by and distributions to owners				-							
Dividend Payout				--						(3,085,957)	**(3,085,957)**
				-						(3,085,957)	**(3,085,957)**
Balance at 31 December 2022	**6,429,078**	**12,858,155**	**8,698,230**	**-**	**781,612**	**11,801,426**	**19,337,047**	**1,349,419**	**9,838,329**	**11,449,604**	**82,542,901**

Separate statement of changes in equity

Bank

In thousands of Nigerian naira (000s)

2023	Share Capital	Share Reserve	Share premium	At-1 Tier 1 Capital	Credit Risk Reserve	Regulatory risk reserve	Statutory reserve	SMEIS reserve	Fair value reserves	Retained earnings	Total equity
Balance at 1 January 2023	6,429,078	12,858,155	8,698,230	-	781,612	11,801,426	19,337,047	1,349,419	9,838,329	11,529,378	82,622,674
SMEIS Charge	-	-	-			-	-	560,701	-	(560,701)	-
Profit or loss	-	-	-			-	-	-	-	35,932,372	**35,932,372**
Other comprehensive income											
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments											-
Fair value reserve FVTOCI financial assets	-	-	-			-	-	-	3,624,248	-	**3,624,248**
Transfer within equity:											
Regulatory risk reserve	-	-	-	-	-	1,045,040	-	-	-	(1,045,040)	-
Transfer to share reserves	-	-	-	-	-	-	-	-	-	-	-
Credit risk reserve	-	-	-	-	(781,612)	781,612	-	-	-	-	-
Transfer to statutory reserve	-	-	-	-	-	-	5,389,856	-	-	(5,389,856)	-
	6,429,078	12,858,155	8.698.230	-	-	13,628,078	24,726,903	1,910,121	13,462,577	40,466,153	122,179,296
Transactions with owners, recorded directly in equity	-	-	-			-	-	-	-	-	-
Contributions by and distributions to owners											
Dividend Payout										(3,857,447)	**(3,857,447)**
Additional Tier 1 Capital Issued				21,000,000							21,000,000
Additional Tier 1 Capital Issue Cost										-	-
				21,000,000						(3,857,447)	**17,142,553**
Balance as at 31 December 2023	6,429,078	12,858,155	8.698.230	21,000,000	-	24,726,903	24,386,263	1,910,121	13,462,577	36,608,707	139,321,849
2022											
Balance at 1 January 2022	19,287,233	-	8,698,230	-	781,612	6,089,871	17,654,943	902,759	5,708,069	11,241,627	70,364,344
SMEIS Charge	-	-	-			-	-	446,660	-	(446,660)	-
Profit or loss	-	-	-			-	-	-	-	11,214,027	**11,214,027**
Other comprehensive income											
Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments											-
Fair value reserve FVTOCI financial assets	-	-	-		-	-	-	-	4,130,260	-	**4,130,260**
Transfer within equity											
Regulatory risk reserve						5,711,555				(,5711,555)	-
Transfer to share reserve (see note 28)	(12,858,155)	12.858,155									
Credit risk reserve			-							-	
Transfer to statutory reserves							1,682,104			(1,682,104)	-
	6,429,078	12,858,155	8,698,230		781,612	11,801,426	19,337,047	1,349,419	9,838,329	14,615,335	85,708,632
Transactions with owners, recorded directly in equity				-							
Contributions by and distributions to owners				-							
Dividend Payout				-						(3,085,957)	**(3,085,957)**
				-						(3,085,957)	**(3,085,957)**
Balance at 31 December 2022	6,429,078	12,858,155	8,698,230	-	781,612	11,801,426	19,337,047	1,349,419	9,838,329	11,529,378	82,622,674

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

Consolidated and Separate Statements of Cash Flows

For the year ended:		Group		Bank	
In thousands of Nigerian Naira	Notes	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022
Cash flows from operating activities					
Profit for the year		35,988,967	11,351,980	35,932,372	11,214,027
Adjustments for:					
Taxation expense		7,674,962	3,531,980	7,658,955	3,531,980
Depreciation and amortization	13b	6,122,218	4,545,925	6,122,218	4,545,925
Adjustment for transfer out of PPE now expensed		(0)	22,539	(0)	22,539
(Gain)/Loss on disposal of property and equipment	32(xi)	(330,906)	5,290	(330,906)	5,290
Net interest income	32(xii)	(91,721,057)	(54,229,936)	(91,622,549)	(54,075,561)
Dividend received from equity investment	10	(210,262)	(200,634)	(210,262)	(200,634)
Impairment loss on financial assets	11	10,563,367	4,808,387	10,563,367	4,808,387
Operating cashflow before movement in working capital		(31,912,711)	(30,164,468)	(31,886,805)	(30,148,045)
Change in pledged assets	32(i)	(4,600,371)	53,106,801	(4,600,371)	53,106,801
Change in loans and advances to customers	32(ii)	(290,235,788)	(107,374,780)	(290,235,788)	(107,374,780)
Change in other assets	32(iii)	(1,675,039)	22,979,138	(1,675,039)	22,979,138
Change in deposits from banks	32(iv)	1,710,030	(21,546,500)	1,710,030	(21,546,500)
Change in restricted deposit with CBN	32(v)	(116,327,454)	(73,145,960)	(116,327,454)	(73,145,960)
Change in deposits from customers	32(vi)	694,639,518	238,462,844	694,639,518	238,462,844
Change in other liabilities	32(vii)	41,523,350	39,992,499	41,585,091	39,980,654
Cashflow generated by operations		293,121,535	122,309,574	293,209,183	122,314,152
Income tax paid	24.2	(1,061,974)	(668,665)	(1,061,974)	(668,665)
Interest received	32(xii)	185,643,309	107,284,899	184,475,460	106,066,894
Interest paid	32(vii)	(85,774,101)	(48,387,612)	(85,774,101)	(48,387,612)
Net cash from operating activities		**391,928,769**	**180,538,197**	**390,848,568**	**179,324,770**
Cash flows from investing activities					
Disposal/Acquisition of investment securities-At Amortised Cost	32(viii)	(293,969,948)	(190,990,982)	(293,950,949)	(193,821,876)
Disposal/Acquisition of investment securities-FVTOCI	32(x)	1,325,809	(1,470,097)	1,325,809	(1,470,097)
Change in FVTPL investments	33(xi)	20,929,072	17,759,955	20,929,072	17,759,955
Dividend received from equity investment	10	210,262	200,634	210,262	200,634
Acquisition of property and equipment	19	(15,632,126)	(6,616,377)	(15,632,126)	(6,616,377)
Proceeds from the sale of property and equipment	33(xii)	887,125	113,554	887,125	113,554
Acquisition of Right of Use Assets	27	(529,965)	(431,565)	(529,965)	(431,565)
Acquisition of intangible assets	20	(1,215,910)	(1,505,658)	(1,215,910)	(1,505,658)
Net cash(used in)/generated by investing activities		**(287,995,679)**	**(182,940,538)**	**(287,976,680)**	**(185,771,432)**

Consolidated and Separate Statements of Cash Flows (cont'd)

In thousands of Nigerian Naira	Notes	31-Dec 2023	31-Dec 2022	For the year ended: 31-Dec 2023	31-Dec 2022
Cash flows from financing activities					
Proceed from borrowings	26b	44,923,402	14,784,139	44,923,402	14,784,139
Repayment of borrowings	26b	(39,408,814)	(18,387,137)	(39,411,747)	(15,426,398)
Effect of changes in exchange rate	26b	5,496,631	326,867	5,496,631	326,867
Additional T-1 Capital		21,000,000	-	21,000,000	-
Interest paid on borrowings	33(viii)	(8,148,151)	(4,667,351)	(7,078,810)	(3,603,721)
Dividend paid to shareholders		(3,857,447)	(3,085,957)	(3,857,447)	(3,085,957)
Net cash from financing activities		**20,005,621**	**11,029,438**	**21,072,029**	**(7,005,070)**
Net increase in cash and cash equivalents		123,938,713	(13,431,779)	123,943,917	(13,451,732)
Cash and cash equivalents at beginning of period		94,385,525	109,641,357	94,353,581	109,629,366
Effect of exchange rate changes on cash balances		1,909,337	85,284	1,909,337	85,284
Cash and cash equivalents at end of year	15	**220,233,575**	**96,294,862**	**220,206,835**	**96,262,918**

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

Notes to the financial statements

1. Reporting Entity

Wema Bank Plc (the "Bank") is a Company domiciled in Nigeria. The address of the Bank's registered office is 54 Marina, Lagos, Nigeria. The Bank is primarily involved in investment, corporate, commercial and retail banking. The bank has a wholly owned subsidiary which is WEMA Funding SPV Plc.
The consolidated and separate financial statements as at and for the year ended 31 December 2022 comprise the Bank and its subsidiary (together "the Group").

1.1 Going Concern

The Bank received its national banking license from Central Bank of Nigeria in November 2015 and now operates as a National Bank as against its previous status as a regional bank.

Based on the current capitalization position of the Bank, the Directors expect the Bank to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the financial statements are prepared on a going concern basis.

2. Basis of Preparation

(a) Statement of compliance

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020, the Financial reporting Council of Nigeria (Amendment) Act 2023, the Banks and other Financial Institutions Act (BOFIA), 2020, and relevant Central Bank of Nigeria (CBN) Circulars and Guidelines.

(b) Functional and presentation currency
These financial statements are presented in Nigerian Naira, which is the Bank’s functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

(c) Basis of measurement
The financial statements have been prepared under the historical cost convention except for the following:

- Assets and liabilities measured at amortised cost.
- Non-derivative financial instruments, carried at fair value through profit or loss, or fair value through OCI are measured at fair value.

(d) Use of Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are

Notes to the financial statements

based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiary (Wema Funding SPV Plc). The subsidiary is controlled by the Bank. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Total comprehensive income of the subsidiary is attributed to the owners of the Bank. When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by the Group.

The wholly owned subsidiary was incorporated in Nigeria on the 30th of June ,2016 (Registration Number 1345745) as a public limited company under the name of Wema Funding SPV Plc. The special purpose vehicle carries on business at Wema Towers, 54 Marina, Lagos. It has no subsidiary or affiliate. It was established as a special purpose vehicle for the purpose of issuing bonds to fund working capital, enhance liquidity and enhance its capital base of the Bank. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

In the separate financial statements, investment in Wema Funding SPV is carried at cost less any accumulated impairment losses.

(f) Determination of regulatory risk reserves

Provisions under Prudential Guidelines are determined using the time-based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the requirements of the International Financial Reporting Standards. As a result of the differences in the methodology/provision regime, there may be variances in the impairment allowances required under the two methodologies.

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

Provisions for loans and other financial assets recognised in the income statement should be determined based on the requirements of IFRS. However, the IFRS impairments should be compared with provisions determined under Prudential Guidelines and the expected impact/changes in general reserves should be treated as follows:

- If Prudential provisions are greater than IFRS Accounting Standards impairments, the resultant excess provision should be transferred from the retained earnings account to a "regulatory risk reserve".
- If Prudential provisions are less than IFRS Accounting Standards impairments; IFRS Accounting Standards determined impairments are charged to the income statement. The cumulative balance in the regulatory risk reserve is thereafter reversed to the retained earnings account.

The Bank has complied with the requirements of the Prudential Guidelines.

The Revised Central Bank of Nigeria (CBN) Prudential Guidelines require that if the IFRS based impairment is lower than the CBN Prudential Guidelines provisions, the extent of the difference should be recognised as regulatory risk

Notes to the financial statements

reserve in the statement of changes in equity. The reconciliation of the impairment based on relevant IFRS Accounting Standards and CBN Prudential Guidelines provision is shown in the statement below:

Statement of Prudential Adjustments

Statement of Prudential Adjustments

	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Prudential Provisions:				
Loans and advances	41,473,950	30,463,477	41,473,950	30,463,477
Other financial assets	2,798,534	2,859,919	2,798,534	2,859,919
	44,272,484	**33,323,396**	**44,272,484**	**33,323,396**
Impairment assessment under IFRS:				
Loans and advances				
12-months ECL credit	2,708,704	5,224,145	2,708,704	5,224,145
Life-time ECL Not impaired	392,875	116,721	392,875	116,721
Life-time ECL credit impaired	21,401,871	12,600,451	21,401,871	12,600,451
	24,503,450	**17,941,317**	**24,503,450**	**17,941,317**
Investment securities				
12-months ECL	3,156,168	1,384,575	3,156,168	1,384,575
	3,156,168	**1,384,575**	**3,156,168**	**1,384,575**
Off balance sheet exposures				
12-months ECL	1,918,802	713,876	1,918,802	713,876
	1,918,802	**713,876**	**1,918,802**	**713,876**
Other financial assets				
Other assets	263,008	897,836	263,008	897,836
Cash and cash equivalent	112,432	43,754	112,432	43,754
Other non-financial assets	690,546	540,613	690,546	540,613
	1,065,986	**1,482,203**	**1,065,986**	**1,482,203**
Total IFRS Impairment	**30,644,406**	**21,521,971**	**30,644,406**	**21,521,971**
Excess of Prudential impairment over IFRS impairment transferred to regulatory reserve	**13,628,078**	**11,801,425**	**13,628,078**	**11,801,425**

Notes to the financial statements

2.1 New and revised IFRS Standards in issue but not yet effective

The Group has not applied the following new and revised IFRS Accounting Standards and amendments that have been issued but are not yet effective: which are not expected to have a significant on the Group.

a. IFRS 17 Insurance Contracts
b. Definition of Accounting Estimate - Amendments to IAS 8
c. Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
d. Amendments To IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

(a) IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.
IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. This amendment did not have any impact on the Group's consolidated and separate financial statements.

(b) Definition of Accounting Estimate - Amendments to IAS 8

The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors is to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

Notes to the financial statements

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.
The definition of accounting policies remains unchanged.
The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendment did not have a significant impact on the Group's consolidated and separate financial statements.

(c) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice statement 2 Making Materiality Judgements is to help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material:
“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements”.
The amendments are effective from 1 January 2023. The amendment did not result in any changes to the accounting policies themselves, however, it impacted the accounting the accounting policy information disclosed in the consolidated and separate financial statements. Material accounting policies are now disclosed rather than significant accounting policies.

Notes to the financial statements

(d) Amendments To IAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendment introduces an exception to the initial recognition exemption in IAS 12. It requires companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments typically apply to taxable and deductible temporary differences associated with right-of-use assets, lease liabilities, decommissioning obligations and corresponding amounts recognized as assets at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments did not have a significant impact on the Group's consolidated and separate financial statements.

2.2 New and amended IFRS Accounting Standards that are effective for the current year

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated and separate financial statements. The Group has adopted the following new standard and amendment including any consequential amendments to other standards with initial date of application of 1 January 2023.

3. Material Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

a). Business combination

Business Combination under common controls are accounted for in the consolidated accounts prospectively from the date the Bank obtains ownership interests. Assets and liabilities are recognized upon reconsolidation at their carrying amount in the consolidated financial statement of the Group. Any difference between the fair values of consideration paid and the amounts at which the assets and liabilities are recorded is recognized directly in equity reserve.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, "Business Combinations", a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants.

A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business. For acquisitions meeting the definition of business, the acquisition method is used. The

Notes to the financial statements

cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicated the need for an impairment. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly in the consolidated income statement.

For acquisitions not meeting the definition of business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IFRS 9, "Financial instruments"; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

b). Foreign currency

The financial statements are presented in Nigerian Naira, which is the Bank's functional currency. Transactions in foreign currencies are translated at the foreign exchange rates effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are adjusted to the functional currency at the spot exchange rates effective at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in the foreign currency translated at the exchange rate effective on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate effective at the date that the fair value is determined. Foreign exchange differences arising on translation are recognised in profit or loss.

c). Interest Income and Expense

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

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

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

For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and

Notes to the financial statements

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

Amortised cost and gross carrying amount

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

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the consolidated and separate statement of profit or loss includes only interest on financial assets and financial liabilities measured at amortised cost and FVTOCI.
Interest expense presented in the consolidated and separate statement of profit or loss and other comprehensive income includes only interest on financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group’s trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see Note 3e).

d). 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

Notes to the financial statements

servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. 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 period.

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

e). Net trading income

Net trading income comprises gains, less losses related to trading assets and liabilities and includes all realised and unrealized fair value changes, dividend and foreign exchange differences.

f). Dividend Income

Dividend income is recognized when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income or other operating income based on the underlying classification of the equity investment.

g). Foreign exchange gains and losses

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

Specifically;

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss;
- Other exchange differences are recognized in other comprehensive income in the fair valuation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the fair value reserve.

h). Lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in definition of a lease mainly relates to the concept of control.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

Notes to the financial statements

The Group/Bank applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (where the Group is a lessee in the lease contract).

At inception or on reassessment of a contract that contains a lease component, the Group/Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single component.

The Group as the Lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever.

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease

Notes to the financial statements

payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Bank applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and account for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other operating expenses” in the statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient.

Notes to the financial statements

The Group as the Lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Notes to the financial statements

I.) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(I) Current tax

In accordance with the Companies Income Tax Act, Cap C21, LFN 2004, the Bank and its subsidiary are assessed for tax under the minimum tax regulation when their total profits from all sources have produced tax or tax payable which is less than the minimum tax specified by the law. When assessed for minimum tax, the rates applicable for calculating the minimum tax is the higher 0.5% of Turnover (Less Franked Investment Income) or excess dividend basis where dividend paid during the year is higher than taxable profit.

The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date in the countries where the Bank and its subsidiaries as well as associates operate and generate taxable income. Current tax also includes any tax arising from dividend. Current income tax is recognised as an expense for the period and adjustments to past periods except to the extent that current tax related to items that are charged or credited in OCI or directly to equity.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognized. These amounts are recognised in profit or loss because they relate to income arising from transactions that were originally recognised in profit or loss.

Finance Act 2023

In accordance with Finance Act 2023 applicable rate for Minimum Tax for 2023 Year of Assessment will is 0.5%.
The Act also increased Tertiary Education Tax from 2% to 2.5%.
Police Trust Fund is provided for at the rate of 0.005% of Net Profit and Provision is also made for National Agency Science and Engineering Infrastructure Levy (NASENI) of 0.025% of PBT

(II) Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax is not recognised for:

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

Temporary differences in relation to a right-of -use asset and a lease liability for a specific lease regarded as a net package (the lease) for the purpose of recognizing deferred tax.

Notes to the financial statements

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

J.) Financial Instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

I) Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets

Debt Instruments

- A debt instrument is measured at amortized cost if it meets both of the following conditions:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments

Notes to the financial statements

of principal and interest on the principal amount outstanding.

- A debt instrument is measured at FVOCI only if it meets both of the following conditions:

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

Business Model Assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as 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.

Equity instruments Designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the Fair value reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item

Notes to the financial statements

in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment
- Investment is neither held for trading nor a contingent consideration arising from a business combination as designated on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL.
- Debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases

The Group has not designated any debt instruments as at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets,

Notes to the financial statements

interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognized in profit or loss and is included in the "interest income" line item.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in the Group's fair value measurement policy.

II) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, finance lease receivables, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

1. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include backstop based on delinquency.

In determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The Group will primarily assess whether a significant increase in credit risk has occurred for an exposure in line with

Notes to the financial statements

its staging criteria by:

- Comparing the risk of default on the exposure as at the reporting date; with the risk of default on the exposure as at the date of initial recognition
- Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument.

For certain revolving facilities (e.g. overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

Individual or collective assessment of significant increase in credit risk

The objective of the impairment requirements in IFRS 9 is to recognise lifetime expected credit losses for all financial instruments for which there has been a significant increase in credit risk since initial recognition – whether assessed on an individual or collective basis. For some instruments, a significant increase in credit risk may be evident on an individual instrument basis before the financial instrument becomes past due. In these cases, an assessment of whether there has been a significant increase in credit risk is carried out on an individual basis.

For some other instruments, a significant increase in credit risk may not be evident on an individual instrument basis before the financial instrument becomes past due. For example, this could be the case when there is little or no updated information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms – e.g. for many retail loans. In these cases, an assessment of whether there has been a significant increase in credit risk on an individual basis would not faithfully represent changes in credit risk since initial recognition, and so if more forward-looking information is available on a collective basis, an entity makes the assessment on a collective basis.

To assess significant increases in credit risk on a collective basis, the Bank group financial instruments on the basis of shared credit risk characteristics, which may include any of the following examples of shared credit risk characteristics:

- instrument type;
- credit risk ratings;
- collateral type;
- date of origination;
- remaining term to maturity;
- industry;

2. Default

The Group will consider a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The borrower is more than 90 days past due on any material credit obligation to the Group.

Notes to the financial statements

- Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

This definition is largely consistent with the definition that is used for regulatory purposes (as defined in paragraph 12.1(b) of the CBN Prudential Guideline 2010).

In assessing whether a borrower is in default, the Group will consider indicators that are:
- Qualitative: e.g. Breach of covenants that are deemed as default events;
- Quantitative: e.g. 90 days overdue status and non-payment of another obligation of the same issuer to the group; and
- Based on internally and external objective evidence of impairment.

3. Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized 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 restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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, a retail loan that is overdue for 90 days or more is considered impaired. In making an assessment of whether an investment in subnational/corporate debt instrument is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The current financial situation of the sub-national/corporate issuer.
- The mechanisms in place to provide the necessary support (from the central government), as well as the intention, reflected in public statements of governments/corporate issuer and availability to use those mechanisms.

4. Write off Policy

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that

Notes to the financial statements

could generate sufficient cash flows to repay the amounts subject to the write-off and this is taken as a derecognition event. However, financial assets that are written off are still subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Additionally, the Group also follows the CBN regulation regarding write-off of non-performing loans.

5. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Reclassifications

Financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Notes to the financial statements

Financial liabilities

Financial liabilities are not reclassified.

iii Modifications of financial assets and financial liabilities

a. Financial assets

If the terms of a financial asset are modified, the Group 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 recognized at fair value. Any costs or fees incurred as part of the modification are recognized as part of the gain or loss on derecognition.

If the cash flows of the modified asset are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset using the original EIR and recognizes any difference arising between this recalculated amount and the existing gross carrying amount as a modification gain or loss in profit or loss. Any costs or fees incurred as part of the modification adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

b. Financial liabilities

The Group derecognized 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 recognized at fair value. The difference between the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

When the cash flows of the modified financial liability are not substantially different, then the modification does not result in derecognition of the financial asset and any difference in recognized in profit or loss (similar to the principle for accounting for modification of financial asset that do not result in derecognition).

iv Offsetting of financial assets

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has currently enforceable a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The financial assets and liabilities are presented on a gross basis.

v Derecognition

- **Financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Bank neither transfers nor retains

Notes to the financial statements

substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position.

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 assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit and loss.

From 1 January 2018 any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continue to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position 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 subsequently measured at amortized cost or fair value as appropriate.

- **Financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

vi Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the

Notes to the financial statements

purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value is recognised as part of net trading income in profit or loss.

vii Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

viii Restructured financial assets

Financial instruments are restructured when the contractual terms are renegotiated or modified or when an existing financial instrument is replaced with a new one due to financial difficulties of the borrower. Restructured loans

Notes to the financial statements

represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized 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 is 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 derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

ix Regulatory Probationary Period

The CBN expects banks to place financial instruments into relevant stages using the transfer criteria set out in IFRS 9 and those determined by the Bank.

However, where there is significant evidence of reduction in credit risk, the CBN requires banks to observe the following probationary periods;
90 days probationary period to move a loan from Lifetime ECL not credit impaired (stage 2) to 12 months ECL (stage 1)
90 days probationary period to move a loan from Lifetime ECL credit-impaired
(stage 3) to Lifetime ECL not impaired (stage 2) to 180 days probationary period to move a loan from Lifetime ECL credit-impaired (stage 3) to 12 months ECL (stage 1).

x Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued, borrowings and other liabilities are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

Notes to the financial statements

k). Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

l). Property and equipment

i. Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where the Group has an obligation to remove the asset or restore the site and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

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

ii Subsequent costs

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

iii Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- Buildings 50 years
- Furniture and office equipment 5 years
- Computer equipment 5 years

Notes to the financial statements

• Motor vehicles	5 years
• Right of use of assets	Lower of lease term or the useful life for the specified class of item
• Work in progress	Not depreciated

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use.

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

iv. De-recognition

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

M). Intangible assets

Software

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is shorter of 5 years or the contractual licensing period.
Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

n) Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

Notes to the financial statements

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

o) Deposits and subordinated liabilities

Deposits and subordinated liabilities are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit and the underlying asset continues to be recognised in the Group's financial statements. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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

p) Provisions

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

i Restructuring

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

ii Onerous contracts

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

Notes to the financial statements

q) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

r) Employee benefits

i Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as personnel expenses in profit or loss when they are due in respect of service rendered before the end of the reporting period.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the reporting period in which the employees render service are discounted to their present value at the reporting date.

The Group operates a funded, defined contribution pension scheme for employees in Nigeria. Obligations in respect of the Group's contributions to the scheme are recognised as an expense in the profit and loss account on an annual basis. The employee and the Group contribute 8% and 12.5% of basic salary, housing, luncheon and transport allowance respectively to each employee's retirement savings account maintained with their nominated Pension Fund Administrators in accordance with the Pension Reform Act 2014.

ii Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iii Short-term employee benefits

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

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

Notes to the financial statements

s) Contingent liabilities and contingent assets

A contingent liability is 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 Group or the Group has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystallise. 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 Group. Contingent assets are never recognised rather they are disclosed in the financial statements when an inflow of economic benefit is probable.

t) Share Capital and Reserves

(i) Share issue costs

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

(ii) Dividend on the Bank's ordinary shares

Dividend on the Bank's ordinary shares are recognised in equity when approved by Bank's shareholders.

(iii) Share premium

Premiums from the issue of shares are reported in share premium.

(iv) Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial Institutions Act, 2020, an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

(v) AGSMIEIS reserve

The SMIEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, The Banker's Committee at its 331st meeting held on the 9th February, 2017, approved the Agric-Business/Small and Medium Enterprises Scheme (AGSMEIS) to support the Federal Government's effort in promoting Agricultural Business/Small and Medium Enterprises (SMEs) as a vehicle for sustainable economic development and employment generation.

All Deposit Money Banks (DMBs) pursuant thereof, are hereby required to set aside and remit to the designated account domiciled in Central Bank of Nigeria (CBN), 5% of annual Profit After Tax (PAT) for equity investment in permissible activities as stipulated in the scheme guidelines.

Notes to the financial statements

(vi) Regulatory risk reserve

The Nigerian banking regulator requires the Bank to create a reserve for the difference between impairment provision determined in line with the principles of IFRS and impairment provision determined in line with the prudential guidelines issued by the Central Bank of Nigeria (CBN). This reserve is not available for distribution to shareholders.

(vii) Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

(viii) Fair value reserve

Comprises fair value movements on equity instruments carried at FVOCI.

(ix) Credit risk reserve

Comprises of special reserve for certain credits outside impairment.

u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

v) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance and for which discrete financial information is available.

Notes to the financial statements

4. Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortized cost are evaluated for impairment on the basis described in accounting policy j (viii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merit and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy j (viii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5. Critical accounting judgements made in applying accounting policies include:

Valuation of financial instruments

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either (i.e., derived from prices). This category includes instruments valued using: quoted market prices inactive markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the financial statements

(i) Valuation of financial instruments

Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

Models and assumptions used

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

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

Notes to the financial statements

In thousands of Naira

Group	**Level 1**	**Level 2**	**Level 3**	**Total**
31-Dec-23				
Treasury Bills	4,669	-	-	4,669
Investment Securities (Bonds)	76,541		-	76,541
Equity Securities	-	13,278,129	-	13,278,129
Pledged Assets	-	-	-	-
	81,210	**13,278,129**	**-**	**13,359,339**

Bank				
31-Dec-23				
Treasury Bills	4,669	-	-	4,669
Investment Securities (Bonds)	76,541			76,541
Equity Securities	-	13,278,129	-	13,278,129
Pledged Assets	-	-	-	-
	81,210	**13,278,129**	**-**	**13,359,339**

Group				
31-Dec-22				
Treasury Bills	20,933,741	-	-	20,933,741
Investment Securities (Bonds)	1,452,306			1,452,306
Equity Securities	-	9,603,924	-	9,603,924
Pledged Assets	-	-	-	-
	22,386,047	**9,603,924**	**-**	31,989,971

Bank				
31-Dec-22				
Treasury Bills	20,933,741	-	-	20,933,741
Investment Securities (Bonds)	1,452,306	-	-	1,452,306
Equity Securities	-	9,603,924	-	9,603,924
Pledged Assets	-	-	-	-
	22,386,047	**9,603,924**	**-**	31,989,971

6. Operating segments

The Bank, which has a national authorization, has four reportable geographical segments, which are the Bank's strategic zones. The strategic zones offer different products and services and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic zones, the Bank's management reviews internal management reports on a monthly basis.
Segment information is presented in respect of the Group's geographic segments which represents the primary segment reporting format and is based on the Group's management and reporting structure.

Notes to the financial statements

Geographical segments

The Group operates in four geographical regions: South-west, South-South, Abuja and Lagos zones:

31-Dec-23					
Group					
In thousands of Nigerian Naira					
Derived from external	**South- West**	**South- South**	**Abuja**	**Lagos**	**Total**
Gross revenue from customers	48,942,702	17,198,792	9,746,385	151,026,659	226,914,538
Total interest expense	(15,387,869)	(4,778,572)	(2,273,437)	(71,482,374)	(93,922,25)
Operating income	32,636,745	12,052,995	7,234,022	70,505,157	122,428,919
Operating expenses	(21,164,669)	(5,947,102)	(4,794,238)	(46,858,981)	(78,764,990)
Profit on ordinary activities before taxation	11,267,769	8,307,283	2,268,993	21,819,884	43,663,929
Income tax expense	(1,776,812)	(770,848)	(428,092)	(4,699,209)	(7,674,96)
Profit on ordinary activities after taxation	9,584,472	7,852,811	1,827,473	16,724,211	35,988,967
Assets and liabilities:					
Total assets	420,579,312	137,075,353	101,650,78	1,588,934,173	2,248,239,618
Total liabilities	(395,216,578)	(121,053,640)	(93,772,860)	(1,498,897,870)	(2,108,940,948)
Net Asset	25,301,673	16,682,279	8,016,527	89,298,190	139,298,669

31-Dec-22					
Group					
In thousands of Nigerian Naira					
Derived from external	South- West	South- South	Abuja	Lagos	Total
Gross revenue from customers	28,535,782	10,027,664	5,682,578	88,807,023	133,053,047
Total interest expense	(8,692,326)	(2,699,328)	(1,284,223)	(41,130,819)	(53,806,696)
Operating income	19,843,456	7,328,337	4,398,355	42,913,929	74,484,077
Operating expenses	(16,002,551)	(4,496,588)	(3,624,911)	(35,476,065)	(59,600,115)
Profit on ordinary activities before taxation	3,840,906	2,831,749	773,444	7,437,862	14,883,9621
Income tax expense	(817,681)	(354,741)	(197,006)	(2,162,553)	(3,531,981)
Profit on ordinary activities after taxation	3,023,225	2,477,008	576,439	5,275,308	11,351,980
Assets and liabilities:					
Total assets	269,730,403	87,910,625	65,191,761	1,019,032,185	1,441,864,974
Total liabilities	(254,737,63)	(78,025,364)	(60,441,483)	(966,117,597)	(1,359,322,074)
Net Asset	14,992,774	9,885,261	4,750,278	52,914,588	82,542,901

Notes to the financial statements

In thousands of Nigerian Naira	Group 31-Dec-23	Group 31-Dec-22	Bank 31-Dec-23	Bank 31-Dec-22
7 Interest income				
Cash and cash equivalents	5,960,806	1,363,120	5,960,806	1,363,120
Loans and advances to banks and customers	122,183,794	85,818,792	122,183,794	85,067,059
Investments securities	57,498,709	20,854,720	56,330,860	19,636,715
Total interest income	**185,643,309**	**108,036,632**	**184,475,460**	**106,066,894**

All interest income and interest expense are calculated using effective interest rate method.

Interest expense				
Deposits from banks	4,890,355	2,822,605	4,890,355	2,822,605
Deposits from customers	80,883,746	46,316,740	80,883,746	45,565,007
Other borrowed funds	8,148,151	4,667,351	7,078,810	3,603,721
Total interest expense	**93,922,252**	**53,806,696**	**92,852,911**	**51,991,333**
Net interest income	**91,721,057**	**54,229,936**	**91,622,549**	**54,075,561**

8 Fees and commission income

	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Credit related fees	1,229,213	947,318	1,229,213	947,318
Account maintenance fees	3,953,307	2,754,764	3,953,307	2,754,764
Management fees	4,829,150	2,982,745	4,829,150	2,982,745
Fees on electronic products	7,346,492	6,134,644	7,346,492	6,134,644
Fees on financial guarantees	1,373,183	540,845	1,373,183	540,845
FX transactions	4,146,145	1,896,165	4,146,145	1,896,165
Other fees and charges	2,084,267	1,329,735	2,084,267	1,329,735
Total fee and commission income	**24,961,757**	**16,586,216**	**24,961,757**	**16,586,216**

Credit related fees and commissions are fees charged to customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost. These fees are accounted for in accordance with the Group’s revenue accounting policy. The representation of all fees and commission recognised in the year and prior year at a point in time and over a period of time is as shown below.

Notes to the financial statements

	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Point in time	24,891,906	16,519,550	24,891,906	16,519,550
Over time	69,852	69,852	69,852	66,666
	24,961,758	**16,586,216**	**24,961,758**	**16,586,216**

9 **Net trading income**

Fixed income securities	1,158,543	293,285	1,158,543	293,285
Treasury bills	(1,150,616)	3,466,568	(1,150,616)	3,466,568
Foreign exchange trading (note 9.1)	814,558	242,136	814,558	242,136
	822,485	**4,001,989**	**822,485**	**4,001,989**

9.1 Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value through profit or loss.

10 Other income	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Dividends on equities at FVOCI	210,262	200,634	210,262	200,634
Gains/(loss) on disposal of property and equipment	330,906	(5,290)	330,906	(5,290)
Rental income	57,108	55,770	57,108	55,770
Income on contingents	14,540	38,398	14,540	38,398
Income on deposit accounts	98,668	77,561	98,668	77,561
Digital Income	745,829	702,356	745,829	702,356
FX Revaluation	13,603,283	1,591,990	13,603,283	1,591,990
Swift transactions	212,435	103,914	212,435	103,914
Service charge	15,997	35,981	15,997	35,981
Advisory fees	-	27,815	-	27,815
Others	197,729	67,805	197,729	67,805
	15,486,758	**2,896,933**	**15,486,758**	**2,896,933**

Notes to the financial statements

Impairment loss on financial instruments

		Group		Bank	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
11	**Impairment loss on financial/non-financial instruments**				
	Impairment charge on financial instruments				
	Total impairment charge on loans and advances (note 18)	7,531,486	5,538,987	7,531,486	5,538,987
	Bonds/Treasury bills (note 17)	1,771,593	380,398	1,771,593	380,398
	Cash and cash equivalent (note 15)	68,678	(30,776)	68,678	(30,776)
	Other assets (note 22)	83,002	173,038	83,002	173,038
	Impairment charge on non-financial instruments				
	Off balance sheet (note 29)	1,204,926	(622,156)	1,204,926	(622,156)
	Recoveries on loans (note 18a)	(96,318)	(677,217)	(96,318)	(677,217)
	Total impairment charge on financial/non-financial instruments	**10,563,367**	**4,762,274**	**10,563,367**	**4,762,274**

Litigation claim disclosed in prior year under impairment loss on non-financial instruments was reclassified to general administrative expenses in note 13a

12	**Personnel expenses**				
	Wages and salaries	19,069,375	14,707,007	19,069,375	14,707,007
	Pension Contribution	1,277,208	1,797,752	1,277,208	1,797,752
	Outsourced staff cost	6,408,566	4,827,819	6,408,566	4,827,819
		26,755,149	**21,332,578**	**26,755,149**	**21,332,578**

Notes to the financial statements

Personnel expenses

(a) The average number of persons employed during the period by category:

	Group		Bank	
	31-Dec-23 Number	31-Dec-22 Number	31-Dec-23 Number	31-Dec-22 Number
Executive Directors	4	5	4	5
Management	31	34	31	34
Non-management	1,691	1,376	1,691	1,376
	1,726	**1,415**	**1,726**	**1,415**

The emoluments of all other directors fell within the following ranges:

	31-Dec-23 Number	31-Dec-22 Number	31-Dec-23 Number	31-Dec-22 Number
N2,370,001 - N2,380,000	-	-	-	-
N2,720,001 - N2,730,000	3	3	3	3
N3,060,001 – N7,570,000	4	4	4	4
N7,570,001 – N9,570,000	1	1	1	1

Employees other than Directors, earning more than N200,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits) in the following ranges:

	31-Dec-23 Number	31-Dec-22 Number	31-Dec-23 Number	31-Dec-22 Number
N1,490,001 - N2,500,000	487	578	487	578
N2,510,001 - N3,540,000	286	197	286	197
N3,540,001 - N3,990,000	187	208	187	208
N3,990,001 - N4,500,000	253	153	253	153
N4,710,001 - N5,390,000	158	42	158	42
N5,390,001 - N5,900,000	127	54	127	54
N5,990,001 - N6,600,000	76	66	76	66
N6,900,001 - N7,710,000	19	42	19	42
Above N7,710,000	133	75	133	75

Notes to the financial statements

12 Personnel expenses (cont'd)

Directors' remuneration (excluding pension contributions and certain benefits) was provided as follows:

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Executive compensation/fees	281,820	294,632	281,820	294,632
Other emoluments	170,255	183,068	170,255	183,068
	452,075	**477,700**	452,075	**477,700**
The directors' remuneration shown above includes:				
Chairman	9,500	9,500	9,500	9,500
Highest paid director	79,517	79,517	79,517	79,517

13a Other operating expenses

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Advertising and marketing	4,313,293	3,276,807	4,313,293	3,276,807
AMCON Levy (i)	7,986,255	6,470,894	7,986,255	6,470,894
Auditors remuneration	160,000	127,000	150,000	120,000
Business Expenses	531,719	319,576	531,719	319,576
Cash movement expenses	699,198	590,390	699,198	590,390
Diesel Expenses	1,860,222	1,513,161	1,860,222	1,513,161
Directors Expenses	50,000	52,350	50,000	52,350
Directors fees	67,868	55,724	67,868	55,724
Donations	395,129	147,334	395,129	147,334
Electricity	872,441	641,978	872,441	641,978
General administrative expenses	6,488,618	3,642,499	6,472,712	3,633,077
Legal expenses	383,007	433,389	383,007	433,389
Insurance	529,059	414,218	529,059	414,218
NDIC Premium	5,145,831	4,234,637	5,145,831	4,234,637
Other premises and equipment costs	296,120	365,633	296,120	365,633
Printing and stationery	510,706	651,722	510,706	651,722
Other Professional fees (iii)	1,469,705	1,173,897	1,469,705	1,173,897
Digital Bank Professional fees (ii)	172,560	195,056	172,560	195,056
Repairs and maintenance	3,408,100	2,960,852	3,408,100	2,960,852
Security expenses	486,222	659,041	486,222	659,041
Service charge	6,608,165	3,373,775	6,608,165	3,373,775
SMS Expenses & Others	51,017	34,291	51,017	34,291
Statutory expenses	222,506	159,989	222,506	159,989
Technology and alternative channels	1,422,082	1,448,711	1,422,082	1,448,711
Transport & Communications	1,757,800	778,689	1,757,800	778,689
	45,887,623	33,721,613	45,861,717	33,705,191

13a Other operating expenses (cont'd)

i AMCON contributory cost relates to contribution towards the fund set up by the Central Bank of Nigeria for the bailout of the banking sector. The cost is charged at 0.5% of the preceding year's total assets and contingent exposures.

ii. This represents expenses incurred by the Group on electronic and digital platforms.

Notes to the financial statements

iii. Included in other professional fees for the year ended 31 December 2023 is ₦78.44m fees relating to non-audit services provided by KPMG 2022: ₦34.85m
The details of fees earned during the year are as follows:

Non- audit services	Fees (₦'000)
Remuneration Benchmarking Survey	18,060
Sustainability Assurance	5,000
Agreed upon Procedures on CBN Code of Corporate Governance	5,000
Risk Management Review	5,000
Tax Services	15,384
Limited Assurance on Internal Control over Financial Reporting	30,000
Total	78,444

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
13b Depreciation and amortization				
Property, plants and equipment	4,762,674	3,443,900	4,762,674	3,443,900
Right of use of assets	272,643	285,349	272,643	285,349
Intangible assets	1,086,901	816,676	1,086,901	816,676
	6,122,218	4,545,925	6,122,218	4,545,925

14 Earnings per share

Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share as at 31st December 2023 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

	Group		Bank	
In thousands	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Profit attributable to ordinary shareholders -basic				
Profit for the year attributable to equity holders of the Bank '000	35,988,967	11,351,980	35,932,372	11,214,027
Earnings per share -basic/diluted (Kobo)	279.9	88.3	279.5	87.2

Notes to the financial statements

The Bank does not have any potentially dilutive shares. Consequently, basic and diluted earnings per share are the same.

		Group		Bank	
15	**Cash and cash equivalents**	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	In thousands of Nigerian Naira				
	Cash and balances with banks	99,378,007	70,558,692	99,351,267	70,526,748
	Unrestricted balances with central bank	5,031,642	16,353,402	5,031,642	16,353,402
	Money market placements	115,936,358	9,426,521	115,936,358	9,426,521
	ECL Allowance	(112,432)	(43,754)	(112,432)	(43,754)
		220,233,575	**96,294,862**	**220,206,835**	**96,262,918**
	Classified as:				
	Current	215,201,933	79,941,459	215,175,193	79,909,515
	Non-current	5,031,642	16,353,402	5,031,642	16,353,402
		220,233,575	96,294,862	220,206,835	96,262,918
	Movement in ECL allowance				
	Opening balance	43,754	74,529	43,754	74,529
	Charge/(Writeback) for the year (note 11)	68,678	(30,776)	68,678	(30,776)
	Closing balance	112,432	43,753	112,432	43,753

Notes to the financial statements

15b Restricted Deposit with CBN

Mandatory reserve deposit is reported net of N34.87 billion (December 31, 2022: N19.76 billion) which relates to Differentiated Cash Reserve Requirement (DCRR) Scheme. Under the DCRR scheme, Deposit Money Banks (DMBs) interested in providing credit financing to Greenfield (New) and Brownfield (expansion) projects in the Real Sector (Agriculture and Manufacturing) may request for the release of funds from their CRR to finance the projects.

Restricted deposits with Central Bank are not available for use in day to day operations.

		Group		Bank	
16	**Pledged assets - Held at amortised cost**	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
	In thousands of Nigerian Naira				
	Treasury bills (note 16.1)	1,387,006	-	1,387,006	-
	Bonds (16.2)	33,829,683	30,616,318	33,829,683	30,616,318
		35,216,689	**30,616,318**	**35,216,689**	**30,616,318**

16.1.

The treasury bills are pledged for clearing activities with the clearing bank and as collection bank for government taxes and electronic card transactions with Federal Inland Revenue Service (FIRS), Nigerian Interbank Settlement System (NIBSS) and Interswitch Nigeria Limited. The Bank cannot trade on these pledged assets during the period that such assets are committed as pledged.

16.2

The Bonds are pledged as collateral for intervention credit granted to the Bank by the Bank of Industry and Development Bank of Nigeria for the purpose of refinancing existing loans to Small and Medium Scale Enterprises Scheme under secured borrowing with related liability of ₦9.08 billion (2022: ₦7.44 billion) as disclosed in note 26.

Notes to the financial statements

	In thousands of Nigerian Naira	Group 31-Dec-23	Group 31-Dec-22	Bank 31-Dec-23	Bank 31-Dec-22
17	**Investment securities**	**628,252,243**	**352,912,906**	**620,102,871**	**344,782,534**
	Current	107,468,384	161,429,844	107,468,384	161,429,844
	Non-current	520,783,859	191,483,062	512,634,487	183,352,690
17a	**Investment securities measured at FVTOCI**				
	FGN Bonds	76,541	1,452,306	76,541	1,452,306
	Equity (see note (i) below)	13,278,128	9,603,924	13,278,128	9,603,924
		13,354,669	**11,056,230**	**13,354,669**	**11,056,230**
17b	**Investment securities measured at FVTPL**				
	Treasury Bills	4,669	20,933,741	4,669	20,933,741
		4,669	**20,933,741**	**4,669**	**20,933,741**
17c	**Investment securities measured at amortised cost**				
	Treasury Bills	107,463,715	140,496,103	107,463,715	140,496,103
	FGN Bonds	501,807,928	172,133,164	493,658,557	164,002,792
	Other Bonds (see (ii) below)	8,777,408	9,678,243	8,777,408	9,678,243
	ECL Allowance - Investments at Amortised Cost	(3,156,168)	(1,384,575)	(3,156,168)	(1,384,575)
		614,892,883	**320,922,935**	**606,743,512**	**312,792,563**
	Movement in ECL allowance				
	Opening balance	1,384,575	1,004,177	1,384,575	1,004,177
	Charge/write back for the year	1,771,593	380,398	1,771,593	380,398
	Closing balance	3,156,168	1,384,575	3,156,168	1,384,575
(i)	**Equity**				
	Quoted Investments:	-	-	-	-
	Unquoted Investments:				
	Unified Payment Services Limited	65,767	65,767	65,767	65,767
	FMDQ	15,000	15,000	15,000	15,000
	Nigeria Inter-Bank Settlement System	47,482	47,482	47,482	47,482
	Fair value gain on (FVTOCI) financial assets (b)	13,149,879	9,475,675	13,149,879	9,475,675
		13,278,128	9,603,924	13,278,128	9,603,924
		13,278,128	**9,603,924**	**13,278,128**	**9,603,924**

(a) The breakdown of fair value on FVTOCI financial assets is as follows:

Notes to the financial statements

In thousands of Nigerian Naira	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Unified Payment Services Limited	2,022,493	1,475,738	2,022,493	1,475,738
FMDQ	2,046,707	1,599,982	2,046,707	1,599,982
Nigeria Inter-Bank Settlement System	9,208,928	6,528,204	9,208,928	6,528,204
Closing balance	**13,278,128**	**9,603,924**	**13,278,128**	**9,603,924**

(b) Description of Valuation Methodology and inputs

Market Approach

We adopted the market multiples (guideline public companies and transaction) valuation approach in estimating the fair value of Wema's investment in the three entities. This methodology expounds that similar assets should sell for the same value or similar prices.
According to the standard, the fair value measurement of unquoted equity instruments under the market multiples approach consists of the following steps:

Identifying guideline public companies and transactions.
The bank obtained a list of guideline public companies using the S&P Capital IQ platform

Entities	Approach
Financial Market Dealers Quote	We have selected a universe of guideline public companies that operate in emerging markets within the Financial Exchange and Data Industry using the S&P Capital IQ platform
Nigerian Inter-bank Settlement System	We have selected a universe of guideline public companies that operate in emerging markets within the payment processing services industry using the S&P Capital IQ platform
Unified Payment Services	We have selected a universe of guideline public companies that operate in emerging markets within the data and outsourced services industry using the S&P Capital IQ platform

i. Selecting the performance measure that is most relevant to assessing the value of the investee (i.e. the performance measure that market participants will typically use to price the investee). This would typically be by reference to trading multiples, for example, earnings, book value of equity or revenue. For the purpose of this engagement, we have adopted the price to book value (P/B) for FMDQ, while we adopted the enterprise value to earnings before income, tax, depreciation and amortisation (EV/EBITDA) for NIBSS and UPS, as this reflects the nature of these entities' businesses and operations.

ii. Applying the appropriate valuation multiple to the relevant performance measure of the investee to obtain an indicative fair value of the investee's equity value as at the valuation date.

iii. Making appropriate adjustments to ensure comparability between the unquoted equity instruments held by the Company and the equity instruments of the guideline public companies.

Notes to the financial statements

iv. Making appropriate adjustments to the equity values obtained from the guideline public companies methodology to reflect the marketability of each company's shares and the ownership in the companies (majority or minority stake).

In determining the equity values of FMDQ, NIBSS and UPS, we considered the following:

ADJUSTMENTS	
Marketability discount	We made adjustments to the guideline comparable companies and transactions to account for the lack of marketability of the firm's share. The discount of 21.07% applied is the average of 10% - 30%, sourced from the result of an industry survey of discounts and premiums typically applied to valuations in West Africa.
Minority discount	We made no adjustment for minority discounts in the guideline companies' methodology as the multiples are on a minority basis already.

Determine the indicative valuation ranges

In order to derive the applicable market multiple for the Company, we computed the harmonic mean, the mean and the median of the multiples from the guideline public companies.

Movement in fair value gain				
Opening balance	9,475,675	5,395,922	9,475,675	5,395,922
Fair value gain for the year	3,674,204	4,079,753	3,674,204	4,079,753
Closing balance	13,149,879	9,475,675	13,149,879	9,475,675

Notes to the financial statements

17c Investment securities measured at amortised cost

Other bonds - these are held to maturity securities for state and corporate entities, stated at amortised cost as shown below:

	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
I. 7YR: DANA Group Bond Series 1				
	929,145	929,145	929,145	929,145
Movement in the year	(37,453)	(37,453)	(37,453)	(37,453)
Closing balance	891,692	891,692	891,692	891,692
STATE BONDS				
I. EKITI State Govt Bond Tranche 11				
Opening balance	718,120	861,740	718,120	861,740
Movement in the year	(143,618)	(143,620)	(143,618)	(143,620)
Closing balance	574,502	718,120	574,502	718,120
II. OGUN State Govt Bond				
Opening balance	5,000,000	-	5,000,000	-
Movement in the year	16,339	5,000,000	16,339	5,000,000
Closing balance	5,016,339	5,000,000	5,016,339	5,000,000
III. ONDO State Govt Bond				
Opening balance	3,068,431	3,609,550	3,068,431	3,609,550
Movement in the year	(773,556)	(541,119)	(773,556)	(541,119)
Closing balance	2,294,875	3,068,431	2,294,875	3,068,431
Total Other Bonds	**8,777,408**	**9,678,243**	**8,777,408**	**9,678,243**
ECL	(891,692)	(891,692)	(891,692)	(891,692)
	7,885,716	**8,786,551**	**7,885,716**	**8,786,551**

(d) Investment in SPV

Wema Funding SPV PLC was incorporated on 30 June 2016 and commenced operations on 12 October 2016. The principal activity of the company is to raise or borrow money by the issue of bond or debt instruments and invest the money raised or borrowed in securities or any other investments as the company may deem fit.

Notes to the financial statements

18 Loans and advances to customers at amortised cost

	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
In thousands of Nigeria Naira				
Overdrafts	65,396,844	64,166,319	65,396,844	64,166,319
Term Loans	751,193,407	466,942,230	751,193,407	466,942,230
Advances under finance lease	9,016,316	8,263,463	9,016,316	8,263,463
Gross loans and receivables	**825,606,567**	**539,372,013**	**825,606,567**	**539,372,013**
Less ECL allowances				
Stage 1	(2,708,704)	(5,224,145)	(2,708,704)	(5,224,145)
Stage 2	(392,875)	(116,720)	(392,875)	(116,720)
Stage 3	(21,401,871)	(12,600,451)	(21,401,871)	(12,600,451)
	(24,503,450)	**(17,941,317)**	**(24,503,450)**	**(17,941,317)**
Net loans and advances to customers	**801,103,117**	**521,430,696**	**801,103,117**	**521,430,696**

31-Dec-23	**Term loan**	**Overdrafts**	**Finance lease**	**Total**
Gross loans	751,193,407	65,396,844	9,016,316	825,606,567
Stage 1	(1,376,888)	(1,129,900)	(201,916)	(2,708,704)
Stage 2	(381,602)	(9,198)	(2,075)	(392,875)
Stage 3	(13,397,782)	(7,958,063)	(46,026)	(21,401,871)
	736,037,135	**56,299,683**	**8,766,299**	**801,103,117**

31-Dec-22	**Term loan**	**Overdrafts**	**Finance lease**	**Total**
Gross loans	466,942,230	64,166,319	8,263,463	539,372,013
Stage 1	(4,070,492)	(1,018,668)	(134,985)	(5,224,145)
Stage 2	(111,128)	(5,593)	-	(116,721)
Stage 3	(10,479,653)	(2,086,633)	(34,165)	(12,600,451)
	452,280,957	**61,055,425**	**8,094,313**	**521,430,696**

Notes to the financial statements

18a Movement in ECL allowance

In thousands of Nigerian Naira	Overdraft	Term Loan	Advances under finance lease	Totals
Balance as at 31 December 2022	**3,110,893**	**14,661,273**	**169,150**	**17,941,317**
Stage 1	1,018,668	4,070,492	134,985	5,224,145
Stage 2	5,593	111,128	-	116,721
Stage 3	2,086,633	10,479,653	34,165	12,600,451
Interest on impaired facilities	220,000	(3,230)	-	216,770
ECL allowance during the year	6,391,041	966,517	141,228	7,498,785
Written off in the year as uncollectible	(624,774)	(371,969)	(60,361)	(1,057,104)
Amounts recovered during the year	-	(96,318)	-	(96,318)
Balance as at 31 December 2023	**9,097,160**	**15,156,272**	**250,017**	**24,503,449**
Stage 1	1,129,899	1,376,888	201,916	2,708,703
Stage 2	9,198	381,602	2,075	392,875
Stage 3	7,958,063	13,397,782	46,026	21,401,871

Notes to the financial statements

19 Property and equipment

Group / Bank

In thousands of Nigerian Naira (000s)	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost	**1,590,773**	**18,579,635**	**11,509,776**	**3,905,355**	**13,693,612**	**2,157,864**	**51,437,015**
Additions	194,750	1,098,845	2,033,133	4,662,757	6,424,964	1,217,677	**15,632,126**
Disposals	(5,506)	(247,122)	(16,633)	(958,278)	(12,939)	-	**(1,240,478)**
Balance as at 31 December 2023	**1,780,017**	**19,431,358**	**13,526,276**	**7,609,834**	**20,105,637**	**3,375,541**	**65,828,663**
Accumulated depreciation and impairment							
Balance at 1 January 2023	-	5,818,792	7,959,302	2,516,226	9,693,028	-	**25,987,348**
Charge for the year	-	376,394	1,308,517	892,596	2,185,167	-	**4,762,674**
Disposals	(950)	(50,061)	(7,427)	(617,784)	(8,034)	-	**(684,256)**
Balance as at 31 December 2023	**(950)**	**6,145,125**	**9,260,392**	**2,791,038**	**11,870,161**	**-**	**30,065,766**
Carrying amounts							
Balance at 1 January 2023	**1,590,773**	**12,760,844**	**3,550,474**	**1,389,128**	**4,000,584**	**2,157,864**	**25,449,667**
Balance as at 31 December 2023	**1,780,967**	**13,286,233**	**4,265,884**	**4,818,796**	**8,235,476**	**3,375,541**	**35,762,897**

a. The authorised and contracted capital commitments as at the reporting date was nil (31 December 2022 nil).

b. There were no capitalised borrowing costs related to the acquisition of Property and equipment during the year (31 December 2022: nil) .

c. All Property and equipment are non-current.

Notes to the financial statements

19 Property and equipment

Group & Bank

In thousands of Nigerian Naira (000s)	Land	Buildings	Furniture & Office Equipment	Motor vehicles	Computer Equipment	Work in Progress	Total
Cost							
Balance at 1 January 2022	1,590,773	16,995,356	10,443,090	3,516,783	12,031,649	1,211,505	45,789,155
Additions	-	1,584,279	1,622,536	668,914	1,794,289	946,360	6,616,377
Disposals			(555,850)	(280,342)	(132,325)		(968,518)
Balance as at 31 December 2022	**1,590,773**	**18,579,635**	**11,509,776**	**3,905,355**	**13,693,612**	**2,157,864**	**51,437,015**
Accumulated depreciation and impairment							
Balance at 1 January 2022	-	5,469,592	7,307,005	2,161,991	8,432,025	-	23,370,613
Charge for the year	-	349,235	1,164,425	541,315	1,388,925	-	3,443,900
Disposals	-		(511,742)	(187,079)	(127,518)	-	(826,340)
Balance as at 31 December 2022	**-**	**5,818,792**	**7,959,302**	**2,516,226**	**9,693,028**	**-**	**25,987,348**
Carrying amounts							
Balance at 1 January 2022	**1,590,773**	**11,525,764**	**3,136,085**	**1,354,791**	**3,599,624**	**1,211,505**	**22,418,542**
Balance as at 31 December 2022	**1,590,773**	**12,760,844**	**3,550,474**	**1,389,128**	**4,000,584**	**2,157,864**	**25,449,667**

a. The authorized and contracted capital commitments as at the balance sheet was nil (31 December 2022 nil).

b. There were no capitalized borrowing costs related to the acquisition of intangible assets during the year (31 December 2022: nil).

c. All property and equipment are non-current

Notes to the financial statements

- There were no impairment losses on any class of property and equipment during the year (December 31, 2022: Nil)
- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2022: Nil).
- All property and equipment are non-current. None of the Group's assets were financed from borrowings, consequently no borrowing cost has been capitalized as part of asset cost.
- There were no liens or encumbrances on assets as at the year end. No assets have been pledged as security for borrowing. (31 December 2022: Nil)
- There were no capital commitments as at year end. (31 December 2022: Nil)

		Group		Bank	
In thousands of Nigerian Naira		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
20	Intangible assets				
	Cost				
	Cost 1 January	8,174,107	6,674,382	8,174,107	6,674,382
	Additions	1,215,910	1,505,658	1,215,910	1,505,658
	Disposal	-	(5,933)		(5,933)
	Closing Balance	**9,390,017**	**8,174,107**	**9,390,017**	**8,174,107**
	Amortization and impairment losses				
	Cost 1 January	5,314,514	4,503,741	5,314,514	4,503,741
	Amortization for the year	1,086,901	816,676	1,086,901	816,676
	Disposal	-	(5,903)		(5,903)
	Closing Balance	**6,401,415**	**5,314,514**	**6,401,415**	**5,314,514**
	Carrying amounts	**2,988,602**	**2,859,593**	**2,988,602**	**2,859,593**

- The intangible assets have got finite lives and are amortized over the higher of 5 years or the contractual licensing period. No impairment losses were recognized against intangible assets. .
- The authorized and contracted capital commitments as at the reporting date was nil (31 December 2022 nil).
- There were no capitalized borrowing costs related to the acquisition of Property and equipment during the year (31 December 2022: nil).
- All Intangible assets are non-current

Notes to the financial statements

21 Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to Reversal)/origination of temporary differences:

	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
In thousands of Nigerian Naira				
At 1 January	12,983,230	15,500,694	12,983,230	15,500,694
Reversal	(5,878,230)	(2,517,464)	(5,878,230)	(2,517,464)
Closing balance	**7,105,000**	**12,983,230**	**7,105,000**	**12,983,230**

	Group and Bank	
	31-Dec-23	31-Dec-22
In thousands of naira		
Property and equipment	(5,691,423)	(5,461,642)
Lease liabilities	14,705	(155,734)
Impairment	1,837,279	2,689,846
Provisions	834,991	876,601
unrealised exchange gains	(4,353,051)	(477,597)
carry forward loss	-	2,493,899
unutilised capital allowance	14,462,499	13,017,858
Deferred tax asset as at 31 December 2022/2023	**7,105,000**	**12,983,230**

Deferred taxes are calculated on temporary differences under the liability method using a statutory tax rate

Movements in temporary differences 1 January 2023 to 31 December 2023:

In thousands of Naira	1-Jan-23	Recognized in profit or loss	31-Dec-23
Property and equipment	(5,461,642)	(229,781)	(5,691,423)
Lease liabilities	(155,734)	170,439	14,705
Impairment	2,689,846	(852,567)	1,837,279
Provisions	876,601	(41,610)	834,991
unrealised exchange gains	(477,597)	(3,875,454)	(4,353,051)
carry forward loss	2,493,899	(2,493,899)	-
unutilised capital allowance	13,017,858	1,444,641	14,462,499
Deferred tax asset as at 31 December 2022	**12,983,230**	**(5,878,230)**	**7,105,000**

Notes to the financial statements

There is an unrecognised Deferred Tax Asset of N3.97billion relating to unrealized/Carried forward tax losses during the year ended 31 December 2023 (2022-N2.54billion)

Movements in temporary differences 1 January 2022 to 31 December 2022:

In thousands of Naira	1-Jan-23	Recognized in profit or loss	31-Dec-23
Property and equipment	(4,498,357)	(963,285)	(5,461,642)
Lease liabilities	(109,743)	(45,991)	(155,734)
Impairment	2,361,188	328,658	2,689,846
Provisions	606,669	269,932	876,601
unrealised exchange gains	(606,645)	129,048	(477,597)
carry forward loss	6,456,952	(3,963,053)	2,493,899
unutilised capital allowance	11,290,630	1,727,228	13,017,858
Deferred tax asset as at 31 December 2021	**15,500,694**	**(2,517,464)**	**12,983,230**

	In thousands of Nigerian Naira	Group		Bank	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
22	Other assets				
	Financial Assets				
	Accounts receivables	5,351,545	658,000	5,351,545	658,000
	Other Settlements	-	6,047,964	-	6,047,964
	Collaterized Placement	53,213	52,917	53,213	52,917
	Clearing Balance	368,234	245,690	368,234	245,690
	Fraud & Burglary	256,387	880,154	256,387	880,154
	AGSMEIS Investment with CBN	1,910,121	1,349,419	1,910,121	1,349,419
	Receivable on E-business Channels	712,357	758,449	712,357	758,449
	Non-Financial Assets				
	Prepayments	889,926	864,907	889,926	864,907
	Stock	3,252,127	1,350,116	3,252,127	1,350,116
	Others	470,995	17,074	470,995	17,074
		13,264,904	12,224,691	13,264,904	12,224,691
	Specific impairment on other assets	(263,008)	(897,836)	(263,008)	(897,836)
		13,001,896	**11,326,855**	**13,001,896**	**11,326,855**
	At 1 January	897,836	724,798	897,836	724,798
	Allowance made during the year	83,002	173,038	83,002	173,038
	Write off made during the year	(717,830)	-	(717,830)	-
	Closing balance	**230,308**	**897,836**	**230,308**	**897,836**
	Classified as:				
	Current	12,955,305	11,291,619	9,703,178	9,941,503
	Non-current	309,599	933,071	3,561,726	2,283,188
		13,264,904	**12,224,691**	**13,264,904**	**12,224,691**

Notes to the financial statements

23 Deposits from banks	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
In thousands of Nigeria Naira				
Money market deposits	**20,863,530**	**19,153,500**	**20,863,530**	**19,153,500**
Deposits from customers				
Retail customers:				
Term deposits	195,965,985	131,427,858	195,965,985	131,427,858
Current deposits	39,517,572	28,217,726	39,517,572	28,217,726
Savings	269,215,862	188,368,590	269,215,862	188,368,590
Corporate customers:				
Term deposits	228,729,190	407,977,519	228,729,190	407,977,519
Current deposits	867,565,417	313,636,405	867,565,417	313,636,405
Others	259,579,511	96,305,921	259,579,511	96,305,921
	1,860,573,537	**1,165,934,019**	**1,860,573,537**	**1,165,934,019**

23b The maturity profile of customers' deposit is as follows:

Under 3 months	1,289,875,573	808,304,418	1,289,875,573	808,304,418
3 - 6months	374,260,979	234,531,772	374,260,979	234,531,772
6 - 12months	131,764,905	81,566,492	131,764,905	81,566,492
Over 12months	64,672,080	41,531,337	64,672,080	41,531,337
	1,860,573,537	**1,165,934,019**	**1,860,573,537**	**1,165,934,019**

As at 31 Dec 2023 N64.67billion (31 December 2022: N41.53billion) of deposits from customers are expected to be settled more than 12 months after the reporting date.

Notes to the financial statements

		Group		Bank	
	In thousands of Nigerian Naira	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
24	**Taxation**				
24.1	**Income tax expense**				
	Minimum Tax	1,142,960	633,493	1,127,681	633,493
	Company income tax:				
	Education Tax	105,396	201,095	105,396	201,095
	NITDA Levy	437,098	143,080	436,373	143,080
	Nigerian Police Trust Fund	2,185	722	2,182	722
	NASENI	109,093	36,128	109,093	36,128
	Current Income Tax expense	1,796,732	1,014,519	1,780,725	1,014,519
	Deferred tax expenses	5,878,230	2,517,462	5,878,230	2,517,462
		7,674,962	3,531,980	7,658,955	3,531,980

The income tax expense for the year can be reconciled to the accounting profit as follows:

Effective Tax Reconciliation

		Group				Bank		
		31-Dec-23		31-Dec-22		31-Dec-23		31-Dec-22
	%		%		%		%	
Profit before tax from continuing operations		43,663,929		14,883,961		43,591,327		14,746,008
Adjustment for NITDA Levy		(437,097)		(143,080)		(436,373)		(143,080)
Profit after adjustment for NITDA Levy		43,226,832		14,740,881		43,154,954		14,602,928
Income tax using the tax rate	33%	14,048,720	33%	4,650,102	33%	14,025,360	33%	4,745,952
Non-deductible expenses	13%	5,427,600	3%	495,049	13%	5,427,600	3%	244,318
Tax exempt income	-40%	(15,470,279)	-29%	(4,175,976)	-40%	(15,446,919)	-23%	(3,388,489)
Unrecognised deferred tax asset	4%	1,872,189	11%	1,548,287	4%	1,872,189	6%	915,683
Minimum tax adjustment	12%	1,142,960	4%	633,493	12%	1,127,681	4%	633,493
Tertiary education tax	0%	105,396	1%	201,095	0%	105,396	1%	201,095
NITDA levy	1%	437,098	1%	143,080	1%	436,373	1%	143,080
Police Trust Fund	0%	2,185	0%	722	0%	2,182	0%	722
NASENI	0%	109,093	0%	36,128	0%	109,093	0%	36,128
Tax expense	**25%**	**7,674,962**	**25%**	**3,531,980**	**25%**	**7,658,955**	**25%**	**3,531,980**

Notes to the financial statements

		Group		Bank	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
24.2	**Current tax liabilities**				
	At 1 January	1,061,974	716,120	1,061,974	716,120
	Payment during the year	(1,061,974)	(668,665)	(1,061,974)	(668,665)
	Charge for the year	1,796,732	1,014,519	1,780,725	1,014,519
	Closing balance	**1,796,732**	**1,061,974**	**1,780,725**	**1,061,974**

The charge for taxation is based on the provision of the Company Income Tax Act Cap C21 LFN 2020, as amended under the Finance Act 2023. Education Tax is based on 2.5% of the assessable profit for the year in accordance with the Education Tax Act CAP E4 LFN 2004. NITDA levy is based on 1% of profit before tax in accordance with NITDA levy Act 2007

25 **Other liabilities and Provisions**

		Group		Bank	
	In thousands of Nigerian Naira	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
25.a	***Other Liabilities***				
	Account Payables	4,534,596	552,346	4,534,596	552,346
	Other current liabilities (i)	1,709,237	2,397,954	1,699,237	2,326,214
	Insurance Claim	46,222	230,796	46,222	230,796
	Swift Payables	27,794	407,301	27,794	407,301
	Western Union	3,198	2,696	3,201	2,696
	Salary Suspense	25,874	3,753	25,874	3,753
	Other payable	1,614,849	1,062,660	1,614,849	1,062,660
	Electronic products payable	941,117	639,666	941,117	639,666
	Certified cheques	2,049,956	1,994,983	2,049,956	1,994,983
	Customer deposits for letters of credit	37,553,635	47,255,454	37,553,635	47,255,454
	Discounting Line	48,549,270	23,778,762	48,549,270	23,778,762
	Collections and settlement (ii)	27,720,126	1,370,790	27,720,126	1,370,790
	Remittances	17,809,223	22,733,816	17,809,223	22,733,816
		142,585,099	**102,430,976**	**142,575,102**	**102,359,237**
	Classified as				
	Current	58,070,079	73,440,639	58,060,082	73,368,900
	Non current	84,515,020	28,990,337	84,515,020	28,990,337
		142,585,099	**102,430,976**	**142,575,102**	**102,359,237**

25.1 i Other current liabilities consist of cash surplus, other staff deductions and payables that are help for subsequent payments.

25.1 ii Collections and settlements are balances held in trust on behalf of customers for various transactions. These include transfers, escrows, collection for remittances, etc.

Notes to the financial statements

The Group and Bank have reclassified provisions for litigation and claims and impairment on contingents from Other Liabilities and presented them as a separate line item on the statement of financial position called Provisions. Amounts reclassified from Other Liabilities in 2022 were N540.613m (provision for litigation and claims) and N713.876m (impairment on contingents) for both the Group and Bank.

25.b Provisions

Provision for litigation and claims	690,546	540,613	690,546	540,613
Impairment on contingents	1,918,802	713,876	1,918,802	713,876
	2,609,348	**1,254,489**	**2,609,348**	**1,254,489**
Classified as				
Current	1,918,802	713,876	1,918,802	713,876
Non current	690,546	540,613	690,546	540,613
	2,609,348	**1,254,489**	**2,609,348**	**1,254,489**

(i) Movement in Provisions				
Opening balance	1,254,489	1,830,532	1,254,489	1,830,532
Additions – Litigation and claims	149,933	46,113	149,933	46,113
Additions – Impairment on contingents	1,204,926	(622,156)	1,204,926	(622,156)
Closing balance	**2,609,348**	**1,254,489**	**2,609,348**	**1,254,489**

Provision for litigations: This is provision for litigations and claims against the Bank as at 31 December 2023. These claims arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsels, are of the opinion that this provision is adequate for liability that have crystalized from these claims. There is no expected reimbursement in respect of this provision.

In thousands of Nigerian Naira	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
26 Other borrowed funds				
Due to BOI (see (i) below)	1,592,459	2,409,029	1,592,459	2,409,029
Osun Bailout Fund (see vi below)	-	8,294,136	-	8,294,136
CBN Agric. loan (see ii below)	1,068,305	1,681,165	1,068,305	1,681,165
CBN MSMEDF (see iv below)	343,849	462,855	343,849	462,855
Wema SPV (see v below)	18,318,382	18,262,737	10,146,095	10,093,383
Anchor Borrowers fund (see iii below)	416,667	1,968,061	416,667	1,968,061
Other Borrowings (see xi below)	1,432,763	1,508,524	1,432,763	1,508,524
Shelter Afrique (see vii below)	4,665,137	3,825,450	4,665,137	3,825,450
AFDB (see viii below)	1,360,665	1,867,185	1,360,665	1,867,185
EBID (See xii below)	45,355,500	-	45,355,500	-
DBN (see x below)	5,913,023	3,699,155	5,913,023	3,699,155
RSSF (see ix below)	-	25,477,236	-	25,477,236
	80,466,750	**69,455,531**	**72,294,463**	**61,286,178**

Notes to the financial statements

(i) The amount represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facilities are secured by Nigerian Government Securities worth N1,634,491,422.13 and have a maximum tenor of 15 years.

A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customers.

(ii) Amount represents intervention funds for the production of agro-commodities for offtake market from Central Bank of Nigeria. The fund is at the rate of 9% and for a maximum of 18 months. There is a moratorium of 12 months and 6 months for cassava and cocoa respectively. In response to COVID-19, CBN moderated the rate to 5%, however, the rate has been restored to 9% effective September 2022.

(iii) Anchor Borrowers' fund is an initiative of the Central Bank of Nigeria broadly aimed to create economic linkages between small holder farmers and reputable anchor companies involved in the production and processing of key agricultural commodities with a view to increase agricultural output, reduce food import bills and create jobs. The tenor of the facility depends on the gestation period of the targeted commodity but not exceeding 2 years. The facility is disbursed at an all-inclusive interest rate of 9%.

(iv) This represents CBN intervention funds to some bank's customers in Small & Medium Scale sector. The fund is administered at a maximum interest rate of 9% per annum and maximum tenor of 5 years. In response to COVID-19, CBN moderated the rate to 5%, however, the rate has been restored to 9% effective September 2022.

(v) The Wema SPV of 2023: N18,318,381,672.78 (2022: N18,262,737,000) represents amortized cost of the fixed rate unsecured bond issued by Wema Funding SPV Plc. The outstanding bond of N17,675,000,000 (principal) was issued on 12 October 2018 for a period of 7 years at 16.5% per annum with interest payable semi-annually and principal payable at maturity in October 2025 respectively.

(vi) Amount represents salary credit bail out facility from Central Bank of Nigeria. It has a moratorium of twenty years at bank's interest rate of 9%. The corresponding entry is in loans and advances and the bank is expected to provide Central Bank of Nigeria with periodic progress on the facility. The principal repayment is by bullet payment at the expiration of the moratorium granted. In response to COVID-19, CBN moderated the rate to 5%, however, the rate has been restored to 9% effective September 2022..

(vii) This amount represents the bank's foreign facility from Shelter Afrique, this was granted to the Bank for a period of 4 years. It is repayable bi-annually with interest rate of L+6.5% (Libor plus 5.03%)

(viii) This amount represents the bank's foreign facility from AFDB, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+5.2% (Libor plus 5.2%)

(ix) The amount of N26,919,356,222 (December 2022: N25,477,234,000) represents the outstanding balance on the Real Sector Support Facility (RSSF). The Facility is given by the Central Bank of Nigeria to support large

Notes to the financial statements

enterprises for startups and expansion financing needs. The real sector activities targeted by the facility are manufacturing, agricultural value chain and selected service sub-sectors. The Facility is administered at an all-in Interest rate/charge of 9% per annum payable on quarterly basis.

(x) Due to DBN intervention fund is a scheme in which the Development Bank of Nigeria (DBN) availed the Company a facility to meet the financing need of entrepreneurs in the Micro, Small and Medium Enterprises sector. The facility attracts an interest rate of 9.75 per annum for 1 year tenor.

(xi) Other borrowings include National housing fund and Nigerian Mortgage refinance company

(xii) This amount represents the bank's foreign facility from EBID, this was granted to the Bank for a period of 3.5 years. It is repayable bi-annually with interest rate of 6months SOFR plus margin at 5.25%.

	Group		Bank	
26b	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
At 1 January	69,455,532	72,731,661	61,286,178	61,601,569
Additions	44,923,402	14,784,139	44,923,402	14,784,139
Reclassification	(34,866,199)	-	(34,866,199)	-
Effect of exchange rate changes	5,496,631	326,868	5,496,631	326,868
Payments made	(4,542,615)	(18,387,137)	(4,545,548)	(15,426,398)
Closing balance	**80,466,750**	**69,455,532**	**72,292,463**	**61,286,178**

*The other borrowed funds are non-current

27. Right of use of asset

The Bank leases several assets which includes buildings for commercial and residential purposes. The average lease term is 5years.

		31-Dec-23	31-Dec-22
	COST	**N**	**N**
27a.	Balance at 1 January	1,975,207	1,543,641
	Additions	529,965	431,565
	Terminated contracts		
	Closing Balance	2,505,171	1,975,207
	DEPRECIATION CHARGE		
	Balance at 1 January	977,741	692,393
	Charge for the period	272,643	285,349
	Closing Balance	1,250,384	977,741
	CARRYING AMOUNT		
	As at 31 December, 2022	**997,465**	**997,465**
	Closing Balance	**1,254,787**	**997,465**

Notes to the financial statements

27b. LEASE LIABILITY	31-Dec-23	31-Dec-22
	N	N
Balance at 1 January	31,583	26,879
Addition during the year	-	-
Finance charge for the year	14,369	4,704
Closing Balance	45,952	31,583

	Group		Bank	
In thousands of Nigerian Naira	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
28 Share capital and Reserves				
(a) The share capital comprises:				
(ii) Issued and fully paid - 12,858,155,360 Ordinary shares (2022- 12,858,155,360) shares of 50k each (2022 - 50k)	6,429,078	6,429,078	6,429,078	6,429,078

	Group		Bank	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Share Premium				
At 1 January	8,698,230	8,698,230	8,698,230	8,698,230
Closing balance	**8,698,230**	**8,698,230**	**8,698,230**	**8,698,230**

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

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.

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of fair value through other comprehensive income investments until the investment is derecognised or impaired.

Notes to the financial statements

SMEIES Reserve

This reserve represents the aggregate amount of appropriations from profit after tax to finance equity investments in compliance with the directives issued by the Central Bank of Nigeria (CBN) through its circulars dated July 11, 2006 (amended) and April 7, 2017 respectively. The SMIEIS reserve was maintained in compliance with the Central Bank of Nigeria's requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline issued in July 2006, the contributions were 10% of profit after tax and were expected to continue after the first 5 years after which banks' contributions were to reduce to 5% of profit after tax. In April 2017, the Central Bank of Nigeria issued guidelines to govern the operations of the Agriculture/Small and Medium Enterprises Scheme (AGSMIES), which was established to support the Federal Government's efforts at promoting agricultural businesses and Small and Medium Enterprises (SMEs) as vehicles for achieving sustainable economic development and employment generation. The small and medium scale industries equity investment scheme reserves are non-distributable.

Retained earnings

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

	Group		Bank	
In thousands of Nigeria Naira	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
At 1 January	11,449,605	11,023,901	11,529,379	11,241,627
Profit or loss	35,988,967	11,351,980	35,932,372	11,214,027
Transfer to Regulatory risk reserve	(1,045,040)	(5,711,555)	(1,045,040)	(5,711,555)
Transfer to Statutory Reserve	(5,389,856)	(1,682,104)	(5,389,856)	(1,682,104)
Dividend Paid to Shareholders	(3,857,447)	(3,085,957)	(3,857,447)	(3,085,957)
Regulatory charge to SMEIS	(560,701)	(446,660)	(560,701)	(446,660)
Closing balance	36,585,528	11,449,605	36,608,707	11,529,379

Regulatory risk reserve

The regulatory risk reserve warehouses the excess of the impairment on loans and advances computed under the Central Bank of Nigeria prudential guidelines compared with the incurred loss model used in calculating the impairment under IFRS Accounting Standards.

Credit Risk Reserve

The credit risk reserve warehouses a special reserve in respect of Pan Ocean credit in line with Central Bank of Nigeria requirement on the facility in addition to the prudential provisions.

Notes to the financial statements

Additional Tier 1 Capital

During the year, the Bank issued a N21,000,000,000 Perpetual Fixed Rate Resettable Non-callable bonds. The instrument imposed no contractual obligation on the Bank to pay interest or to redeem the principal as those are at the sole discretion of the Bank. The instrument has accordingly been recognised as an equity instrument in these consolidated and separate financial statements.

(i) Other Reserves

	Group		Bank	
In thousands of Nigeria Naira	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
Credit Risk reserve	-	781,612	-	781,612
Share Reserve	12,858,155	12,858,155	12,858,155	12,858,155
Statutory Reserve	24,726,903	19,337,047	24,726,903	19,337,047
AGSMEIS Reserve	1,910,121	1,349,419	1,910,121	1,349,419
Fair Value Reserves	13,462,577	9,838,329	13,462,577	9,838,329
	52,957,756	**44,164,563**	**52,957,756**	**44,164,563**

29. Contingencies

(a) Litigation and claims

There are litigation claims against the Bank as at 31 Dec 2023 amounting to N9,469,295,824.29 (31 December 2022: N8,331,169,415.00). These litigations arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallized from these claims; other than as recognized in these financial statements.

(b) Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period or have no specific maturity but are cancellable by the lender subject

Notes to the financial statements

to notice requirements.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.
The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk:

	Group		Bank	
	Group	**Group**	**Bank**	**Bank**
In thousands of Nigerian naira	**31-Dec-23**	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
Contingent liabilities:				
Guarantees and indemnities	195,893,115	101,334,445	195,893,115	101,334,445
Bonds	35,765,028	12,298,209	35,765,028	12,298,209
Clean-line facilities & irrevocable letters of credit	87,673,470	39,536,512	87,673,470	39,536,512
ECL	(1,918,802)	(713,876)	(1,918,802)	(713,876)
Closing balance	**317,412,811**	**152,455,290**	**317,412,811**	**152,455,290**

The following tables show reconciliations from the opening to the closing balance of the loss allowance on off balance sheet exposures.

	GROUP AND BANK - December 2023			
In thousands of Nigerian naira	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Off Balance sheet exposures				
Balance at 1 January 2023	**713,876**	-	-	**713,876**
Net re-measurement of loan loss allowance (see note 11)	1,204,926	-	-	1,204,926
Closing Balance	**1,918,802**	**-**	**-**	**1,918,802**
Gross Amount	**319,331,613**	-	-	**319,331,613**

Notes to the financial statements

In thousands of Nigerian naira	GROUP AND BANK - December 2022 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Off Balance sheet exposures				
Balance at 1 January 2022	1,336,032	-	-	**1,336,032**
Net re-measurement of loan loss allowance (see note 11)	(622,156)	-	-	**(622,156)**
Closing Balance	**713,876**	**-**	**-**	**713,876**
Gross Amount	**153,169,166**	-	-	**153,169,166**

30. Related party transactions

Transactions with key management personnel

The Bank's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. The key management personnel have been identified as the executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Wema Bank Plc.

Key management compensation

	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Short term benefits	489,845	477,700	489,845	477,700
Post employment benefits	806,863	-	806,863	-
Fees and sitting allowances	97,950	97,950	97,950	97,950
	1,394,658	575,650	1,394,658	575,650

Key management personnel and their immediate relatives transacted with the Bank during the year as follows:

Loans and advances:

	Group		Bank	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
At 1 January	1,131,972	1,336,128	1,131,972	1,336,128
Granted during the year	92,342	248,252	92,342	248,252
Repayments during the year	(842,397)	(1,515,550)	(842,397)	(1,515,550)
At 31 December	381,916	1,131,972	381,916	1,131,972
Interest earned	45,710	122,590	45,710	122,590
Deposit Liabilities				
Deposit	**771,360**	**237,341**	771,360	**237,341**

Notes to the financial statements

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate, equities and other assets of the respective borrowers. ECL of ₦97,510,621.39 (2022 - ₦8,292,191.67) have been recorded against balances outstanding during the period with key management personnel and their immediate relatives at the year end.

Notes to The Financial Statements

Related party transactions

Transactions with other related parties 31-Dec-23	Relationship	Loans N'Million	Deposit N'Million	Interest Received N'Million	Interest Paid N'Million
Diamed Centre Limited	Related Company to a Mgt. Staff	48.69	63.99	14.19	8.95
Solomon Kesinton Agro Allied Ltd	Related to a Principal Shareholder	222.26	2.37	28.05	0.33
WemaBod Limited	Related to a Principal Shareholder	110.97	704.99	3.47	98.70

Transactions with other related parties 31-Dec-22	Relationship	Loans N'Million	Deposit N'Million	Interest Received N'Million	Interest Paid N'Million
Diamed Centre Limited	Related Company to a Director	72.90	6.02	28.34	-
Solomon Kesinton Agro Allied Ltd	Related Company to a Director	162.50	0.82	0.06	-
WemaBod Limited	Related Company to a Director	78.40	12.00	8.27	-

SIGNIFICANT SHAREHOLDERS AND THEIR RELATED INTEREST AS AT 31 DEC,2023

SN	ACCOUNT NAME	RELATIONSHIP	DIRECTOR'S NAME	FACILITY TYPE	BALANCE	LOAN STATUS
1	DIAMED CENTRE LIMITED	SERVING DIRECTOR	KESSINGTON ADEBUTU	TERM LOAN	48,688,996.16	PERFORMING
2	SOLOMON KESINTON AGRO ALLIED LTD	RELATED OBLIGOR TO A SIGNIFICANT SHAREHOLDER	KESSINGTON ADEBUTU	TERM LOAN	222,259,338.82	PERFORMING
3	WEMABOD LIMITED	RELATED COY TO A SIGNIFICANT SHAREHOLDER	ODUA GROUP	TERM LOAN	110,967,606.21	PERFORMING

Loans granted to related parties are secured over real estate and other assets of the respective borrowers and all loans are performing.
No lifetime impairment has been recognized in respect of loans granted to related parties and the carrying amount of the insider related loans as at December 31, 2023 totaled N0.38 billion.

Notes to the financial statements

31. Contraventions

The Bank paid penalties to the tune of N61,350,000 during the year:

In thousands of Nigeria Naira	
Nature of contravention	**Penalties**
Cybersecurity framework contravention	2,000
Contravention of cbn circulars on KYC	17,450
Contravention of Section 19(3A) of BOFIA, 2020	20,000
Penalty for Late rendition of final returns	10,000
Penalties on RBS breaches	8,000
Regulatory Breach on CBN Clearance	2,000
Late filing of 2022 Audited Financial Statements with NGX	1,900
Total penalties	**61,350**

32. Dividend per share

	Group		**Bank**	
	31-Dec-23	**31-Dec-22**	**31-Dec-23**	**31-Dec-22**
Proposed Dividend per share (₦)	0.5	0.30	0.5	0.30
Dividend proposed (₦'000)	6,429,078	3,857,447	6,429,078	3,857,447
Number of shares in issue and ranking for dividend (₦'000)	12,858,155	12,858,155	12,858,155	12,858,155
Dividend paid per share (₦)	0.30	0.24	0.30	0.24
Dividend paid during the year (₦'000)	3,857,447	3,085,957	3,857,447	3,085,957

** Proposed dividend per share of 50kobo per share is based on the number of shares existing as at 31 December 2023. The Dividend declared is subject to shareholders' ratification at the next Annual General Meeting of the Bank.*

Pursuant to the powers conferred on them by Section 426 of the Companies and Allied Matters Act, 2020, the Directors shall propose a dividend of 50 kobo per share in compliance with all regulatory requirements.

This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at December 31, 2023 and December 31, 2022 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

Notes to the financial statements

33. Reconciliation of changes in working capital

Reconciliation of the movement in assets and liabilities for the purpose of the statement of cashflows is as follows:

	In thousands of Nigerian Naira	Group		Bank	
		31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
32(i)	Pledged assets				
	As at January 1	30,616,318	83,723,119	30,616,318	83,723,119
	Closing Balance	(35,216,689)	(30,616,318)	(35,216,689)	(30,616,318)
	Cash flow movement	(4,600,371)	53,106,801	(4,600,371)	53,106,801
32(ii)	Loans and advances to customers				
	Changes in Loans and Advances	(279,672,421)	(102,566,393)	(279,672,421)	(102,566,393)
	ECL allowance	(10,563,367)	(4,808,387)	(10,563,367)	(4,808,387)
	Cash flow movement	(290,235,788)	(107,374,780)	(290,235,788)	(107,374,780)
32(iii)	Other assets				
	As at January 1	11,326,857	34,305,993	11,326,857	34,305,993
	Closing Balance	(13,001,896)	(11,326,855)	(13,001,896)	(11,326,855)
	Cash flow movement	**(1,675,039)**	**22,979,138**	**(1,675,039)**	**22,979,138**
32(iv)	Deposit from banks				
	As at January 1	19,153,500	40,700,000	19,153,500	40,700,000
	Closing Balance	20,863,530	19,153,500	20,863,530	19,153,500
	Cash flow movement	**1,710,030**	**21,546,500**	**1,710,030**	**21,546,500**
32(v)	Restricted deposit with CBN				
	As at January 1	386,993,380	313,847,420	386,993,380	313,847,420
	Closing Balance	(503,320,833)	(386,993,380)	(503,320,833)	(386,993,380)
	Cash flow movement	**(116,327,454)**	**(73,145,960)**	**(116,327,454)**	**(73,145,960)**
32(vi)	Deposits from customers				
	As at January 1	1,165,934,019	927,471,175	1,165,934,019	927,471,175
	Closing Balance	1,860,573,537	1,165,934,019	1,860,573,537	1,165,934,019
	Cash flow movement	**694,639,518**	**238,462,844**	**694,639,518**	**238,462,844**

Notes to the financial statements

32(vi)	Other Liabilities				
	As at January 1	103,717,049	63,724,551	103,645,310	63,664,657
	Closing Balance	145,240,399	103,717,049	145,230,401	103,645,310
	Cash flow movement	**41,523,350**	39,992,498	**41,585,091**	39,980,653
32(vii)	Interest Paid				
	Interest expense on deposits	(85,774,101)	(48,387,612)	(85,774,101)	(48,387,612)
	Interest paid on borrowings	(8,148,151)	(5,419,084)	(7,078,810)	(3,603,721)
	Total Interest	**(93,922,252)**	(53,806,696)	**(92,852,911)**	(51,991,333)
32(viii)	Investment securities-At Amortised Cost				
	As at January 1	320,922,935	129,931,955	312,792,563	118,970,687
	Closing Balance	(614,892,883)	(320,922,935)	(606,743,512)	(312,792,563)
	Cash flow movement	**(293,969,948)**	(190,990,980)	**(293,950,949)**	(193,821,876)
32(ix)	Investment securities-FVTOCI				
	Fair value reserve FVTOCI financial assets	3,624,248	4,130,260	3,624,248	4,130,260
	Movement in Fair value through OCI	(2,298,439)	-5,600,357	(2,298,439)	(5,600,357)
		1,325,809	(1,470,097)	**1,325,809**	(1,470,097)
32(x)	Fair Value through profit or loss				
	As at January 1	20,933,741	38,693,696	20,933,741	38,693,696
	Closing Balance	(4,669)	(20,933,741)	(4,669)	(20,933,741)
	Cash flow movement	**20,929,072**	17,759,955	**20,929,072**	17,759,955
32(xi)	Movement in Cost	1,240,479	974,450	1,240,479	974,450
	Accumulated Depreciation (Note 13b)	(684,257)	(832,243)	(684,257)	(832,243)
	Net Book Value	556,221	142,207	556,221	142,207
	Sales on proceed	887,127	136,918	887,127	136,918
	Gains on disposal of property and equipment	330,906	(5,290)	330,906	(5,290)
32(xii)	Net Interest Income				
	Total interest income	185,643,309	108,036,632	184,475,460	106,066,894
	Total interest expense	93,922,252	53,806,696	92,852,911	51,991,333
		91,721,057	54,229,936	91,622,549	54,075,561

Notes to the financial statements

Risk Overview

Enterprise Risk Management

Enterprise Risk Management in Wema Bank is a process, effected by the Board of Directors, Management and other personnel, applied in strategy setting and across the Bank, designed to identify potential events that may affect the Bank, and manage risk to be within the Bank's risk appetite, to provide reasonable assurance regarding the achievement of the Bank's objectives.

It includes the methods and processes used by the Bank to manage risks and seize opportunities related to the achievement of set objectives. It also provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the bank's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, the Bank protects and creates value for their stakeholders, including owners, employees, customers, regulators, and society overall.

Introduction

The business activities that Wema Bank engages in are, by their very nature, risky. The bank profits from the creation of risk assets and mitigates losses by the effective management of the risks it assumes. Consequently, risk management drives and encompasses all our activities and decisions.

The Bank's Enterprise Risk Management (ERM) framework is integrated with its Governance and Compliance framework. Effective Governance ensures that Risks are understood, managed, and communicated in an appropriate manner. Ultimately, the purpose of the Bank's Enterprise Risk Management functions is to identify, measure, evaluate, monitor, report and control all material risks on a timely basis and to assess the adequacy of our capital and liquidity in relation to our risk profile and market/macroeconomic conditions.

The Board, either directly or acting through its committees sets the risk appetite of the Bank. The Board sets this risk appetite taking into cognizance the Bank's strategic objectives and the risks that the organization is willing to assume in the pursuit of these objectives. At all points, the Board is acutely aware of the fact that while risk appetites and tolerance levels are set individually for various risks, there is a strong correlation amongst several risks and often these risks reinforce each other. Our policies and processes are aligned with our risk management strategy and established risk appetite.

Our employees are encouraged to monitor, assess, report, and actively manage risks within their operational spheres. Comprehensive risk registers are maintained, and an annual review is undertaken of all business units and process through the Risk and Control Self-Assessment exercise (RCSA). A culture of personal accountability and integrity is encouraged throughout the organization and employees are encouraged to report observed wrong doings anonymously through dedicated whistleblowing channels. Regular training in all aspects of our risk culture helps to reinforce expected behavior.

Risks are identified and documented through the Bank's risk map process which sets out the Bank's risk profile in relation to key risk categories in its component business units. Identified risks are regularly assessed through the bank's risk appetite framework, stress testing process and in terms of emerging risks. Using the Basel II Pillar 1 framework, our Credit, Operational and Market risks are regularly measured and monitored. Other Pillar 2 risks are measured and provided for through our Internal Capital Adequacy Assessment Process

Notes to the financial statements

(ICAAP).

Risk Management Framework and Governance

The Group's Risk Management Framework is set up on a distinct organizational structure and established policies to guide in the process of identifying, analyzing, managing, and monitoring the various risks inherent in the business as well as setting appropriate risk limits and controls to align the risks with the strategic objectives.

The Bank's activities and processes involve the identification, measurement, evaluation, acceptance and management of risk or combinations of risks. 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. Our annual risk cycle is designed to give management relevant and timely information from which trends can be observed and evaluated.

The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, and to the right people. The Group adopts a holistic view in the assessment and management of all major risks. Wema remains vigilant regarding both known and emerging risks and ensure that we are strong enough to withstand any exogenous shocks. Our Board 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 and sustainable growth.

The Board, either directly or acting through its Committees sets the risk appetite of the Group. The Board sets this risk appetite taking into cognizance our strategic objectives and the risks that the organization is willing to assume in the pursuit of these objectives. At all points, the Board is acutely aware of the fact that while risk appetites and tolerance levels are set individually for various risks, there is a strong correlation amongst several risks and often these risks reinforce each other. Our policies and processes are aligned with our risk management strategy and established risk appetite.

Our employees are encouraged to monitor, assess, report, and actively manage risks within their operational spheres. Comprehensive risk registers are maintained, and a periodic review is undertaken of all business units and process through the Risk and Control Self-Assessment exercise (RCSA). A culture of personal accountability and integrity is encouraged throughout the organization and employees are encouraged to report observed wrong doings anonymously through dedicated whistleblowing channels. Regular training in all aspects of our risk culture helps to reinforce expected behavior.

Risks are identified and documented through the Bank's risk map process which sets out the Group's risk profile in relation to key risk categories in its component business units. Identified risks are regularly assessed through the Group's risk appetite framework, stress testing process and in terms of emerging risks. Using the Basel II Pillar 1 framework, our Credit, Operational and Market risks are regularly measured and monitored. Other Pillar 2 risks are measured and provided for through our Internal Capital Adequacy Assessment Process (ICAAP).

Notes to the financial statements

The management of risk is evolving and necessitate a regular review of the effectiveness of each enterprise risk management component. It is in the light of this that the Group's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in the following ways:

Through continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with Internal Audit; And through independent evaluation by external auditors, examiners, and consultants.
Wema Bank runs an automated approach to managing, communicating, and implementing enterprise risk management policies and procedures across the Bank. This provides an integrated and dynamic platform for documenting and analyzing risks, developing mitigation plans, defining controls, and managing continuous risk assessments. It provides clear visibility on key risk indicators, assessment results, and compliance initiatives. We believe that understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic objectives.

Balancing Risk and Return

Striking a balance between risk and return aims is to minimize the downside, while optimizing the upside with a view to enhance shareholders' values and transmit confidence to our other capital providers and clients, as well as ensure the overall sustainability of our business. Every business activity requires the Bank to put capital at risk in exchange for the possibility of earning a return. In some activities, the level of return is quite predictable, whereas in others it can vary over a very wide spectrum, ranging from loss to profit.

Over the years we have continuously improved our ERM Framework, to focus on where we take risks. This helps us to:

- Understand the nature of the risks we are taking and the range of possible outcomes under various scenarios.
- Understand the capital required to assume these risks.
- Understand the range of returns that we can earn on the capital allocated to these risks.
- Attempt to optimize the risk-adjusted return on investments.
- Carry out Enterprise-wide scenario and stress testing.

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

We use robust and appropriate scenario stress testing to assess the potential impact on the Group's capital adequacy and strategic plans. Our stress testing and scenario analysis programme is central to the monitoring of strategic and potential risks. It highlights the vulnerabilities.

The Group has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Bank's objectives, policies, and processes for measuring and managing risk and the Bank's management of capital.

Notes to the financial statements

Enterprise Risk Management report

The Group's Enterprise Risk Management comprises five (5) functional departments, namely:

- Credit Risk Management
- Operational Risk Management
- Market and Liquidity Risk Management
- Loan Review and Monitoring
- Remedial Asset Management

The Bank's corporate vision, mission and objectives remain the fulcrum around which the risk management strategies revolve, these include:

- Definition of strategic objectives
- Proactive portfolio planning
- Proactive control over money and capital market activities
- Proactive account planning
- Conduct of consistent portfolio review
- Regular conduct of macro-economic review
- Institution of robust IT – driven operational process
- Definition of risk and return preferences.

The various risk management related Committees and sub committees of the Board and Management improved substantially in the discharge of their statutory and oversight functions. The Committees include:

- the Board Risk Management Committee (BRMC)
- the Management Risk Committee (MRC)
- the Board Credit Committee (BCC)
- the Management Credit Committee (MCC)
- the Asset and Liability Committee (ALCO)
- the Executive Committee (EXCO)

Notes to the financial statements

Credit Risk Management

Overview

The global economy continues to experience slow recovery, showing weak growth prospects through the first half of 2023 due to headwinds stemming from the unabating Russia-Ukraine conflict, which saw Russia pull out of the Black Sea agreement, and bank failures in the United States and Europe. The COVID-19 pandemic has also demonstrated the importance of assessing and managing credit risk in times of economic uncertainty. The ongoing effects of the pandemic may continue to influence credit risk management strategies.

The overall economic situation in Nigeria plays a significant role in credit risk. Factors such as GDP growth, inflation rates, and employment levels can impact borrowers' ability to repay loans. Banks in Nigeria, like in any other country, need to stay vigilant, adapt to changing circumstances, and employ robust risk management practices to navigate credit risks effectively.

Wema Bank has taken proactive steps in terms of customer outreach, risk assessment, and data management to mitigate the operational challenges resulting from the current global situation, manage customer needs, maintain strong customer relationships, minimize credit losses, and comply with accounting and regulatory requirements.

The Bank carried out some modification programs such as identified key loan attributes, evaluated integrity of existing data, group borrowers by common characteristics and similar needs and established a process for borrowers to determine eligibility for intervention funds.

The Bank diversified the loan portfolios across various industries and sectors to reduce concentration risk and avoid overreliance on a specific segment helping it mitigate the impact of industry/sector specific downturns. The Bank also conducts regular stress testing on the loan portfolio to assess how it would perform under adverse economic conditions and stay abreast of regulatory requirements related to credit risk management and ensure compliance with local and international standards.

Credit risk, is the risk that a borrower may fail to meet their financial obligations by not repaying a loan or meeting contractual obligations. It is a fundamental aspect of lending and arises from the uncertainty associated with borrowers' ability or willingness to repay debts in a timely manner. Credit risk can apply to various types of borrowers, including individuals, businesses, governments, or other entities that borrow money.

Credit risk management can be seen as the process by which financial institutions, such as banks, assess, monitor, and mitigate the risks associated with lending money to individuals, businesses, or other entities. The primary objective of credit risk management is to minimize the likelihood of default by borrowers and the potential financial losses that may result from non-repayment of loans by borrowers.

Credit risk is governed by the Credit Committees which oversees the overall Credit Risk Management process. The Bank has established objectives for overall quality and diversification of its credit portfolio and criteria for the selection of obligors and counterparties. The Bank’s policies establish exposure limits by single or connected borrowers, sectors, industry and geographic region.

Notes to the financial statements

The credit risk management of the Bank is mainly concerned with generation of profits, which are commensurate with the risks being undertaken to meet the Bank's target returns on assets and investment. In line with best practice, the Bank implements an integrated and quantitative credit risk process aimed at reducing loan losses and ensuring that capital reserves appropriately reflect the risk profile. The process incorporates the following:

- Better model management that spans the entire modeling life cycle.
- Real-time scoring and limits monitoring.
- Robust stress-testing capabilities.
- Data visualization capabilities and business intelligence tools that get important information into the hands of those who need it, when they need it.
- Robust Credit Monitoring and Early Warning Systems to track the performance of loans in real-time, establish early warning systems to identify potential signs of credit deterioration and ultimately, act promptly upon early warnings to mitigate potential losses.
- Collaboration and Compliance with Regulation to stay informed about regulatory changes and ensure compliance with relevant laws and guidelines.

The credit risk management functions of the Bank involve credit analysis, credit administration and loan review to ensure that the quality of the aggregate risk asset portfolio is not compromised from disbursement to full payback.

The credit risk management function helps to guide lending officers in balancing the quality and quantity of the loan portfolio of the bank to achieve earnings objectives while also meeting appropriate credit needs, maintaining proper credit standards, holding risk to reasonable limits, minimizing losses, evaluating new business opportunities, adjusting to changes in the regulatory environment and providing adequate liquidity.

The Bank's credit risk management objective is to enable us to have a high quality and well diversified risk asset portfolio, which will:

Generate profits which are commensurate with the risks and meet the bank's target Return on Assets; Enable the Bank to identify potential problem risk assets thus keeping non-performing assets and charge-offs to the barest possible;

Adhere (as much as practicable) to directives concerning exposure to industries/sectors identified to be strategic.

To achieve these objectives, the Bank does the following:

- Identify target markets
- Determine its risk appetite and appropriate returns
- Structure and develop products that will meet clients' requirements but with minimal risk to the bank
- Manage the risk asset portfolio effectively and efficiently.

In Wema Bank, credit risk management is guided by the following;

Notes to the financial statements

Trust and integrity
Individuals and companies place their funds with us trusting our integrity in managing these funds. This integrity flows through everything the Bank does. Any break in the chain of "continuous integrity, no matter how small and no matter where; will eventually lead to the decline of the Bank – if it is not checked." The Bank will not take any action that may compromise its integrity.

It is easy to forget the importance of integrity. In credit functions, you are far removed from the depositors who have entrusted their money to you. As the funds you lend come from so many sources, you often feel no specific responsibility. As Bankers, we make conscious efforts to continuously strengthen our integrity. The name: Wema Bank is a constant reminder of this need.

Two examples of the application of the integrity principle are, avoiding conflicts of interest (for instance loans to the Bank's auditors) and complying with Government regulations.

Understanding risk
The Bank's main activity is to manage risk. Risk, simply defined, is the variability of possible outcomes. It is also the potential for uncontrolled loss of something of value. For every transaction, you must learn to identify and optimize returns from all risks undertaken. Risk in this sense is an opportunity once fully understood.

One method is to think through the transaction step by step. At each point ask what could go wrong and how can I:

- Alert myself to the event.
- Identify inherent risks and minimize unwanted risks/outcomes.
- Optimize returns from risks undertaken.

It is this principle that guides us to always have at least two separate ways out of a loan.

Matching risk and return
For every risk the Bank takes we must have a matching return for taking that risk. All too often we take the interest and fees we charge as fixed and simply apply our efforts to structuring a credit. In many instances the return on the credit is far too low for the risk of lending. For instance, a 10% profit margin on a loan is a small compensation for losing the whole loan. It would take the profit of 10 good loans just to break even. In this situation, our success rate must be over 90% of all loans.

However, in special cases we might decide to have an exposure to a company at a low return with the expectation of getting other business accounts which will improve our profitability from the relationship.

Delinquent loans are costly to manage. From experience a bad loan takes more than ten times as much management effort as a good loan. For every bad loan, the opportunity cost in lost income from other activities is very high. Bad loans are a major drag on a Bank's efficiency.

Independent verification
For us in Wema Bank, a guiding principle of credit is that all information should be independently verified. This may involve an external expert or a skilled member of staff. Independently verified information helps to reduce risk considerably.

Notes to the financial statements

An important aspect of independent verification is the separation of controls. For instance, the person who prepares a credit should not be the one who approves it.

Complying with government regulations

A key principle of credit policy is that the bank will always comply with all government regulations. This principle is based on several factors. The Bank operates under a license. The terms of the license call for compliance with government regulations. By not complying, we not only breach our contract with the authorities, we also risk losing our license or incurring penalties.

Also, if we assume that government regulations are in the best interest of the country, then we work against this interest when we break them. If we break regulations and this information reaches the market, then our reputation will be diminished. The fall in reputation could result in lost business and reduced profit. Considering all the negative results of breaking regulations, we are much better off complying with them.

Credit risk policy

The Bank's Credit Policy is the set of principles on the basis of which it determines who it will lend money to or give credit.

Target market & client focus

Establishing a target market and focusing on clients, forms the basis of a strong business and credit relationship. At Wema Bank, we do not intend to meet all the finance needs of all customers. We thus focus our efforts on target markets, specifically chosen by us after detailed studies.

The target markets are the industries a credit team concentrates its marketing efforts on. Client focus identifies the specific customers within that target market for whom we wish to be the primary Bank. Lending to these customers will be dependent on their meeting our Risk Acceptance Criteria (RAC).

Building a profitable, high quality credit portfolio is the key aim of every Account Officer at Wema Bank. A good Account Officer is not one that aims at winning and retaining any client at all costs but the one that learns to say "no' not just to low quality credit proposals but also to those credit requests that do not fit into our corporate strategy.

Credit concentration risk

Credit concentration risk refers to any single exposure or group of exposures with the potential to result in large losses which may impair the Bank's earnings or capital because of significant credit risk events affecting the single obligor or group of obligors with similar business or risk profile.

Below is the table of the geographical concentration risk:

REGION	Amortised Cost N'000	Concentration	Impairment Allowance N'000	Net Loans N'000	NPL
LAGOS	604,461,478	73.21%	19,035,252	585,426,227	29,714,583
SOUTH WEST	132,804,425	16.09%	2,549,710	130,254,715	4,901,174
SOUTH SOUTH	49,837,741	6.04%	1,311,543	48,526,198	791,479
NORTH	32,032,941	3.88%	1,510,167	30,522,773	109,909
SOUTH EAST	6,469,981	0.78%	96,777	6,373,204	99,975
Grand Total	825,606,567	100%	24,503,450	801103,118	35,617,120

Notes to the financial statements

Basel II recognizes that credit risk concentrations are the single most important cause of major problems in banks globally. Credit concentration risk is defined in the Basel II Accord as “any single exposure or group of exposures with the potential to produce losses large enough (relative to a bank’s capital, total assets, or overall risk level) to threaten a bank’s health or ability to maintain its core operations.”

Regular monitoring and review of the credits within the various portfolios are undertaken with the objective of identifying changes to credit quality, credit concentration and where appropriate, taking corrective action. Swift identification of problematic credits and potential incidents of concentration is a key objective for the Bank.

Notes to the financial statements

Gross Loans and Advances To Customers And The Non-Performing Loan Portion Per Industry Sector As At December 31, 2023

In millions of Naira	Group Loans and advances to customers				Bank Loans and advances to customers			
SECTORS	Gross Loans	Impairment Allowance	NPL	Carrying Amount	Gross Loans	Impairment Allowance	NPL	Carrying Amount
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	3,415,738	23,531	0	3,392,207	3,415,738	23,531	0	3,392,207
AGRICULTURE, FORESTRY AND FISHING	38,941,181	227,377	111	38,713,804	38,941,181	227,377	111	38,713,804
ARTS, ENTERTAINMENT AND RECREATION	1,345,547	4,345	908,091	1,341,202	1,345,547	4,345	908,091	1,341,202
CAPITAL MARKET	67,366	6	0	67,359	67,366	6	0	67,359
CONSTRUCTION	30,900,904	64,288	15,253	30,836,616	30,900,904	64,288	15,253	30,836,616
EDUCATION	5,931,497	67,770	10,742	5,863,728	5,931,497	67,770	10,742	5,863,728
FINANCE AND INSURANCE	31,757,277	130,344	381,754	31,626,933	31,757,277	130,344	381,754	31,626,933
GENERAL	111,868,986	7,034,996	8,554,172	105,200,312	111,868,986	7,034,996	8,554,172	105,200,312
GENERAL COMMERCE	135,452,129	7,406,051	8,049,900	128,046,078	135,452,129	7,406,051	8,049,900	128,046,078
GOVERNMENT	23,759,700	14,259	32,130	23,745,442	23,759,700	14,259	32,130	23,745,442
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	6,930,874	58,277	369	6,872,597	6,930,874	58,277	369	6,872,597
INFORMATION AND COMMUNICATION	4,422,367	23,005	5	4,399,362	4,422,367	23,005	5	4,399,362
MANUFACTURING	147,553,622	1,245,370	3,210,333	146,308,253	147,553,622	1,245,370	3,210,333	146,308,253
OIL AND GAS	159,123,732	2,751,835	5,867,509	156,371,897	159,123,732	2,751,835	5,867,509	156,371,897
POWER AND ENERGY	20,242,949	43,166	402,336	20,199,784	20,242,949	43,166	402,336	20,199,784
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	14,533,801	571,797	1,580	13,962,004	14,533,801	571,797	1,580	13,962,004
REAL ESTATE ACTIVITIES	30,547,355	424,543	7,359	30,122,812	30,547,355	424,543	7,359	30,122,812
TRANSPORTATION AND STORAGE	55,501,886	3,717,552	4,888,548	51,784,334	55,501,886	3,717,552	4,888,548	51,784,334
WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL	3,309,655	694,938	3,286,929	2,614,717	3,309,655	694,938	3,286,929	2,614,717
Grand Total	825,606,567	24,503,450	35,617,120	801,103,117	825,606,567	24,503,450	35,617,120	801,103,117

Notes to the financial statements

Gross Loans and Advances To Customers And The Non-Performing Loan Portion Per Industry Sector As At December 31, 2022

In millions of Naira	Group Loans and advances to customers				Bank Loans and advances to customers			
SECTORS	Gross Loans	Impairment Allowance	NPL	Carrying Amount	Gross Loans	Impairment Allowance	NPL	Carrying Amount
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	801,878	3,696	17,267	798,182	801,878	3,696	17,267	798,182
AGRICULTURE, FORESTRY AND FISHING	32,378,454	284,237	1,516,896	32,094,217	32,378,454	284,237	1,516,896	32,094,217
ARTS, ENTERTAINMENT AND RECREATION	1,051,232	2,275	93,695	1,048,957	1,051,232	2,275	93,695	1,048,957
CAPITAL MARKET	100,813	-	2,016	100,813	100,813	-	2,016	100,813
CONSTRUCTION	34,004,354	103,458	1,310,487	33,900,897	34,004,354	103,458	1,310,487	33,900,897
EDUCATION	5,081,969	216,266	404,433	4,865,703	5,081,969	216,266	404,433	4,865,703
FINANCE AND INSURANCE	26,891,295	40,047	1,046,766	26,851,248	26,891,295	40,047	1,046,766	26,851,248
GENERAL	86,045,112	6,820,915	8,469,182	79,224,198	86,045,112	6,820,915	8,469,182	79,224,198
GENERAL COMMERCE	101,652,196	5,362,162	6,593,735	96,290,034	101,652,196	5,362,162	6,593,735	96,290,034
GOVERNMENT	21,310,839	11,065	467,219	21,299,774	21,310,839	11,065	467,219	21,299,774
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	5,812,047	30,316	116,355	5,781,731	5,812,047	30,316	116,355	5,781,731
INFORMATION AND COMMUNICATION	3,824,505	33,464	111,138	3,791,041	3,824,505	33,464	111,138	3,791,041
MANUFACTURING	76,572,505	177,841	2,329,481	76,394,664	76,572,505	177,841	2,329,481	76,394,664
OIL AND GAS	75,574,148	471,263	2,514,117	75,102,884	75,574,148	471,263	2,514,117	75,102,884
POWER AND ENERGY	4,810,151	3,288	144,773	4,806,864	4,810,151	3,288	144,773	4,806,864
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	16,029,101	2,365,210	425,247	13,663,891	16,029,101	2,365,210	425,247	13,663,891
REAL ESTATE ACTIVITIES	20,362,246	26,833	543,525	20,335,413	20,362,246	26,833	543,525	20,335,413
TRANSPORTATION AND STORAGE	24,186,763	1,982,252	3,801,889	22,204,510	24,186,763	1,982,252	3,801,889	22,204,510
WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL	2,882,404	6,728	555,255	2,875,676	2,882,404	6,728	555,255	2,875,676
Grand Total	539,372,013	17,941,317	30,463,477	521,430,697	539,372,013	17,941,317	30,463,477	521,430,697

Notes to the financial statements

Responsibilities of Business and Credit Risk Management

In Wema Bank, Business units and Credit Risk Management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR using approved methodologies as set out in the Bank's policy, however Credit Risk Management Team will validate such ratings.

Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current. In Wema Bank, Credit Risk Management has the final authority if there is a question about a specific rating.

Credit process

Wema Bank's credit process starts with target market identification and portfolio planning. Credit requests are initiated by the Strategic Business Units, and the credit requests are subjected to review and approvals by applicable credit approving authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

Monitoring of facilities is undertaken by both the Strategic Business Units and the Bank's Loan Review and Monitoring Department. The process is centralized.

Credit risk rating policy

A risk rating is a grade given to a loan (or a group of loans), reflecting its quality. Risk ratings are usually in numbers. For instance, risk ratings range from AAA to D, where AAA represents a loan of highest quality and D represents a loan of lowest quality. Risk classifications are in form of interpretation such as Extremely Low Risk, Average Risk, High Risk, Substandard or Lost. In many cases both ways of assessing risks are used together.

Risk rating methodology and process

The credit rating of the obligors plays a vital role in final credit decisions as well as in the terms offered for successful loan applications. Wema Bank employs a robust credit rating system in the determination of the Obligor and inherent risks and thus allows the bank to maintain its asset quality at a desired level.

As the Bank manages a large number of loans, by giving each one a grade or risks rating, a number of processes can be performed more effectively. These processes include:

1. Measuring the riskiness of the total portfolio of loans (for instance a weighted average).
2. Monitoring the trend in the quality of loans (for instance from January to December average risk rating fell 2 points from A to BBB).

3. Establishing guidelines for Risk Based Pricing (e.g. Rating A may be priced as prime while Rating C may be priced at prime + 3%).

Notes to the financial statements

4. Providing performance measures (for instance, recognition could be given to the team with the lowest average risk rating).

5. Providing criteria for taking action on loans (for instance all loans of risk rating CCC will be mentioned at MCC to ensure they do not deteriorate further).

RISK CLASSIFICATION	RISK GRADE	RISK WEIGHT
Extremely Low Risk	AAA	9.0 – 10.0
Very Low Risk	AA	8.0 – 8.9
Low Risk	A	7.0 – 7.9
Above Average Risk	BBB	6.0 – 6.9
Average Risk	BB	5.5 – 5.9
Below Average Risk	B	5.0 – 5.4
High Risk/ Watchlist	CCC	4.5 – 4.9
Very High Risk/ Substandard	CC	4.0 – 4.4
Extremely High Risk/Doubtful	C	3.5 – 3.9
Bad and Lost	D	Below 3.5

Credit risk rating models in Wema Bank

The following are the credit risk rating models deployed by the Bank. Obligor Risk Rating Models have been developed for:

1. Retail exposures
2. Commercial exposures
3. Corporate exposures

Facility Risk Rating Models have been developed for:

1. Probability of Default
2. Loss Given Default
3. Exposure at Default

Credit approval and lending authorities

The key objective of Wema Bank lending is to make profits. In making a credit decision a Relationship Manager must have sufficient information to evaluate a potential borrower's character, collateral, capital and capacity. They must also understand the external conditions, which will affect the borrower's ability to meet their financial obligations. To ensure that decisions to lend are made at levels that reflect the size and complexity of the loans, different loan amounts fall under special approval authorities. The proper lending authority must approve all facilities, loans and commitments to all clients.

The lending authority in the Bank shall flow through the management hierarchy with the final authority residing in the Board of Directors.

The Bank maintains internal credit approval limits for various levels of authority in the credit process. The current

Notes to the financial statements

position as approved by the Board and Management is as shown in the table below:

Authority level	Approval limit
Board	Above N3.5 billion
Board Credit Committee	N3.5 billion
Management Credit Committee	N1 billion
Managing Director	N360 million
Other Approving Authorities	As approved & delegated by the Managing Director

Some other specific control and mitigation measures are outlined below:

Collateral
In line with the Bank's credit policy, security is taken for all credits granted. In order to ensure adequacy of collateral in the event of default of principal loan and interest, the Bank's policy requires a minimum of 150% of the Forced Sale Value (FSV) of all non-cash collateral and 110% cover for cash collagenized loans.
Furthermore, in order to ensure credibility and integrity of security valuation, the Bank has limited acceptable security valuation to three (3) prominent accredited estate valuers in Nigeria.

The major types of collateral acceptable for loans and advances include:

I. Mortgages over residential properties;
II. Charges over business assets such as premises, inventory and accounts receivable;
III. Charges over financial instruments such as debt securities and equities.
IV. Cash
V. Insurance Bonds and Counter Indemnity from insurance companies.

Longer-term finance and lending to corporate entities as well as individuals are generally secured. In addition, in order to minimize the credit loss, the Bank will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, except for asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

Notes to the financial statements

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2023 are as follows:

In thousands of Naira	Group		Bank	
	Total exposure	*Value of collateral*	*Total exposure*	*Value of collateral*
Secured against property/real estate	197,666,051	246,890,845	197,666,051	246,890,845
Secured by equities	142,875,041	120,687,589	142,875,041	120,687,589
Secured by debenture on stock and companies' assets	416,640,429	377,305,224	416,640,429	377,305,224
Cash collateral, lien over fixed and floating assets	68,425,046	60,514,021	68,425,046	60,514,021
Total Gross amount	**825,606,567**	**805,397,680**	**825,606,567**	**805,397,680**
Impairment allowance	24,503,450		24,503,450	
Net carrying amount	**801,103,117**	**805,397,680**	**801,103,117**	**805,397,680**

Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2022 are as follows:

In thousands of Naira	Group		Bank	
	Total exposure	*Value of collateral*	*Total exposure*	*Value of collateral*
Secured against property/real estate	153,669,137	188,783,504	153,669,137	188,783,504
Secured by equities	95,966,507	76,244,728	95,966,507	76,244,728
Secured by debenture on stock and companies' assets	239,981,525	224,231,438	239,981,525	224,231,438
Cash collateral, lien over fixed and floating assets	49,751,821	45,664,571	49,751,821	45,664,571
Unsecured	3,023	1,086	3,023	1,086
Total Gross amount	**539,372,013**	**534,925,327**	**539,372,013**	**534,925,327**
Impairment allowance	17,941,317		17,941,317	
Net carrying amount	**521,430,696**	**534,925,327**	**521,430,696**	**534,925,327**

Notes to the financial statements

Group

31 December, 2023	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	188,975,485	28,900,593	22,144,089	6,870,677	246,890,845
Equities	107,769,782	9,992,506	2,110,639	814,662	120,687,589
Debenture on stock and companies' assets	326,378,366	18,643,565	30,004,049	2,279,245	377,305,224
Cash	55,263,050	4,680,101	442,835	128,035	60,514,021
Grand total: Fair value of collateral	678,386,683	62,216,765	54,701,612	10,092,619	805,397,680
Grand total: Gross loans	701,396,471	65,356,138	49,837,641	9,016,316	825,606,567
Grand total: Impairment	19,683,217	3,767,433	974,806	77,994	24,503,450
Grand total: Net amount	681,713,254	61,588,706	48,862,835	8,938,322	801,103,117
Grand total: Amount of under/over collaterization	23,009,788	3,139,373	(4,863,972)	(1,076,303)	20,208,887

Stage 1

31 December, 2023	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	157,960,995	17,852,463	20,297,092	6,800,715	202,911,265
Equities	104,432,497	6,838,062	2,076,894	814,476	114,161,930
Debenture on stock and companies' assets	289,971,755	16,978,838	28,789,572	2,279,245	338,019,409
Cash	53,400,251	4,250,686	439,374	128,035	58,218,347
Fair value of collateral	605,765,497	45,920,050	51,602,933	10,022,471	713,310,951
Gross loans	613,284,074	49,639,587	47,354,627	8,952,168	719,230,455
Impairment	2,229,299	178,671	259,592	41,142	2,708,704
Net amount	611,054,775	49,460,917	47,095,035	8,911,026	716,888,074
Amount of undercollaterization	7,518,576	3,719,537	(4,248,306)	(1,070,303)	5,919,504

Notes to the financial statements

Stage 2

31 December, 2023	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	7,882,999	6,787,955	48,203	0.00	14,719,156
Equities	1,218,368	1,489,257	0	0.00	2,707,624
Debenture on stock and companies' assets	23,678,963	1,437,485	1,214,477	0.00	26,330,925
Cash	73,625	426,816	0	0.00	500,441
Fair value of collateral	32,853,954	10,141,512	1,262,680	0.00	44,258,147
Gross loans	52,567,026	10,102,202	1,246,612	0.00	63,915,841
Impairment	347,672	41,304	3,899	0.00	392,875.50
Net amount	52,219,354	10,060,898	1,242,714	0.00	63,522,966
Amount of undercollaterization	19,713,072	(39,310)	(16,068)	0.00	19,657,695

Stage 3

31 December, 2023	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	23,131,492	4,260,175	1,798,794	69,963	29,260,424
Equities	2,118,917	1,665,187	33,745	186	3,818,036
Debenture on stock and companies' assets	12,727,648	227,242	784,467	0	13,739,357
Cash	1,789,173	2,599	3,460	0	1,795,233
Fair value of collateral	39,767,231	6,155,203	2,620,466	70,149	48,613,049
Gross loans	35,545,371	5,614,349	1,236,401	64,149	42,460,270
Impairment	17,106,246	3,547,458	711,315	36,852	21,401,871
Net amount	18,439,125	2,066,891	525,086	27,297	21,058,399
Amount of undercollaterization	(4,221,860)	(540,854)	(1,384,065)	(6,000)	(6,152,779)

Notes to the financial statements

GROUP

31 December, 2022	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	141,452,776	26,108,955	15,785,184	5,436,589	188,783,504
Equities	59,333,787	13,228,552	2,511,232	1,171,157	76,244,728
Debenture on stock and companies' assets	193,377,866	9,223,782	19,563,807	2,065,983	224,231,438
Cash	36,701,005	8,093,425	553,709	316,432	45,664,571
Grand total: Fair value of collateral	430,865,434	56,654,714	38,413,932	8,990,161	534,924,241
Grand total: Gross loans	424,884,804	64,203,444	42,020,247	8,263,518	539,372,013
Grand total: Impairment	12,969,296	3,111,707	1,691,163	169,151	17,941,317
Grand total: Net amount	411,915,508	61,091,737	40,329,084	8,094,367	521,430,696
Grand total: Amount of under/over collaterization	(5,980,631)	7,548,730	3,606,315	(726,643)	4,447,772

Stage 1

31 December, 2022	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	127,488,255	24,669,760	15,272,160	5,417,748	172,847,923
Equities	56,810,560	12,137,097	820,041	1,166,024	70,933,721
Debenture on stock and companies' assets	153,097,634	8,422,982	18,759,435	2,065,983	182,346,034
Cash	35,679,567	8,079,464	551,674	310,212	44,620,917
Fair value of collateral	373,076,015	53,309,303	35,403,311	8,959,967	470,748,596
Gross loans	363,736,496	60,066,028	38,923,931	8,210,908	470,937,363
Impairment	3,678,111	1,018,668	392,381	134,985	5,224,145
Net amount	360,058,385	59,047,360	38,531,550	8,075,922	465,713,218
Amount of undercollaterization	(9,339,519)	6,756,725	3,520,621	(749,059)	188,768

Stage 2

31 December, 2022	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	2,536,726	194,512	-	-	2,731,239
Equities	895	103,164	-	-	104,059
Debenture on stock and companies' assets	22,898,803	1,652	-	-	22,900,455
Cash	-	11,150	-	35	11,185
Fair value of collateral	25,436,425	310,478	-	35	25,746,938
Gross loans	28,673,320	373,910	-	35	29,047,265
Impairment	111,128	5,593	-	-	116,721
Net amount	28,562,193	368,316	-	35	28,930,544
Amount of undercollaterization	3,236,896	63,432	-	-	3,300,328

Stage 3

31 December, 2022	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	11,427,795	1,244,683	513,024	18,840	13,204,342
Equities	2,522,332	988,292	1,691,191	5,133	5,206,948
Debenture on stock and companies' assets	17,381,429	799,148	804,372	-	18,984,949
Cash	1,021,438	2,811	2,035	6,184	1,032,468
Fair value of collateral	32,352,994	3,034,933	3,010,622	30,158	38,428,707
Gross loans	32,474,987	3,763,507	3,096,315	52,575	39,387,384
Impairment	9,180,871	2,086,633	1,298,782	34,165	12,600,451
Net amount	23,294,116	1,676,874	1,797,534	18,409	26,786,933
Amount of undercollaterization	121,993	728,573	85,694	22,416	958,677

Notes to the financial statements

Master Netting Arrangements

As a matter of policy and practice, the Bank takes advantage of netting/set off arrangements to settle gaps emanating from outstanding balances in favour and/or against defaulting counter parties.

Credit-related commitments

The Bank consistently deploys robust asset and liability management strategies to ensure its cash and contingent commitments are easily honored as and when due. Adequate steps are also taken to effectively optimize gaps deriving from undrawn commitments.

Credit concentration

The Bank monitors concentrations of credit risk by specific industry, geographic region, or with a few large borrowers.

Credit Definitions

Impaired loans and investment securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).
These are loans and securities specifically impaired and are graded CC, C and D in the Bank's internal credit risk grading system.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Bank’s Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances standardized loans, charge off decisions are generally based on a product specific past due status.

All loans and advances are categorized as :

	Stage 1	Stage 2	Stage 3
Trigger	Initial recognition	Significant increase in credit risk	Credit-impaired
ECL	12-month ECL	Lifetime ECL	Lifetime ECL
Effective interest rate (EIR)	EIR on gross carrying amount (without ECL)	EIR on gross carrying amount (without ECL)	EIR on amortised cost (with ECL)

Notes to the financial statements

Market Risk Management

Overview

Market risk entails the risk that earnings or capital will be negatively impacted as a result of changes in market conditions such as interest and foreign exchange rates, among others, originating from both trading and investment operations.

The Group has implemented effective market risk management processes to identify, measure, monitor, regulate, and report exposures to these major market risks as needed, to improve returns thereby safeguarding shareholder value.

The primary objective of sound market risk practices in the Group is to ensure that market risk exposures are within the acceptable risk appetite approved by the Board.

The Board determines the Group's level of market risk appetite and delegates authority in a logical and hierarchical manner based on levels and responsibilities.

A dedicated market risk team oversees implementing and enforcing the market risk policy framework, as well as managing market risk daily within the Group. This unit operates independently of the trading and business units.

Market risk limits are established within the context of the Board's approved risk appetite, and they are routinely reviewed and reported to Management and the Board on an ongoing basis. Market risk limitations/metrics include notional/position limits, marking-to-market, stress testing, value-at-risk, liquidity gap analysis, repricing gap analysis, and factor sensitivities, among others. The Group maintains a realistic perspective of its daily trading exposures by using fair value accounting on its trading portfolio.

The CBN's current 65% loan-to-deposit ratio policy, which is intended to imitate the domestic economy's recovery and the cash reserve ratio of 32.5% has continued to mount pressure on the Bank's liquidity and funding capacity.

To increase the Group's ability to meet financing obligations while simultaneously building adequate liquidity buffers, the following strategies are being implemented, among others, to guide the bank during regular and stress business situations:

- Wema Bank holds a strong FCY credit position in the interbank market. In the worst-case scenario, this interbank placement portfolio might be used to conduct foreign exchange swaps with the CBN and other counterparties.
- The Bank can use its Eurobond investment to meet short-term FCY obligations through collaborative borrowing.
- The Bank is currently increasing its LCY funding through capital raising initiatives.
- The Bank will use its trade lines with foreign banks/correspondent banks as needed.
- The lending strategy prioritizes short-term, self-liquidating, and capital-light transactions to enhance liquidity and capital.
- The issuance of Special Bills for Cash Reserve (CRR) tied to the CBN's Loan to Deposit ratio policy will greatly increase LCY liquidity for banks.
- Strong emphasis on loan recoveries and collections to enhance liquidity management.

Notes to the financial statements

- Strategic focus on accumulating low-cost funds and increasing liquid asset portfolios.

Market risk refers to the possibility of losses in the on-balance and off-balance positions as a result of market price fluctuations. For Wema Bank, this entails changes in interest rates and foreign currency rates.

Exposure to market risk

Exposure to market risk is separated into two portfolios:

i. Trading portfolios
ii. Non – trading portfolios

Trading portfolios comprise positions resulting from market making. The models/tools used to quantify, and control traded market risk (interest rate and foreign exchange risk) include daily position valuation, limit monitoring, sensitivity analysis, value-at-risk, and stress testing analyses, among others.

Non-trading portfolios consist mostly of positions resulting from the interest rate management of our retail and commercial banking assets and liabilities, as well as non-traded financial instruments. The key objective of market risk management for non-trading portfolios is to maximize net interest income.

Wema Bank is exposed to market risk due to positions established in its trading and banking books. When appropriate, we apply the same risk management strategies and measurement tools to trading and non-trading portfolios.

One of the key goals of market risk management, as part of our independent risk function, is to ensure that our business units' risk exposures are within the allowed limits and aligned with the established plan. To achieve this goal, market risk management collaborates closely with risk takers ("the business units") as well as other control and support groups.

Market risk governance

Market risk management governance is intended and implemented to encourage oversight of all market risks, effective decision-making, and prompt escalation to senior management and the board.

Market risk management creates and implements a framework for systematically identifying, assessing, monitoring, and reporting on market risk vulnerabilities. Market risk managers identify market risks by doing active portfolio research and engaging with business sectors.

Wema Bank manages and controls market risk through Board-approved policies and limitations (BRMC). These rules and restrictions ensure that risks faced across business activities and on an aggregate basis are within the Bank's risk appetite, while also taking regulatory restraints into account.

The restrictions are recommended by the Head of Market Risk Management via the Chief Risk Officer (CRO) and approved by the appropriate management committees, followed by the Board (BRMC).

The risk reporting system include presenting reports to the Asset and Liability Committee (ALCO), Management Risk Committee (MRC), and Board Risk Management Committee (BRMC). The management committees receive market risk reports and suggestions on a regular basis, and relevant reports are given to the Board Risk Management Committee (BRMC) quarterly.

Notes to the financial statements

Exposures to market risks are addressed using a variety of metrics/models, including repricing gap, ratios, value at risk, earning at risk (EaR), economic value of equity (EVE), sensitivity and scenario analysis, among others. In addition, the Bank performs stress tests on a regular basis to assess its sensitivity to extremely severe but probable shocks.

In accordance with the CBN circular on the Basel II/III capital framework, the bank uses the standardized approach for market risk regulatory capital requirements.

Market Risk Measures

Monitoring and Limiting Market Risk Exposures

Our goal is to accurately quantify all forms of market risks using a complete set of risk measures that match economic and legal needs. The quantification of market risks is based on both internally generated key risk metrics/tools and regulatory-defined market risk methodologies.

Limits settings

Specific limitations and triggers (regulatory and internal) have been established across the major market risk categories to prevent excessive market risk exposure. Market risk management ensures that the Bank regularly adheres to these limits and triggers. The following limits amongst others currently exist:

- Open position limits
- Interbank placement limits (DPLs):
- Management action triggers (MATs)
- Stop Loss limit.
- Dealer limits
- Value-at-Risk limits

Mark-to-Market (MTM)

The mark-to-market technique calculates unrealized profit or loss by revaluing open traded positions at current market values. When there are no market prices available for a certain contract period, mark-to-model is used to calculate the applicable market pricing. The Bank's policy is to revalue all exposures in its traded market risk portfolio daily. Generally, marking to market occurs independently of the trading unit.

Sensitivity analysis

Sensitivity analysis assesses the impact of market factor movements on specific instruments or portfolios, such as interest rates and foreign exchange rates, as well as the effect of a one basis point shift in yield. We employ sensitivity metrics to track market risk positions within each risk class. Sensitivity limits are established for portfolios, products, and risk categories, with market depth being a key determinant in setting an acceptable risk threshold.

Value at Risk

Value at risk ('VaR') is a technique for calculating the maximum potential loss on risk positions due to changes in market rates and prices over a set time horizon and at a particular level of confidence. VaR is used to control market risk and is calculated for all trading situations. Where VaR is not calculated explicitly, we employ alternate tools, as described in the 'Stress testing' section below.

Our models are predominantly based on historical and parametric simulations which incorporate the following

Notes to the financial statements

features:

- Historical market rates and prices are calculated with reference to foreign exchange rates, interest rates, and the associated volatilities.
- Potential market movements utilized for VaR are calculated with reference to data from at least the past five years; and
- VaR measures are calculated to a 99% confidence level and use a one-day holding period.

The nature of the VaR models indicates that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

VaR Model Limitations

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- Using historical data as a proxy for estimating future events may not cover all potential events, especially extreme ones.
- Using a holding period assumes that all positions can be liquidated, or risks offset during that period, which may not fully reflect market risk during times of severe illiquidity.
- Using a 99% confidence level does not guarantee accuracy and;
- The VaR is determined based on outstanding exposures at the end of the business day and may not account for intra-day changes.

Risk factors are reviewed on a regular basis and incorporated directly in the VaR models, where possible.

Stress Testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible events or movements in a set of financial variables. In such cases, losses can be far higher than those indicated by VaR models. Scenarios are created to capture the most relevant future occurrences or market movements for risk variables. The Bank's risk appetite for possible stress losses is defined and monitored. Reverse stress tests are conducted under the assumption that there is a fixed loss. The stress testing process determines which scenarios cause this loss. The reverse stress test is intended to better comprehend circumstances that may have contagion and systemic repercussions outside of normal corporate contexts. Stressed VaR and stress testing, together with reverse stress testing and gap risk management, give management with insights into the 'tail risk' beyond VaR, for which Wema Bank has a limited appetite.

Back-testing

We routinely validate the correctness of our VaR models by back testing them against both actual and hypothetical profit and loss figures and the related VaR statistics. Non-modeled factors like fees, commissions, and intra-day transaction income are excluded from the hypothetical profit and loss statement. We would expect, on average, to see two or three losses in excess of VaR at the 99% confidence level over a one-year period. The actual number of losses in excess of VaR over this period can therefore be used to gauge how well the models are performing.

Structural foreign exchange exposures

Foreign exchange risk refers to the existing or potential risk to earnings and capital posed by adverse changes in foreign exchange rates.

Structural foreign exchange exposures refer to net investments in currencies other than the Naira. Exchange

Notes to the financial statements

changes in structural exposures are reflected in 'Other comprehensive income'. In our consolidated financial accounts, we use the naira as the presentation currency. As a result, exchange rates between the Naira and all other currencies used in our daily operations have an impact on our consolidated balance sheet. Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our capital ratios are largely protected from the effect of changes in exchange rates.

The Asset and Liability Committee monitors the foreign exchange position daily and meets bi-monthly to discuss it.

Interest rate risk in the banking book

The interest rate in the banking book (IRRBB) is a significant component of the Bank's market risk exposures. This is the risk that changes in prevailing interest rates will have a negative impact on the market value of assets versus liabilities and/or income versus expenses. The Bank's trade and banking books contain interest-sensitive assets and liabilities, which subject it to interest rate risk.

Wema Bank identified four major sources of IRRBB:

1. Repricing risk is the risk of negative effects resulting from disparities in the timing of the impact of interest rate changes on the value of assets and liabilities.
2. Yield curve risk is the risk of negative repercussions caused by a change in the shape of the yield curve.
3. Basis risk is the risk of adverse outcomes caused by changes in the difference between two or more rates for different instruments of the same maturity.
4. Option risk is the risk that changes in market interest rates result in changes in the value or maturity of instruments.

Measurement of interest rate risk in the banking book

Interest rate risk in the banking book is measured and controlled using three metrics:

1. Re-pricing gap analysis
2. Net Interest Income Sensitivity; and
3. Economic Value of Equity.

Re-pricing gap analysis

This enables the Bank to maintain a positive or negative gap depending on the forecast of interest rate trend. The amount of the gap is then modified to either hedge net interest income against changing interest rates or anticipate increased net interest income in accordance with market expectations.

Net interest income sensitivity

A key component of our non-traded interest rate risk management is monitoring the sensitivity of predicted net interest income to different interest rate scenarios (simulation modeling), while keeping all other economic variables constant. Projected net interest income sensitivity figures reflect the impact of pro forma movements in projected yield curves based on a static balance sheet size and structure assumption, except for cases where the size of the balances or repricing is deemed interest rate sensitive (non-interest-bearing current account migration and fixed rate loan early repayment). Wema Bank actively strives to modify the interest rate risk profile to maximize net income.

Notes to the financial statements

Economic value of equity (EVE)

The economic value of equity ('EVE value') is the present value of future banking book cash flows that could be allocated to equity providers in a managed run-off scenario. This equals the current book value of equity plus the present value of future net interest income in a managed run-off scenario. Deducting the book value of equity from the computed EVE value yields the present value of net interest income under any interest rate scenario, including managed run-off. An EVE sensitivity is the extent to which the EVE value will fluctuate due to a pre-specified shift in interest rates, while all other economic factors are held constant.

The EVE sensitivity is the sum of the sensitivity of discounted net interest income and the sensitivity of the net present value of any transactions utilized to hedge equity-based interest income. If the EVE sensitivity is adjusted to remove the sensitivity in net present value of any transactions used to hedge the interest income earned on equity, the resulting adjusted EVE sensitivity represents the extent to which discounted net interest income is sensitive to a pre-specified change in interest rates under a managed run-off scenario.

When determining the sensitivity of the economic value of stock to interest rate fluctuations, the timing of principle cash flows can change but the amount remains constant.

EVE can also be used for assessing the economic capital required to support interest rate risk in the banking book ('IRRBB'):

When EVE exceeds the current balance sheet carrying value of equity in any scenario, the banking book income stream is positive (i.e. profit) and hence capital accretive, requiring no economic capital for IRRBB.

Where the EVE of any scenario is less than the current balance sheet carrying value of equity, the banking book income stream is negative (i.e., a loss), and hence capital deductive under that scenario, with economic capital for IRRBB held against this loss

In thousands of Nigerian Naira

Sensitivity of projected net interest income	200bps parallel increase	200bps parallel decrease
2023		
Period ending 31 December	1,834,421	(1,834,421)
2022		
Period ending 31 December	(7,954,223)	7,954,223

Notes to the financial statements

Liquidity Risk Management

Overview

Liquidity risk is the risk that the Group will be unable to meet payment obligations as at when they fall due or without incurring a higher-than-normal cost in the process. The Group's liquidity risk management framework aims to ensure that the Group can always meet its payment obligations while also managing liquidity and funding risks within its risk appetite. The approach considers all important and major causes of liquidity risk, whether they are on- or off-balance sheet.

Liquidity risk management framework

Liquidity risk management governance is intended and implemented to encourage oversight of all liquidity concerns, effective decision-making, and prompt escalation to Senior Management and the Board.

The Group has an internal liquidity and financing risk management structure in place to ensure that it can survive severe liquidity pressures. It is designed to adapt to changing business models, markets, and regulations. The Asset and Liability Management Committee (ALCO) manages liquidity and funding in accordance with Bank policies and worldwide best practices.

The Board establishes the Bank's liquidity and funding risk strategy, as well as its risk appetite, based on recommendations from the Chief Risk Officer (CRO) through the Asset and Liability Management Committee (ALCO). At least once a year, the Board authorizes the Group 's Liquidity Policy and Contingency financing Plan, which includes establishing liquidity risk tolerance thresholds that the Group uses to measure and control liquidity risks, as well as our long-term financing strategy.

Treasury is responsible for managing the Bank's overall liquidity and funding position, while Market Risk serves as an independent control function, reviewing the liquidity risk framework, proposing the risk appetite through the Chief Risk Officer (CRO), and validating liquidity risk models used to measure and manage the Group's liquidity risk profile.

In addition, specialized business targets are set to guarantee that the Bank achieves its total liquidity and funding requirements.

Periodic Liquidity Scorecards are used to educate appropriate Management Committees and the Board of Directors on performance versus risk appetite indicators. As part of the annual strategic planning process, we forecast the development of key liquidity and funding metrics based on the underlying business strategies to ensure that the plan meets our risk appetite.

The Group has created a liquidity management strategy based on a statistical model with conservative assumptions about cash inflows and liability. Liquidity positions are assessed by calculating the Group's net liquidity gap and comparing selected ratios to targets outlined in the liquidity risk management manual. In addition, liquidity stress tests are run under extreme withdrawal scenarios. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

Notes to the financial statements

Quantifications

The Group has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches:

1. Funding and Liquidity plan;
2. Gap Analysis; and
3. Ratio Analysis.

The Funding and Liquidity Plan describes the Group's funding sources and applications. The funding liquidity risk limit is determined by computing liquidity ratios and monitoring the cumulative gap between our assets and liabilities. The liquidity gap for any tenor bucket shows the market placement or borrowing required to replace an asset or assets that are approaching maturity. The Group checks the 30-day and one-year cumulative gaps as +/- 20% and 30% of the entire on/off balance sheet size.

The Gap Analysis monitors all contractual cashflows over a 12-month period using predefined maturity buckets. The Group has implemented a set of permitted limitations to limit its exposure to wholesale counterparties, who are historically regarded to be the most vulnerable to market volatility.

Liquidity Coverage Ratio (LCR)

The LCR strengthens the Group's short-term resilience to potential liquidity shocks by guaranteeing that we have enough high-quality liquid assets (HQLAs) to withstand a 30-day acute stress scenario. The LCR standard is intended to ensure that the Group maintains an adequate amount of unencumbered HQLAs that may be converted into cash to meet its liquidity needs over a 30-day time horizon under a significantly severe liquidity stress scenario stipulated by the Central Bank of Nigeria.

We carefully manage the Group's liquidity and funding to support our business strategy and always meet regulatory obligations, even while under stress. To accomplish this, we track our position using a broader range of metrics, including the Liquidity Coverage Ratio ('LCR'). As of December 31, 2023, the Bank's LCR was 135.49%, compared to the regulatory threshold of 100%, and we had high-quality liquid assets totaling N602.92billion. The table below provides a comparative analysis of the Bank's LCR at the conclusion of the fiscal year:

Liquidity Coverage Ratio (LCR)

	31 December 2023	31 December 2022
Total high-quality liquid assets (N'billion)	602.92	380.21
Total net cash outflow (N'billion)	445.00	281.43
LCR Ratio (%)	**135.49%**	**135.10%**

Limit Management and Monitoring

The monitoring procedure focuses on funding portfolios, the forward balance sheet, and general indicators, comparing pertinent information and data to previously specified boundaries. The Bank's Treasury is responsible for ensuring enough liquidity by maintaining an optimal level of liquid assets and available funding for short-term liabilities. Increased withdrawals of short-term money are monitored by measuring the Bank's deposit base. Liquidity risk is disclosed to the Board of Directors quarterly.

Notes to the financial statements

Contingency Funding Plan

The Group has a contingency funding plan which incorporates early warning signals to monitor market conditions. The contingency funding plan covers the following considerations:

- Available sources of secondary funding to supplement cash flow shortages.
- The lead times to obtain such funding.
- The roles and responsibilities of those involved in the contingency plans, and
- The communication and escalation plan when there are signs of deteriorating liquidity conditions.

The Group continuously evaluates its liquidity position and funding plans, understanding that unexpected and/or unforeseen occurrences, whether company-specific or systemic, could result in a short or long-term liquidity crisis. It evaluates its contingency funding plan considering changing market conditions and stress test results.

To monitor liquidity and funding, the Bank's Treasury collaborates with Market Risk to create a liquidity spreadsheet that forecasts fund sources and uses. The spreadsheet considers the impact of both moderate risk and adverse crisis events. The worksheet is an essential part of the contingency funding plan. Although it is unlikely that a big financing crisis will emerge, we believe it is critical to assess the risk and develop contingency plans if one does.

Maturity Risk Profile

The table below displays the undiscounted cash flows from the Group's and the Bank's financial liabilities based on their earliest contractual maturity. The gross nominal inflow/(outflow) shown in the table represents the contractual, undiscounted cash flow from the financial liability or promise.

Notes to the financial statements

Residual Contractual Maturities of Financial Assets and Liabilities

GROUP							
31 December 2023	**Carrying Amount**	**Gross Nominal Inflow/ (Outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
In thousands of Nigerian Naira							
Non-derivative assets							
Cash and cash equivalents	220,233,575	220,637,068	220,637,068	-	-	-	-
Restricted Deposit with CBN	503,320,833	503,320,833	-	-	-	-	503,320,833
Pledged assets	35,216,689	52,736,783	719,795	786,398	1,506,193	12,277,776	37,446,621
Non-pledged trading assets	4,669	4,669	4,669	-	-	-	-
Loans and Advances to customer	801,103,117	966,019,124	323,103,293	148,239,588	139,672,263	236,667,109	118,336,872
Investment securities	628,247,552	1,268,503,629	24,432,100	17,729,174	32,084,046	283,916,310	910,341,999
	2,188,126,435	**3,011,222,105**	**568,896,924**	**166,755,160**	**173,262,502**	**532,861,195**	**1,569,446,325**
Non-derivative liabilities							
Deposits from banks	20,863,530	20,968,150	20,968,150	-	-	-	-
Deposits from customers	1,860,573,537	1,886,592,551	1,770,610,091	51,659,236	28,991,548	35,331,676	-
Other borrowed funds	80,466,750	92,041,881	3,351,959	968,525	11,027,412	75,220,385	1,473,601
	1,961,903,817	**1,999,602,582**	**1,794,930,200**	**52,627,761**	**40,018,960**	**110,552,061**	**1,473,601**
Gap (Asset - Liability)			**(1,226,033,276)**	**114,127,399**	**133,243,542**	**422,309,134**	**1,567,972,724**
Cumulative Liquidity Gap			**(1,226,033,276)**	**(1,111,905,877)**	**(978,662,335)**	**(556,353,201)**	**1,011,619,523**

Liquidity Gap describe a discrepancy or mismatch in the supply or demand for cash inflows and outflows. The ALM Team use maturity gap analysis to compare cash inflows and outflows daily and over a series of time-bands. The liquidity gap reports are prepared using the projection worksheets created for different scenarios and stress levels. For each scenario, the assumptions used were approved by the ALCO. For liquidity in the normal or ordinary course of business, the minimum levels of projected liquidity shall be maintained. For liquidity in all other scenarios and stress levels, the ALCO establishes minimum guidance levels.

Notes to the financial statements

Residual Contractual Maturities of Financial Assets and Liabilities(cont'd)

BANK

31 December 2023	**Carrying Amount**	**Gross Nominal Inflow/(Outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**1 - 5 years**	**More than 5 years**
In thousands of Nigerian Naira							
Cash and cash equivalents	220,206,835	220,206,835	220,206,835	-	-	-	-
Restricted Deposit with CBN	503,320,833	503,320,833	-	-	-	-	503,320,833
Pledged assets	35,216,689	52,736,783	719,795	786,398	1,506,193	12,277,776	37,446,621
Non-pledged trading assets	4,669	4,669	4,669	-	-	-	-
Loans and Advances to customer	801,103,117	966,019,124	323,103,293	148,239,588	139,672,263	236,667,109	118,336,872
Investment securities	620,098,181	1,260,354,258	24,432,100	17,729,174	32,084,046	275,766,939	910,341,999
	2,179,950,324	3,002,642,502	568,466,692	166,755,160	173,262,502	524,711,824	1,569,446,325
Non-derivative liabilities							
Deposits from banks	20,863,530	20,968,150	20,968,150	-	-	-	-
Deposits from customers	1,860,573,537	1,886,592,551	1,770,610,091	51,659,236	28,991,548	35,331,676	-
Other borrowed funds	72,294,463	83,869,594	3,351,959	968,525	11,027,412	67,048,098	1,473,601
	1,953,731,530	**1,991,430,295**	**1,794,930,200**	**52,627,761**	**40,018,960**	**102,379,774**	**1,473,601**
Gap (Asset - Liability)			**(1,226,463,508)**	**114,127,399**	**133,243,542**	**422,332,050**	**1,567,972,724**
Cumulative Liquidity Gap			**(1,226,463,508)**	**(1,112,336,109)**	**(979,092,568)**	**(556,760,518)**	**1,011,212,207**

Notes to the financial statements

Residual Contractual Maturities of Financial Assets and Liabilities

Group **31 December 2022** *In thousands of Nigerian Naira*	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**5 years**	**More than 5 years**
Non-derivative assets:							
Cash and cash equivalents	96,294,862	96,294,862	96,294,862	-	-	-	-
Pledged assets	30,616,318	30,616,318	-	-	-	1,600,000	29,016,318
Non-pledged trading assets	20,933,741	20,933,741	3,550,989	1,153,779	16,228,973	-	-
Loans and advances to customers	521,430,696	521,430,696	205,318,368	91,915,663	47,405,889	134,497,389	42,293,387
Investment securities	333,431,471	333,431,471	47,340,700	34,330,410	60,003,799	28,614,863	163,141,700
	1,002,707,088	1,002,707,088	352,504,919	127,399,852	123,638,660	164,712,252	234,451,405
Non-derivative liabilities							
Deposits from banks	19,153,500	19,153,500	19,153,500	-	-	-	-
Deposits from customers	1,165,934,019	1,165,934,019	1,052,042,528	70,492,412	43,399,079	-	-
Other borrowed funds	69,455,532	69,455,532	17,335,467	6,362,199	126,022	30,556,640	15,075,204
Interest bearing financial liability	71,034,215	71,034,215	17,290,541	6,362,199	47,381,475	-	-
	1,325,577,265	**1,325,577,265**	**1,105,822,036**	**83,216,810**	**90,906,575**	**30,556,640**	**15,075,204**
Gap (asset - liabilities)	**(322,870,178)**	**(322,870,178)**	**(753,317,117)**	**44,183,042**	**32,732,085**	**134,155,611**	**219,376,202**
Cumulative liquidity gap			**(753,317,117)**	**(709,134,076)**	**(676,401,991)**	**(542,246,379)**	**(322,870,178)**

Notes to the financial statements

Bank **31 December 2022**	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**Less than 3 months**	**3 - 6 months**	**6 - 12 months**	**5 years**	**More than 5 years**
In thousands of Nigerian Naira							
Non-derivative assets:							
Cash and cash equivalents	96,262,918	96,262,918	96,262,918	-	-	-	-
Pledged assets	30,616,318	30,616,318	-	-	-	1,600,000	29,016,318
Non-pledged trading assets	20,933,741	20,933,741	3,550,989	1,153,779	16,228,973	-	-
Loans and advances to customers	521,430,696	521,430,696	205,318,368	91,915,663	47,405,889	134,497,389	42,293,387
Investment securities	325,301,099	325,301,099	47,340,700	34,330,410	60,003,799	28,614,863	155,011,328
	994,544,772	994,544,772	352,472,975	127,399,852	123,638,660	164,712,252	226,321,033
Non-derivative liabilities							
Deposits from banks	19,153,500	19,153,500.00	19,153,500	-	-	-	-
Deposits from customers	1,165,934,019	1,165,934,019	1,052,042,528	70,492,412	43,399,079	-	-
Other borrowed funds	61,286,178	61,286,178	17,335,467	6,362,199	126,022	22,387,287	15,075,204
Interest bearing financial liability	71,034,215	71,034,215	17,290,541	6,362,199	47,381,475	-	-
	1,317,407,912	1,317,407,912	1,105,822,036	83,216,810	90,906,575	22,387,287	15,075,204
Gap (asset - liabilities)	**(322,863,140)**	**(322,863,140)**	**(753,349,061)**	**44,183,042**	**32,732,085**	**142,324,965**	**211,245,830**
Cumulative liquidity gap			**(753,349,061)**	**(709,166,020)**	**(676,433,935)**	**(534,108,970)**	**(322,863,140)**

Notes to the financial statements

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

Group	At 31st December 2023			At 31st December 2022		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	NGN	NGN	NGN	NGN	NGN	NGN
Assets subject to market risk						
Cash and cash equivalents	220,233,575	-	220,233,575	70,514,939	-	70,514,939
Cash and bank balances with Central Bank	503,320,833	-	503,320,833	403,346,782	-	403,346,782
Treasury Bills	107,463,715	-	107,463,715	140,496,103	-	140,496,103
Trading assets	4,669	4,669	-	20,933,741	20,933,741	-
Assets pledged as collateral	35,216,689	-	35,216,689	30,616,318	-	30,616,318
Due from other banks	0	-	0	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to banks	115,936,358	-	115,936,358	9,426,521	-	9,426,521
Loans and advances to customers	801,103,117	-	801,103,117	521,430,696	-	521,430,696
Investment securities	520,783,837	-	520,783,837	191,483,233	-	191,483,233
Other financial assets	13,001,896	-	13,001,896	1,402,336	-	1,402,336
	2,317,064,689	**4,669**	**2,317,060,020**	**1,389,650,669**	**20,933,741**	**1,368,716,928**
Liabilities subject to market risk						
Trading liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from banks	20,863,530	-	20,863,530	19,153,500	-	19,153,500
Deposits from customers	1,860,573,537	-	1,860,573,537	1,165,934,019	-	1,165,934,019
Other borrowed funds	80,466,750	-	80,466,750	69,455,532	-	69,455,532
Other financial liabilities	142,585,099	-	142,585,099	71,065,798	-	71,065,798
Subordinated liabilities	-	-	-	-	-	-
	2,104,488,916	**-**	**2,104,488,916**	**1,325,608,849**	**-**	**1,325,608,849**

Notes to the financial statements

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

Bank	At 31st December 2023			At 31st December 2022		
	Carrying amount	Trading portfolios	Non-trading portfolios	Carrying amount	Trading portfolios	Non-trading portfolios
	NGN	NGN	NGN	NGN	NGN	NGN
Assets subject to market risk						
Cash and cash equivalents	220,206,835	-	220,206,835	70,482,995	-	70,482,995
Cash and bank balances with Central Bank	503,320,833	-	503,320,833	403,346,782	-	403,346,782
Treasury Bills	107,463,715	-	107,463,715	140,496,103	-	140,496,103
Trading assets	4,669	4,669	-	20,933,741	20,933,741	-
Assets pledged as collateral	35,216,689	-	35,216,689	30,616,318	-	30,616,318
Due from other banks	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Loans and advances to banks	115,936,358	-	115,936,358	9,426,521	-	9,426,521
Loans and advances to customers	801,103,117	-	801,103,117	521,430,696	-	521,430,696
Investment securities	512,634,466	-	512,634,466	183,352,861	-	183,352,861
Other financial assets	13,001,896	-	13,001,896	1,403,336	-	1,403,336
	2,308,888,578	**4,669**	**2,308,883,909**	**1,381,489,353**	**20,933,741**	**1,360,555,612**
Liabilities subject to market risk						
Trading liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Deposits from banks	20,863,530	-	20,863,530	19,153,500	-	19,153,500
Deposits from customers	1,860,573,537	-	1,860,573,537	1,165,934,019	-	1,165,934,019
Other borrowed funds	72,294,463	-	72,294,463	61,286,178		61,286,178
Other financial liabilities	142,575,102	-	142,575,102	71,065,798	-	71,065,798
Subordinated liabilities	-	-	-	-	-	-
	2,096,306,632	**-**	**2,096,306,632**	**1,317,439,495**	**-**	**1,317,439,495**

Notes to the financial statements

Foreign currency concentrations risk as at 31 December 2023

Group

In thousands of Nigerian Naira	US Dollar	Euro	Pound	Naira	Others	Total
31 December 2023						
Cash and cash equivalents	192,758,261	8,729,290	6,333,485	8,006,001	4,406,538	220,233,575
Restricted Deposit with CBN	0	0	0	503,320,833		503,320,833
Pledged assets	14,297,969	0	0	20,918,720	0	35,216,689
Non-pledged trading assets	0	0	0	4,669	0	4,669
Loans and advances to customers	178,355,383	4,422,799	7,325	618,265,261	52,349	801,103,117
Investment securities	103,593,658	0	0	524,653,894	0	628,247,552
Other assets	3,913,815	1,088,572	3,171	7,859,908	136,430	13,001,896
Total financial assets	**492,919,086**	**14,240,661**	**6,343,981**	**1,683,029,286**	**4,595,317**	**2,201,128,331**
Deposits from banks	20,863,530	-	-	0	-	20,863,530
Deposit from customers	252,315,761	6,657,544	5,311,259	1,596,274,254	14,719	1,860,573,537
Other borrowed funds	51,381,302	-	-	29,085,448	-	80,466,750
Other liabilities	98,671,550	7,801,970	886	31,628,971	4,481,723	142,585,099
Total financial liabilities	**423,232,143**	**14,459,514**	**5,312,145**	**1,656,988,673**	**4,496,442**	**2,104,488,916**

Notes to the financial statements

Bank

In thousands of Nigerian Naira	US Dollar	Euro	Pound	Naira	Others	Total
31 December 2023						
Cash and cash equivalents	192,758,261	8,729,290	6,333,485	7,979,261	4,406,538	220,206,835
Restricted Deposit with CBN	0	0	0	503,320,833	0	503,320,833
Pledged assets	14,297,969	0	0	20,918,720	0	35,216,689
Non-pledged trading assets	0	0	0	4,669	0	4,669
Loans and advances to customers	178,355,383	4,422,799	7,325	618,265,261	52,349	801,103,117
Investment securities	103,593,658	0	0	516,504,523	0	620,098,181
Other assets	3,913,815	1,088,572	3,171	7,859,908	136,430	13,001,896
Total financial assets	492,919,086	14,240,661	6,343,981	1,674,853,175	4,595,317	2,192,952,220
Deposits from banks	20,863,530	-	-	0	-	20,863,530
Deposit from customers	252,315,761	6,657,544	5,311,259	1,596,274,254	14,719	1,860,573,537
Other borrowed funds	51,381,302	-	-	20,913,161	-	72,294,463
Other liabilities	98,671,550	7,801,970	886	31,618,973	4,481,723	142,575,102
Total financial liabilities	423,232,143	14,459,514	5,312,145	1,648,806,389	4,496,442	2,096,306,632

Notes to the financial statements

Operational Risk Management

Introduction
Regardless of its size or the economic sector, every organization faces internal and external factors and influences that make it uncertain whether and when the organization's business objectives will be achieved. According to the International Organization for Standardization (ISO), this uncertainty's effect on an organization's objectives is "risk".

Organizations carry out various activities in other to achieve various objectives. All these activities involve various risks and in diverse degrees. Risk management is inevitable in achieving organizational objectives. Risks are identified, analyzed, and evaluated for modification through risk treatment to satisfy set risk criteria. At every stage in this process, there is communication and consultation with stakeholders and monitoring and reviewing the risks and controls that modify the risk to ensure that no additional risk treatment is required.

Wema Bank's Operational Risk Management

Banks are exposed to numerous uncertain events which negatively impact the achievement of corporate goals and objectives. As a subset of enterprise risk management, which is coordinated activities to direct and control an enterprise with regard to risk, operational risk management aims to reduce losses resulting from inadequate or failed internal processes, people and systems or external events.

Inadequate or failed internal processes entail process risks such as process complexity, inadequate process documentation, and process flaws. People risks are risks associated with failures/inadequacies of bank staff, such as lack of experience and knowledge, insufficient resources, inadequate supervision, and lack of integrity. System risks are associated with system/IT failures, such as security breaches, programming errors, application failures, and system suitability.

External risks arise from events outside the Bank's control, such as natural disasters, terrorism, and other artificial forces.

Wema Bank's operational risk management processes encompass effective risk assessment, decision-making, and implementation of risk control to reduce such threats to acceptable levels.

Operational Risk Management Philosophy

The Bank's operational risk management philosophy is driven by the eleven (11) Operational Risk Management Principles defined by the Basel Committee on Banking Supervision. Adopting these principles has the advantage of strategically creating and driving a robust risk management culture in the Bank. It allows for greater sophistication and consistency in operational risk management.

Operational Risk Management Framework

Implementing a process-driven framework ensures that all principal risks in the Bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision-making.

The Framework documents: -

- Governance structures, including reporting lines and accountabilities;

Notes to the financial statements

- Operational risk management tools and usage;
- Operational risk profile, permissible thresholds or tolerances for inherent and residual risk, and approved risk mitigation strategies;
- Approach to establishing and monitoring thresholds or tolerances for inherent and residual risk exposure;
- Management risk reporting;
- Independent review and assessment of operational risk; and
- Revision of policies whenever a material change in the Bank's operational risk profile occurs.

Policies and Procedures

Operational risk management policies and procedures clearly define all aspects of management, documentation and communication of operational risk. These policies and procedures align with the overall business strategy and support the continuous improvement of the risk management function.

Wema Bank's Operational risk management policies and procedures address the process for review and approval of new products, activities, processes and systems. The review and approval process considers the following: -

- Inherent risks in the new product, service, or activity;
- Resulting changes to the Bank's operational risk profile and appetite and tolerance, including the risk of existing products or activities;
- The necessary controls, risk management processes, and risk mitigation strategies;
- The residual risk;
- Changes to relevant risk limits;
- The procedures and metrics to measure, monitor, and manage the risk of the new product or activity and
- Availability of human and technological resources before introducing new products.

Operational Risk Management Tool

Wema Bank adopts and uses some of the critical tools below for managing operational risk.

• Business Process Mapping: Business process mappings identify the key steps in business processes, activities and organizational functions. They also identify the key risk points in the overall business process. Process maps can reveal individual risks, risk interdependencies, and areas of control or risk management weakness.

• Scenario Analysis: Scenario analysis is a process of obtaining an expert opinion of business line and risk managers to identify potential operational risk events and assess their potential outcomes.

• Risk & Control Self-Assessment (RCSA): Risk & Control Self-Assessment (RCSA) is the process through which the likelihood (probability) of identified risks (inherent and residual) occur and the impact in the event of occurrence. It enables process owners to develop a risk profile for their respective business/support functions and assess the effectiveness of mitigating controls.

• Key Risk Indicators (KRIs): Key Risk Indicators are metrics used to show changes in risk profiles and are designed to monitor the development of significant risks. Key Risk Indicators are defined for the high or medium-risk area in each business/support unit as part of the Bank’s approach to assessing operational risk and setting its risk appetite. Thresholds are also defined for each key risk indicator to serve as a proxy for risk appetite for each risk area and business/support unit.

Notes to the financial statements

• Key Performance Indicators (KPIs): Key Performance Indicators are metrics used to define performance targets for a business/support unit based on its goals and objectives and to monitor its progress towards achieving these targets.

• Internal Loss Data Collection and Analysis: Internal operational loss data, such as loss arising from fraud, forgeries, robbery, and system downtime, provides meaningful information for assessing a bank's exposure to operational risk and the effectiveness of internal controls. Analysis of loss events provides insight into the causes of significant losses and information on whether control failures are isolated or systematic.

• External Loss Data Collection and Analysis: External loss data helps the Bank benchmark its risk management standards for peer review. This is to introspect and consider that if an event can happen in another bank, why would it not happen in Wema Bank. Collection and analysis of external loss events enables the team to devise preventive and control measures against the loss event.

Business Continuity Management

Wema Bank has continuously maintained and improved its business continuity management system to conform to ISO 22301:2019 standards in full compliance with the CBN IT standard blueprint. This enables the Bank to address the needs and expectations of interested parties and support the Bank's strategic priorities.

External auditors annually review the management system to ensure the Bank's control effectiveness against the risk of interruption to the Bank's business activities. There was no nonconformity raised against the Bank during the last audit in September 2023.

Strategic Risk Management Process

To adequately manage the strategic risks faced by the Bank, the strategic risk management process includes:

- Formulating strategic goals and objectives consistent with the Bank's corporate mission and values and translating the goals and objectives into a well-structured strategic plan for delivering and measuring desired outcomes.
- Personnel, technology, funding and capital resources allocation, and prioritisation is compatible with implementation strategies.
- Communication, implementation, and modification of strategies.
- Performance evaluation and feedback mechanism, and
- Design a strategic risk management framework for the Bank's risk profile and sophistication level to ensure that strategic risk is consistently and comprehensively identified, assessed, monitored, controlled, and reported.

Reputational Risk Management

Reputational risk is the potential for negative publicity regarding an institution's business practices and or its key officers, whether true or not, to cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from an institution's failure to manage other risk types effectively.

Wema Bank recognises that managing reputational risk begins with acknowledging that reputation is a matter of perception. Management understands that the Bank's overall reputation is a function of its reputation among its various stakeholders (investors, customers, suppliers, employees, regulators, politicians, non-governmental organisations, the communities in which the firm operates) in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues). A strong positive reputation among stakeholders across multiple categories will result in a strong positive reputation for Wema Bank.

Notes to the financial statements

Wema Bank has established processes to properly articulate, analyse, and manage reputational risk factors in response to challenges.

Exposure to liquidity risk (MARKET RISK)
The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. This measurement complies with the regulatory requirement guideline of the Central Bank of Nigeria.

The details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	Group			Bank
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
At the end of the year	35.17%	30.51%	35.17%	30.51%
Average for the year	32.38%	32.78%	32.38%	32.78%
Maximum for the year	37.01%	35.76%	37.01%	35.76%
Minimum for the year	28.46%	29.78%	28.46%	29.78%

Capital Management

Regulatory capital
The Bank's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria.

The Bank, in 2008 took a proactive step of commencing the process of disencumbering the books of doubtful and classified assets so as to lay a solid foundation for a more virile and prosperous Bank.
In the aftermath of this our capital management objectives have been to:

Stop further erosion of shareholders' wealth;
- Take all necessary measures to bring the Bank's capital to the level set by the regulatory authorities; and
- Sustain the Bank's capability to continue as a going concern.

The Bank has instituted effective mechanisms for the daily monitoring of movement in our capital base and measurement of our capital adequacy ratio by deploying techniques stipulated by the Central Bank of Nigeria (CBN) banks' supervisory guidelines. Throughout the reporting year, the Bank complied strictly with the requirement of monthly rendition of report on same to the CBN. The Auditors are also required to comply with the Nigeria Deposit Insurance Corporation (NDIC) requirement of submitting an annual certificate that consist the computed capital adequacy ratio of the Bank.

To align with the CBN current reforms, we are taking a multiple approach to raising the Bank capital base to the required level through:

Increasing the Bank's revenue base while ensuring efficient management of operating expenses.
Vigorously implementing debt recovery strategies.

Our Bank's regulatory capital, managed by the Financial Control and Treasury Units is divided into two tiers.

Tier 1 capital, which includes share capital, share premium, other reserves and retained earnings.
Tier 2 capital, which includes revaluation reserves and other borrowings

Notes to the financial statements

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, capital market and other risks associated with each asset and counterparty, taking into consideration any eligible collateral guarantee. A similar treatment is accorded to off-balance sheet transactions with adjustments in line with the contingent nature of the underlining potential losses.

Capital Adequacy Ratio

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 10% is to be maintained.

In thousands of Nigeria naira	**31-Dec 2023**	**31-Dec 2022**
Tier 1 capital		
Ordinary share capital	6,429,078	6,429,078
Share premium	8,698,230	8,698,230
Statutory reserves	24,726,903	19,337,047
SMEIES	1,910,121	1,349,419
Other reserves	70,466,862	24,387,535
Total qualifying Tier 1 capital	112,231,193	60,201,308
Deferred tax assets	7,105,000	12,983,230
Intangible assets	2,988,602	2,859,593
	10,093,602	15,842,824
Adjusted Total qualifying Tier 1 capital	102,137,591	44,358,485
Tier 2 capital		
Other comprehensive income (OCI)	13,462,578	9,838,329
Sub-ordinated debts	4,058,438	10,093,383
Total qualifying Tier 2capital	17,521,016	19,931,713
Net Tier 2 Capital	17,521,016	14,786,162
Total regulatory capital	119,658,606	59,144,646
Risk -weighted assets		
Credit risk	613,683,646	349,170,467
Market risk	23,065,793	22,158,676
Operational risk	109,272,232	93,009,010
Total risk-weighted assets	746,021,670	464,338,153
Risk-weighted Capital Adequacy Ratio (CAR)	16.04%	12.74%
Total tier 1 capital expressed as a percentage of risk-weighted assets	13.69%	9.55%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon regulatory capital, but in some cases, the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity

Notes to the financial statements

not falling below the minimum required for regulatory purposes.,

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making.

Account also is taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the Bank’s longer term strategic objective.

Other National Disclosures

Statement of Value Added

	Group				Bank			
In thousands of Nigerian Naira	**2023**	**%**	**2022**	**%**	**2023**	**%**	**2022**	**%**
Gross Income	226,914,538		132,301,314		225,746,689		131,083,309	
Interest Paid	(93,922,252)		(53,054,963)		(92,852,911)		(51,991,333)	
	132,992,286		79,246,351		132,893,778		79,091,976	
Write back/(Impairment) charge on financial assets	(10,563,367)		(4,808,387)		(10,563,367)		(4,808,387)	
Bought-in materials and services	(45,887,623)		(33,675,500)		(45,861,717)		(33,659,078)	
Value added	**76,541,296**	**100**	**40,762,464**	**100**	**76,468,694**	**100**	**40,624,511**	**100**
Distribution								
Employees								
Salaries and Benefits	26,755,149	35	21,332,578	52	26,755,149	35	21,332,578	53
Government								
Income tax	1,796,732	2	1,014,519	2	1,780,725	2	1,014,519	2
Retained in the Bank								
Deferred Tax	5,878,230	11	2,517,462	6	5,878,230	11	2,517,462	6
Assets replacement (Depreciation & Amortisation)	6,122,218	8	4,545,925	11	6,122,218	8	4,545,925	11
Profit transferred to reserve	35,988,967	44	11,351,980	28	35,932,372	44	11,214,028	28
	76,541,296	**100**	**40,762,464**	**100**	**76,468,694**	**100**	**40,624,512**	**100**

Other National Disclosures

Financial Summary

In thousands of Nigerian Naira	Group 31-Dec-23	Bank 31-Dec-23	Group 31-Dec-22	Bank 31-Dec-22	Group 31-Dec-21	Bank 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-19
Assets:										
Cash and cash equivalents	220,233,575	220,206,835	96,294,862	96,262,918	109,726,640	109,714,649	97,524,936	97,527,858	65,974,273	65,967,028
Restricted Deposit with CBN	503,320,833	503,320,833	386,993,380	386,993,380	313,847,420	313,847,420	246,974,959	246,974,959	137,392,701	137,392,701
Pledged assets	35,216,689	35,216,689	30,616,318	30,616,318	83,723,119	83,723,119	27,454,662	27,454,662	26,925,527	26,925,527
Investment securities	628,252,221	620,102,850	352,912,906	344,782,534	174,081,524	163,120,256	183,799,001	172,860,013	150,100,752	139,193,787
Wema funding SPV Plc	-	1000	-	1,000	-	-	-	-	-	-
Loans and advances to customers	801,103,117	801,103,117	521,430,696	521,430,696	418,864,303	418,864,303	360,076,079	360,076,079	289,239,870	289,239,870
Investment property	-	-	-	-	-	-	38,388	38,388	39,330	39,330
Right of use Assets	1,254,787	1,254,787	997,465	997,465	851,249	851,249	621,528	621,528	509,963	509,963
Property Plant and equipment	35,762,898	35,762,898	25,449,667	25,449,667	22,418,542	22,418,542	21,517,323	21,517,323	20,637,634	20,637,634
Intangible assets	2,988,602	2,988,602	2,859,593	2,859,593	2,170,640	2,170,640	1,391,549	1,391,549	974,069	974,069
Other assets	13,001,896	13,001,896	11,326,857	11,326,857	34,305,993	34,305,993	21,883,615	21,883,615	4,879,789	4,879,789
Deferred tax assets	7,105,000	7,105,000	12,983,230	12,983,230	15,500,694	15,500,694	18,236,111	18,236,111	19,195,906	19,195,906
	2,248,239,618	**2,240,064,507**	**1,441,864,974**	**1,433,703,658**	**1,175,490,124**	**1,164,516,865**	**979,518,151**	**968,582,084**	**715,869,814**	**704,955,604**
Finance by:										
Share capital	6,429,078	6,429,078	6,429,078	6,429,078	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233	19,287,233
Share premium	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230	8,698,230
Additional Tier 1 capital	21,000,000	21,000,000	-	-	-	-	-	-	-	-
Retained earnings	36,585,528	36,608,707	11,449,605	11,529,379	11,023,900	11,241,627	7,103,647	7,314,727	3,254,018	3,450,262
Other reserve	66,585,833	66,585,834	55,965,988	55,965,990	31,137,254	31,137,254	24,052,644	24,052,644	23,921,126	23,921,126
Deposits from banks	20,863,530	20,863,530	19,153,500	19,153,500	40,700,000	40,700,000	-	0	3,638,400	3,638,400
Deposits from customers	1,860,573,537	1,860,573,537	1,165,934,019	1,165,934,019	927,471,175	927,471,175	804,873,392	804,873,392	577,283,469	577,283,469
Lease liabilities	45,951.72	45,951.72	31,583.15	31,583.15	26,879.00	26,879.00	22,875.00	22,875.00	72,584	72,584
Current tax liabilities	1,796,732	1,780,725	1,061,974	1,061,975	716,120	716,120	394,511	394,511	905,364	905,364
Other liabilities	142,585,099	142,575,102	102,430,977	102,359,237	63,697,672	63,637,777	41,562,147	41,522,098	30,039,084	29,996,610
Provision	2,609,348	2,609,348	1,254,489	1,254,489	-	-	-	-	-	-
Other borrowed funds	80,466,750	72,294,463	69,455,532	61,286,178	72,731,661	61,601,569	73,523,471	62,416,375	48,770,306	37,702,326
	2,248,239,617	**2,240,064,506**	**1,441,864,974**	**1,433,703,658**	**1,175,490,124**	**1,164,517,864**	**979,518,150**	**968,582,084**	**715,869,813**	**704,955,604**
Guarantees and other commitments	**317,412,811**	**317,412,811**	**152,455,290**	**152,455,290**	**118,568,967**	**118,568,967**	**78,692,203**	**78,692,203**	**83,890,369**	**83,890,369**

	Group 31-Dec-23	Bank 31-Dec-23	Group 31-Dec-22	Bank 31-Dec-22	Group 31-Dec-21	Bank 31-Dec-21	Group 31-Dec-20	Bank 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-19
Gross earnings	226,914,538	225,746,689	133,053,047	131,083,309	93,632,481	92,137,078	81,382,795	79,876,995	94,890,127	93,389,811
Profit/(loss) before taxation	43,663,929	43,591,327	14,883,961	14,746,008	12,377,495	12,384,142	5,931,687	5,946,523	6,760,021	6,770,828
Income tax	(7,674,962)	(7,658,955)	(3,531,981)	(3,531,981)	(3,450,940)	(3,450,940)	(1,354,306)	(1,354,306)	(1,560,080)	(1,560,080)
Profit/(loss) after taxation	**35,988,967**	**35,932,372**	**11,351,980**	**11,214,027**	**8,926,555**	**8,933,202**	**4,577,381**	**4,592,217**	**5,199,940**	**5,210,748**